



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

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Authority Funding Model

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Glossary

Authority / IOMFSA	Isle of Man Financial Services Authority
DBROA15	Designated Businesses (Registration and Oversight) Act 2015
Designated Businesses	Designated Non-Financial Businesses and Professions
Fee Structure	A summary of the Authority's fee structure
FSA08	Financial Services Act 2008
Funding Model	The Authority's Funding Model
IOMG	Isle of Man Government
PIFM	Predominantly Industry-Funded Model
Regulated Entities	Persons licensed, authorised, registered or otherwise regulated under the Financial Services Act 2008, the Collective Investment Schemes Act 2008, the Insurance Act 2008 or the Retirement Benefits Schemes Act 2000
Regulation and oversight	Financial regulation and Designated Business oversight
Treasury	Isle of Man Treasury

1. Background

1.1 Overview

This document explains the Authority's planned approach to funding its activities ('the Funding Model') from 1 April 2023. The Authority has published a separate Fee Structure document summarising the fee structure under the Funding Model.¹ Please refer to that document for details of fees payable by Regulated Entities, Designated Businesses and other fee payers.

1.2 The Authority's role

The Authority is a Statutory Board established on 1 November 2015. The Authority's structure and functions are laid out in Schedule 1 to the FSA08. The Authority's primary role is the regulation and supervision of regulated financial services, insurance and pensions activities in or from the Isle of Man. In addition to Regulated Entities, the Authority has a significant role in the registration and oversight of Designated Businesses under the DBROA15 to monitor compliance with the Island's AML/CFT requirements. The Authority also undertakes other roles (see [section 1.3](#)).

A robust regulatory environment supports financial stability, consumer protection, resilience against financial crime, a level playing field (both within and across sectors), and prudent and innovative development. The Authority's regulatory functions can be separated into three distinct components:

- **Authorisation:** The Authority is the gatekeeper, controlling the authorisation of firms and which individuals can take on key roles.
- **Supervision:** The Authority supervises / monitors compliance with applicable laws and regulations through a number of tools: inspections, annual business meetings, review of returns, intelligence from third parties etc. The Authority has a range of remediation powers such as requiring documents to be produced and appointing a third party reporting accountant.
- **Enforcement:** The Authority takes enforcement actions in a proportionate manner for serious non-compliance. The Authority has a range of powers it can use depending on the nature and severity of the breach.

1.3 The Authority's functions

The Authority's functions are laid out in paragraph 2(1) of Schedule 1 to the FSA08. The Authority must exercise its functions in a way compatible with its regulatory objectives.

By seeking to meet its regulatory objectives of protecting consumers, reducing financial crime and maintaining confidence in the financial services sector, the Authority contributes to a secure, vibrant and sustainable financial centre in the Isle of Man. The Authority strives to strike the right balance between facilitating opportunities for growth in the financial

¹ https://consult.gov.im/financial-services-authority/new-authority-funding-model-from-1-april-2023/supporting_documents/CP2204NewAuthorityFundingModelApr23AppDFeeStructure.pdf

services sector while ensuring the appropriate level of compliance and consumer protection, through a risk-based supervisory approach.

The Authority's core regulatory and oversight functions are those that relate directly to the Authority's regulatory objectives, which are laid out in section 2(2) of the FSA08 as follows:

- (a) securing an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying on a regulated activity;
- (b) the reduction of financial crime; and
- (c) 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.

These core regulatory and oversight functions cover the following areas: authorisations; supervision and oversight; enforcement and legal counsel; policy research and development. These functions are supported by related operational work.

The Authority also has other functions under Isle of Man legislation such as the Beneficial Ownership Act 2017, the Company Officers (Disqualification) Act 2009 and various enactments relating to company law.² These are important functions but do not directly relate to the Authority's regulatory objectives. They are estimated to represent less than 2.5% of the Authority's overall cost base, which is immaterial compared to the cost of the Authority's core functions.

The Authority's costs in respect of its function as the Resolution Authority for the Isle of Man under the Bank (Recovery and Resolution) Act 2020 are managed separately (see [section 1.4](#)).

1.4 Power to specify fees

The Authority charges fees to cover the cost of the Island's frameworks for regulated financial services activity and compliance with anti-money laundering and countering the financing of terrorism. The powers to specify fees are laid out in the primary legislation:

- Financial Services Act 2008 – Section 46
- Insurance Act 2008 – Section 47
- Interpretation Act 2015 – Section 81 (for the purposes of the Retirement Benefits Schemes Act 2000)
- Collective Investment Schemes Act 2008 – Section 24
- Designated Business (Registration and Oversight) Act 2015 – Section 35.

The fees themselves are specified under separate Orders and Regulations (see [section 5](#)).

In its capacity as the Resolution Authority for the Isle of Man, the Authority has the power to impose levies upon banks under section 12 (Funding of the Authority) of the Bank

² The Authority's functions are listed in paragraph 2 of Schedule 1 to the FSA08.

(Recovery and Resolution) Act 2020. However, the functions of the Resolution Authority are separate from the Authority's functions as the Island's financial services regulator. As such, this document does not cover the funding of the Resolution Authority. Please refer to the Authority's consultation on the Bank (Recovery and Resolution) Administrative Levy Order 2022 for further information on how the Resolution Authority is funded and details on the associated levies for banks.³

1.5 Income and expenditure

The Isle of Man's financial services regulators (which include the Authority and its predecessors) have historically been funded by a mix of fee income from Regulated Entities and Designated Businesses and a contribution from the Isle of Man Government ('IOMG') in the form of a general subvention from the Treasury.

Details of the Authority's income and expenditure can be found in the Authority's annual reports, which can be accessed from the Publications webpage on the Authority's website.⁴

For the year ended 31 March 2022, the Authority's expenditure was covered by approximately 56% fee income and a 44% contribution from the IOMG in the form of a general subvention from the Treasury. This income enables the Authority to carry out its functions and maintain and develop the Island's regulatory framework for financial services.

1.6 Transition to a Predominantly Industry-Funded Model ('PIFM')

The Treasury Minister announced plans for the future funding of the Authority when delivering the Isle of Man Budget 2020-21 in Tynwald on 18 February 2020:

"It is vital that we maintain our focus on maintaining standards of regulation and compliance in the financial services sector to safeguard the island's reputation, ensuring the continued prosperity of the IOM financial services sector and to ensure we are capable of meeting ever changing international standards. To do so we must constantly assess our skills and resourcing to ensure we are positioned to meet these challenges. As a consequence the Financial Services Authority will be given £480,000 additional resource to allow it to protect the Island's high standards of compliance and regulation.

"Also recognising the desirability of the Authority's financial independence, it is intended that plans will be developed for the Authority to move to a predominantly industry funded model in the future. The Treasury and the FSA will shortly undertake a joint consultation on transitioning the FSA towards this desired model."⁵

This announcement prompted a review of the Authority's funding arrangements and the development of a new funding model to achieve a greater degree of industry funding as well as a simplified and more consistent basis for setting fees.

³ https://consult.gov.im/financial-services-authority/bank-recovery-resolution-admin-levy-order-2022/consult_view/

⁴ <https://www.iomfsa.im/publications>

⁵ Budget speech 2020, <https://www.gov.im/media/1368492/budget-speech-2020.pdf>

To coincide with the launch of a consultation on the Authority's new funding model in May 2022, Treasury Minister David Ashford MHK said:

"The vast majority of the world's financial services regulators are funded by industry and the aim is to bring the Isle of Man into line with that model. The Authority currently receives a significant level of taxpayer funding and this is simply not sustainable, particularly as global and economic events continue to intensify the pressure on public finances. Increasing the contribution made by businesses towards the cost of their regulation and oversight is an appropriate step and will allow more of our taxpayer income to be used for essential public services."

Bettina Roth, Chief Executive Officer of the Authority, said:

"In the interests of full transparency, we are highlighting the fees that will be required to achieve the target of being predominantly funded by industry. Our focus is on implementing a structure where the fees are proportionate, competitive, and more accurately reflect the regulatory activities being carried out. The new funding model will support efforts to ensure the continued prosperity of the Island's financial services sector."

"The impact of the changes will be felt differently by each fee payer depending on factors such as their business model, size, and client base. With this in mind, we are proposing to phase in the changes over three years to allow existing businesses time to plan. It's important to hear the views of our stakeholders and I would encourage people to respond to the consultation."

This document sets out the Authority's funding model.

2. Principles

The Funding Model is guided by the following Principles, which were developed by the Authority and exposed to key stakeholders ahead of the preparation of the new model:

No.	Principle
1.	The Authority will generally seek to recover regulatory and oversight costs (i.e. its core functions) from industry, leaving only non-core functions as government funded.
2.	Fees will in principle be set at a level that recovers regulatory and oversight costs for each sector, with apportionment for regulated entities and designated businesses within those sectors, recognising that practical constraints make precise cost allocation and recovery impractical.
3.	In determining how much of its regulatory and oversight costs to recover in fees from each sector, the Authority will balance: <ul style="list-style-type: none"> • fairness – sectors and entities should pay their way – and the need to avoid economic distortions; with

No.	Principle
	<ul style="list-style-type: none"> the benefits of a well-regulated and broad-based financial services industry, which may require some sectors or entities to pay more (cross-subsidisation).
4.	Fees for individual licences, authorisations and registrations will seek to reflect: <ul style="list-style-type: none"> the Authority's assessment of the risks, size / impact and regulatory demands of the sector so that fees payable by each sector are fairly distributed the size / impact of the entity; and affordability – fees should be proportionate and reasonable to the capacity of firms to pay.
5.	Fees will seek to reflect usage – the costs of some specific regulatory and oversight related transactions will be recovered, as far as possible, from the specific regulated entities and designated businesses.
6.	Fees should be easy to understand and apply – they should be transparent, reflect the activities and scale of the entity, and be operationally practical for the Authority to calculate and collect.
7.	Fees will be based on the Authority's annual costs, with mechanisms to address contingencies (to avoid shortfalls which would require government funding) and to address potential surpluses of fee income over the costs of core activities.
8.	The Authority's funding model will reflect its statutory accountability to the Treasury and Tynwald, enhanced transparency around the Authority's use of resources and intended outcomes as well as the development and practical implementation of its fees policies.
9.	Changes to fees resulting from the implementation of the PIFM will be phased in over time.

3. Funding Model Approach

3.1 Funding the cost of regulation and oversight

The financial services sector is a key component of the Isle of Man economy. The Island maintains its position as an international financial centre through, amongst other features of the jurisdiction, the combination of skilled and knowledgeable professionals working in financial services and the presence of a credible regulatory framework to maintain confidence and stability in those services. In addition, the registration and oversight framework for Designated Business is a critical element in the Isle of Man's international commitment to combatting money laundering and terrorist financing. Both the Authority and the Treasury are committed to ensuring that the Island's high standards and reputation are upheld for the wider benefit of the sector and the broader economy.

For Regulated Entities and Designated Businesses, a licence, authorisation or registration is issued to enable a person to undertake regulated or registerable business (including holding or managing consumers' money and assets). Regulation and oversight increases the protection for consumers and the Isle of Man's resilience against financial crime. As with any system of checks and balances, these all come with their own duties and costs.

Prior to the introduction of the new Funding Model, the funding of regulation and oversight in the Isle of Man is subject to a significant level of taxpayer funding. That type of funding arrangement is no longer compliant with international regulatory practices and expectations. Part of the reason to move to a PIFM is the principle that the businesses that require the development and maintenance of a regulatory framework should make a significant contribution towards the cost for its upkeep.

In addition to the above, regulators are expected to maintain sufficient operational independence in order to be an effective regulator and oversight body. International standards set by entities such as the Basel Committee on Banking Supervision ('BCBS'), the International Association of Insurance Supervisors ('IAIS') and the International Organization of Securities Commissions ('IOSCO') (against which the Island is assessed) all regard the operational independence of the regulator as important for effective regulation and freedom from undue government or industry influence. A key measure of independence against these standards is how the regulator is funded. The Funding Model is intended to enhance the Authority's operational independence.

3.2 The Authority's cost base

The Authority's cost base is shown as expenditure items in its annual income and expenditure accounts. As at 31 March 2022, this covered: salaries; Members' remuneration; recruitment; agency staff; premises; training; travel and subsistence; professional fees and external consultancy; operating expenses; information technology; professional subscriptions; other expenses; loan charges; bad debts; and reimbursements (from)/to internal funds. The Authority's Annual Reports provide further detail on income and expenditure.⁶

In addition to the existing cost base, the Authority benefits from some services provided by the IOMG, which are shared by Government Departments, Statutory Boards and Offices. The table below summarises the shared services received by the Authority from the IOMG:

Provider	Examples of Shared Services received
Government Technology Services	Use of the IOMG's IT network infrastructure
	Hosting and security of all IT applications and electronic data
HM Attorney General's Chambers	Legal representation, advice and support
	Drafting of Authority primary legislation
	Review of Authority secondary legislation
Office of Human Resources	Access to the Learning, Education and Development Division for staff training, certifications and qualifications
	Use of the People Information Programme ('PiP') system for staff management
	Payroll
	HR guidance
Public Sector Pensions Authority	Management and administration of the pensions, premature retirements and injury benefits for staff

⁶ <https://www.iomfsa.im/publications>

Provider	Examples of Shared Services received
Occupational Health	Access to the occupational health service for staff
Staff Welfare	Access to trained welfare counsellors for staff
The Treasury	Access to the financial accounting system and associated support
	Staff training on finance and reporting systems
	Facilitating all payments and receipts
	Internal audit services.

In addition to the above, the Authority benefits from access to the wider IOMG network on a case-by-case basis from areas such as the Cabinet Office, the Office of Cyber Security and Information Assurance ('OCSIA'), Health and Safety, Emergency Planning etc.

The Authority's use of shared services is not reflected in its expenditure, which serves to reduce its overall cost base relative to what its costs would be if the Authority were required to provide for all these services out of its own resources.

3.3 The Authority's funding sources

The Authority's expenditure is covered by income from fees, administrative civil penalties (for late returns etc.) and a general subvention from the Treasury. The Authority's Annual Reports provide further detail on income and expenditure.⁷

3.4 What costs are to be covered by fee payers?

The Funding Model is intended to achieve a position whereby the Authority's activities are funded by Regulated Entities, Designated Businesses and other fee payers, while the government continues to provide a contribution to costs through its unremunerated provision of shared services.

The Funding Model therefore aims for fee income to cover the Authority's budgeted expenditure. This reflects the concept of a predominantly industry-funded model. In order to transition to the new funding target by 1 April 2025, fees have been modelled on budgeted expenditure as at 2023-24 with an increase each year in line with typical annual budget increases.

Please see [section 7](#) for information on how the Authority's budgeted expenditure is covered by its accountability and transparency arrangements.

3.5 What costs are not to be covered by fee payers?

Under the Funding Model, fee income does not cover the cost of shared services provided by the IOMG. These services are not reflected in the Authority's expenditure but serve to reduce the Authority's overall cost base.

⁷ <https://www.iomfsa.im/publications>

In addition to shared service costs, fee income does not cover costs associated with liquidation work where the Authority has exercised its power to petition the High Court for the appointment of a receiver where the winding up of a business is deemed to be in the public interest.⁸ In some liquidations, the Authority may stand as a creditor of the liquidated entity, however the overall cost of liquidations in the public interest is borne by the IOMG.

Any short-term funding provided by the IOMG for specific topics or certain short-term innovation or ESG initiatives (or similar undertakings) are excluded from the scope of the Funding Model. As such, the Authority would not seek to cover costs covered by agreed short-term funding from the IOMG with fee income.

Subject to a transparent policy emerging on the allocation of shared services across IOMG users, the cost of shared services provided by the IOMG could be considered for inclusion after the initial implementation timeframe of the new Funding Model, e.g. after 2025-26.

3.6 Approach to setting fees

Following the implementation period, fees will be set on an annual basis to cover the Authority's budgeted expenditure.

The Principles (see [section 2](#)) will guide the Authority's approach to setting fees for each sector. The Authority will review its fees as part of annual budgeting and accounting processes to ensure the funding target is met and that they are in alignment with the Principles.

In accordance with the Principles, the Authority will estimate the annual cost of supervision of each sector and aim to set fees at a level where sectors cover their own costs. The new Funding Model seeks to better align sector fee income with sector costs. Whilst full sector cost coverage will be possible for many sectors, it will not be possible in all cases. This is due to the need to balance fairness and affordability with the benefits of maintaining a well-regulated and broad-based financial services industry (see [section 3.8](#)). It is also in-keeping with funding models used by regulators internationally.

3.7 Sector cost coverage

The Authority will estimate the cost of each sector in order to set fees in accordance with the Principles (see [section 2](#)). The sector cost estimate will be based on two elements: (a) the direct cost of supervision; and (b) the apportionment of other costs.

The estimate of the direct cost of supervision will be based on the supervision staffing costs for each sector. Non-supervision staffing costs and other costs (e.g. enforcement and legal counsel; policy research and development; operational expenses; and other related support costs) will then be apportioned to each sector on the basis of the supervision staffing levels. As such, the estimated cost of each sector to supervise will vary depending on the resources allocated to supervise that sector. This allocation will be made in accordance with the Authority's approach to supervision and risk tolerance in pursuit of its regulatory objectives.

⁸ Section 21, FSA08; sections 27 and 32, IA08 and section 164, Companies Act 1931;

In terms of the allocation of other costs, professional fees relating to external actuarial costs for the life insurance sector will be allocated directly to the life sector rather than being apportioned across all sectors. This is due to the significant value of those professional fees relative to other costs.

The Authority's enforcement work is carried out to protect consumers and maintain the credibility of the Island's regulatory framework. Enforcement work may focus on different areas over the course of time. As such, enforcement costs are not broken down by sector. [Section 3.9](#) outlines the Authority's proposals for income from discretionary civil penalties to be offset against enforcement costs in order to help reduce the overall costs to be met from fee income.

3.8 Cross-sector subsidisation

In accordance with the Principles, fees will in principle be set at a level where sectors cover their own costs. In many cases, fee income from sectors covers will cover the cost of those sectors. For a minority of sectors, fee income will not cover the associated costs. The new Funding Model seeks to better align fee income with sector costs but some cross-subsidy is needed for fees to stay competitive. This may occur where fees may otherwise be set at unaffordable levels for the types of business in question, or where such fees would be significantly out-of-line with fees set by regulators for the same type of business in relevant other jurisdictions. This type of approach to funding is in keeping with funding models used by regulators internationally and helps maintain a broad-based financial services industry in the Isle of Man.

3.9 Treatment of civil penalty income

The Authority has the power to require Regulated Entities and Designated Businesses to pay civil penalties for contraventions of certain requirements. Civil penalty income is paid into, and forms part of, the General Revenue of the Isle of Man. Income from administrative civil penalties (which are smaller civil penalties for late returns etc.) is shown in the Authority's income and expenditure account. Income from discretionary civil penalties (which are larger civil penalties for serious regulatory failings) is not shown in the account.

Under the Funding Model, administrative civil penalty income will be offset against the Authority's budgeted expenditure. As such, the financial benefit from any administrative civil penalties imposed would be passed on to fee payers by reducing the overall costs to be met by fee income.

Discretionary civil penalty income will be offset against the Authority's enforcement costs. This would include any specific and quantifiable external expenses incurred as part of the undertaking of enforcement action against Regulated Entities or Designated Businesses, e.g. external fees in relation to legal or accountancy work. Discretionary civil penalty income would be offset in the budgeting process with Treasury against those external fees first (regardless of when those fees were incurred). In the event that there are no external fees, or if there is civil penalty income remaining after the offsetting, then it is proposed to offset the civil penalty income against the Authority's enforcement costs for the financial year in which the penalty was received. Any remaining balance would remain with the Treasury as

part of the General Revenue of the Isle of Man. This offsetting reduces the overall enforcement costs passed on to fee payers.

4. Fee Structure

The Authority has prepared a new fee structure as part of the introduction of the new Funding Model. In addition to facilitating a greater degree of industry funding, the new fee structure aims to provide a simple and consistent basis for setting fees.

The Authority has published a separate fee structure document ('Fee Structure') to accompany the Funding Model. Please refer to that document for a summary of the fee structure for Regulated Entities, Designated Businesses and other fee payers from 1 April 2023. The fees themselves are set by secondary legislation (see [section 5](#)).

The new fee structure provides for three types of fees: annual fees; application fees; and transaction fees. These are explained in more detail in the following sections.

The Fee Structure is based on the Authority's budgeted expenditure for 2023-24 with an annual increase in line with typical annual budget increases.

4.1 Fee blocks

Different types of fee payer are categorised into fee blocks based on the nature of their activities. The Fee Blocks can be found in the Fee Structure document.

4.2 Application fees

The Authority charges application fees for entities seeking to carry on Regulated Activity or Designated Business as well as for other types of activity.

The Authority also charges application fees for existing Regulated Entities seeking to carry on additional Regulated Activities, whether this is a different class of activity or different permissions within the same class of activity. In setting application fees, the Authority is mindful that such fees should not present an unreasonable barrier to entry in order to support the Island's economy and its development as an international financial centre. As such, application fees will only cover some of the costs incurred by the Authority in processing applications. The remaining costs will be covered by annual fee income from existing Regulated Entities and Designated Businesses, which is consistent with the approach taken by regulators in most other jurisdictions.

Application fees will be payable on submission of an application for authorisation, licensing, registration etc. Application fees will be payable by the applicant and will not be refundable.

Application fees will be set as specific amounts for each type of activity. The total application fee payable by an applicant will be the sum total of the application fees for each permission the applicant is applying for. However, Regulated Entities are only charged one application fee for each of the following combinations of Regulated Activity: (a) Class 1

(Deposit Taking) and any other Classes under the FSA08; (b) Class 2 (Investment Business) and Class 3 (Services to CIS) under the FSA08; and (b) Class 4 (Corporate Services) and Class 5 (Trust Services) under the FSA08. These exceptions reflect the nature of banking services and the crossover between the other classes of Regulated Activity, for example an investment business providing advice to a collective investment scheme or a fiduciary services provider providing both corporate and trust services.

Following a successful application, Regulated Entities or Designated Businesses will be required to pay an additional fee on a pro rata basis to cover the period up until their first annual fee is due. Annual fee payment dates are specified in the relevant Fees Order or Regulations (see [section 5](#)).

All application fees are set out in the Fee Structure document and relevant legislation.

4.3 Annual fees

The Authority charges annual fees for Regulated Entities and Designated Businesses as well as for other types of activity. Annual fees will be set to cover the Authority's costs in relation to regulation and oversight (see [section 3](#)).

Annual fees will be payable by a date specified in the relevant Fees Order or Regulations. Annual fees will not be refundable. Annual fees will be payable by entities in liquidation if those entities continue to be authorised, licensed or registered.

Annual fees will be calculated by way of a base fee (see [section 4.3.1](#)) for each permission carried on by a Regulated Entity or Designated Business along with a volume fee (see [section 4.3.2](#)) for the entity in question.

All annual fees are set out in the Fee Structure document and relevant legislation. The Fee Structure outlines annual fee concessions for Regulated Entities carrying on the following combinations of Regulated Activity: (a) Class 1 (Deposit Taking) and any other Classes under the FSA08; (b) Class 2 (Investment Business) and Class 3 (Services to CIS) under the FSA08; and (b) Class 4 (Corporate Services) and Class 5 (Trust Services) under the FSA08.

4.3.1 Base fee

The base fee will be the base annual fee payable for a person to carry on a certain type of Regulated Activity or Designated Business. Depending on the type of activity or business carried out, a minimum volume fee may or may not also apply.

Regulated Entities carrying on multiple types of Regulated Activity will be charged the base fee for each type of activity along with any applicable volume fees, unless that would mean a volume measure (e.g. turnover) would be applied more than once, in which case only the higher volume fee for that volume measure would apply.

Designated Businesses carrying on multiple types of Designated Business will be charged the highest applicable base fee for those types of business.

4.3.2 Volume fee

The volume fee will be an additional fee payable by most Regulated Entities or Designated Businesses that is added on to any base fees that apply. Where they apply, volume fees will be applied on a banded approach, with fee payers falling in lower bands paying lower fees than those falling in higher bands.

The volume fee is a proxy for the amount of business carried out by a Regulated Entity or Designated Business and is linked to the impact of such businesses to the Authority's regulatory objectives. Some types of activity will not attract a volume fee due to the limited scope of that type of activity, e.g. Class 12 (Captive) insurers and credit unions.

The volume fees for each type of business are laid out in the Fee Structure document.

4.4 Transaction fees

In addition to application fees and annual fees, the Authority will charge transaction fees for certain types of activity of a significant nature that require additional regulatory oversight. These types of activity are deemed to be over-and-above the routine supervisory and oversight activity that annual fees are intended to cover.

The Authority charges transaction fees for the following activities:

Business Type	Transaction Fee	Explanation
All Regulated Entities	Changes of control (such as new immediate or ultimate controllers)	Changes of control of Regulated Entities require the Authority to reassess the entity's control structure to satisfy itself that the entity continues to meet its regulatory obligations. Material changes of control are akin to re-authorisations and generate additional costs for the Authority.
Deposit Takers	Application for a transfer of business	The Authority reviews applications by deposit takers to transfer business under the Transfer of Business Including Deposit-Taking Regulations 2013. This generates additional work for the Authority in order to ensure that the business is transferred in an orderly manner and that consumers' are provided with an appropriate degree of protection.
Life Insurers	Portfolio transfers	The inward transfer of business portfolios for life insurers generates additional work for the Authority to: assess any constraints on the transferee insurer's capital policy on accepting the business; and to assess any changes to the terms and conditions, reduction in the benefit expectations and servicing standards of the transferring policies.

All transaction fees are set out in the Fee Structure document and relevant legislation. Transaction fees are linked to the application fees for each type of activity, e.g. 50% of the relevant application fee.

5. Legislative Framework

[Note: Drafts of the relevant fees legislation will be subject to a separate consultation later in 2022.] The Authority's fees will be set out in the following secondary legislation:

- (a) Financial Services (Fees) Order 2022
- (b) Insurance (Fees) Regulations 2022
- (c) Registered Scheme Administrators (Fees) Order 2022
- (d) Collective Investment (Schemes) Fees Order 2022
- (e) Designated Businesses (Fees) Order 2022
- (f) Authorised Auditor (Fees) Order 2022
- (g) Register of Recognised Auditors Regulations 2010.

Items (a) to (f) are due to come into effect on 1 April 2023. Item (g) is already in effect.

The Fee Structure document summarises the fee structure for Regulated Entities, Designated Businesses and other fee payers from 1 April 2023.

6. Implementation Timeframe

The Fee Structure to support the Funding Model is due to come into effect on 1 April 2023.

Application and transaction fees will apply in full from 1 April 2023.

As part of the Authority and Treasury's commitment to implement the new Funding Model over time, annual fees for Regulated Entities and Designated Businesses will be subject to a three-year implementation period. Annual fees will increase from 1 April 2023 and again on 1 April 2024 and again on 1 April 2025. As such, separate annual fees are shown in the Fee Structure document for Year 1 (2023-24), Year 2 (2024-25) and Year 3 (2025-26).

As mentioned in [section 4](#), the fees for Year 2 (2024-25) and Year 3 (2025-26), which are based on budgeted expenditure for Year 1 (2023-24), have been subject to increase in line with typical annual budget increases. Changes beyond that period to the Authority's fees will be subject to consultation.

7. Accountability and Transparency

7.1 Accountability to the Treasury and Tynwald

The Authority is accountable to the Treasury and Tynwald for the effective discharge of its functions and seeks to conduct its activities in a transparent manner such that stakeholders

are aware of the Authority's core values, strategic objectives, key principles and long-term goals.

As with other Departments and Statutory Boards, the Authority is subject to the IOMG Financial Regulations, which establish the legal framework and requirements for the supervision and control of the Government's financial affairs. The Authority is accountable to the Treasury for compliance with those regulations and engages with the Treasury at various points throughout the financial year as part of the budgeting process. The effective and efficient use of the Authority's resources is a vital element of this process, alongside consideration of the extent to which fee income covers expenditure.

Any changes to the Authority's budget (either in terms of income or expenditure) require the Authority to submit a bid to the Treasury.

7.2 Treatment of surpluses and deficits

The Authority considers that there should be a mechanism to ensure that any surpluses in fee income against expenditure are made available in future years as a notional surplus, which could lead to a reduction in future fees or lessen the impact of any future fee increases. The Treasury and the Authority plan to explore a potential quasi-balance sheet for introduction at the end of the implementation timeframe (2025-26).

7.3 Transparency measures

The Authority's transparency measures include an annual report and audited financial statements in accordance with paragraph 7 of Schedule 1 to the FSA08. The annual report covers the Authority's performance against its regulatory objectives, the factors it must consider when discharging its functions, any policies and strategies specified by the Treasury, and any other matter about the Authority's effectiveness and efficiency that the Treasury may require. The annual report and accounts are laid before Tynwald.

In addition to the annual report, the Authority published a Strategic Plan for 2021-2024⁹. The plan sets out the blueprint for maintaining the Island's reputation as a well-regulated international finance centre. The plan highlights the goals and priorities that will lead initiatives to protect consumers, reduce financial crime and uphold confidence in the financial services sector. Progress on the plan is underpinned by a commitment to openness and transparency to ensure stakeholders are kept informed of key developments, such as the work to reduce the Authority's level of financial support from the IOMG.

The Authority also began presenting key performance indicators and key metrics to the Treasury on a quarterly basis in spring 2022 following mutual agreement to adopt a more formalised approach to dialogue.

The accountability and transparency mechanisms in place are listed below:

⁹ IOMFSA Strategic Plan 2021-2024, <https://www.iomfsa.im/media/2916/iomfsa-strategic-report-2021-2024.pdf>

Accountability and Transparency Measures	
Measures	How they are demonstrated
<ul style="list-style-type: none"> • Regulatory objectives, statutory functions and reporting obligations • Annual report <ul style="list-style-type: none"> ○ Financial reporting ○ Progress against priorities • Strategic Plan • Quarterly reporting to the Treasury • Governance framework <ul style="list-style-type: none"> ○ Reserved powers and delegations framework ○ Code of Conduct ○ Risk and Control Committee ○ Human Resources and Compensation Committee • Risk management framework <ul style="list-style-type: none"> ○ Includes risk tolerance framework • Authorisations Decision Making Process • Enforcement Decision Making Process • Internal quality assurance – Case Review Panel • International standards and assessors, e.g. MONEYVAL, BCBS, IAIS, IOSCO, OECD, IMF • Consultation feedback. 	<ul style="list-style-type: none"> • Internal Project Oversight Group ('POG') for project governance and reporting and performance against strategic plan • Key Performance Indicators (Internal) • Regular industry meetings – key initiatives discussion • Roadmap publication (ICP Project) • Industry Survey • Staff Survey (Internal) • Register of interests (compliance with Code of Conduct) • Attendance at Economic Policy Review Committee ('EPRC') • External third-party reviews • External audit • Board approved Stakeholder Engagement Plan approved • Risk-based supervision • Statistics (AML/CFT, COVID-19 dashboard) • Public Notices around settlement agreements etc.

The Authority is in the process of enhancing its arrangements outside of its work on the new Funding Model. For example, the Authority is considering the publication of additional performance measures and service level standards. Further information on these proposals will be published in due course.

In respect of the new Funding Model, the Authority plans to include a breakdown of fee income by sector in its annual income and expenditure account. The Authority also plans to initiate a review of the new Funding Model after it has been implemented to ensure it is on track to achieve the model's goals.

8. Questions

If you have a query on the Authority's Funding Model or Fee Structure, please contact the Authority's **Policy & Authorisations Division** either by telephone on +44 (0) 1624 646000 or by email to Policy@iomfsa.im.