

CONSULTATION

Updating the Island's Corporate Laws in line with international AML and CFT standards

Central Registry

INTRODUCTION

- 1 The Isle of Man Central Registry (the “**Registry**”) is operationally responsible for registering, and thereafter maintaining, public registers for legal entities established in the Island; for foreign companies with a substantive link to the Isle of Man; and limited partnerships (without legal personality).
- 2 On the international stage, in terms of the role of companies’ registries generally, we have in recent years witnessed the role evolving; from one of ‘a passive receiver for the registering of documents’, to ‘an active gatekeeper of the information that it holds’; the primary purpose being to better combat money laundering (“**ML**”), terrorist financing (“**TF**”) and proliferation financing (“**PF**”).
- 3 Now, a modern day companies registry is seen as, and per international standards required to, play an active role in enabling, encouraging and providing oversight of compliance with local and international legal frameworks and standards. This has already led to a significant increase in the Registry’s functions; particularly in ensuring the information it holds on its Registers is adequate, accurate and up-to-date.

The National Risk Assessment and MONEYVAL

- 4 Most recently, the Registry, in collaboration with colleagues across Government, has been playing its part in the ongoing work to update the National Risk Assessment (“**NRA**”) for the Island, focussing on that part of the assessment that considers the Island’s exposure to the risk of legal entities being misused for ML, TF and PF.
- 5 The toolkit being used to assess this risk is the World Bank’s ‘national money laundering/ terrorist financing risk assessment toolkit’ and an important component of its methodology has required a review of the legislation that the Registry administers; in particular the legislation administered by it with respect to legal entities.
- 6 This assessment has also contributed, and is an important part of our preparations for the next evaluation of the Island by the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (**MONEYVAL**) particularly with respect to Financial Action Task Force (**FATF**) recommendation 24 on the transparency and beneficial ownership of legal persons. The date of the onsite visit is now confirmed for October 2026.

7. A key component of this risk assessment has been to review the legislation that the Registry administers and, in particular, legislation regarding the different types of legal persons that can be formed here or are required to register here, namely:
- a) Companies
 - companies formed under the Companies Acts 1931 – 2004,
 - companies formed under the Companies Act 2006,
 - companies formed under the Limited Liability Companies Act 1996,
 - Foreign companies that are required to register, under the Foreign Companies Act 2014.
 - b) Limited partnerships (with legal personality) registered under the Partnership Act 1909.
 - c) Foundations established under the Foundations Act 2011. (together the Island’s “**Corporate Laws**”)
 - d) Beneficial Ownership Act 2017 (“**BOA17**”).
8. In some instances, the Registry has concluded that no further primary legislation needs to be brought forward: insofar as the Island’s Corporate Laws/ BOA17 are considered technically compliant with existing international standards; the Registry (or another) has sufficient secondary legislation making powers; or that change can better be affected via updates to existing policies, procedures or processes. Regarding secondary legislation the Registry will shortly be consulting on an amendment to the definition of registrable beneficial owner under section 3 of the BOA17. Further, whilst the focus of this consultation is on primary legislation, we would welcome any comment on the proposal (detailed later on) to bring F-registered companies into the scope of BOA17.
9. However, in other instances the Registry considers that primary legislation is needed. We are therefore proposing to bring forward a *Companies Miscellaneous Amendment Bill* (the “**Bill**”) to ensure that our Corporate Laws and Beneficial Ownership legislation reflect the Island’s commitment, as a jurisdiction, to international anti-money laundering, countering terrorist financing and proliferation financing standards and transparency.
10. The Registry would welcome your views on the policies that will inform the provisions of the Bill.

FATF Recommendation 24: thematic

1. In reviewing our Corporate Laws the themes set out in FATF Recommendation 24 (transparency and beneficial ownership of legal persons) of FATF's [International standards on combating money laundering and the financing of terrorism & proliferation](#) were considered and applied to each Law, particularly:

ML and TF risk: legal persons

Basic information

Beneficial Ownership information

Obstacles to transparency

Penalties and sanctions

International Co-operation

Recommendation 24: theme one – ML and TF risks

International standard - overview

1. In responding to a significant misuse of legal entities for money laundering, terrorist financing and proliferation financing in a number of jurisdictions; mutual evaluations showing, generally, insufficient levels of effectiveness in combating the misuse of legal entities and evolving money laundering risks, in March 2022, FATF updated r.24 and its interpretive note.
2. Essentially the amendments strengthened the international standards on beneficial ownership of legal persons, to ensure greater transparency and to better mitigate the misuse of legal entities. Recommendation 24 requires us, as a jurisdiction to consider the mechanisms that we have in place to assess, manage and mitigate such risks. It is within this context that Companies Registry has been considering its role; with a focus on the statutory functions, duties and responsibilities, and powers of the Registrar.

Theme two: basic information

The international standard – overview

1. To enable competent authorities (in particular the Island's law enforcement authorities and the FIU) to determine who the beneficial owners of a legal entity are, FATF recommendation 24 (transparency and beneficial ownership of legal persons) notes that such authorities must be able to obtain, or have access to, basic information on the entity. It then goes on to list the basic information that, as a minimum, the Registry must record, and the entity must hold.
2. For legal entities formed in the Island the Registry is proposing to standardise the minimum requirements in respect of the basic information that is held centrally by the Registry and in respect of that information what is to be a matter of public record and what is not. The proposal is for the Registry to hold the following:
 - a) entity name (including any previous names),
 - b) trading name, including any previous names (if any),
 - c) status of the entity,
 - d) unique entity number (allotted on formation),
 - e) date of formation,
 - f) evidence of formation (for all but foundations, the certificate of registration),
 - g) registered office address (or the equivalent),
 - h) constitutional documents (but excluding commercially sensitive information),
 - i) information adequate to identify the persons managing the entity,
 - j) information adequate to identify the legal and beneficial owners of the entity,
 - k) the principal business activities and the geographic location(s) of those activities.
3. Secondly, regarding the basic information that is held by the entity and the Registry, the Island is required to have in place mechanisms that ensure that basic information, which includes information held by Companies Registry, is adequate, accurate and up-to-date (each of these terms, relevant also to beneficial ownership information, is defined in the Glossary of Terms attached).
4. Regarding the 'adequacy' of basic information, notably here the information held on managers and legal owners, the Registry is proposing to standardise the position across the Corporate Laws, as follows:
5. *Natural person*

- a) Title or pronoun,
 - b) Full legal name (and any previous names),
 - c) Usual residential address,
 - d) Service address (if the person elects for their residential address not to be on the public register),
 - e) Usual country or state of residence,
 - f) Nationality (including previous or joint nationalities),
 - g) Business occupation,
 - h) Date of Birth (only the month and year of birth will appear on the public register).
6. *Body corporate (that is not an Isle of Man licenced corporate service provider, or a subsidiary of one)*
- a) Corporate name (including any former names),
 - b) Registered office address,
 - c) Jurisdiction of incorporation,
 - d) Date of incorporation,
 - e) Corporate number.
7. *Body corporate (that is an Isle of Man licenced CSP, or a subsidiary of one)*
- a) Corporate name,
 - b) Registered office address.
8. Regarding basic information that is held by the Registry being up to date, the Registry is proposing to standardise the position across the Corporate Laws so that:
- a) Basic information is submitted on application for formation,
 - b) That any change to that information is notified to the Registrar within one month of its occurrence,
 - c) The annual return must state, or confirm, the basic information held by the Registrar is correct and up to date (as at the date of the annual return).
9. Thirdly, that competent authorities, have all the powers necessary to enable timely access to basic legal entity information that is held by the Companies Registry, by financial institutions and also by DNFBP's.

The international standard – overview

1. The opening paragraph of the interpretive note to recommendation 24 (“**RIN24**”) specifies that competent authorities must be able to obtain, or have access in a timely manner, to adequate, accurate and up-to-date information on the beneficial ownership and control of legal entities that are:
 - a) created in the Island,
 - b) created outside of the Island but present an ML/TF/PF risk and have sufficient links to the Island.
2. To ensure that competent authorities can determine beneficial ownership information in a timely manner the Island is required to follow a multi-pronged approach, with mechanisms that require:
 - a) legal entities to hold adequate, accurate and up to date beneficial ownership information (“**BOI**”),
 - b) a public body (or bodies) to also hold adequate, accurate and up to date BOI (or use an alternative mechanism, but one that goes beyond relying on existing information),
 - c) use additional supplementary measures to ensure BO can be determined (for example, information obtained by Corporate Service Providers in accordance with recommendation 10).

Theme four: obstacles to transparency

The international standard – overview

1. Under Part D of RIN24 the Island is required to take measures to prevent and mitigate the risk of the use of nominee shareholdings and nominee directors by applying one of three mechanisms, which can essentially be described as:

Disclosure

- a) Under the disclosure mechanism, nominee shareholders and directors would be required to disclose to Companies Registry that they are acting as a nominee and the identity of the nominator (regardless of whether the arrangement is formal or informal).
- b) Companies Registry would include information concerning the nominee status on the public register.

Licensing

- a) An alternative mechanism to disclosing the arrangement is to require nominee shareholders and directors to be licensed or to belong to a regulated profession under AML Regulations.
- b) Information on their nominee status and the identity of the nominator would be obtained, held or recorded by the FSA. In addition, nominee shareholders and directors are required to maintain information identifying their nominator and (if different) the natural person on whose behalf they are ultimately acting, and make this information available to competent authorities on request.

Prohibition

- a) Lastly, as a mechanism to prevent and mitigate the risk of the misuse of nominee arrangements, countries may explicitly prohibit such arrangements, with appropriate measures in place to detect undisclosed nominees and enforce the prohibition (dissuasive sanctions).

Theme five: liability and sanctions

International standard: overview

1. Part F of RIN24 states that there must be a clearly stated responsibility to comply with the requirements of r.24, as well as liability and effective, proportionate and dissuasive sanctions for a person that fails to comply with the requirements.

Theme six: international co-operation

International standard: overview

1. Part G of RIN24 states that countries should effectively provide the widest range possible of international co-operation in relation to basic and beneficial ownership information, to include facilitating access by foreign competent authorities to basic information held, exchanging information on shareholders and using their powers in accordance with their domestic law to obtain beneficial ownership information on behalf of foreign counterparts.

The proposed overarching principles

Managing and mitigating the ML and TF	
Principle 1 To enhance the role of Companies Registry in managing and mitigating the risk of legal entities¹ being used for ML, TF and PF purposes	1. Putting on a statutory footing the role of the “Registrar” (defined in the Glossary of Terms): a) in promoting the Island’s reputation as an international finance centre, b) in mitigating and managing any ML, TF and PF risks to that reputation (notably the misuse of legal entities for such purposes). 2. Creating a statutory duty (and the associated powers) for the Registrar to be able to co-operate with the Island’s regulatory and enforcement bodies and with like bodies in other jurisdictions. 3. Creating a statutory duty, making the Registrar responsible for overseeing and enforcing compliance with the Corporate Laws. 4. Extending the Registrar’s power to enable the carrying out of the aforesaid duties/ functions.

Basic information	
Principle 2 That basic information held by a legal entity and recorded by Companies Registry is adequate, accurate, up to date and accessible by competent authorities	1. Firstly, that for each type of legal entity created in the Island, the basic information held meets the requirements of recommendation 24. 2. That the information held is adequate to sufficiently identify the managing officials and shareholders. 3. That, where necessary, the information has been verified, using independently sourced information (particularly to confirm the accuracy of a natural person’s identity and status), 4. That the information is as up to date and current as possible (for example, if there is a change, that change is notified to Companies Registry within one month of its occurrence).

¹ The different types of legal persons that can be created in the Island and foreign entities with a sufficient link to the Island.

	5. That basic information in respect of a legal entity is accessible in a timely manner by competent authorities.
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<i>Beneficial ownership information</i>	
Principle 3 Beneficial ownership information held by a legal entity and recorded by Companies Registry:	1. That the Island follow the FATF multi-pronged approach (i.e. the use of a combination of different mechanisms for the collection of beneficial ownership information to better ensure adequacy, accuracy and that it is up to date. 2. That the beneficial ownership information held is sufficient to identify the beneficial owner. 3. That the information held has been verified, to confirm that it is accurate, using reliable, independently sourced/ obtained documents, data or information. 4. That the information is as current and up-to-date as possible.

<i>Obstacles to transparency</i>	
Principle 4 To take measures to mitigate the risk of the misuse of nominee shareholdings	1. Where a person acts as a nominee shareholder, other than by way of business, it falls outside the scope of being an activity licenced by the FSA. Whilst it is assumed that the majority of such services are commercial, given neither of the alternative mitigating measures are being applied the Registry proposes the following. 2. Where a person is acting as a nominee shareholder, other than by business, they must disclose their nominee status to the legal entity and Companies Registry and included as public information.

<i>Liability and sanctions</i>	
Principle 5	Each Corporate Laws requires, as a minimum, statutory compliance with those provisions of the Act, or secondary legislation made under it,

	relating to r.24 requirements and that they provide appropriate sanctions where there is a failure to comply with the requirements.
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<i>International co-operation</i>	
Principle 6 Companies Registry must provide the widest range possible of international co-operation in relation to basic and beneficial ownership	1. To put on a statutory footing a power to enable the Registrar to co-operate with, and disclose (receive) information to (from), foreign bodies that have a responsibility to combat ML, TF or PF, or are concerned with implementing (etc.) measures relating to international sanctions. 2. The Registrar would do so, for the better performance of its functions, facilitating the exercise of the foreign bodies regulatory functions, with regards criminal investigations, preventing, investigating or prosecuting crimes (etc).

One of our aims in bringing forward these proposals is, where possible, to achieve a greater degree of consistency across the Corporate Laws, notably by standardising and clarifying the role of the Registrar, the basic and beneficial ownership information that a legal entity must hold and that Companies Registry must record, and the mechanisms that allow, for a legitimate purpose, access to that information. As such, the Tables below are drafted as follows:

- a) Table A details changes proposed across the Corporate Laws in respect of the role of the Registrar, its duties, functions and powers.
- b) Table B is standalone and deals specifically with the proposed amendments to the Beneficial Ownership Act.
- c) Regarding Table C onwards, each table covers each of the Corporate Laws and the proposed amendments regarding basic information, obstacles to transparency and liability and sanctions.

End.