



INDUSTRY SURVEY

ISLE OF MAN
FINANCIAL
SERVICES
AUTHORITY

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INTRODUCTION

The Isle of Man Financial Services Authority (the Authority) commissioned an Industry Survey to obtain feedback on their performance from the firms it regulates, supervises and oversees. All regulated entities and designated businesses in the Isle of Man were eligible to take part.

The Authority is an independent Statutory Board of the Isle of Man Government. The regulatory objectives are:

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

The aim of the Industry Survey was to obtain up-to-date feedback and understanding from regulated entities and designated business on how they interpret and understand the Authority's activities, and the impact such activities may have on them. The previous industry survey was undertaken in 2018 and the published results are on the [Authority's website](#).

Island Global Research was commissioned to undertake the Industry Survey on behalf of the Authority. Island Global Research is an independent market research and consultancy company with a focus on the Crown Dependencies. Data collection took place between 31 January 2023 and 6 April 2023. The final report was submitted to the Authority 16 May 2023.



KEY FINDINGS:

OVERALL IMPRESSION OF THE AUTHORITY

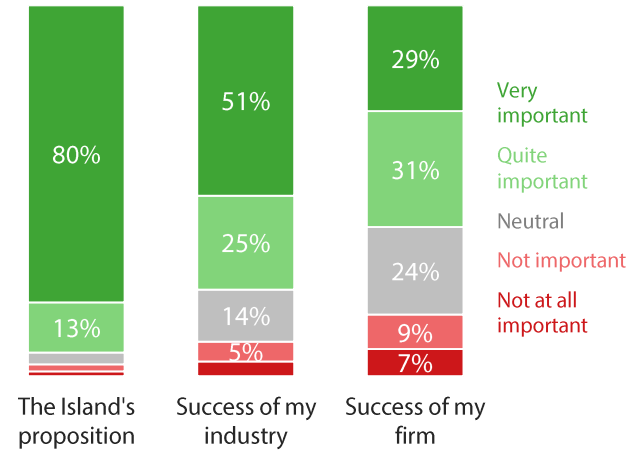
The results demonstrate the important role of the Authority in maintaining the Isle of Man's standing as a responsible international financial services centre.

- 94% of respondents said the role of the Authority is important (including very important) to the island's proposition as a responsible international financial services centre.
- In addition: 77% consider the Authority to be important to the success of the industry, and 60% said it is important to the success of their firm.

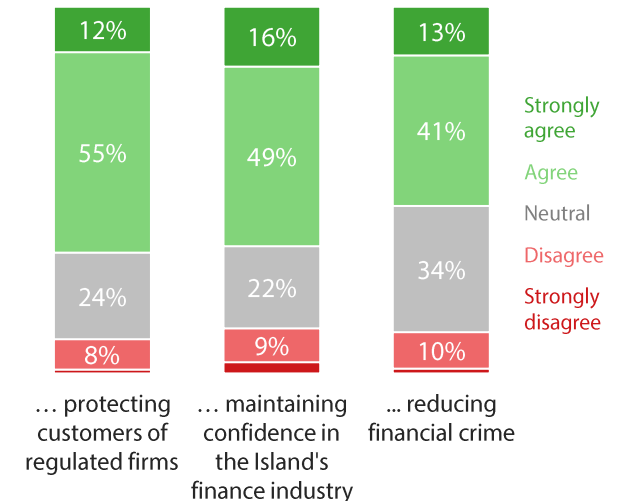
The majority of firms considered the Authority to be effective in achieving its regulatory objectives and fulfilling its responsibilities, though some results are less favourable than in 2018.

- 67% of respondents agreed (including strongly agreed) the Authority is effective in protecting customers of regulated firms, 65% agreed that it is effective in maintaining confidence in the island's finance industry through effective regulation, and 54% agreed that it is effective in reducing financial crime.
- More than 80% of respondents said the Authority was quite or very effective in the regulation and supervision of regulated firms (including collective investment schemes and retirement benefits schemes); and in monitoring compliance of firms with their regulatory obligations and with their AML/CFT obligations.
- Industry feedback shows a decline since 2018 in relation to: "Providing regulatory guidance and information"; "Maintaining and developing an appropriate and proportionate regulatory regime"; and "Participation in consultative bodies, working groups, and other arrangements". In addition, "Taking appropriate, timely and proportionate action" has the most scope for improvement.
- Qualitative feedback referred to an increase in the regulatory requirements, which was not always felt to be proportionate. There were comments relating to enforcement actions, which were viewed by some to have adversely impacted the island's reputation and the level of confidence within the industry. There were also comments about the supervisory approach and experience of on-site inspections. This included some who viewed the Authority's relationship with industry as less collaborative, more arms-length and potentially more stringent than it had been previously.

Overall, how important do you think the role of the Authority is to ...



The Authority is effective in ...



KEY FINDINGS:

SUPERVISORY APPROACH

The majority of respondents considered the Authority's supervisory activities to be effective, and were positive about the Authority across a range of dimensions. 54% of firms considered the Authority to be very or quite effective, and a further 37% were neutral. Less than 10% said they were not effective or not at all effective.

71% of respondents had seen a change in the Authority's approach in the past 24 months. This includes 30% who said it was improved or much improved, and 46% said it was worse or much worse.

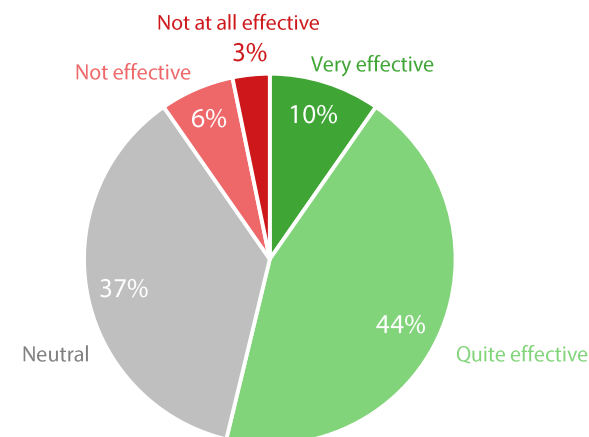
Industry feedback indicated the approach was notably worse in the following aspects:

- Takes actions proportionate to the risks involved*
- Has an early and productive dialogue with industry
- Seeks to understand, collaborate and follow a reasonable path of remediation
- Enforcement is pursued where proportionate, reasonable and appropriate.

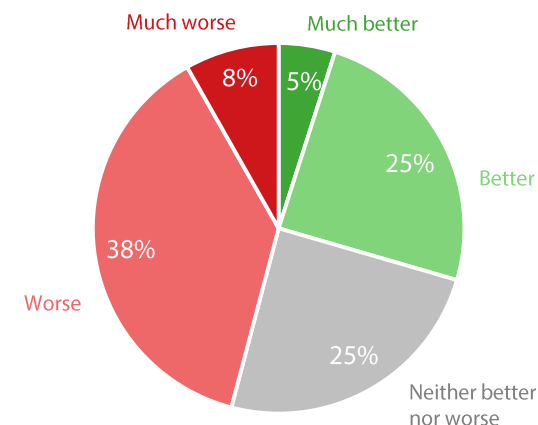
Feedback was provided on the range of supervisory activities. This was generally positive, though views were more mixed in relation to on-site inspections and on enforcement.

- Feedback relation to on-site inspections found more than a third of respondents disagreed or strongly disagreed with the following statements: "Communication on the findings of the on-site inspection is effective"; "The inspection reports have the appropriate level of detail" and "The inspection report is issued in a timely manner".
- Comments often focused inspections undertaken as part of a thematic review. In general, the thematic approach was welcome, but there was some dissatisfaction with elements of the process, including communication and engagement with the inspection team and perceived shortcomings with the timeliness and quality of reports.
- On enforcement, most respondents were very aware of the actions taken. Several noted the number of enforcement actions had increased, and some questioned the proportionality of the actions taken. Others comments about the impact on industry, including on the employment of compliance staff.

How effective do you think the supervisory activities of the Authority are?



71% of respondents said the supervisory approach had changed. If had observed a change, how has it changed?



KEY FINDINGS:

ENGAGEMENT WITH THE AUTHORITY

Feedback on the Funding of the Authority was asked about separately to other consultations.

- 61% of respondents had participated in the consultation on the Funding of the Authority. 52% of those who had participated in the consultation said the process was quite or very effective, 23% were neutral, while 24% said it was not effective or not at all effective.
- Negative feedback focused on the extent to which the Authority had taken into account the impact on industry, and the extent to which responses from industry were taken into consideration in the final draft.
- Written comments suggested many felt the outcome was a foregone conclusion. There were some who argued that there is inherent conflict in having the regulator funded by those it regulates. There were also those who were concerned that the increased fees reduces the competitiveness of the Isle of Man and may drive some businesses to other jurisdictions or discourage new business.

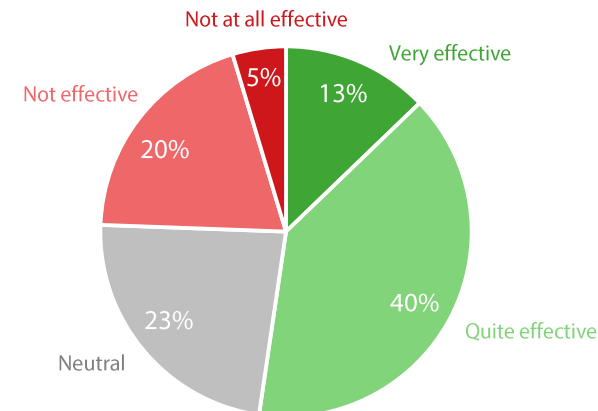
The majority of respondents were satisfied with their relationship with the Authority and rated their experience with staff as good or very good, though the results were less favourable than in 2018.

- 65% of respondents said they were satisfied or very satisfied with their firm's relationship with the Authority. Similarly, 65% of respondents said they would rate their experience with staff at the Authority as good or very good. The equivalent statistics in 2018 were 86% and 84% respectively.
- Comments suggest staff were viewed as professional and approachable, but there were concerns about reduction in relationship managers. There were also some respondents who commented that Authority's relationship with industry was less supportive than before.

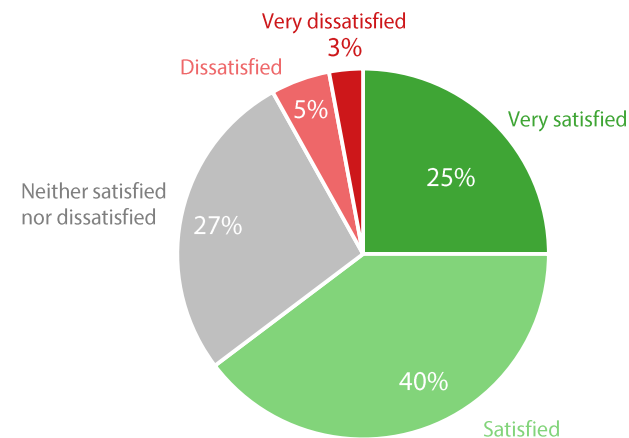
Feedback on events, publications, online updates and the website was generally positive. More than 80% said the FSA hosted webinars were useful or very useful.

More than half rated the guidance as good or very good in terms of "providing firms with a clear explanation of the Authority's expectations", and in issuing "timely updates responding to changes in market conditions or suggestions from industry". Feedback was mixed on "striking an appropriate balance between the regulatory objectives and reducing the burden of compliance", which is consistent with feedback provided elsewhere on the approach.

Overall how effective did you find the Authority's consultation process on the Funding of the Authority?



How satisfied are you with the overall relationship your firm has with the Authority?



METHODOLOGY



SURVEY METHODOLOGY

QUESTIONNAIRE DESIGN

The Industry Survey was undertaken to obtain feedback from the firms that the Authority regulates, supervises and oversees. The questionnaire was designed to be comprehensive and obtain detailed feedback on a wide range of topics.

In addition, the questionnaire contained profiling questions about which regulated activities the firm has permission to undertake, and a self-reported measure of firm size (i.e. small, medium or large).

There were two versions of the questionnaire, one tailored for regulated entities and another for designated businesses. Firms who have both regulated entities and designated businesses were asked to complete the questionnaire as a regulated entity. Where appropriate, questions featured in both versions of the questionnaire. Skip logic was included as some questions were conditional on previous answers (e.g. feedback sought from those who had experience of a process). There were also questions which allowed respondents to provide written comments on each section.

The final questionnaire was agreed with the Authority and was closely aligned to the one used in 2018, which enables comparison. The most substantive difference in the questionnaire was to elicit feedback on the consultation on the Funding of the Authority separately from feedback on other consultations. Differences in how questions were worded between 2018 and 2023 are noted in the body of the report as the results are presented.

Feedback was sought on the following topics:

Overall impression of the Authority

- Importance of the Authority
- Effectiveness of the Authority
- Responsibilities of the Authority

Approach of the Authority and Supervisory / Oversight Activities

- Supervisory approach
- On-site inspections
- Submitting fitness and propriety assessments
- Authorisation / Registration
- Enforcement

Engagement with the Authority

- Consultation on the Funding of the Authority,
- Other Consultations
- The Authority's staff
- Methods of engagement
- Publications and online updates
- Guidance
- Website
- Statistical information

Profiling questions

- Regulated activities they have permission to undertake
- Self-reported firm size

SURVEY METHODOLOGY

DATA COLLECTION

All firms in the Isle of Man who are regulated entities or were registered with the Authority as a designated businesses as at 31 January 2023 were eligible to participate. The Authority emailed representatives at those firms to make them aware of the forthcoming survey and encouraged them to take part. Island Global Research then wrote to the firms, providing a link to an online survey and PDF copies of the two versions of questionnaire. Individuals were encouraged to consult others within the firm before completing the online survey to ensure that the responses received were representative of the wider view of the firm. Email reminders were sent before the survey closed.

The online survey was open between 31 January and 3 March 2023. Firms could complete the survey anonymously, though regulated entities were required to indicate which regulated activities they have permission to undertake. Firms were also asked to indicate if they would like to be named as a contributor to the survey. Appendix A lists the firms who gave their consent to be named.

Respondents were also asked if they would be willing to take part in a follow-up interview with the Managing Director of Island Global Research. Interviews were held with representatives from nine regulated entities. The interviews were very useful and provided additional insight on selected issues. Insights from these interviews have been integrated with written comments and are reported for each topic, as applicable.

We would like to thank everyone who took part in the research, either by completing the survey and/or participating in an interview.



METHODOLOGY

| | | | | | |
|--------------------------|--------------------------|--------------------------------------|--------------------------------------|--|--|
| 2018 All Firms 186 | 2023 All Firms 159 | 2018 Regulated Entities 119 | 2023 Regulated Entities 100 | 2018 Designated Businesses 67 | 2023 Designated Businesses 59 |
|--------------------------|--------------------------|--------------------------------------|--------------------------------------|--|--|

SAMPLING

Firms were categorised in two types: regulated entities and designated businesses.

Regulated entities are firms that have a permission for one or more of the following regulated activities:

- Deposit Taking and/or Credit Unions
- Financial Advisors
- Other Investment Business
- Services to Collective Investment Schemes
- Trust and/or Corporate Services (including professional officers)
- Money Transmission Services
- Retirement Benefits Schemes Administrator or Trustee
- Life Assurance
- General and Captive Insurance (including insurance managers)
- General Insurance Intermediaries

Designated Business are firms that are registered and overseen by the Authority for AML/CFT compliance only.

The Authority provided Island Global Research with the contact details for regulated firms and designated businesses. In total there were 590 email addresses, though some email addresses were used for more than one firm. Invitations were sent to 495 unique addresses and 435 unique domain names. It was difficult to determine the precise population of firms as responses received were often in respect of a group of entities. Similarly, one completed survey response may provide feedback on from the managing entity and also the firms that it manages.

In 2023 the Industry Survey was completed by 159 respondents, of which 100 represented the views of regulated entities and 59 represented the views of designated businesses. Of the total, 7 responses were both a regulated entity and a designated business, and were asked to complete the regulated entity version. Firms were also asked to indicate if they consider themselves to be a small, medium or large firm (see table below).

There were fewer responses in 2023 than in 2018, though overall the profile of responding firms is reasonably similar.

The next section provides further information on the profile of firms who completed the Industry Survey.

| Profile of participating firms | | Total | Regulated Entities | Designated Businesses |
|--------------------------------|----------------------|------------|--------------------|-----------------------|
| In 2018 | | 186 | 119 | 67 |
| Includes: | | | | |
| | Small | 102 | 54 | 48 |
| | Medium / large | 73 | 59 | 14 |
| | Don't know / missing | 11 | 6 | 5 |
| In 2023 | | 159 | 100 | 59 |
| Includes: | | | | |
| | Small | 73 | 32 | 41 |
| | Medium / large | 58 | 52 | 6 |
| | Don't know / missing | 28 | 16 | 12 |

METHODOLOGY

CONTINUED

ANALYSIS AND STATISTICAL CONSIDERATIONS

Analysis was undertaken on the total sample of responding firms, and also by firm type: regulated entity vs designated business. The results report on the total sample of firms and by sub-group where appropriate.

The icon in the top right hand corner of each page shows the number of firms who completed that section of the survey. This is the maximum base size, as some questions were only asked of a sub-set of firms (e.g. only regulated entities or only if had reported had experience of the process). The maximum base size is 159 for the total sample, 100 for regulated entities and 59 for designated businesses. The actual base size when calculating final percentages is reduced as no answer and “don’t know” have been excluded throughout the report.

All surveys that are completed by a sample of the total population are subject to statistical error. The higher the sample size and response rate the lower the margin of error. The table on the right gives an indication of the levels of statistical error to which the data are theoretically subject at the 95% confidence level. The population of respondents in each category has been estimated based on the number of unique domain names in the list of contacts.

The statistical significance of differences between the results from 2018 and 2023 has been reported, where applicable. This is assessed assuming a normal distribution at the 95% level of significance. Notable differences between the two points in time are shown by a green or red arrow. A grey horizontal arrow indicates any difference between the two results is not considered statistically significant.

Completed by:

2023
All Firms
159

2023
Regulated
Entities
100

2023
Designated
Businesses
59

| Research Result | Sample of 159 (population c. 450) | Sample of 100 from (population c. 200) | Sample of 59 from a (population c. 250) |
|-----------------|--------------------------------------|---|--|
| 5% or 95% | ± 2.7% | ± 3.0% | ± 4.9% |
| 10% or 90% | ± 3.8% | ± 4.2% | ± 6.7% |
| 15% or 85% | ± 4.5% | ± 5.0% | ± 8.0% |
| 20% or 80% | ± 5.0% | ± 5.6% | ± 8.9% |
| 25% or 75% | ± 5.4% | ± 6.0% | ± 9.7% |
| 30% or 70% | ± 5.7% | ± 6.4% | ± 10.2% |
| 35% or 65% | ± 6.0% | ± 6.6% | ± 10.7% |
| 40% or 60% | ± 6.1% | ± 6.8% | ± 10.9% |
| 45% or 55% | ± 6.2% | ± 6.9% | ± 11.1% |
| 50% | ± 6.3% | ± 6.9% | ± 11.2% |

Positive:
i.e. 2023 feedback is notably better than in 2018

Negative:
i.e. 2023 feedback is notably worse than in 2018

No change:
i.e. 2023 feedback is not notably better or worse than in 2018

SURVEY SAMPLE

BY ACTIVITY TYPE

Firms were asked to confirm which regulated activities are undertaken, or whether they are a designated business. A single firm may have permissions for multiple activities.

- In 2018: 87 of the 119 regulated entities undertook only one type of activity, 21 undertook two types and 11 undertook three types.
- In 2023: 80 of the 100 regulated entities undertook only one type of activity, 14 undertook two types and 6 undertook three or more types

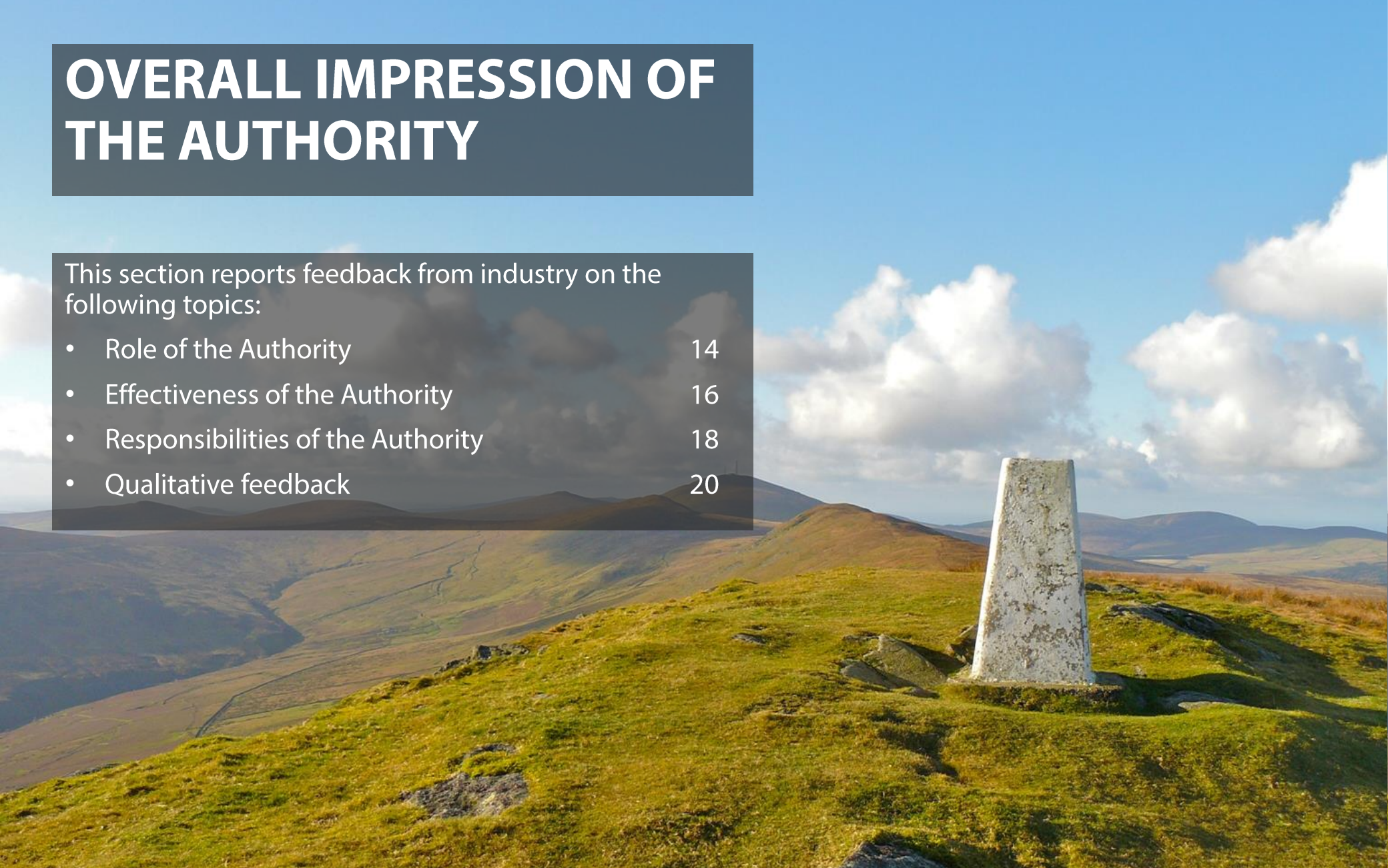
| | | 2018 | | | 2023 | | |
|----|---|-------------------------------|-------------------------------------|---------------------------|-------------------------------|-------------------------------------|---------------------------|
| | Activity | Number of responses | Number of permissions issued by FSA | Response rate by activity | Number of responses | Number of permissions issued by FSA | Response rate by activity |
| RE | Deposit Taking and Credit Unions | 7 | 13 | 54% | 9 | 13 | 69% |
| | Financial Advisors | 15 | 22 | 68% | 10 | 18 | 56% |
| | Other Investment Business | 11 | 24 | 46% | 10 | 11 | 91% |
| | Services to Collective Investment Schemes | 20 | 48 | 42% | 7 | 37 | 19% |
| | Trust and/or Corporate Services (incl. professional officers) | 56 | 143 | 39% | 51 | 112 | 46% |
| | Money Transmission Services | 4 | 5 | 80% | 4 | 4 | 100% |
| | Retirement Benefits Schemes Administrator or Trustee | 9 | 20 | 45% | 6 | 14 | 43% |
| | Life Assurance | 11 | 13 | 85% | 12 | 18 | 67% |
| | General and Captive Insurance (incl. insurance managers)* | 19 | 119 | 16% | 6 | 124 | 5% |
| | General Insurance Intermediaries | 10 | 21 | 48% | 12 | 13 | 92% |
| DB | Designated Business | 73 (6 were also regulated) | 329 | 22% | 66 (7 were also regulated) | 337 | 20% |

* Was referred to as "Non-life insurance, including insurance managers" in 2018

OVERALL IMPRESSION OF THE AUTHORITY

This section reports feedback from industry on the following topics:

- Role of the Authority 14
- Effectiveness of the Authority 16
- Responsibilities of the Authority 18
- Qualitative feedback 20



ROLE OF THE AUTHORITY

2023

2023
All Firms
159

2023
Regulated
Entities
100

2023
Designated
Businesses
59

Firms were asked how important they think the role of the Authority is in relation to the following:

- To the Island's proposition as a responsible international financial services centre
- To the success of their industry
- To the strategic success of their firm

Regulated entities were asked this in relation to the Authority "as an effective regulator to the Island's financial services sector", while designated businesses were asked this in relation to the Authority's role "in the oversight of designated businesses for compliance with their AML/CFT obligations".

The results demonstrate the important role of the Authority in maintaining the Isle of Man's standing as a responsible international financial services centre:

- 94% said the role of the Authority is important or very important to the island's proposition as a responsible international financial services centre.

In addition:

- 77% of respondents consider the Authority to be important or very important to the success of the industry, and
- 60% said it is important or very important to the success of their firm.

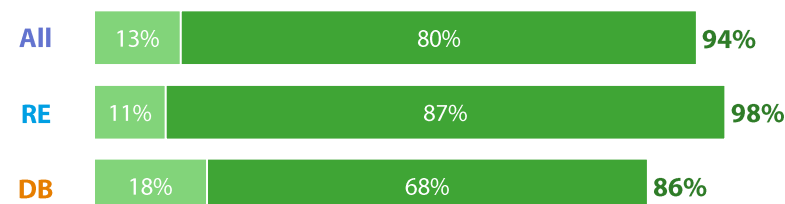
Respondents in regulated entities were more likely to say the Authority is important or very important to the success of their industry and firm, than those in designated businesses.

The following page shows the latest findings alongside those from 2018. There were no notable differences between the two surveys.

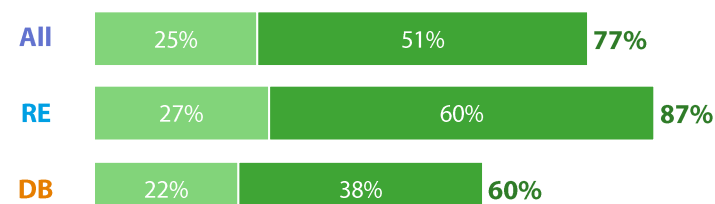
Overall, how important do you think the role of the Authority is ...

■ Important ■ Very important

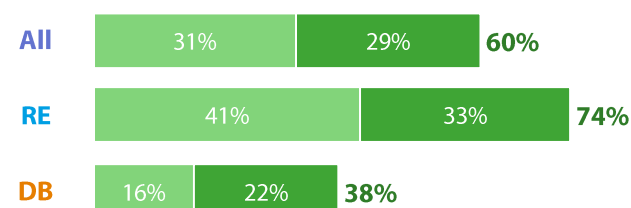
... to the Island's proposition



... to the success of my industry



... to the strategic success of my firm



ROLE OF THE AUTHORITY

2018 & 2023

| | | | | | |
|--------------------------|--------------------------|--------------------------------------|--------------------------------------|--|--|
| 2018 All Firms 186 | 2023 All Firms 159 | 2018 Regulated Entities 119 | 2023 Regulated Entities 100 | 2018 Designated Businesses 67 | 2023 Designated Businesses 59 |
|--------------------------|--------------------------|--------------------------------------|--------------------------------------|--|--|

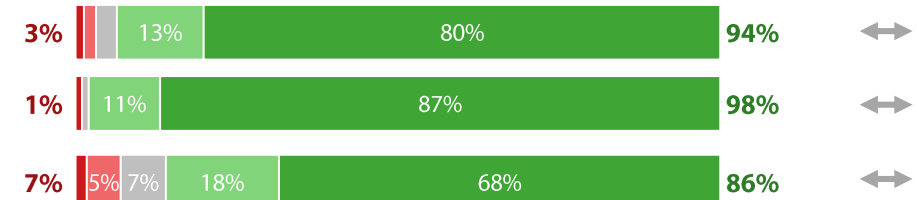
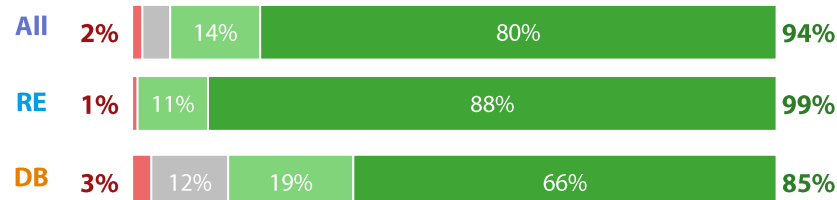
2018

2023

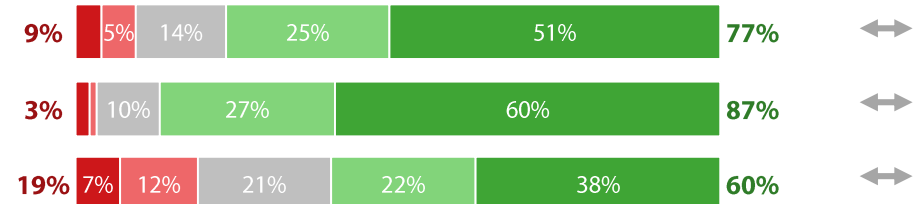
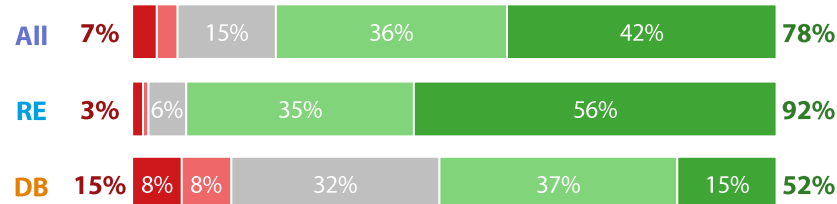
Overall, how important do you think the role of the Authority is ...

■ Not at all important ■ Not important ■ Neutral ■ Important ■ Very important

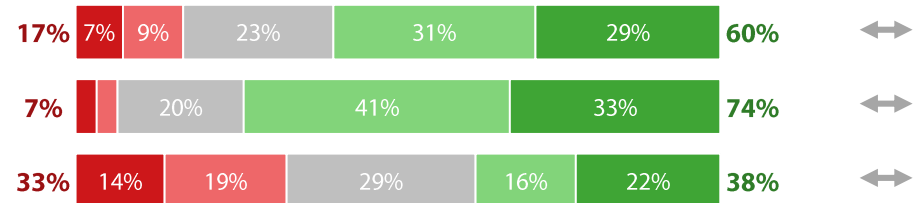
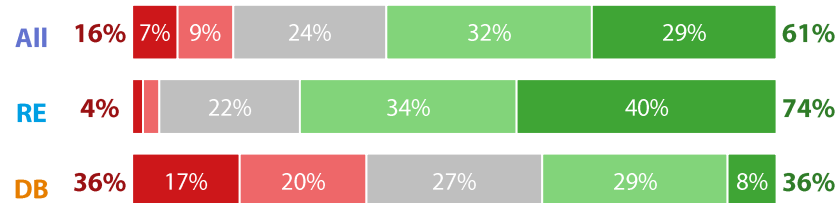
... to the Island's proposition



... to the success of my industry



... to the strategic success of my firm



EFFECTIVENESS OF THE AUTHORITY

2023

2023
All Firms
157

2023
Regulated
Entities
99

2023
Designated
Businesses
58

Respondents were then asked about the effectiveness of the Authority, in relation to its objectives and responsibilities.

Firms were asked the extent to which they agree with the following statements:

- **“The Authority is effective in reducing financial crime”**
- **“The Authority is effective in protecting customers of regulated firms”**
- **“The Authority is effective in maintaining confidence in the island's finance industry through effective regulation”**

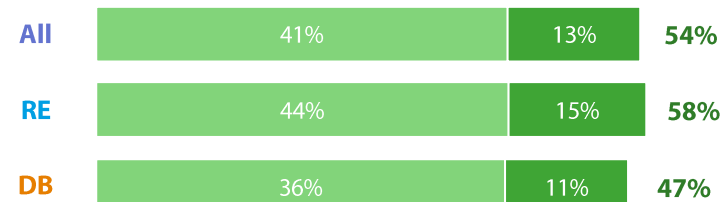
The first statement was asked of all firms, and the second and third statements were only asked of regulated entities.

Just over half of respondents agreed the Authority is effective in reducing financial crime, and around two-thirds of respondents from regulated entities agreed the Authority is effective in protecting customers of regulated firms and in maintaining confidence in the Isle of Man's finance industry.

To what extent do you agree or disagree with the following statements

■ Agree ■ Strongly agree

The Authority is effective in reducing financial crime



The Authority is effective in protecting customers of regulated firms



The Authority is effective in maintaining confidence in the Island's finance industry through effective regulation



EFFECTIVENESS OF THE AUTHORITY

2018 & 2023

| | | | | | |
|--------------------------|--------------------------|--------------------------------------|-------------------------------------|--|--|
| 2018 All Firms 186 | 2023 All Firms 157 | 2018 Regulated Entities 119 | 2023 Regulated Entities 99 | 2018 Designated Businesses 67 | 2023 Designated Businesses 58 |
|--------------------------|--------------------------|--------------------------------------|-------------------------------------|--|--|

The graphs below show the latest feedback alongside responses from 2018. The differences shown are not statistically significant at the 95% level of confidence, though the percentage of respondents who agree that the Authority is effective in reducing financial crime and the Authority is effective in maintaining confidence in the Islands' finance industry through effective regulation is lower than previously

Qualitative feedback offers some explanation. In summary, there are comments indicating the burden of regulation has increased and questions from some respondents about whether this is proportionate. There were also comments relating to approach of the Authority and the enforcement actions taken, which are viewed by some to have adversely impacted the island's reputation and the level of confidence within the industry. This is discussed in more detail on page 20.

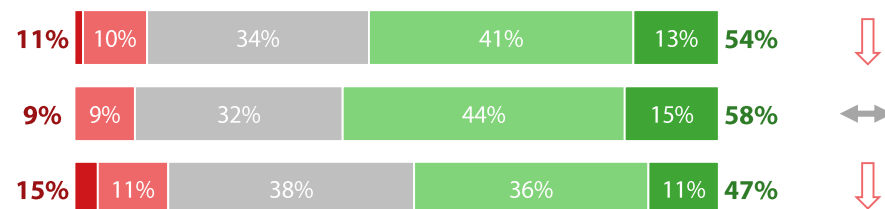
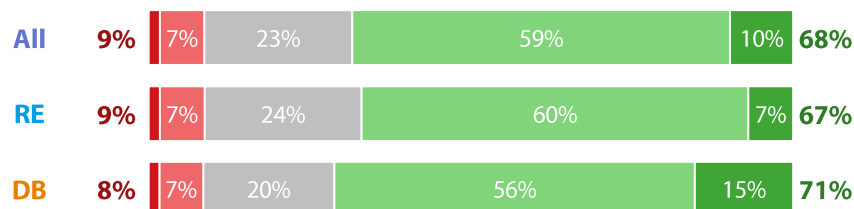
2018

2023

To what extent do you agree or disagree with the following statements:

Strongly disagree Disagree Neutral Agree Strongly agree

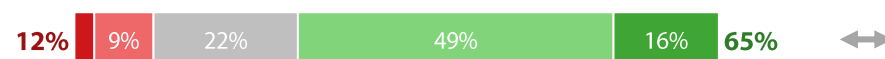
The Authority is effective in reducing financial crime



The Authority is effective in protecting customers of regulated firms



The Authority is effective in maintaining confidence in the Island's finance industry through effective regulation



RESPONSIBILITIES OF THE AUTHORITY

2023

Respondents were asked how effectively they felt the Authority fulfils all aspects of their responsibilities. Three questions were asked of all firms, and there were four additional questions which were asked of regulated entities only (see right).

Overall, the Authority was considered to be effective in fulfilling its responsibilities. More than 80% of respondents said the Authority was quite or very effective in relation to:

- Regulation and supervision of regulated firms, including collective investment schemes and retirement benefits schemes; and
- Monitoring compliance of firms with their regulatory obligations and with their AML/CFT obligations.

While the majority of respondents considered the Authority to be quite or very effective in other aspects, there had been a notable decline since 2018 (as shown on the next page) in the following:

- Providing regulatory guidance and information;
- Maintaining and developing an appropriate and proportionate regulatory regime; and
- Participation in consultative bodies, working groups, and other arrangements

There was also more than a third of respondents who felt the Authority was not effective or not at all effective in relation to taking appropriate, timely and proportionate action.

Qualitative feedback from respondents helps to explain these findings: see page 20 for more detail.

Overall, how effective do you think the Authority is in fulfilling the following responsibilities?

■ Not at all effective ■ Not effective ■ Quite effective ■ Very effective

Regulation and supervision of regulated firms, including collective investment schemes and retirement benefits schemes



Monitoring compliance of firms with their AML/CFT obligations



Monitoring compliance of firms with their regulatory obligations



Providing regulatory guidance and information



Maintaining and developing an appropriate and proportionate regulatory regime



Participation in consultative bodies, working groups, and other arrangements



Taking appropriate, timely and proportionate action



RESPONSIBILITIES OF THE AUTHORITY

2018 & 2023

| | | | |
|--------------------------|--------------------------|--------------------------------------|-------------------------------------|
| 2018 All Firms 186 | 2023 All Firms 157 | 2018 Regulated Entities 119 | 2023 Regulated Entities 99 |
|--------------------------|--------------------------|--------------------------------------|-------------------------------------|

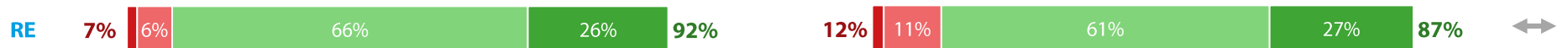
2018

2023

Overall, how effective do you think the Authority is in fulfilling the following responsibilities?

■ Not at all effective ■ Not effective ■ Quite effective ■ Very effective

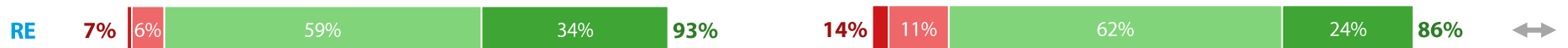
Regulation and supervision of regulated firms, including collective investment schemes and retirement benefits schemes



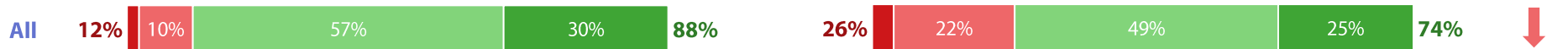
Monitoring compliance of firms with their AML/CFT obligations



Monitoring compliance of firms with their regulatory obligations



Providing regulatory guidance and information



Maintaining and developing an appropriate and proportionate regulatory regime



Participation in consultative bodies, working groups, and other arrangements



Taking appropriate, timely and proportionate action



QUALITATIVE FEEDBACK ON THE AUTHORITY

2023 COMMENTS

All respondents had the opportunity to provide written feedback and follow-up interviews were undertaken with selected respondents. The comments here summarise the main findings in relation to the overall effectiveness of the Authority.

The Authority is effective in reducing financial crime

- Increased burden of regulation, which means the cost of compliance has increased. Some question the benefits from the additional regulation and are sceptical about what it achieves.
- Some comments that the Authority would be more effective if it worked more collaboratively with industry.
- A few noted there are practical limits in combatting money-laundering: criminals will always find a way.

Maintaining and developing an appropriate and proportionate regulatory regime

- As noted above, some respondents say the cost associated with compliance has increased, and this has negatively impacted the profitability of firms – especially smaller firms.
- Regulatory regime can discourage new business from coming to the island
- The regulatory environment is making it harder to recruit and retain compliance staff.
- Interaction with industry is limited and arms-length – which means the Authority's understanding of the firms it regulates is reduced.
- There is also a feeling that the Authority's risk-based approach is less pragmatic and more stringent in applying rules than previously.

Taking appropriate, timely and proportionate action

- The enforcement actions taken were not proportionate.

- Action has been taken to demonstrate their effectiveness as a regulator to an international audience (e.g. MONEYVAL).
- The Authority has been less effective in taking action against some of the larger firms.
- The Authority is less willing to take action against the larger firms and instead has focused on smaller ones.
- Enforcement actions seem to take a long time to conclude – which can be detrimental to the firm and the industry.

Providing regulatory guidance and information

- There are areas where additional guidance or best practice would be appreciated – some would welcome a clearer set of rules or worked examples
- The Authority's staff are less accessible or helpful in dealing with queries.
- Some firms no longer have a relationship manager and queries are now directed to a general mailbox.
- Some firms have had very limited contact with the Authority and would welcome a closer relationship.

Participation in consultative bodies, working groups, and other arrangements

- Relationship with industry feels less collaborative than before.
- Some concerns that the new funding model comprises independence.
- The Authority faces resourcing constraints / has lost experienced staff, which makes it harder for them to engage with industry.

THE AUTHORITY'S APPROACH TO SUPERVISION AND OVERSIGHT

This section reports feedback from industry on the following topics:

| | |
|--|----|
| • Approach of the Authority | 22 |
| • Impact and Effectiveness of Supervisory Activities | 25 |
| • Change in Supervisory Approach | 28 |
| • Risks for Industry and the integrity of the island | 29 |
| • On-site Inspections | 30 |
| • Fitness & Propriety Assessments | 33 |
| • Authorisation and Registration | 36 |
| • Enforcement | 40 |

APPROACH OF THE AUTHORITY

2023

2023
All Firms
152

2023
Regulated
Entities
96

Strongly disagree Disagree Neutral Agree Strongly agree

Respondents were asked to indicate the extent to which they agree or disagree with a range of statements about the approach of the Authority.

Overall, respondents were more likely to agree than disagree to statements, though the results are less favourable than before.

The latest results are shown alongside feedback from 2018 on pages 23 and 24, and were notably worse in the following aspects:

- Takes actions proportionate to the risks involved*
- Has an early and productive dialogue with industry
- Seeks to understand, collaborate and follow a reasonable path of remediation
- Enforcement is pursued where proportionate, reasonable and appropriate.

| To what extent do you agree or disagree with the following statements? | | | | | | |
|---|-----|-----|-----|-----|-----|-----|
| The Authority/body responsible for oversight understands the business and risks of firms that it regulates | All | 18% | 15% | 15% | 49% | 19% |
| The Authority/body responsible for oversight is effective in identifying (AML/CFT) risks and issues impacting your firm | All | 21% | 18% | 21% | 45% | 14% |
| The Authority takes actions proportionate to the risks/benefits (AML/CFT risks) involved | All | 26% | 21% | 29% | 32% | 13% |
| The Authority has an early and productive dialogue with industry | All | 22% | 6% | 16% | 29% | 37% |
| The Authority understands emerging risks | All | 14% | 12% | 34% | 39% | 13% |
| The Authority is innovative and responds to new opportunities | All | 26% | 7% | 19% | 45% | 24% |
| The Authority communicates clearly and effectively | All | 16% | 14% | 26% | 47% | 11% |
| The Authority intervenes at an early stage to prevent unacceptable risks | All | 20% | 19% | 42% | 30% | 7% |
| The Authority seeks to understand, collaborate and follow a reasonable path of remediation | All | 25% | 7% | 18% | 25% | 39% |
| Enforcement is pursued where proportionate, reasonable and appropriate | All | 28% | 7% | 21% | 29% | 33% |
| The Authority designs and develops a regulatory framework that promotes effective controls | RE | 14% | 14% | 20% | 48% | 18% |
| The Authority designs and develops a regulatory framework that promotes good risk management | RE | 12% | 12% | 21% | 51% | 16% |
| The Authority designs and develops a regulatory framework that promotes suitable disclosure | RE | 4% | 4% | 29% | 50% | 17% |

APPROACH OF THE AUTHORITY

2018 & 2023

2018
All Firms
184

2023
All Firms
152

The results from 2023 are shown alongside results from 2018. The percentage of respondents who agree or strongly agree is lower for all statements. A red arrow indicated where the difference is notable at the 95% level of significance.

2018

2023

To what extent do you agree or disagree with the following statements?

Strongly disagree Disagree Neutral Agree Strongly agree

The Authority/body responsible for oversight understands the business and risks of firms that it regulates



The Authority/body responsible for oversight is effective in identifying (AML/CFT) risks and issues impacting your firm



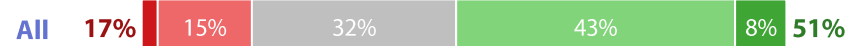
The Authority takes actions proportionate to the risks/benefits (AML/CFT risks) involved



The Authority has an early and productive dialogue with industry



The Authority understands emerging risks and responds to new opportunities



The Authority understands emerging risks



n/a

The Authority is innovative and responds to new opportunities



n/a

APPROACH OF THE AUTHORITY

2018 & 2023

| | | | |
|--------------------------|--------------------------|--------------------------------------|-------------------------------------|
| 2018 All Firms 184 | 2023 All Firms 152 | 2018 Regulated Entities 119 | 2023 Regulated Entities 97 |
|--------------------------|--------------------------|--------------------------------------|-------------------------------------|

2018

2023

To what extent do you agree or disagree with the following statements?

Strongly disagree Disagree Neutral Agree Strongly agree

The Authority communicates clearly and effectively



The Authority intervenes at an early stage to prevent unacceptable risks



The Authority seeks to understand, collaborate and follow a reasonable path of remediation



Enforcement is pursued where proportionate, reasonable and appropriate



The Authority designs and develops a regulatory framework that promotes effective controls



The Authority designs and develops a regulatory framework that promotes good risk management



The Authority designs and develops a regulatory framework that promotes suitable disclosure



IMPACT OF SUPERVISORY ACTIVITIES

2023

Regulated entities were asked about the impact of the Authority's supervisory activities on their firm.

Around two-thirds of respondents indicated the impact of the Authority's supervision activities on their firm's broader risk management practices, governance procedures and AML/CFT practices had been positive or very positive. Relatively few said the impact had been negative, and the remainder indicated there had been no impact.

Around a third of respondents indicated the impact of supervision on their firm's consumer protection practices and the prudential requirements on the financial management of the firm had been positive or very positive impact. In these aspects the majority said there had no impact.

The graphs on page 27 show the latest feedback alongside responses from 2018. The differences shown are not statistically significant at the 95% level of confidence.

Overall, what impact has the Authority's...

■ Very negative ■ Negative ■ No impact ■ Positive ■ Very positive

Supervision activities had on your firm's broader risk management practices over the past few years



Supervision activities had on your firm's governance procedures over the past few years



Supervision activities had on your firm's consumer protection practices over the past few years



Prudential requirements had on the financial management of your firm



Supervision activities had on your firm's AML/CFT practices over the past few years



EFFECTIVENESS OF SUPERVISORY ACTIVITIES

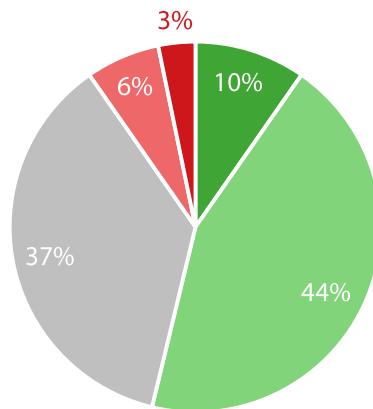
2023

Regulated entities were also asked about the effectiveness of the Authority's supervisory activities, and given the opportunity to provide written comments.

54% of respondents from regulated entities said they consider the supervisory activities to be quite effective or very effective. In contrast, there were 9% who consider them to be not effective or not at all effective.

Key themes from the written feedback and individual interviews are provided on the right. There were many positive comments, but also some constructive feedback, and those who feel the regulatory burden is more onerous than previously.

How effective do you think the supervisory activities of the Authority are?



■ Not at all effective ■ Not effective ■ Neutral ■ Quite effective ■ Very effective

Comments from those who consider supervision quite/very effective:

- The Authority is proportionate and pragmatic
- Generally accessible and open engagement
- Has a positive impact on risk management and governance in our firm
- Appears to take non-compliance matters seriously
- Demonstrates controls within the Island are robust
- Bringing in people from industry is effective for understanding actual practices
- Clear communication, guidance and support is provided,
- Supervision team are proactive, engaging, helpful, and quick to respond to enquiries
- Open dialogue (more so when face-to-face than via email)

But ...

- Overall regulatory burden is becoming more onerous
- Cost of compliance is increasing – and this is because of enhanced regulation rather than a result of financial crime on the island
- Regulatory framework and guidance has been lacking in some areas
- Some teams are under-resourced

Comments from those who consider supervision to be not/not at all effective

- More focused on appeasing international agendas rather than working to improve industries
- Supervisory activity has been stepped up ahead of MONEYVAL
- The Authority has been applying a rules-based inspection to a risk-based environment
- The Authority lacks an in-depth understanding of some businesses it regulates
- Not all firms are treated equally – some concerns that those who are perceived as lower risk are not subjected to same levels of scrutiny

SUPERVISORY ACTIVITIES

2018 & 2023

2018
Regulated
Entities
119

2023
Regulated
Entities
93

The graphs below show the latest feedback alongside responses from 2018. The differences shown are not statistically significant at the 95% level of confidence.

2018

2023

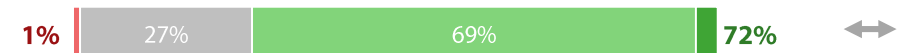
Overall, what impact has the Authority's...

Very negative Negative No impact Positive Very positive

Supervision activities had on your firm's broader risk management practices over the past few years



Supervision activities had on your firm's governance procedures over the past few years



Supervision activities had on your firm's consumer protection practices over the past few years



Prudential requirements had on the financial management of your firm

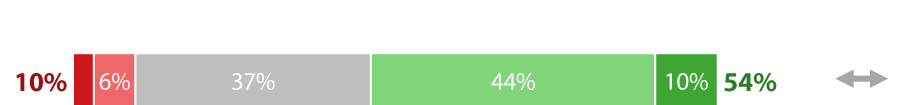


Supervision activities had on your firm's AML/CFT practices over the past few years



How effective do you think the supervisory activities of the Authority are?

Not at all effective Not effective Neutral Quite effective Very effective



CHANGE IN SUPERVISORY APPROACH

2018 & 2023

Respondents were asked whether they had seen a change in the supervisory approach of the Authority over the past 24 months.

- In 2023, 71% of respondents indicated they had observed a change. Of those who had, 30% said it was improved or much improved, while 46% said it was worse or much worse.
- The findings are quite different to 2018 when 58% of respondents indicated that had observed an change. Of those who had observed a change in 2018, 57% said it was improved or much improved and just 13% said it was worse.

Respondents were able to provide written feedback to explain why they felt it had improved or was worse.

Comments from those said it had improved:

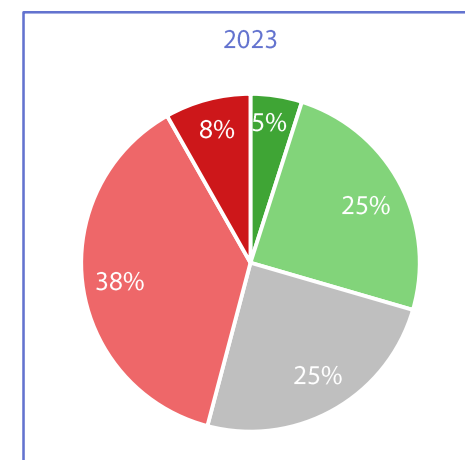
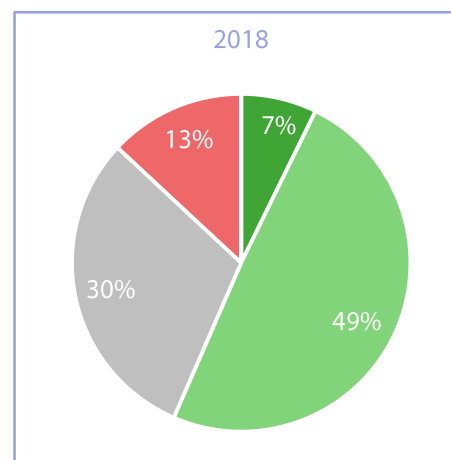
- Thematic reviews and non-financial return as effective ways in collecting information
- Proactive dialogue with industry, and an open engagement with staff
- More desk-based / data driven approach to risk

Comments from those who felt it was worse or much worse:

- The Authority seem to be more focused on how they are perceived internationally (e.g. MONEYVAL) and quicker to find faults and raise fines.
- The Authority is less approachable: more arms-length, less supportive, less pragmatic. Some observed a change in tone, attitude and culture.
- No longer have a relationship manager – this means a reduced scope for dialogue and will limit the Authority's understanding of business risks.
- Staff turnover has impacted resourcing and expertise in the Authority.
- The approach to supervision has become more rules-based and less risk-based than before. Alongside this respondents made reference to their experience or impression from others in the industry of the thematic reviews undertaken and the enforcement actions underway.

**If yes:
How has the supervisory approach changed?**

■ Much worse ■ Worse ■ Neither worse nor improved ■ Improved ■ Much improved



RISKS FOR INDUSTRY & THE INTEGRITY OF THE ISLAND

2023 COMMENTS

Respondents were asked about the risks within their industry and risks to the integrity of the Isle of Man as a responsible finance centre. Key themes have been identified, though the comments also illustrate wide ranging suggestions.

In relation to the risks within your industry, what one or two risk areas do you believe should be priorities for the Authority over the next few years?

- **Reputational risks:** associated with AML/CFT, cyber security, online fraud
- **Regulatory risks:** burden of compliance, cost of doing business / licenses (incl. increased fees) esp on smaller businesses; conflicts associated with funding model; perception of regulatory environment / enforcement actions
- **Resourcing:** lack of fiduciary / compliance professionals on island; ensuring time-spent is efficient (i.e. time on different activities proportionate to risk faced by business). Also limited access to banking facilities.
- **External environment / geo-political considerations:** increase regulatory alignment to Jersey and Guernsey; political unrest / situation in Russia; remaining competitive with other jurisdictions
- **Consumer protection / duty:** including policyholders compensation scheme review; unlicensed providers based off-island; trust law and protection of beneficiaries.

In relation to the risks to the integrity of the Isle of Man as a responsible international financial centre, what one or two risk areas do you believe should be priorities for the Authority over the next few years?

- **International standards:** keeping abreast of developments and good practice; horizon scanning
- **International reputation of IOM:** including outcome of MONEYVAL assessment; via prevention rather than enforcement
- **Relationship with industry:** ensuring a good understanding of the industries they regulate
- **Management of AML/CFT risks**
- **Consumer protection,** including crypto, virtual assets
- **Banking services** available for Trust and CSPs, for fintech and other industries

Are there any areas of risk you believe the Authority has not focused on sufficiently so far? This may be either in relation to risks within your industry or risks to the integrity of the Isle of Man as a responsible international financial centre.

- Impact of regulation on industry. Proportionality – compliance burden hindering innovation. Alignment with Jersey and Guernsey
- Recruitment and retention of high calibre staff (esp. in compliance) – support for professional development / attracting new entrants
- Specific comments about the state of the banking industry and the governance within the Trust and CSP sectors
- ESG

ON-SITE INSPECTIONS

2023

Respondents were asked if they had any experience of on-site inspections from the Authority or the body responsible for oversight* (as applicable).

In 2023, 25% of respondents indicated they had experience of an on-site inspection (22% were undertaken by the Authority and 3% were by the body responsible for oversight).

| On-site inspection undertaken by: | 2018 | 2023 |
|--|------------|------------|
| Any on-site inspection | 41% | 25% |
| Undertaken by the Authority | 30% | 22% |
| Undertaken by the body responsible for oversight | 11% | 3% |

Respondents who had experienced an on-site inspection were asked to provide feedback on their experience. The graphs on the right show the results for 2023, and the latest results are shown alongside responses from 2018 on the following page.

The latest results present a mixed picture, with some aspects viewed more favourably than others. More than a third of respondents disagreed or strongly disagreed with the following:

- Communication on the findings of the on-site inspection is effective.
- The inspection reports have the appropriate level of detail.
- The inspection report is issued in a timely manner.

The findings on the next page show there has been a significant change in the feedback on 6 of the 7 statements since 2018. The feedback is considerably more critical now than previously (see page 31). Qualitative comments provide additional insight, and are summarised on page 32.

To what extent do you agree or disagree with the following statements?

■ Strongly disagree ■ Disagree ■ Neutral ■ Agree ■ Strongly agree

Communication on the focus and objectives of the on-site inspection is effective



The scope of the on-site inspections focuses on the risks



Communication on the findings of the on-site inspection is effective



The inspection reports have the appropriate level of detail



The observations and conclusions contained in the inspection report are useful and helps us to improve our business



The firm has an opportunity to express its views in relation to the findings documented in the inspection report prior to the finalisation of the report



The inspection report is issued in a timely manner



ON-SITE INSPECTIONS

2018 & 2023

2018
All Firms

76

2023
All Firms

36

2018

2023

To what extent do you agree or disagree with the following statements?

Strongly disagree Disagree Neutral Agree Strongly agree

Communication on the focus and objectives of the on-site inspection is effective



The scope of the on-site inspections focuses on the risks***



Communication on the findings of the on-site inspection is effective



The inspection reports have the appropriate level of detail



The observations and conclusions contained in the inspection report are useful and helps us to improve our business



The firm has an opportunity to express its views in relation to the findings documented in the inspection report prior to the finalisation of the report



The inspection report is issued in a timely manner



ON-SITE INSPECTIONS

2023 COMMENTS

All respondents had the opportunity to provide comments on supervision, oversight and on-site inspections.

The comments summarised here includes feedback from those who had experienced an on-site inspection and as well as a few comments from others whose views may be shaped by their perceptions or understanding of what others have experienced. In several instances the feedback focused on visits or inspections as part of a thematic review on Foreign PEPs. The thematic approach was generally welcomed, but feedback from industry also suggests dissatisfaction with elements of the process. Comments often focused on communication and engagement with the inspection team, and perceived shortcomings with the timeliness and quality of reports.

Comments relating on-site inspections, including some specific feedback on the inspection reports:

- Several commented that the time to prepare for the on-site visit / inspection was very limited – at most 2-3 days.
- Some felt the pre-visit material submitted to the Authority had not been reviewed in detail. This was frustrating given the time and resource required to prepare for the visit.
- Some said the visit itself felt rushed – the inspection team had just a couple of days to review a lot of material.
- Varying comments about the amount of interaction that had taken place between the firm and the inspection team – some found the experience productive, others were frustrated that the engagement was limited.
- Several said the inspection team were more rules-based than risk-based in their approach and the interaction felt adversarial. Some contrasted this with their experience of supervisory teams, who were generally regarded as proactive, engaging and helpful.
- Some comments that the staff were respectful, but varied in expertise. Some commented that the Authority seems to be under-resourced.
- Some commented that they felt the staff did not have a good understanding of their business and risks faced.
- Some said the close-out meeting was very limited, others noted differences in tone and content between feedback of the close-out meeting and the final inspection report.
- Several commented that they experienced long delays in receiving the final report.
- Reports are issued on an 'exceptions only' basis – some felt the report lacked context in relation to the issues raised. For instance, contraventions may be raised but without any indication of why or how they had occurred.
- Others noted the focus on exceptions limits the scope for the inspection to be constructive and balanced in the feedback provided.
- Some said their final report contained factual inaccuracies. In some cases, respondents felt there was a lack of open dialogue on the points raised.
- On a more general point – the impact of the number and intensity of on-site inspections have on normal business activity was noted.
- Some commented that they had not experienced a visit or inspection for some time and would welcome additional opportunities to engage with the regulator.

FITNESS & PROPRIETY ASSESSMENTS

2023

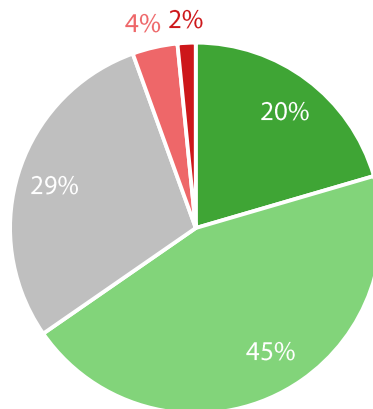
All respondents were asked for their view on the effectiveness of the Authority's fitness and propriety assessments process.

65% of all respondents said they considered the process to be very or quite effective. This was a notable increase since 2018, when the equivalent statistic was 45% (see page 35).

The written comments were generally very positive about the process. Some respondents suggested making this process online. There were also a couple of comments that noted the removal of relationship managers may make the process feel more onerous for applicants.

How effective do you think the Authority's fitness and propriety (vetting) assessment process is?

■ Not at all effective ■ Not effective ■ Neutral ■ Quite effective ■ Very effective



Comments relating to fitness & propriety assessments :

- It has an appropriate level of scrutiny / it asks the right questions
- It's thorough and gains relevant information
- The guidance is clear about what's required
- The process is straightforward and the form is easy to complete
- An efficient process / quick turnaround time
- Supervision team have been helpful

Key themes:

- Could the process be taken online (including a request for a secure portal rather than email)
- Some concern that the process would be more cumbersome now the FSA are no longer providing relationship managers
- Some suggested reducing the number of roles that require approval – instead making them notification only

Other points:

- Scope to use a shorter form if the role is changing (e.g. from MLRO to DMLRO)
- DBS checks for non-nationals can be challenging
- Would like more pragmatism in relation to the equivalency of qualifications obtained outside of the Isle of Man and the UK
- Suggest "Grandfather rule" is removed as feel it is open to being misused
- Scope to remove need for F&P assessments for professional officers
- Some interest in understanding how the FSA make their assessment

FITNESS & PROPRIETY ASSESSMENTS

2023

Respondents were asked if they had any experience of submitting fitness and propriety assessments over the past 24 months.

In 2023, 58% of respondents indicated they had submitted a fitness and propriety assessment over the past 24 months. The equivalent statistic from 2018 was 51%.

Feedback from those who had submitted a fitness and propriety assessment is shown on the right. More than two-thirds of respondents rated the process as good or very good.

The graphs on the following page show the latest feedback alongside responses from 2018.

- There was a notable increase in the percentage of respondents who indicated the time taken to process an application was good or very good (45% in 2018 to 68% in 2023).
- There were also increases in the percentage of people who rated the guidance on the process and the ease of the process as good or very good, though the difference is not statistically significant at a 95% level of confidence.

Based on your experience of the fitness and propriety assessment process, please could you rate the following aspects?

■ Very poor ■ Poor ■ Moderate ■ Good ■ Very good

Guidance on the fitness and propriety assessment process



Ease of the fitness and propriety assessment process



Time taken to process an application



Availability and accessibility of the Authority's staff throughout the process



FITNESS & PROPRIETY ASSESSMENTS

2018 & 2023

2018
All Firms
186 / 95

2023
All Firms
144 / 82

2018

2023

How effective do you think the Authority's fitness and propriety (vetting) assessment process is?

■ Not at all effective ■ Not effective ■ Neutral ■ Quite effective ■ Very effective



If experienced: Based on your experience of the fitness and propriety assessment process, please could you rate the following aspects?

■ Very poor ■ Poor ■ Moderate ■ Good ■ Very good

Guidance on the fitness and propriety assessment process



Ease of the fitness and propriety assessment process



Time taken to process an application



Availability and accessibility of the Authority's staff throughout the process



AUTHORISATION AND REGISTRATION

2018 & 2023

| | | | |
|-------------------------------------|-------------------------------------|--|--|
| 2018 Regulated Entities 44 | 2023 Regulated Entities 49 | 2018 Designated Businesses 49 | 2023 Designated Businesses 14 |
|-------------------------------------|-------------------------------------|--|--|

In the past 24 months, 49 regulated entities who responded to the survey had experience of the authorisation process. This includes 11 who had submitted an initial application, 10 who had applied for extensions to permissions and 27 who had submitted a change of controller application.*

In the past 24 months, 14 designated businesses who responded to the survey had experience of the registration process. This included 10 who had submitted an application for registration and 5 who had submitted a change of controller application.

Respondents who had experience of the different aspects were asked how effective they found the process(es) they had experienced. Results are from 2018 and 2023 are shown below.** Key themes from the written feedback are provided on the following page.

2018

2023

If have experience: How effective do you think the process for ...

■ Not at all effective ■ Not effective ■ Neutral ■ Quite effective ■ Very effective

... consideration and determination of initial application for permissions / registration is?



... applications for extensions to permissions is?



... change of controller applications is?



AUTHORISATION & REGISTRATION

2023 COMMENTS

Respondents were asked if they had any comments relating to authorisation and/or registration processes they had experienced:

Mostly positive feedback relating to the process for an **initial application for permissions**:

- The FSA was approachable, knowledgeable and helpful in terms of guidance. Timescales were realistic and met their expectations.
- The process has been very open and collaborative.
- The FSA went as quickly as the applicant was able – and showed flexibility and pragmatism at times

It was noted the lack of delegated authority to approach non class 12 was an issue.

Also, with the shortage of compliance offices on the island, felt it would be practical to allow them to have some client facing duties without increasing risk.

Feedback on **extension to the permissions** and / or **change of control processes**:

- Support from relationship managers (RMs) was appreciated, with some concern about how the process will be in the future without someone in the RM role.
- It was time consuming and it would like to be able to track progress during the application process.

There was a comment from those who had experienced the **registration process**, which noted they had some challenges knowing how to complete some sections, but the Authority's staff had been helpful.



AUTHORISATION

2018 & 2023

2018
Regulated
Entities
44

2023
Regulated
Entities
11 / 31

In 2023, the questions asked separately about: i) Initial application for permissions; and ii) Application for extensions to permissions AND/OR application for change of control.

2018

2023* (small base size)

Based on your experience of authorisation processes, please could you rate the following aspects?

Very poor Poor Moderate Good Very good

Guidance on the authorisation / relevant change process



Ease of following the authorisation / relevant change process



Time taken to process an application



Availability and accessibility of the Authority's staff throughout the process



REGISTRATION

2018 & 2023

2018
Designated
Businesses
49

2023
Designated
Businesses
14

There were fewer designated businesses in 2023 who had experience of the registration process in 2023, though the feedback received was generally positive.

2018

2023* (small base size)

Based on your experience of registration processes, please could you rate the following aspects?

Very poor Poor Moderate Good Very good

Guidance on the registration process



Ease of following the registration process



Time taken to process an application



Availability and accessibility of the Authority's staff throughout the process



ENFORCEMENT

2023

Respondents were asked the impact of the Authority's enforcement of the regulatory and AML/CFT obligations had on their industry, their view on elements of the enforcement process, and their awareness of the enforcement actions undertaken by the Authority in the past 24 months.

56% said the **impact of the Authority's enforcement of the regulatory and AML/CFT obligations had on their industry** had been positive or very positive, while 28% said it was negative or very negative.

- No notable differences between REs and DBs, or when compared to 2018.

50% rated the **"clarity and transparency of the enforcement process"** as good or very good. 41% rated it moderate and 9% rated it poor or very poor.

38% rated the **"extent to which the Authority focuses on the right issues"** as good or very good. 36% rated it moderate and 26% rated it poor or very poor.

56% rated the **"extent to which the enforcement process acts as an effective deterrent against undesirable behaviours"** as good or very good. 28% rated it moderate and 16% rated it poor or very poor.

- Notable differences between REs and DBs, or when compared to 2018.
Though there is some suggestion that REs were more critical on the second element than previously.

91% of respondents said they were **aware or very aware of the enforcement actions** undertaken by the Authority in the past 24 months.

- Awareness was greater among regulated entities than designated businesses (98% of REs vs 79% of DBs).
- Awareness was also much higher than in 2018 when 66% of all respondents were aware or very aware of the enforcement actions.

Key themes from the qualitative feedback:

- There have been a lot of enforcement actions – which are well covered in the local media.
- Requests for greater transparency on the enforcement process, including a suggestion to provide more granular detail in regard to failings to assist with mapping process (similar to that provided in Guernsey).
- Recognition that being subject to action is perceived to be very detrimental to the business.
- Some said they felt it can also reflect negatively on other firms in the industry.
- Several comments indicating they feel the Authority is less pragmatic than before.
- The actions are negatively impacting employment in the compliance function - individuals are fearful of getting things wrong and/or potential reputational damage.
- Some comments that it the Authority wants to demonstrate their effectiveness to an international audience, and noted the upcoming MONEYVAL visit.
- Some speculation that there is a reluctance to take action against some of the larger firms.

ENFORCEMENT

2018 & 2023

2018
All Firms
186

2023
All Firms
144

2018

2023

Overall, what impact has the Authority's enforcement of the regulatory and AML/CFT obligations had on your industry?

Very negative Negative No impact Positive Very positive



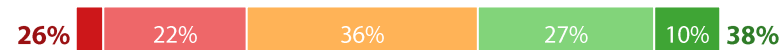
In your view, please could you rate the enforcement process on the ...

Very poor Poor Moderate Good Very good

Clarity and transparency of the enforcement process



Extent to which the Authority focuses its efforts on the right issues



Extent to which the enforcement process acts as an effective deterrent against undesirable behaviours



How aware are you of the enforcement actions undertaken by the Authority in the past 24 months?

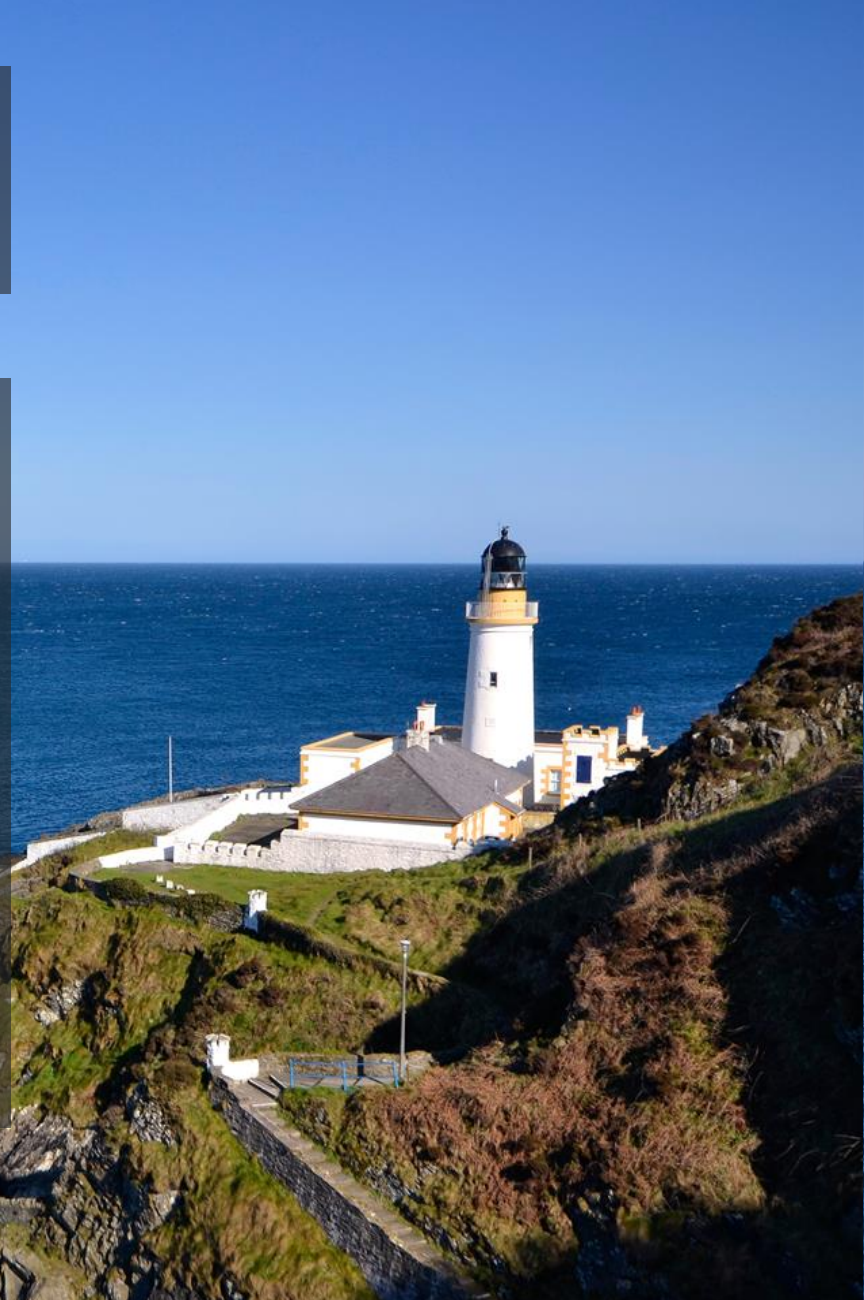
Not at all aware Not aware Aware Very aware



ENGAGEMENT WITH THE AUTHORITY

This section reports feedback from industry on the following topics:

| | |
|---|---------|
| • Consultation process on the Funding Model | 43 |
| • Other consultations | 45 |
| • Experience of the Authority's Staff | 47 & 48 |
| • Communication and Engagement | 47 & 49 |
| • Events | 50 |
| • Publications & Online Updates | 51 |
| • Website | 52 |
| • Guidance | 53 |
| • Statistical Information | 54 |



CONSULTATION: FUNDING MODEL

2023

Respondents were asked provide feedback on the Authority's consultation process, with the Funding of the Authority asked about separately to other consultations.

61% of respondents had participated in the consultation on the Funding of the Authority, including 26% who participated directly, 22% who had via an industry body and 13% who had through the Industry Working Group.

Respondents who participated were asked how effective they found the consultation process. 52% said it as very or quite effective, 23% were neutral, while 24% said it was not effective or not at all effective.

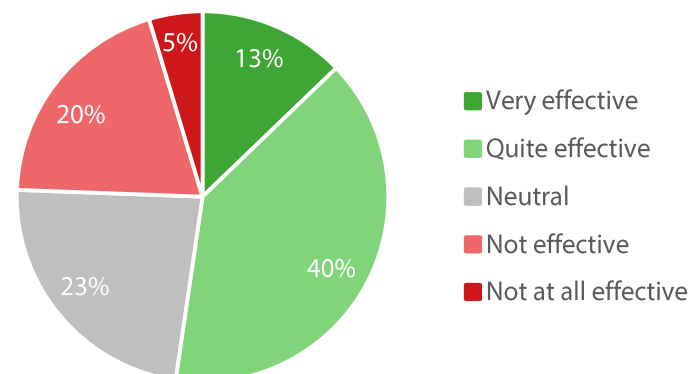
- Bases sizes for sub-group analysis were small, but there does not appear to be any notable differences between regulated entities and designated businesses or by size of firm. There is some indication that those who participated directly were more critical of the process.

Additional feedback on elements of the process is provided on the next page. The two aspects which received the most negative feedback were on the extent to which the Authority had taken into account the impact on industry, and the extent to which responses of industry were taken into consideration in the final draft.

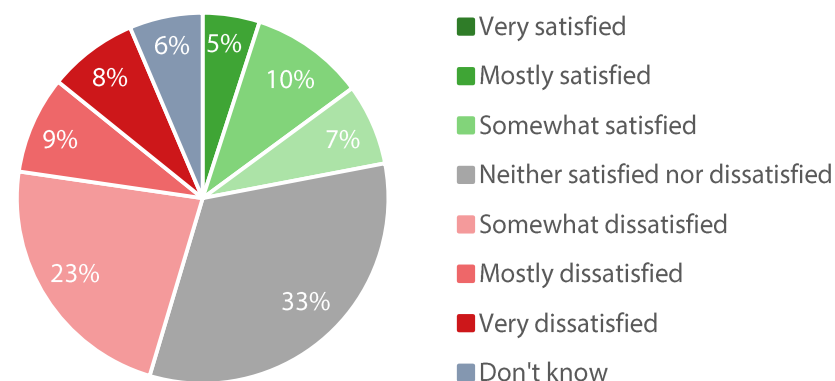
All respondents were asked how satisfied or dissatisfied they were with the conclusions of the consultation on the Funding of the Authority. They were also able to provide written comments (see next page).

- Additional analysis shows some correlation between the outcome of the consultation and feedback on other aspects – those who feel dissatisfied with the outcome of the funding consultation were often more critical of the Authority throughout the survey.

Overall how effective did you find the Authority's consultation process on the Funding of the Authority?



Overall, how satisfied or dissatisfied were you with the conclusions of the Authority's consultation on the Funding of the Authority?



CONSULTATION: FUNDING MODEL

2023

Key themes from the written feedback on the consultation on the Funding of the Authority:

- Lots of comments that the outcome was a foregone conclusion.
- Approach is flawed – i.e. having the regulator funded by those it regulates – and with the potential for abuse by larger firms or larger industry sectors.
- Reduces the competitiveness of the Isle of Man – potential to drive some businesses to other jurisdictions or stop the island winning new business.
- Only minor amendments were made after the detailed consultation.
- Some respondents understand the rationale for raising revenue, even if it increases their overheads.
- A few wondered if the consultation was really needed – it was a decision taken by central government.
- Some were critical of the funding formula. Views that fees were not proportionate to the level of supervision needed.
- Comments that the impact will be disproportionately higher on smaller businesses and/or lower-risk businesses.
- Comments that the final report did not adequately address the points raised in the consultation, and some specific points were not covered.
- Some would like to see increased training, guidance and courses available (to help compensate for the increased fees).

Based on your experience of the consultation process on the Funding of the Authority, please could you rate the following aspects?

Very poor Poor Moderate Good Very good

The extent to which the Authority consulted with industry about changes associated with the Funding of the Authority



Clarity of the driver for, and objectives of, the consultation



The extent to which the impact on industry and other stakeholders was considered in the proposals



The extent to which a sufficient length of time was given to industry to consider and respond to the changes proposed



The effectiveness of the Authority's engagement through sector meetings and working group meetings



The extent to which the responses of industry were taken into consideration in the determination of the final draft



Effectiveness of communication on the rationale for the final draft



CONSULTATION: OTHER TOPICS

2023

Feedback was also sought on the process of other consultations undertaken by the Authority over the past 24 months.

This included the following consultations:

- Request for Input - Innovation and the Regulatory Perimeter
- Non-Life Insurance Framework
- Financial Services Tribunal (Amendment) Rules
- Civil Penalties (Insurance and Beneficial Ownership)
- Funding of the Resolution Authority

A third (33%) of respondents indicated they had participated in one or more of the consultations: around half of these had participated directly, and the other half had participated via an industry body.

Feedback on different elements is provided on the next page, with responses compared to equivalent questions from the 2018 survey.

There was a notable reduction in the relation to “the extent to which the responses of industry are taken into consultation in determination of the final draft” when the latest feedback is compared to 2018.

In other respects, the differences shown were not statistically significant but appear to be less favourable – particularly on “the extent to which the Authority consults with industry about changes to policy”, “the extent to which the impact on industry and other stakeholders is considered in the proposals” and “effectiveness of the communication on the rationale for the final draft.

Base sizes are small so it is hard to be definitive, but it appears that those who were dissatisfied with the outcome of the consultation on the Funding of the Authority were also those who more critical of these other consultations.

There were relatively few comments on these other consultations:

- Some feel the comments provided are not adequately addressed, and the change is likely to proceed in any case.
- Another indicated they felt the consultation process was generally transparent, explains well the rationale and the feedback is timely.
- There was a request for additional consideration of the relevant industry context – and guidance on operational practicalities was lacking

CONSULTATION: OTHER TOPICS

2018 & 2023

2018
All Firms

91

2023
All Firms

47

2018

2023

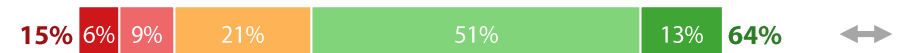
Based on your experience of these other consultations, please could you rate the following aspects?

Very poor Poor Moderate Good Very good

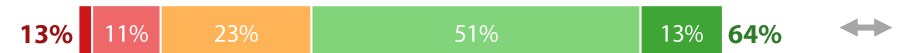
The extent to which the Authority consults with industry about changes to policy



The extent to which the Authority consults with industry about legislative changes



Clarity of the consultation objectives and the changes being proposed



The extent to which the impact on industry and other stakeholders is considered in the proposals



The extent to which a sufficient length of time is given to industry to consider and respond to the changes proposed



The extent to which the responses of industry are taken into consideration in determination of the final draft



Effectiveness of the communication on the rationale for the final draft



STAFF / COMMUNICATION & ENGAGEMENT

2023

Respondents were asked to provide feedback on their experience of the staff at the Authority and also in relation to communication and engagement with the Authority.

The graphs on the next two pages present the latest findings alongside those from 2018. The results remain generally positive, but there are a number of areas which are now viewed less favourably than before. For instance:

- In 2023, 65% of respondents said they would rate their experience with staff at the Authority as good or very good. The equivalent statistic in 2018 was 84%.
- In 2023, 65% of respondents said they were satisfied or very satisfied with the overall relationship their firm has with the Authority. The equivalent statistic in 2018 was 86%.

Respondents were also able to provide written comments on these aspects, which are summarised on the right.

For context, it may also be useful to know:

- 98% of regulated entities and 80% of designated businesses said there had been contact between their firm and the Authority in the past 12 months.
- Most had communicated by email (80% of REs and 59% of DBs), though many had also used the phone (67% of REs and 24% of DBs). In addition, 29% of REs had communicated by letter and 22% had used secure email.
- 31% of REs had attended the annual business meeting, 34% had attended an update meeting that was requested by the firm, and 23% had an update meeting at the request of the Authority

Comments relating to their experience of staff at the Authority

- Most comments were positive. Staff tended to be viewed as professional and approachable.
- Some felt senior staff are less available now than previously.
- Knowledge and experienced staff were appreciated, but there were some concerns about loss of key individuals and high staff turnover.
- In some cases they felt staff lacked an understanding of their business, or were less willing to engage – more emphasis on the handbook.
- Concerns about the move to replace relationship managers with a general mailbox – may adversely impact on the Authority's understanding of their firm.
- Also, a view that the Authority's approach is less collaborative (evidenced by enforcement actions and experience of the Foreign PEP thematic review) and this impacting their relationship with staff.
- Professionalism is undermined when staff are slow to respond or a report contains errors.

Comments relating to Communication & Engagement with the Authority

- Mixed views on this aspect.
- Some describe an open, positive and constructive relationship.
- Others express frustration feeling that the Authority doesn't understand their business or are less open to feedback and challenge on conclusions.
- Again, a sense that the relationship is less collaborative, more arms-length, which has eroded confidence, and has the potential to impact negatively on industry.
- Two comments on meetings with NEDs – one welcomed this development, another felt it was not necessary.

STAFF

2018 & 2023

2018
All Firms
186

2023
All Firms
139

2018

2023

To what extent do you agree or disagree with the following statements? The Authority's staff...

Strongly disagree Disagree Neutral Agree Strongly agree

... have a good understanding of your firm



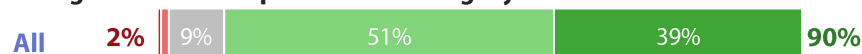
... are experienced and knowledgeable



... have the appropriate technical knowledge and expertise



...demonstrate high standards of professional integrity



...seek to build trust, creating positive relationships with industry

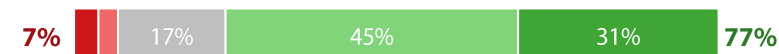
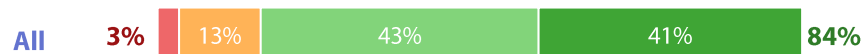


...produce work that is of a consistently high quality



Overall, how would you rate your experience with the staff at the Authority?

Very poor Poor Moderate Good Very good



COMMUNICATION & ENGAGEMENT

2018 & 2023

2018
All Firms

183

2023
All Firms

138

2018

2023

Overall, do you agree or disagree with the following statements?

Strongly disagree Disagree Neutral Agree Strongly agree

The Authority explains the purpose of the information that it requests



The Authority provides an opportunity for your firm to discuss issues of concern with the Authority prior to the Authority coming to a conclusion



Communications from the Authority which outline issues of concern are clear and unambiguous



The Authority is consistent in the messaging of its written and verbal communications with firms



How satisfied are you with the overall relationship your firm has with the Authority?

Very dissatisfied Dissatisfied Neutral Satisfied Very satisfied



EVENTS

2023

Respondents were asked to indicate which types of events they had attended.

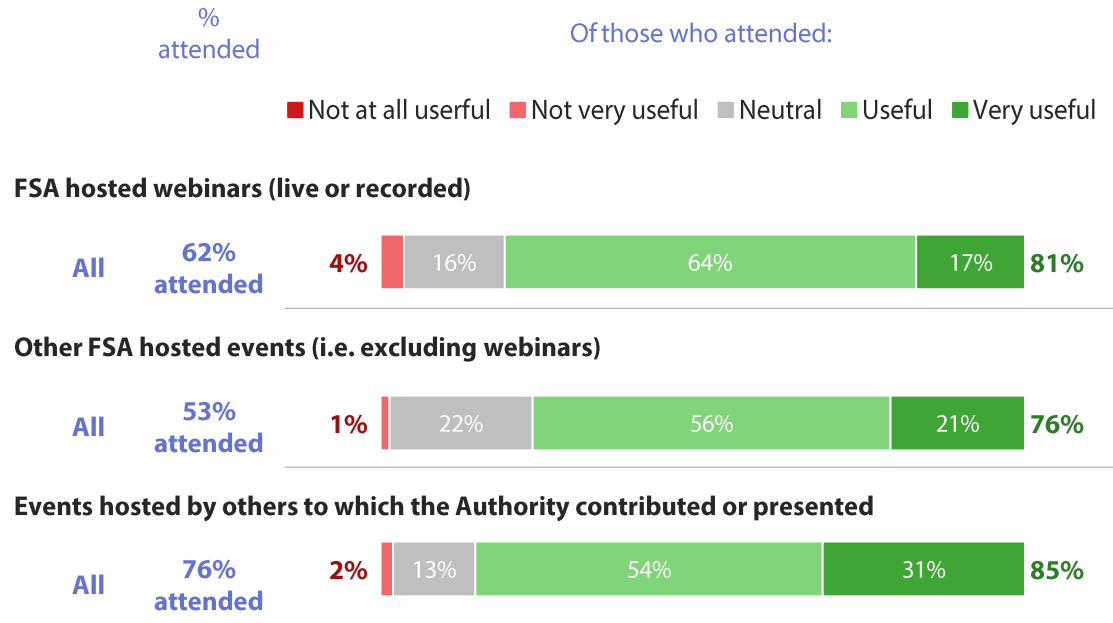
- 62% had attended a FSA hosted webinar (68% of REs, 53% of DBs)
- 53% had attended other FSA hosted events (62% of REs, 39% of DBs)
- 76% had attended events that were hosted by others where the Authority had contributed (85% of REs, 59% of DBs)

Feedback from those who attended the events (see right) indicates that most respondents found them useful or very useful.

There were additional questions from those who had attended an FSA hosted webinar:

- 65% of this group said they had accessed a recording (30% said no and 5% said don't know).
- 30% said considered the webinar to be a very effective form of communication and 46% said they were quite effective (23% were neutral and 1% said not effective).

In the past 12 months, which of the following types of events have you attended and how useful were they?



Mostly positive feedback from the written comments:

- AML events were interesting, relevant and well structured. Examples of good practice, and detailed insights would be appreciated.
- Webinars considered convenient. Being online makes it easier to attend, and offers the opportunity to take notes and/or share with others.
- Several indicated they would like to see more webinars – though noted it is important to keep them up-to-date and choose engaging speakers.
- A couple of respondents said now industry is paying more in fees they expect more, for example in terms of training.

PUBLICATIONS & ONLINE UPDATES

2018 & 2023

2018
All Firms
182

2023
All Firms
137

Most respondents had read the Authority's publications and online updates. The majority of respondents who had read them regarded them to be useful or very useful. There were no notable differences in the feedback when compared to 2018.

There were relatively few written comments, though some respondents had requested additional guidance, best practice and learnings in relation to enforcement. There was also a request for more sector-specific publications, and another for opinion pieces on international changes which may impact the regulatory environment in the Isle of Man.

2018

2023

In the past 12 months, have you read or viewed any of the following publications or online updates from the Authority and how useful were they to you?

% read

Of those who had read:

% read

Of those who had read:

■ Not at all useful ■ Not very useful ■ Neutral ■ Useful ■ Very useful

■ Not at all useful ■ Not very useful ■ Neutral ■ Useful ■ Very useful

Annual Reports

All 68% 2% 26% 61% 10% 71%

88% 6% 6% 28% 55% 11% 66%

Update Newsletters

All 82% 3% 12% 63% 22% 86%

98% 2% 15% 67% 16% 83%

News Items

All 87% 2% 15% 67% 17% 83%

97% 2% 11% 61% 26% 87%

Public Notices

All 89% 3% 12% 57% 28% 84%

97% 2% 10% 57% 31% 89%

Public Warnings

All 89% 3% 14% 56% 27% 83%

99% 4% 13% 48% 36% 84%

E-bulletins

All Not asked

81% 3% 15% 66% 16% 83% n/a

WEBSITE

2018 & 2023

2018
All Firms

180

2023
All Firms

138

Feedback on the clarity and relevance of the information on the Authority's website was mostly positive. However respondents were more critical in relation to the ease of finding information and the search facility. There were no notable differences in the feedback when compared to 2018.

The main theme of the written comments was that the website was difficult to navigate and the search facility is poor. There were also a couple of respondents who noted past guidance and legislation was removed rather than archived, and there had been times it would have be useful to refer to the earlier documents.

2018

2023

How would you rate the Authority's website in terms of:

Very poor Poor Moderate Good Very good

Ease of finding the information you need



Clarity of information provided



Relevance of the information provided



Search facility



General look of the website



GUIDANCE

2018 & 2023

2018
All Firms

181

2023
All Firms

137

There were mixed views on the guidance issued by the Authority. Over half of respondents rated the guidance as good or very good in terms of “providing firms with a clear explanation of the Authority’s expectations”, and in issuing “timely updates responding to changes in market conditions or suggestions from industry”. Feedback was less favourable on “striking an appropriate balance between the regulatory objectives and reducing the burden of compliance” – almost a third rated this as good or very good, while a similar number rated this a poor or very poor.

In their qualitative feedback, several respondents noted the burden and costs of compliance have increased – particularly in relation to AML requirements. Some felt this was disproportionate and said it was having a negative impact on their business.

In other comments, respondents noted that they would welcome additional guidance on good practice, especially given the potential implications if they fail to meet the Authority’s expectations. The technology risk assessments and the Foreign PEP thematic were cited as examples. Another respondent would like to see more from the Authority now they are paying additional fees.

2018

2023

How would you rate guidance issued by the Authority in terms of:

Very poor Poor Moderate Good Very good

Providing firms with a clear explanation of the Authority's expectations

All 6% 6% 25% 54% 15% 69%

12% 7% 30% 44% 15% 58%

Timely updates responding to changes in market conditions or suggestions from industry

All 13% 12% 34% 44% 9% 53%

16% 14% 33% 41% 10% 51%

Striking an appropriate balance between the regulatory objectives and reducing the burden of compliance

All 21% 6% 15% 45% 26% 7% 34%

31% 10% 21% 37% 26% 7% 32%

STATISTICAL INFORMATION

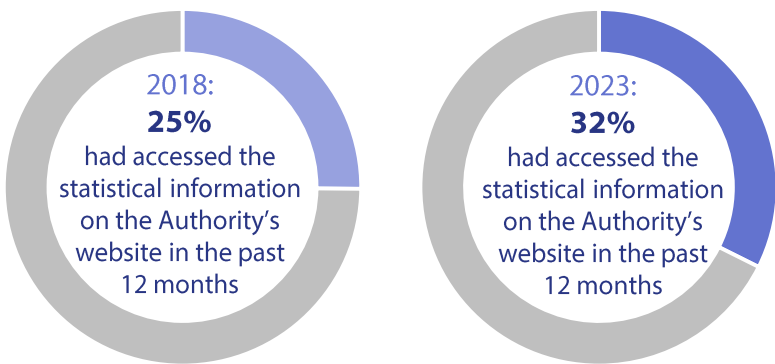
2018 & 2023

| | |
|-------------------|-------------------|
| 2018 All Firms | 2023 All Firms |
| 44 | 44 |

Almost of respondents had accessed the statistical information on the Authority's website in the past 12 months. Those who had accessed the statistical information were asked to rate the ease of finding the information they need and the frequency with which it is updated. Almost two-thirds rated these aspects as good or very good. There were no notable differences in the feedback when compared to 2018.

The following page shows the percentage of respondents who had used statistical information on selected topics, and where used how they rated the relevance of the information available.

There were very few comments. Some noted the information can be out of date, or was not updated frequently as they would like Another noted the mortgage market data was useful but no longer regularly updated. Someone else said they would be interested in statistics from the Authority, such as the number of supervisory visits conducted and the number of inspections carried out.



2018

2023

If accessed: How would you rate the statistical information on the Authority's website in terms of:

Very poor Poor Moderate Good Very good

Ease of finding the information you need



Frequency with which the statistical information is updated



STATISTICAL INFORMATION

2018 & 2023

2018
All Firms

44

2023
All Firms

44

2018

2023

How would you rate the relevance of the statistical information on:

% used

Of those who had used:

Very poor Poor Moderate Good Very good

Pensions



Insurance



Banking



Funds



TCSP



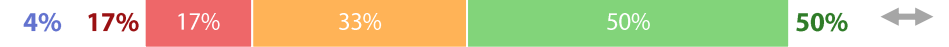
AML/CFT

All Not asked

% used

Of those who had used:

Very poor Poor Moderate Good Very good



29% 2% 29% 66% 68% n/a

| Category | Very poor | Poor | Moderate | Good | Very good |
|----------|-----------|------|----------|------|-----------|
| All | 2% | 0% | 29% | 66% | 68% |

APPENDICES



APPENDIX A: PARTICIPATING FIRMS

The survey received 159 responses from firms invited to participate. The following firms were willing to be named as having completed the survey.

Anglo Manx Trust Company Limited
Anthony Markham Consulting Limited
Aon Insurance Managers (IOM) Limited
Appleby (Isle of Man) LLC
Aston International Limited
AstroPay Global (IOM) Limited
Aviva
Blue Square Wealth Management
Boal & Co
Callin Wild LLC
Callow Matthewman & Co
Callow Matthewman (CSP) Limited
Cayman National Bank (Isle of Man) Limited
Corlett Bolton Limited
CTH Insurance
CW Corporate Services Limited
Döhle Corporate and Trust Services Limited
Deloitte
DQ Advocates Limited
FIM Capital Limited
Flamingo Accounts Limited
Gordon Wilson & Co. Ltd
Hayley McVicar Bookkeeping

HSBC Bank Plc Isle of Man Branch
IFGL
IntegraLife International Limited
IOMCompany.com Limited
Isle of Man Assurance Limited
John Wright
KPMG
Laurence Keenan Advocates & Solicitors
LinkQuid IOM Limited
LJ Management (IOM) Limited
Lloyds Bank Corporate Markets
LMS Partners Limited
MHG Ocean Benefits Limited
Momentum Pensions Limited
Monument International Life Assurance Company Limited
Nedbank Private Wealth Limited
Oak Group (IOM) Limited
Oxford Corporate Management Company Limited
PCS Limited
Pelagos yachts Ltd
Platinum Insurance (Isle of Man) Limited
Polydora Limited

Riela Corporate Services Ltd
Sandstone Tax Limited
Santander International
Sentient International Limited &
SK Bookkeeping Services Limited
Sovereign Trust (Isle of Man) Limited
Stonewell Limited
Suntera (IOM) Limited
Suntera Accounting & Tax Limited
Suntera Digital
Suntera Escrow Services (IOM) Limited
SWB Enterprises
The Law Trust Limited
Thomas Miller (Isle of Man) Limited
Thomas Miller Captive Management Limited
Thomas Miller Investment (Isle of Man) Limited
Thornton Associates
Trident Trust Company (I.O.M.) Limited
Turnstone (Isle of Man) Limited
Utmost International
ZEDRA Trust Company (Isle of Man) Limited
Zeffyr Services Limited

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