



**STANDING COMMITTEE
OF
TYNWALD COURT
OFFICIAL REPORT**

**RECORTYS OIKOIL
BING VEAYN TINVAAL**

**PROCEEDINGS
DAALTYN**

**ECONOMIC
POLICY REVIEW COMMITTEE**

Financial Services Authority

HANSARD

Douglas, Thursday, 13th February 2020

PP2020/0040

EPRC-FSA, No. 1/19-20

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Members Present:

Chairman: Mr C R Robertshaw MHK
Mr T Baker MHK
Mr J Moorhouse MHK

Clerk:
Mr J D C King

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Standing Committee of Tynwald on Economic Policy Review

Financial Services Authority

*The Committee sat in public at 2.35 p.m.
in the Legislative Council Chamber,
Legislative Buildings, Douglas*

[MR ROBERTSHAW *in the Chair*]

Procedural

The Chairman (Mr Robertshaw): Well, welcome again –

Ms Badgerow: Thank you.

5 **The Chairman:** – to this public meeting of the Economic Policy Review Committee, a Standing Committee of Tynwald. I am Chris Robertshaw MHK and I chair this Committee. With me are Tim Baker MHK and Jason Moorhouse MHK.

 Please ensure that your mobile phone is off or on silent so that we do not have any interruptions. For the purposes of *Hansard* I will be ensuring that we do not have two people speaking at once.

10 The Economic Policy Review Committee is one of the Standing Committees of Tynwald Court established in October 2011 with a wide scrutiny remit. We have three Departments to cover: Cabinet Office, Treasury and Department for Enterprise.

 We are also required to scrutinise the work of the FSA and the GSC. This is because Tynwald resolved on 20th May 2014: ‘That the remit of the Economic Policy Review Committee should include the work of the Financial Supervision Commission, Insurance and Pensions Authority and Gambling Supervision Commission, this remit to include the requirement for the Chief Executive to give evidence in public.’ Since that resolution was passed we have seen the merger of the FSA and the IPA to form the Isle of Man Financial Services Authority.

20 We will now hear from the Isle of Man Financial Services Authority.

EVIDENCE OF Ms Lillian Boyle, Chair and Ms Karen Badgerow, Chief Executive, Financial Services Authority

Q1. The Chairman: So, welcome and good afternoon. Nice to see you again.

Ms Boyle: Thank you very much. I am going to start. I am Lillian Boyle, I have been the Chairman of the FSA since 1st July 2018.

25 The Committee will recall that last year we brought to their attention a number of initiatives both in respect of the governance of the Authority and various stakeholder engagement

initiatives. In this meeting we hope to have the opportunity to highlight how we have continued in a number of these developments over the past year.

30 As you are well aware, the FSA is a Statutory Board and throughout 2019 operated with eight board members including the Chief Executive, but, as mentioned last year, with the ability to have up to 10 members on the board. At the end of November 2019 one of our members stood down to take up another commercial role and accordingly, as I am sure members of the Committee may well be aware from the papers for the forthcoming Tynwald, Treasury will seek, subject to approval of Tynwald, the appointment of two new members for our board. If Tynwald
35 grants its approval, this will take our board numbers to nine, including the Chief Executive.

In addition, the board has extended the Chief Executive's contract for a further two years to run from 1st November 2020 to 31st October 2022.

The role of the board continues to be that of a very interactive group, working with the CEO and our team to liaise with licence holder representative groups and meet with wider
40 stakeholders, including Department for Enterprise, their Agencies, both Finance and Digital, Cabinet Office and of course Treasury.

One development that may be particularly noteworthy is that over the past 12 months we have introduced what the Authority refers to as the DMP, which is its enforcement decision-making process, a system whereby we intervene at an early justified stage in issues to
45 help prevent unacceptable risks crystallising. It is where we seek to understand, collaborate and follow a reasonable path of remediation to achieve the right outcomes and enforcement is pursued where proportionate, reasonable and appropriate. Where a lack of fitness and propriety is demonstrated, or where we have serious concerns about regulatory failings, we will consider whether enforcement action is appropriate.

50 As a high level overview of the process, if an investigation is commenced by us as the Authority, this may lead to enforcement action being taken against regulated designated entities or individuals. As part of its commitment to further develop its culture of constructive, open and transparent engagement with industry and other key stakeholders, the Authority has published the aforementioned DMP. The DMP clearly sets out the staged processes which the Authority
55 will follow in most enforcement cases and indeed the specific enforcement powers to which the DMP applies. This is listed fully in that published document. In addition to explaining the decision-making process, the DMP also introduces for the first time in a public document the concept of settlement in the Authority's enforcement cases.

60 As we have stated previously, the Authority *really* encourages regulated entities and individuals to be open and honest when addressing regulatory failures. For our part in taking any enforcement action the Authority will always be mindful of its regulatory objectives – those are: securing an appropriate degree of protection for policyholders, members of retirement benefit schemes and customers of persons carrying on a regulated activity; the reduction of financial
65 crime; the maintenance of confidence in the Island's financial services, insurance and pension industries through effective regulation; supporting the Island's economy and its development as an international financial centre.

If I turn to the discretionary civil penalties, various acts overseen by the Authority enable us to require a current or former licence holder to pay a penalty for any contravention of the Act or any prohibition or requirement imposed under the Act. The Financial Services (Civil Penalties)
70 Regulations 2015 came into effect on 1st August 2015, and regulation 5 of this provides a framework for the imposition of discretionary civil penalties upon current and former licence holders for serious contraventions of the Act or any prohibition or requirement imposed under the Act.

75 A decision to impose a discretionary civil penalty will be made by the Authority in accordance with the DMP that I referred to. As mentioned, the Authority has published the guidance note on the operation of the discretionary civil penalties regime and to date there have been three instances of discretionary civil penalties being applied. Details of these have been provided on our website.

80 We believe by utilising our powers in this manner the Authority will be seen to have taken
action in an appropriate manner and the detail provided in our press releases for each case will
allow other licence holders to understand the issues which have arisen and to be alert as to how
breaches may occur. The transparency in regard to these matters we believe will help assist
licence holders and designated businesses in forging a more compliant culture, helping to raise
standards across the various sectors of the industry that we regulate.

85 We recognise the importance of maintaining and achieving consumer protection and as such
I will hand over to our Chief Executive to expand on our initiatives in this area.

The Chairman: Thank you.

90 **Ms Badgerow:** Thanks for having us again this year and I just wanted to say a few comments
reflecting back on our strategic plan that we talked about last year and some of the initiatives
that we pursued over the past year, mostly focused on consumer protection.

I think when we think about protecting consumers in the confines of our mandate, we think
about it from two aspects. One is probably more visible to the general public, and perhaps even
95 to Members of Tynwald, and that is our work on consumer awareness. The other is less visible. It
is around work that we do internally on frameworks: prudential frameworks, our risk
frameworks. I will talk about both aspects.

I think the consumer one is one we talked about a fair bit last year in terms of consumer
awareness, and just a couple of highlights from the work that carried on this past year. I think
100 one of the most visible campaigns that we have embarked on as an organisation – oh, I should
have said my name, sorry. Karen Badgerow, for the record – has been the work on the Pension
Matters campaign. It really was around highlighting to our local residents issues around
awareness of financial planning, issues of awareness around pension scams and frauds, and just
generally raising the general knowledge of the population. We have continued to work in that
105 space, updating our guidance as appropriate, but it has been one of the largest campaigns I
would say we have taken on, but it has really spurred on our interest in consumer awareness.

Every year we participate in – our second year this year – the International Organization of
Securities Commissions (IOSCO), the international association of securities supervisors’
campaign for World Investor Week. This is really important because it is a global initiative of
110 supervisors just again to raise public awareness. This year we found ourselves on a Saturday at
Tynwald Mills, but providing consumer literature to unsuspecting shoppers as they entered
Tynwald Mills. It was quite helpful because we were able to talk to people and talk about their
level of awareness, provide some literature around different consumer matters in terms of how
to complain about your service of a financial institution, what things you should be aware of if
115 someone cold-calls you, and I would say generally we had a very good reception and it was a
good way for our staff to engage with the general public.

The staff proudly continue to support Ballakermeen School in their Certificate in Financial
Studies programme. We provide support through running short information and educational
sessions around things like: how does the financial system work in the Isle of Man relative to the
120 UK; what financial services and products are available to you? This is something we continue to
support. It has largely been taken on now in conjunction with the Banking and Finance Institute
in the UK, but again, credit to some members of our staff for really getting this initiative off the
ground. It is really raising financial literacy at that very important youth age.

Another piece we worked on this past year was really updating our complaints guidance on
125 the website. So again, making it a bit more visible to the general public how they can complain
about financial services. Now, we are not the Ombudsman and the first port of call for a client is
always the institution themselves, but where they reach the end of their tether in terms of a
particular issue, we will refer them to the Ombudsman or we have a process to deal with that
complaint internally as well. So we have tried to clarify some of the language about what they
130 should expect from us and the Ombudsman as part of that complaints guidance.

135 Most recently we attended an event hosted by the Chartered Insurance Institute on vulnerable clients – again, a really important part of the makeup of our demographic of the Isle of Man – just trying to speak about the issues around vulnerabilities in client groups. We have various provisions in our Rule Book, we have it in our insurance legislation, but it was trying to bring home to practitioners some of the things that they should be thinking about when they engage with vulnerable clients. Be it vulnerability by virtue of age, by virtue of health or some level of impairment, just trying to bring home that you will have to tailor your needs for various members of the public.

140 Finally, I wanted just to highlight – it was in the press this past year – that the Authority's work in the area of consumer awareness was recognised in the UK at the Chartered Insurance Institute's Building Public Trust Awards. One of our staff members, Claire Whitelegg, received an award in that regard. Well-deserved for all the hard work that she did along with her team in terms of the consumer work last year.

145 As I mentioned, less visible perhaps to the public is the work that we do around our prudential and our risk frameworks, our regulatory frameworks, to ensure that consumers are protected. It is about making sure there is appropriate capital and liquidity sitting in our financial institutions, risk-based capital, making sure there is proper governance and risk controls sitting within those institutions, and that work is ongoing.

150 A couple of areas we have focused on have been, of course, the Insurance Core Principles project and work on Conduct of Business. So making sure that charging structures and information to consumers are friendly, available and transparent. We have done a fair bit of work with the industry over the last couple of years to introduce the new Conduct of Business Code and we are now testing against that code.

155 The Bank (Recovery and Resolution) Bill which is before the House – the First Reading was on the 11th – is another means of protecting consumers. We have a vibrant banking community, we have a number of branches, some incorporated banks, but we need to have the appropriate frameworks for both recovery in the event that a bank ... a recovery plan and the resolution of the bank in case there is a trigger event.

160 So it is very important, because as a supervisor you need a number of tools at your disposal to deal with a bank in distress and because it is an international framework we need to have the appropriate framework locally so that we are able to engage internationally and cross-border in the event of a bank trigger event. So a really important piece of legislation and, as you will know from the First Reading, the resolution authority will sit within the FSA, once the Bill has passed.

165 **The Chairman:** Thank you very much.

My colleagues on the Committee asked me before we came in, was I going to invite you to an opening statement. I said probably not.

170 **Ms Badgerow:** Oh, I am sorry!

The Chairman: How wrong can you be? *(Laughter)*

Ms Boyle: We thought it would be very useful just to provide you with an update.

175 **The Chairman:** No, I am being mischievous. I just could not resist it, that was all.

Ms Badgerow: We are quite keen!

The Chairman: I noticed!

180 **Ms Badgerow:** Do you want me to stop? The only thing I would want to say ... Can I –

185 **The Chairman:** No, I would like to stop, (*Ms Badgerow:* Okay.) because I think that we are just going to swallow a whole load of words and it would be helpful if we started drilling down on some of the areas that we – (*Ms Badgerow:* Absolutely.) And if we miss something you will be invited at the end to recover the situation for us. (*Ms Badgerow:* Absolutely.)

But thank you – we enjoyed the lecture, it was great!

190 *Ms Badgerow:* I hope it was not seen to be a lecture, but it was a bit of an update.

The Chairman: Yes, thank you, it is appreciated.

Ms Badgerow: You are welcome.

195 **Q2. The Chairman:** Now, the decision-making process, what is the reaction of your finance services sector to the way that has gone? Have you had any feedback on that?

200 *Ms Badgerow:* I would say one of the things we did do when we developed the DMP was to really spend time with industry. So Tom Maher, General Counsel, is here today and did a series of seminars, and of course you really do not understand the impact until you see the outcome.

205 I would say positive, because I think part of the end result of the settlement process that our Chair spoke about was that in the public statement we tried to state very clearly what the issues were, so this is not a spurious event, what the learning outcomes were from that, lessons learned for industry, and the issue for us is ... And of course it is a settlement process in some cases, where we have agreed with the licence holder the facts of the case, the appropriate settlement award and it serves as a reminder to others that I know the requirements are there to be met.

210 So I think it will always cause some concern because people will be worried about their book of business, but I think it has been a good, strong show that we do remediate, but where appropriate we will take further action and we do.

The Chairman: Good.

215 *Ms Boyle:* Think there are a couple of things, if I could add in, (**The Chairman:** Yes.) because I have recently been to quite a few events where, much to my surprise, the discussions and presentations have been about that – not from ourselves as an Authority, but from other organisations. Actually they have been incredibly helpful to us because they have said to practitioners, ‘This system is coming in, you have to understand what it is that you have to do, how you are going to have to behave’, but also reinforcing a great deal that ‘If you have a problem it is best to come and talk to the Authority’, (**The Chairman:** Yes.) and also to learn from the issues that have arisen with the people who we have done settlements with.

225 On several instances I have had comments that they found the press releases which we have made, and the statements where we have explained, in quite detail, what some of the issues have been, people are using those as learning points. So the fact that it has not been done in isolation as a fine, but there is an explanation there, there is a way of actually saying to people, ‘This is what we are looking for’, I think people are taking that as a learning point as well.

230 *Ms Badgerow:* Yes, and the one thing about the process is that the public statement is non-negotiable. You may be able to negotiate to discuss the words, but the fact of a public statement is part of the settlement process and that has been very powerful. I think no one wants to see their name in the press, so it serves as a good reminder. But we will learn from the process, absolutely.

Q3. The Chairman: Okay, thank you very much.

235 Moving on, as we all recall, the Isle of Man was the first jurisdiction to be subject to MONEYVAL version two. Since then, are you aware of version two being applied to others and the reported outcomes? Just a few comments on that?

240 **Ms Badgerow:** Yes, the fifth round of MONEYVAL has been applied to a number of other jurisdictions, and I think I may have talked about it last time, but of all the jurisdictions where it has been applied – it has either been FATF or a FATF regional body, so MONEYVAL is our regional body – about 85% of the countries that were assessed in the fifth round were ‘enhanced follow-up’. So, for example, Canada is an example of enhanced follow-up.

245 Our colleagues in Jersey or Guernsey have not been subject as of yet to a fifth round assessment and what is happening right now is that FATF is taking a bit of a step back and they are undertaking a strategic review of the programme. I think if I could use the word success of the programme, having that many countries in enhanced follow-up is quite problematic for an international body, because unless and until they come back to do an onsite review you stay on enhanced follow-up.

250 So in terms of technical compliance, we have met virtually all – I think maybe there is one outstanding technical compliance. But in terms of effectiveness, we will never get off the enhanced follow-up list until they come back on site, and they recognise that can be quite problematic.

255 So interestingly enough, this year I participated in the Group of International Financial Centre Supervisors. It is all a series of Overseas Territories and Crown Dependencies and our chair lobbied FATF to become an observer status and be able to input into the strategic review, because we have a very strong view of the approach in smaller jurisdictions and proportionality, and we have been granted observer status. So we will have a chance to make comment on how FATF rolls out the next set of programmes in terms of their methodology.

260 So we will be working with Cabinet Office, Karen Ramsay’s group, to make sure that the message that we send from the Isle of Man is appropriate to the Isle of Man. I am sure there will be some jostling at the committee level with the CDs and Overseas Territories, because we all have different views.

265 So a longwinded answer, but we have done all the things that we think are appropriate for all the open items. We will be focusing more on the effectiveness in terms of our inspection programme over the next few years, because we cannot assume that we will not have another review.

Q4. The Chairman: Thank you very much.

270 This Committee, and certainly you, were subject to engagement with the EU TAX3 Committee some time back. It raises the question, from a layman’s perspective, where does the Isle of Man now sit in terms of Brexit? The short answer, please! *(Laughter)*

What is a layman’s view of where this whole thing is going?

275 **Ms Boyle:** Yes. Obviously what we have tried to do through all of the meetings that we have with the stakeholder bodies is actually talk to them and say, ‘What do you think? Do you think that Brexit ... ?’ – as we were running up to it – ‘What is the impact for your organisations?’ And if I am honest, because of the general uncertainty, people have yet to come and say to us that it is impacting on them. I think last year I was asked the question about the impact on the life assurance sector, and I also highlighted at that point that it is much more of a global industry and therefore is really taking business from the Middle East, the Far East and almost anywhere other than Europe.

280 But I think what it leads me on to a bit with the Brexit thing is there are so many other political dimensions in the world which can impact the businesses that we are in. I would say that the coronavirus is one where you would probably see industries being concerned about that – people who are operating in the Far East in the moment. So in each of their sectors

people will look at what is happening, but they are generally speaking covered by virtue of the fact that they do a very diversified business.

290 Now, going back to the Brexit one, I think we are generally waiting to see what happens with the UK and in particular the negotiations with the City of London at the moment as to whether or not they will get equivalence.

Ms Badgerow: Equivalence, yes.

295 **The Chairman:** Thank you very much.

I want to pass over to my colleagues now, who have got a number of points that they want to raise.

Q5. Mr Baker: Yes, thank you.

300 The first one, just following up on that point about uncertainty, my experience is uncertainty always creates a negative impact because it stops things happening. People defer making decisions or they make decisions that de-risk the situation. Are you seeing any evidence of that, from your perspective, in the sector?

305 **Ms Badgerow:** I would say early days we did. I think people have moved on in some ways because they have had to. For example, in the banking world we have gone through ring-fencing. Those were decisions related to UK requirements and we have enacted those. We are trying to pursue a Solvency II equivalence in the European market and we will continue to forge on. It may not be as open door as it used to be, but we continue to forge on. Two weeks ago one of my staff members went to Brussels to meet with one of the people from the European Commission on that matter.

310 So I think we just forge on, and as our Chair mentioned, it is just a matter of someone telling us things have changed, because not a lot has changed so far for us in the financial services, but it will be now – the most recent noise coming out of the UK is that that may change.

315

Q6. Mr Baker: Thank you for that.

You mentioned the banking sector, and one of the issues that have been brought to our attention is about availability of banking, particularly for some of those vulnerable groups that you mentioned earlier – particularly those who, for example, may not have a fixed abode or may have enjoyed a stay in prison, where they cannot demonstrate a new address. There is no right to bank as such and that is quite a basic need for people in vulnerable situations. We are aware that there is a very basic product offering offered by a couple of the local banks, but others do not offer anything.

320 What is the FSA's view on that? Clearly it is an area where the market is not delivering and that has implications for people and for society.

325

Ms Badgerow: I have been involved with a few of the MHKs on this matter, Mr Moorhouse for one, Mr Watterson for another. Going back a few years the Manx Credit Union was one approach at trying to get a credit union that was more accessible to a larger part of the population. At the time, as you know, it was a bit of a reach because the legislation had been so outdated. So the legislation was changed to open for business for credit unions. We have one, we understand they are offering a variety of products, though limited, absolutely, in terms of loans tied into social assistance, to provide some level of capacity to people who are more vulnerable.

330 I think on the ex-offender one, which you are alluding to Mr Baker, we have been working with the Bankers' Association along with ourselves to look at the provision of services to ex-offenders, because we recognise that is an area that has been quite difficult for people who have some blemish on their record in terms of getting banking services. No solutions as of yet,

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340 but we are certainly alive to the issue, the Bankers' Association is working as well, alive to the
issue, and recognising that it is always a fine line of the regulator commerciality, in terms of
where our remit starts and stops in commerciality.

I think one of the other issues we talked about is children and the availability of banking
services to children. It is something again the Bankers' Association is alive to. We are meeting
with them in a couple of weeks. But it is always going to be a bit more challenging, because they
345 will make commercial decisions based on their view on risk and we do not necessarily have a
right to banking provision here, fundamentally, but we do believe and this is why having a wider
variety of products available in the marketplace will hopefully close off some of those gaps. But
it will not solve it absolutely.

350 **Q7. Mr Baker:** So it is an issue?

Ms Badgerow: It is an issue that has popped up in various ways. It has popped up with
ex-offenders, popped up with children, popped up in lower income groups as well, in terms of
not having the availability of credit, for example. That is another one. That is why the Manx
355 Credit Union is looking at smaller loans, as an example, to fill that gap.

Ms Boyle: I think also the Department of Home Affairs is involved particularly on the
ex-offenders. So there is a wider group than the FSA that are involved in this.

360 **Q8. Mr Baker:** Sure, but these are the sorts of issues where it is that joint perspective across
lots of different areas that actually lead to a solution.

How is it dealt with in other jurisdictions? Has anybody perhaps got a 'banker of last resort'
type of facility or any kind of entities that exist with these sorts of capabilities that we could
learn from?

365 **Ms Boyle:** Well, I would say in the UK there is a much wider range of credit unions and
particularly developed to deal with a number of social issues. We do not have that maturity of
that market here at the moment.

Now, I am not saying that is totally the answer, but I think if you looked at the UK, the fact
370 that the credit unions have been developed over a much longer period of time and also from
initiatives where it was people who were unable to access financial institutions in any other way.

The Chairman: Could Jason come in on the same subject?

375 **Q9. Mr Moorhouse:** With regard to things like owning bank accounts, closing bank accounts,
it is the Ombudsman who deals with those issues. Do you get feedback from the Ombudsman
each year in terms of, 'This is an issue, this is a concern, can we work together to come up with a
solution?'

380 **Ms Badgerow:** We meet with the Ombudsman; whether or not we have those particular
discussions ... I think maybe if I can answer it a little bit differently, one of the things we are
going out with starting in April of this year is a banking conditions survey, and what it is intended
to do, is to understand about the marketplace. The extent to which demand is being driven by
client groups for certain products, and not a quantitative one saying, 'How many enquiries?', but
385 it is, 'A Lot', 'Not Many', 'None'. The risk appetite of banks in relation to the offering of those
products: so understanding if banks are starting to contract the credit or the deposit offerings in
the system.

The other questions that are asked are around are there certain things in the economic
environment or head offices that are driving a change in either the appetite of the bank or the
390 appetite of the consumer for these products. So it is on our website, I am glad to send a copy to

you, and our first return will come in April. Again, it is more of a qualitative study, or return, but it is going to start to give us some information around those sorts of things: what is happening?

395 We have stats, so we see: how many accounts; how much mortgage lending; how much corporate lending. But it is understanding from each of the banks ... This is only going to be for the largest banks to start off with, we are just going to digest the Big Four to understand. But it will give us a better sense of what is happening in the marketplace. To the extent that we have solutions, it is discussing them with banks, because it is their product offerings, but understanding what is driving demand and what is driving appetite in the community for those products.

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Q10. Mr Moorhouse: So in terms of that review, you will be asking banks for the percentage of various –

405 **Ms Badgerow:** It actually is not percentages we are interested in. It is more about those five different ... on a gradient: a lot; not many; none; decline. So it is really getting a little bit of a sentiment of what is happening. It is a quarterly return, so it will be a matter of collecting it over a period of time.

410 Now, interesting, what do we do with that information? It will help us understand what is happening in the banking community. It might be useful for us to discuss with other colleagues in terms of the Bankers' Association, on a general trend basis, other interested parties. Again, it is more, what are the conditions for banking on the Isle of Man? So it will take a bit of a time series to have a story as well, because it really is geared off the fact of what changes.

So it goes, the last three months, and what you forecast for the next three months ahead in terms of changes to the conditions.

415

Q11. Mr Moorhouse: At the moment you are collecting information on things like the number of mortgages and related issues. When it came to the children's bank accounts, that was something that was not collected, (**Ms Badgerow:** Yes.) but the banks themselves said in terms of the general figure that could be doable and you said you would go away and discuss it.

420

Has anything come from that?

Ms Badgerow: Our next meeting since we have had the correspondence is in two weeks with the Bankers' Association. We are going to raise that with them at that point in time: is this a reasonable piece of data that they can easily collect? So, yes.

425

Q12. Mr Baker: So if I can summarise, we have got yourselves regulating the industry and we have got the industry providing the products. You are identifying perhaps some gaps or some issues, such as the one we have talked about already. Who actually then picks that up and how does that lead to a better outcome for Isle of Man PLC, if you like? There is a danger that you can see things but actually they are not within the scope of your regulatory role. But there is clear value in your perspective and the insight that you have.

430

How do we translate that into somebody doing something positive to actually move the game forward?

435 **Ms Badgerow:** It is a good question. Some of the responses are policy responses. So going back to the Credit Union, the genesis of that was around the fact there was an underserved market and there was a possibility, through legislation, to allow for the establishment of a credit union. We have only had one credit union take-up in the Isle of Man. So again, there is commerciality involved in that as well.

440

So policy responses: policy responses sit with us and also sit with Treasury collectively in terms of what would be an appropriate policy response. I know the Bankers' Association has been in discussions with Treasury around different product offerings that may have some

benefit or advantage to consumers. So again, it comes through the policy framework; that we can look at making changes that may be more inclusive in terms of certain cohorts of clients on the Isle of Man.

So there is always going to be a bit of a time lag/gap, and again, it goes back to the right to bank.

Ms Boyle: I think also what I said earlier on about the Department of Home Affairs, and I am sure the probation system as well, all interact with each other and perhaps some of it does have to come through a much more joined-up approach on these things, which, I am pretty sure that as an MHK, you are more than aware of these issues when they arise. But I think you do need a lot of different organisations who will have contact with those individuals to be thinking together.

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The Chairman: You nearly mentioned silos then. *(Laughter)*

Ms Boyle: I did not, no. I know how that worries you! *(Laughter)* But no, I think it is a very serious point.

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Ms Badgerow: I mean the one piece that is about access to services – it was a good example – was on the credit card issue. That had been a big issue for a period of time: more access to credit cards. It was a good example where the Department for Enterprise, ourselves, working with the banks, and it was really around raising the awareness and understanding what was really available. So people are much more *au fait* with where they can get a credit card, what is available in the marketplace as well.

465

So around the margins of making sure people are aware, ‘What kind of business can I undertake with this institution; what kind of business can I undertake with that institution?’ And I think the credit card piece has for us – and I was talking to Mark Lewin this last week – largely gone silent. It seems to be an issue that has been ... We have not got an abundance, but people are now aware of where they can apply for a credit card and get a credit card. So again, a gap in service was identified and there was some work around to raise awareness, to do some calling around, seeing what is available, and it has been largely a muted issue for the last year, for us certainly, and for the Department for Enterprise.

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Q13. Mr Moorhouse: In terms of availability, there is still some concern, and it is going back to the credit checkers like Experian and their ability to do the reviews on Manx residents and Manx addresses. Is that something that is coming through to you?

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Ms Badgerow: No.

Mr Moorhouse: So you have not in any way –

Q14. Ms Boyle: I am just also thinking, have Experian not actually been dropped by quite a few of the banks recently as a credit checking agency? I thought all of that had changed a bit, particularly after the past 12 months I think. So I am not sure that they are so active in that market now.

490

Mr Moorhouse: Right.

Q15. The Chairman: I would just be slightly cautious about this thing going ‘muted’, a phrase you used. If the average person on the street did not understand why they could not, they might start to feel, ‘Well, maybe it’s me’ and they would be less –

495 **Ms Badgerow:** Yes, less inclined.

The Chairman: – inclined to express their opinions, because, ‘Somehow that person over there could get something that I can’t, and what is it ...?’ So I would just be cautious about assuming that the thing has gone quiet.

500

Ms Badgerow: Yes. I guess I can only respond to what comes across our office and what comes across our desk, and this has not been an issue that has been raised with us in, I would say, almost the last year. And just in chatting, because we did work with DfE about a year ago on this to get a sense of what was missing, why were some companies leaving the Isle of Man, who had product offerings still on credit cards. So when I say muted, it is muted from the perspective that it is something that is not being articulated to the regulator. In fact, DfE felt that it had gone quite quiet.

505

But I take your counsel.

510

Q16. The Chairman: So have further players removed themselves from the market recently or has it stabilised at a particular – ?

Ms Badgerow: My understanding is that it has stabilised in terms of the credit card offering.

515

The Chairman: Yes. Okay, thanks.
Tim?

Q17. Mr Baker: Thank you.

520

Earlier in your commentary you talked about the Financial Services Ombudsman Scheme – you referred to that. Can you give us a sense of the adequacy of their powers and is there a need for any action on those or are you quite content that that scheme is where it should be?

Ms Badgerow: I cannot really comment on their powers, to be honest. In terms of my view on adequacy, that is not within my remit – to comment on another agency’s powers.

525

The Chairman and Mr Baker: Okay.

The Chairman: Anything else?

530

Mr Baker: No that is fine.

Q18. Mr Moorhouse: In terms of their operations, they complement yours. Do you feel that as a grouping the Island has got adequate coverage in terms of the Ombudsman and the FSA?

535

Ms Badgerow: I would say we have a good working relationship with them. We meet on a regular basis and exchange information as possible. But whether or not they are properly resourced, have the appropriate powers, it is not for me to comment.

540

Ms Boyle: I think it is also worth acknowledging that the Ombudsman will deal with complaints from clients off Island as well. That is a very important one, because from their Annual Report, I think quite often that will show that it is because of the companies selling their products off Island, then quite often, if there is a complaint, it will come through to that. So you have to look at it in the context of who it is actually that they are actually servicing as well.

545

Q19. The Chairman: Okay, fine.

Moving on, you very kindly sent some information following our last discussion, I think it was last February – gosh! – concerning corporate lending. Thank you. But it captured Isle of Man and UK lending in one number. Is it possible to split that or is that not possible?

550 **Ms Badgerow:** Yes, we do the lending stats. I am just going to see if I have ... The lending stats do break down between Isle of Man, UK and then 'Other' typically.

So we can provide you with the updated stats as of September broken down.

The Chairman: Thank you.

555

Ms Badgerow: So it will give you corporate lending, residential Isle of Man loans. We can provide that.

The Chairman: It would be good to have that.

560

Ms Badgerow: Yes, we can provide that.

Q20. The Chairman: Thank you very much indeed.

565 One of the other subjects I think we touched on last time was the progress on personal pensions. Could you give us an update from your perspective of how that is going? We obviously have concerns as the single-tier pension moves in and there are groups of people without a pension that they are developing themselves. I am under the impression that you are keen to focus on this and observe on it. Am I wrong on that?

570 **Ms Boyle:** Sorry, just to get some clarification on this, were you perhaps referring to some of the legislation that we are bringing through with that?

Q21. The Chairman: Whatever. Our interest has got to be that we need to be seeing more movement on the development of workplace pensions on the Isle of Man, more than they are. 575 There are groups still outwith provision. You have got big employers that do it automatically, Government does it automatically, but there are still major areas and I was under the impression that that was something ... You are not focused on it?

Ms Badgerow: No.

580

Ms Boyle: I think when we discussed this last year one of the points that we highlighted was, particularly with workplace pensions, you are really dependent on whether the providers, the large insurance companies, will provide those schemes. I think experience had shown just even in the UK that there was a very limited number of players within that market and if you took that 585 further into the Isle of Man then I think there may only be one large organisation that actually ... on a private pension basis.

Q22. The Chairman: So it has not moved on from last year at all then? It is just that –

590 **Ms Boyle:** Not that I am aware of.

Ms Badgerow: It is not an issue that – it sounds terrible – sits within our ... Again, it is a policy matter in terms of the availability of pensions. So our purview is in terms of supervision of pensions that are registered with the Authority. We are working on the legislation, which is very 595 old and outdated, because we are lacking certain powers in respect of the administrators of pension plans in the Isle of Man.

600 So work is continuing on the Retirement Benefits Schemes Act 2000 (RBSA). But in terms of the actual policy matter, because pension plans are typically voluntary arrangements that would definitely not be falling within our remit. So the extent to which they are registered we supervise and oversee the activities and we are trying to modernise the legislation because it is quite a bit outdated.

Q23. The Chairman: Is the legislation holding things back then in some respect here?

605 **Ms Badgerow:** In terms of the powers of the regulator, I would say yes.

The other piece of legislation that we are looking at is around the funding requirements for pension plans. So when the RBSA was brought into effect many years ago, there were enabling provisions to put into place funding requirements. So plans are required to fund in accordance with a certain funding schedule. Those regulations were never enacted.

610 Now, these are mostly for defined benefit plans. We only have 30 to 35 largely closed plans, but nonetheless it is more the force of law to have statutory funding requirements. Plans do fund because a file actuarial evaluation report sets the plan to fund those pension plans, but it is really to put in law what those funding requirements are. So that is the other piece of legislation we are working on.

615

The Chairman: You can see from a political perspective the anxieties that exist because of these gaps of provision that exist and the fear that, for example, with the growth of zero-hours contracts and the non-availability of transfer into these funds (**Ms Badgerow:** Yes.) and the funds themselves are not available, that one can imagine, when I am long gone, in 25 years' time they could very well be looking back at us politicians and saying, well, you really did not deliver in that area and now we have a whole tranche of people on benefits.

620

We do not want to be guilty of that heinous crime because currently we are blaming those who went before us for not dealing with public sector pension funding properly. So you fear there is another monster quietly preparing itself in the background and that we need to be increasingly aware of.

625

Did you want to come in on that?

Q24. Mr Baker: It was a similar point, Chris, to be honest.

630 The answer to that point that was just made, and previously around banking, leads to a sense, certainly in my mind, that as a physically quite small place we lack infrastructure in financial terms. That plays out in both the pensions issue and the wider banking piece. (**The Chairman:** Yes.) I appreciate it is outside your remit as the regulator, but clearly there is some real perspective there of what we have got and what we are missing.

635 My view would be that strategically, as an Island, we need to be finding a way to surface these issues and grapple with them in a holistic manner. It is almost as though we need an injection of some sort of capability into the Island's financial infrastructure to deliver that. Maybe either a new entity or something else that could be repurposed to actually deliver some of this would perhaps actually add value to the Island as a whole. I do not know ...

640 **Ms Boyle:** I think that you would have to look at it quite holistically, to actually start. Pensions is such a wide-ranging topic, and I do not mean that in any disparaging way, but you are quite right, Chairman, that over the years it has developed from what we all grew up with, through into having quite a different sort of meaning and what younger people perceive as, almost I suppose, lifetime savings really, isn't it?

645 So I think if you were going to look at it you have to look at what is the right kind of culture, what kind of savings do you want to initiate and how is that affordable for the different groups that you are trying to encourage to take on that savings?

So I think, to go back to Karen's point, it is very much a policy-led issue.

The Chairman: Yes.

650

Mr Baker: But it sounds to me as though we have got a perspective that maybe there is something missing. The market, for whatever reason, is not going to deliver that – maybe it is scale or the other issues – therefore, if we want something to be developed, we need to be progressive about thinking about it.

655

The Chairman: I think that brings us to a particular issue for our Committee, and here we are going to throw our thoughts at you just to get some initial response from you. In a sense we are seeking your help and guidance to some degree.

660

The Committee has been very exercised in recent months over the future of the Post Office and it is very much a high-profile issue politically now and it is growing, I would say, almost by the week, as sub-post offices disappear. If we drew all the strings of this discussion that we have been having so far about non-availability of pensions for certain sectors, non-availability of banking, the Committee is going back to this subject again, having produced one report, which if you ever get the chance to read it, we would be grateful for any comments that you have got on it. Jonathan, I am sure, we will be happy to provide it.

665

But we are going back to the subject with an intention to produce a second report. More specifically, the first report that we produced ... How many months ago was it now?

The Clerk: I will check.

670

Q25. The Chairman: Okay. Was more identifying the environment that the Post Office was sitting in and the future threats. The next time we come to it, we will be more inclined to try and encapsulate a series of recommendations which we hope Tynwald will want to carefully consider.

675

But one of the specific areas that we are interested in is the further expansion and development of the MiCard, which came in very successfully, very quietly. Involved in it at the time, I can hardly recall one person saying 'There's a problem here'. We believe it was successful, and still retain the view that it was successful at the time, because the Post Office reputation and trust level is and was high and it created a situation where benefits were transferred from – I think it was between – one million and two million paper transactions down to a single card.

680

We have become aware very recently that the MiCard is capable of an awful lot more than it is actually doing and in simplistic terms it has what I would call 26 pockets or potential enabling facilities and we have only opened two or three – I guess two or three, very simplistic. But we have become aware that the MiCard can engage in being a card which would have the capacity, between the Post Office desk and the customer, to move into forms of banking.

685

What we want to ask you is what would the implications be of the Post Office moving into being a local banking service for an element of society who cannot get bank accounts, who want to use the Post Office, who are finding that banks are closing? Are there different levels at which that service can operate or is there just one licence level?

690

Could you talk to us about that, please?

Ms Badgerow: It is an interesting proposition.

695

There are three different licence levels in banking. So the 1(1) is more of your retail bank. It can take deposits; it is part of the Depositors' Compensation Scheme.

The 1(2)s are the alternative banks and that was a new banking licence introduced about three years ago. Not part of the Depositors' Compensation Scheme, more aimed at corporate deposits, so a little different type.

700

And the 1(3)s are Representative Office, which is more a foreign bank coming into the Isle of Man really to engage and refer business back to their home country. So they cannot take

deposits, they do not transact with a client, but more of a referral basis. Often a 1(3) is a way for a bank to dip its toes into an environment to see if there is any interest in their banking services.

So from the limited description you have provided, but I am sure there is lot more in the report, it would be likely a 1(1) retail banking licence.

705

Q26. The Chairman: So a 1(1) would have to have the depositors' compensation protection in it?

710

Ms Badgerow: As a 1(1) you would be part of the DCS, yes, and so that comes with, of course, all the requirements around governance control, capital. There is a myriad of licensing requirements. It depends how you describe becoming a bank, because what that means can be quite broad.

715

Q27. Mr Moorhouse: Do we have the flexibility there is in the UK? I think in the UK there has been a banking system created for the Post Office by piggy-backing onto the existing banking licences with the other banks. So the banks have crafted this new entity, which could be the MiCard, but they have actually got the banking licences. Would –

720

Ms Badgerow: I do not know. Is it possible? I do not know. I mean it –

725

Q28. The Chairman: There was an apocryphal story I was told about only yesterday, where post-Lehman's in Ireland, where the Irish banks imploded, the Irish were in a position where they withdrew a lot of money from the leading banks and it went to the Post Office because the Post Office was trusted and seen to be an extension of the government, which is the very thing that saved the retail banks in the UK, effectively, post-Lehman's.

Let me try another question. Because of the relationship – this is a supposition but I just want to know your views – of the Post Office with Government, would the process in your view be incredibly onerous to achieve a simple banking facility, i.e. not doing mortgages and all these others facilities, but just being effectively a savings bank?

730

Ms Boyle: I think that is how you got the trustee savings banks in the UK, wasn't it, a long time ago? **(The Chairman:** Yes.)

735

Forgive me for saying so, but is there not a value in perhaps talking to counterparts in the UK in terms of what they have done with the Post Office, to get an understanding of the criteria that goes round the facility that they are providing or whatever?

At the same time I would say in many instances, certainly I know where I come from, the post offices are now operated out of pubs and small village shops as well. So there are different dimensions to this whole aspect.

740

I understand the social concerns that you are raising with us, but it is not something that has really ever come into our discussions with anybody other than yourselves now. I think we would be very interested to read the report and to understand where you are coming from on this.

745

The Chairman: Well, perhaps we could send you a copy of the report at a draft stage and have you feed back on that.

Jason?

750

Q29. Mr Moorhouse: Just in terms of the 1(1) licences, have you to apply for the full licence or could you apply for an aspect of it?

Ms Badgerow: We can put conditions on a licence. So for example, you get a 1(1) but we would have conditions: you cannot lend money or you cannot ... So there are conditions that you

can put on. It has to make sense, the condition, so I do not know what it would look like, but you are able to restrict the licence.

755 **Q30. The Chairman:** That is a good question, thank you Jason. You got to the point better than I did.

So if in our draft report we describe what we would want in a simplistic sense to open the door to this, you could offer a commentary back to us on that? Is that fair?

760 **Ms Badgerow:** I think we could, yes. I think we would have a look, where we can, and what we see then within the remit of the legislation as possible.

Ms Boyle: I think it would be really key for us to understand what facilities it is that you are really looking for here.

765

Q31. The Chairman: Well, we have to examine all of that, but, in a sense, we are grateful for your offer there to assist us through the process of –

Ms Badgerow: We will have a look through and see what we can provide comment on.

770

Again, going back to the Manx Credit Union, the credit union model was seen to be a model to get into smaller communities, small, more localised opportunities on a very limited scale. But I recognise that in small communities in the Island it is more difficult, absolutely.

775 **Q32. The Chairman:** And the one area we also failed to mention was that we are very much more in a digital world where people are expected to be able to use devices, but there are still a significant number of people who are uncomfortable or unable, for whatever reason, to enter into that area. So we have got a lot of work to do in quite a short period of time as a Committee to arrive at a point where we can develop recommendations.

780 But we do need help, guidance and pointers as to, 'That's not possible' or, 'You'll need this' or, 'We suggest that'.

Ms Badgerow: Okay.

785 I might mention that the UK did a piece of work last year on moving to a cashless society, because there has been a move for the whole, as your point is, on digital offerings. Really interesting observations – I will send that report to you because quite interesting – in terms of limited broadband/Wi-Fi capability in some communities, where you just do not have the level of access to services and some of the things they did not think about when moving to a cashless society came out to fruition when banks started to close, ATMs were not available. Just a worthwhile read to see some of the perils of going more digital, because that is often the answer that we look at in bigger economies: 'Let's go digital! Everyone can go online, they can go to a cash point machine' – that is not always possible.

795 **The Chairman:** I think it is the Swedes who are almost completely cashless and have frightened themselves now because of cyber interventions as being much more devious than armies and weapons and things, because logistically you can shut the whole thing down. (**Ms Badgerow:** Yes.) Things are moving so quickly, it is quite amazing.

Did you have a question?

Mr Baker: No.

800

The Chairman: Jason?

Q33. Mr Moorhouse: Just in terms of a timeline for the new banking licence, *(Laughter)* Capital International has now got theirs and it was quite a long process. If it was something very basic and very linked to what you have got in front of you at the moment, what sort of time period would it be? Would it be months or years?

Ms Badgerow: I could not ... That is a very difficult question to answer!

There are so many dimensions to a banking licence, for example, the extent to which it is backed by the Government. It is a liability that you take on now, versus the liability of having a capital account. So what does that mean in terms of the construct of the financials of the bank?

So we are certainly glad to engage, because I think that, as you have pointed out, provision of services is important to the community and this is a possible, reasonable solution. We are more than happy to give whatever expertise we have. It may be limited in this space, but certainly on banking licences we can –

Q34. The Chairman: We wanted to give you a heads up today so you could understand or appreciate where we are now looking next and when we start throwing questions at you from the regulatory standpoint, you will know where we are coming from.

I think we have covered cyber in passing. In one of your newsletters you touched on cybersecurity. Where do you stand with regard to the Isle of Man's cybersecurity position as of now?

Ms Badgerow: We have engaged a fair bit with the Office of Cyber Security, which is Isle of Man Central Government's cyber security division or team now. We have had a series of cyber-breaches over the last number of years. The most recent was one of our banks. We do have guidance for industry which we issued in 2016 on cybersecurity and based on recent events and learnings, we are going to reissue that guidance, just because it needs to be refreshed.

Not many things have changed in our world: the same sorts of risk exist, but it is important to have a look at your guidance. I think we learnt a lot in this last one, in terms of the kinds of information we need in a cyber-event that provides us a bit more certainty around continuity of business, business disruption for the institution. So we were quite fortunate that this was readily available to us and it has given us pause to think about what kinds of things we would ask for next time around, because there is always going to be a next time.

A lot of the focus internationally has gone more now to operational resilience, because there is a recognition that you cannot fully guard against a cyberattack, but you want to be in a position as a community, a government, a bank, a life assurance company, to recover from a cyber event. So the focus is much more on business continuity and the resiliency of a firm to keep going. So that will be more of our focus going forward as well.

Ms Boyle: I think people have recognised that they are not always going to be able to prevent it. So it is really now about, it will happen, and therefore, how do you recover from it?

Ms Badgerow: Yes.

Q35. The Chairman: From a regulatory point of view, how are things going with blockchain development on the Isle of Man?

Ms Badgerow: Actually, we just had a presentation today at our office – so good! We have been working with the Office –

The Chairman: Well, we asked you the question at the right time then! *(Laughter)*

Ms Badgerow: You did! I can tell you all kinds of things about ... No, so we –

855 **The Chairman:** Why were we not there?

Ms Badgerow: No, but it has been really interesting.

860 One of the things we committed to the Blockchain Office is to provide a resource from time to time when needed, because one of the questions that would come up is the extent to which what falls within the regulatory parameters are not in the other parameter, and so we provided one of our policy resources on an as-needed basis to the Blockchain Office for the purpose of providing advice and guidance when an application would come across their doorstep that touched on any of the boundaries of financial services. So that has been quite helpful.

865 So we provide that resource; in turn, they have given us a resource to help look at our guidance for our licence holder community, around what things touch our regulatory parameter. So sometimes we use regulatory speak in some of our literature, and so this resource has been sitting in our office on secondment until the end of March to help look at all of our guidance and say, is it clear, 'If I do this then this happens' in terms of blockchain.

870 The presentation today that we had Blockchain do was *really* helpful. It was to take blockchain away from the oh-so-bad crypto-world (**The Chairman:** Yes.) – I am saying that in jest – and talk about blockchain application and in different ways: supply chain management, in provenance of goods and services, in smart contracts. So it just opened up the mind of the staff to the fact that blockchain can be used for all kinds of different purposes. And it was fascinating.

875 So we provide support where necessary. I understand, from the Blockchain Office, there have not been a lot of applications that actually touch on financial services. It has been more around the other more interesting areas, I would say, and –

The Chairman: Oh, God forbid – finance is fascinating, surely? (*Laughter*)

880 **Ms Badgerow:** So it has been a good working relationship. I think it has worked well, yes.

Q36. The Chairman: Good.

885 Ring fencing now has been with us in the Isle of Man for a little while. Any hiccups or problems that you have noticed?

Ms Badgerow: Sorry, who has been –

Ms Boyle: Ring fencing.

890 **The Chairman:** Ring fencing.

Ms Badgerow: Oh ring fencing, no. We have gone through the round of changes in the last year, completed as of December. (**The Chairman:** Right.) I think a fairly smooth process.

895 We have been fortunate because we certainly had a long lead time into the deadline for the final arrangements for ring fencing. We have a good working relationship with the UK as well, and Jersey and Guernsey, so we are in the same boat, so to speak, and a lot of our firms and our banks in particular have a dual Jersey/Isle of Man ... So we have worked together with the Crowns in our engagement with the UK.

900 So there have been no major hiccups.

Q37. The Chairman: Changing the subject, as the economy in terms of availability of staffing has risen to almost full employment, has that impacted upon you much? Have you managed to avoid significant churn in your Authority staff-wise?

905 You are smiling. (*Laughter*)

910 **Ms Badgerow:** I think we are like everybody else, where people will be tempted away from you by different offers and you have to be, I suppose, fleet of foot to try to maintain the people that you have, keep giving them training and keep giving them interesting jobs. Unquestionably it is challenging and when we talk to the industry groups they all say exactly the same thing: that they are basically all chasing the same group of people.

Q38. The Chairman: Do you tend to recruit from the Isle of Man or are you reaching away as well or both?

915 **Ms Boyle:** I am just thinking that you are talking to a Canadian and a Scottish person –

Ms Badgerow: And then the Irish fella sitting over there! *(Laughter)*

920 **Ms Boyle:** We always advertise here first of all and in some instances, in fact a lot of instances, we manage to fill those positions locally. But if it is very specialised then we have had to go off Island.

The Chairman: Thank you.

925 **Q39. Mr Moorhouse:** With regard to the Bank (Recovery and Resolution) Bill, once that comes through it is going to potentially require massive flexibility in crisis conditions. Given what you have just said, have you got the ability to expand and respond in such a situation?

930 **Ms Badgerow:** Yes, that is a fantastic question, because we will be very small. So the Authority will be a resolution authority. We will be a very small team of resolution authority individuals too, because we do have to have very important ethical Chinese walls between our supervision teams and our banking recovery and resolution teams.

935 What typically happens in a resolution event or a recovery event – a resolution event about more so – is that you tend to outsource. So some jurisdictions will have standby arrangements with service providers and so you may engage with a PwC or a KPMG to be able to expand your staff quickly. So as part of our operational readiness arrangements, we are talking to Jersey and Guernsey as to whether or not we should have shared standby arrangements in some ways.

940 Sometimes you keep them on contract. Big jurisdictions do, like Canada has them on contract and they will do a stress-testing exercise, a desktop, every year with you around what it would look like to do a resolution in your jurisdiction. It can be a very expensive resource to keep on standby. Other jurisdictions will just have more of a nominal relationship.

945 So you have to be able to absolutely scale up in a resolution event and ours is going to be focused on keeping the recovery plans current, because that is a responsibility of the bank. Keeping your resolution plans current: that is a responsibility of the supervisor or the resolution authority, and then being able to have your tentacles out for resources in the event you actually need them.

The Chairman: Thank you, Jason. Good questions this afternoon, Jason. *(Laughter)*

950 **Q40. Mr Baker:** Yes, just one final one for myself. From your update newsletter that was recently published, you signal that you have done the consultation around some revised legislation in terms of the Financial Services (Amendments) Bill. So, I am just looking very much for the overview of what you are looking to achieve with that and how we might expect that to play out over the over the next year or so?

955

Ms Badgerow: So over the course of the last few years we always collect pieces of our legislation that need to be updated. So this is going to be an omnibus piece of legislation to modernise and update certain elements of the Acts – so the FSA; the Insurance Act.

960 I think one of the pieces that comes out in – I am going to pull my little notes up – the Amendment Bill is around civil penalties for individuals. This was one that had been something we have been thinking about for a while. We have a range of tools available to supervisors and to the FSA around enforcement and remediation, and we did not have civil penalties for individuals. So this was one that we had considered quite seriously and have introduced. So that is one of the pieces that is going into the omnibus.

965 I am going to have pull my piece on the legislation, because I do not have my full notes here on all the elements. Just give me a moment

Ms Boyle: Suffice to say, we only get so many slots for doing the legislation, (**Ms Badgerow:** Yes.) so and it is a consolidation act for us in terms of picking up areas where we need to fix and to do some amendment. So hopefully what it will do is will make things easier for us or correct any issues where we have found it more difficult to work. It should not be particularly onerous on to any particular sector or anything like that, but it should alleviate us in terms of actually carrying out our functions. So that is what it is designed for.

975 **Q41. Mr Baker:** And is it something that will significantly change the landscape for your organisations you regulate or is it minor tidying up?

Ms Boyle: It is more to make people's roles a bit easier in terms of some of the work that we want to do, but I do not think we had any issues when we did the consultation.

980 **Ms Badgerow:** No.

Ms Boyle: I cannot think of any particular areas that were concerned ... When we go out to industry, we always explain to them exactly why we are bringing through such legislation. As I say, as you well know, it is tight to get legislation through, so you are looking to accumulate and try and put through as many points as you possibly can in one main Act.

Q42. Mr Baker: That is brilliant. Do you have a clear sense of timescale on this? You have done the consultation, so do you have a target date?

990 **Ms Badgerow:** Yes, we are just going in to get our legislative spot shortly. So a paper is going to CoMin in the next few weeks which will set out the parameters of the Bill and look for the legislative spot. So it should be, probably not the next year, probably into 2021 more than likely.

995 I just pulled out my little note, apologies on that. Often one of the things, as well, it formalises some of the requirements we have had in guidance and to put it in the legislation.

1000 So, for example, one of the ones that came up last year was on our designated businesses and our cryptocurrency firms. It was around how we had issued guidance around having two Isle of Man resident directors, because it was a means of making sure we had minded management and control on the Island. That will be put into the Bill as well. So things that we have just wanted to put more firmly in legislation versus having it sit in guidance will exist.

So the CoMin paper is going in the next two weeks, looking for the legislative spot.

The Chairman: Thank you. Well I think, unless you have any closing remarks –

1005 **Ms Boyle:** No! (Laughter)

Ms Badgerow: I am not finishing mine!

1010 **The Chairman:** – that brings us to the end of our public session. We would like to thank you for your contributions this afternoon, I found it fascinating, and the Committee will now sit in private to deliberate on the matters.
Thank you very much indeed.

The Committee adjourned at 3.46 p.m.