



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

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**Feedback Statement
Family Office-type services**

FS24-04

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Glossary

AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
Authority	Isle of Man Financial Services Authority
Cfi	Call for Input
DBROA15	Designated Businesses (Registration and Oversight) Act 2015
FSA08	Financial Services Act 2008
NRA	National Risk Assessment
the Code	AML/CFT Code 2019
the Hub	Isle of Man Government Engagement Hub
the Island	the Isle of Man

1. Background

This Feedback Statement is issued by the Isle of Man Financial Services Authority (“Authority”) following the Call for Input (“Cfi”) CI24-01¹ in respect of Family Office-type services offered in or from the Isle of Man (“the Island”). The Cfi ran for a 6-week period closing on 26 June 2024.

The primary purpose of the Cfi was to seek engagement and views on the nature, prevalence and provision of Family Office-type services being offered ‘*by way of business*’ in or from the Island.

The current position is that Family Office-type services which are undertaken utilising an exemption under the Financial Services (Exemptions) Regulations 2011 are exempt from licensing under the Financial Services Act 2008 (“FSA08”). They are subject to the requirements of the Anti-Money Laundering and Countering the Financing of Terrorism Code 2019 (“the Code”) if the activities are being undertaken ‘*by way of business*’ but are not subject to AML/CFT supervision or compliance oversight.

The objective of the Cfi was to obtain a clearer understanding of Family Office type activity being undertaken in or from the Island, and the extent to which these activities are being provided.

The Cfi also sought feedback from interested parties in relation to potential options for how these arrangements might be treated from a regulatory perspective moving forward.

The Cfi set out 3 potential options around the future treatment of Family Office-type services offered in or from the Island. Each of the options considered a different approach for how these services might be treated in the future:

1. To maintain the current treatment of Family Office-type services.
2. To introduce a registration requirement for Family Office-type services under the Designated Businesses (Registration and Oversight) Act 2015 (“DBROA15”).
3. To fully regulate and licence Family Office-type services under the FSA08.

Additionally, the Island is currently undertaking a project to revise its National Risk Assessment (“NRA”), and the Authority is leading on several sectoral and topical risk assessments that will feed into the updated NRA². The data obtained from the Cfi helps to formulate a picture of the Family Office-type services being offered in or from the Island, which will further feed into a standalone Legal Person / Legal Arrangements risk assessment.

¹ <https://consult.gov.im/financial-services-authority/call-for-input-family-office-type-services-ci24-01/>

² [2024-10-22-finaltimetable_compressed.pdf](#)

2. Summary of Responses

In total, 17 responses were received to the Cfl.

Of the 17 responses received, 8 respondents confirmed they offered Family Office-type services in or from the Island. Of this, 5 confirmed these services were being offered '*by way of business*'.

Of the 5 entities that confirmed they were offering Family Office-type services '*by way of business*':

- 1 was a registered designated business under the DBROA15;
- 3 were licenceholders under the FSA08; and
- 1 was not registered or licensed.

There were some common themes identified in response to the different options proposed for the future treatment of these services on the Island.

2.1.1 Responses – Option 1

Maintain the current treatment of Family Office-type services operating '*by way of business*' [where the activity does not need to be registered under the DBROA15 or licensed under the FSA08]. This activity would continue to sit outside of any regulatory oversight and AML/CFT supervision. If this were the selected option, the Authority would seek information periodically in order to monitor the regulatory perimeter and inform the Island's National Risk Assessment ("NRA").

Below is a summary of responses provided for **Option 1** on the future treatment of Family Office-type services in or from the Island:

Summarised consensus view:

- The general consensus was, of the 17 responses received to the Cfl, 12 were in favour of maintaining the current treatment of Family Office-type services being offered in or from the Island.

Summarised key themes:

- Concerns that increased regulation could be onerous.
- Potential for cost increases.
- AML/CFT oversight of some Family Office-type services may not be appropriate.
- Consideration should be given to how Family Office-type services are treated in other jurisdictions.

2.1.2 Responses – Option 2

Expand Schedule 1 to the Designated Businesses (Registration and Oversight) Act 2015 (“DBROA15”) to bring Family Office-type services within the scope of the registration requirements and AML/CFT oversight regime under that Act [where not already within scope].

Below is a summary of responses provided for **Option 2** on the future treatment of Family Office-type services in or from the Island:

Summarised consensus view:

- The general consensus from the respondents was that the introduction of an AML/CFT oversight regime for Family Office-type services under the DBROA15 would not be preferable but would be the next best option if the decision was made to introduce some form of formal regulatory oversight in respect of these service.

Summarised key themes:

- Potential for cost increases.
- Some responses did consider bringing Family Office-type services under the scope of the DBROA15 to be appropriate and proportionate should this option be taken. This would give the Authority better visibility of what activities were being undertaken in or from the Island.

2.1.3 Responses – Option 3

Bring Family Office-type services within the scope of regulation under the Financial Services Act 2008 (“FSA08”). This would result in family offices being subject to regulatory requirements and supervision, e.g. the Financial Services Rule Book as well as AML/CFT supervision.

Below is a summary of responses provided for **Option 3** on the future treatment of Family Office-type services in or from the Island:

Summarised consensus view:

- The general consensus from respondents was that full regulatory oversight under the FSA08 would be excessive and therefore would have a detrimental impact on the provision of Family Office-type services on the Island. It was commented that a move to full regulation could lead to many moving their Family Offices to other jurisdictions.

Summarised key themes:

- Full regulation might be considered to be excessive.
- The cost of regulation would be disproportionate to the size of the sector.

- Regulation could result in duplication of AML/CFT processes across the financial sector.
- Having Family Offices-type services held to the same regulatory standards as other financial services would provide comfort and clarity to the wider financial services industry on the Island.

2.1.4 General view – All Options

- The treatment of these services from a regulatory perspective should be dependent on the types of services being provided by the Family Office. Where the services provided are akin to regulated activity then consideration should be given to the introduction of some form of regulatory oversight around these services. However, where services are more administrative and advisory in nature, regulatory oversight may not be appropriate or warranted.

3. Considerations

Following closure of the Cfi, the responses have been reviewed and the themes have been drawn out and summarised in section 2 of this Feedback Statement.

The general consensus across the responses provided was that maintaining the current position, whereby Family Office-type services sit outside of any formal regulatory regime (be that the DBROA15 or the FSA08) but remain subject to the requirements of the Code, where services are being provided *'by way of business'*, would be the preferred approach.

The Cfi generated a number of strong views around the options to introduce formal oversight for the provision Family Office-type services under the DBROA15 or FSA08. Key themes related to the proportionality, cost, and the potential that business may leave the Island. It should be noted that a limited number of respondents did favour a move to introducing a more formal regulatory framework around Family Office-type services, as highlighted in the Summary of Responses in section 2 of this paper.

A continuation of the current *'status quo'* with regard to how Family Office-type services are treated does present its own challenges for the Island. Maintaining these services in their current position, sitting outside the scope of any direct oversight, though remaining subject to the requirements of the Code (when services are provided *'by way of business'*), perpetuates the current lack of visibility around Family Office-type services offered in or from the Island. There would remain no mechanism available to suitably test AML/CFT compliance, which would continue to reduce the understanding of the risks presented by these services, and therefore the ability to articulate these through the NRA.

The Authority is currently undertaking an internal research project looking into Family Office-type services and how these are treated from a regulatory perspective in other jurisdictions across the world. The primary objective of this review is to further inform our understanding of these services from a cross-jurisdictional perspective, and help the Authority consider, and

decide upon, the appropriate course of action in respect of how these services might be offered and provided in or from the Island moving forward.

Additionally, the Authority has begun a project to review the wider exemptions and exclusions framework to ensure that activities and operations subject to AML/CFT obligations are aligned with international standards and global best practices.

In view of the above, no change to the approach to Family Office-type services is proposed at the current time. This will be considered further following conclusion of the Authority's wider review of the exemptions and exclusions framework, with further public and stakeholder consultation and engagement being undertaken where necessary.

4. Next Steps

In case of any query, please contact the undersigned —

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Appendix A – List of Groups to which this Feedback Statement has been sent:

- Alliance of Isle of Man Compliance Professionals
- Association of Chartered Certificated Accountants (as oversight body)
- Association of Chartered Certified Accountants (Isle of Man branch)
- Association of Corporate Service Providers
- Chartered Institute for Securities and Investment (Isle of Man branch)
- Digital Isle of Man
- Finance Isle of Man
- Financial Intelligence Unit
- Financial Planners & Insurance Brokers Association
- Institute of Certified Bookkeepers (as oversight body)
- Institute of Chartered Accountants In England and Wales (as oversight body)
- Institute of Directors (Isle of Man branch)
- Institute of Financial Accountants (as oversight body)
- International Association of Bookkeepers (as oversight body)
- Isle of Man Bankers Association
- Isle of Man Chamber of Commerce
- Isle of Man Government Cabinet Office – AML/CFT Policy Office
- Isle of Man Law Society (as oversight body)
- Isle of Man Newspapers
- Isle of Man Society of Chartered Accountants
- Isle of Man Treasury
- Isle of Man Wealth & Fund Services Association
- Society of Trust and Estate Practitioners (Isle of Man branch)
- The Department for Enterprise