

STEP: Isle of Man considers change of policy on family offices

Synopsis: The Manx financial regulator is beginning a consultation exercise to determine whether to impose registration and oversight requirements on family offices for ultra-high-net-worth (UHNW) families.

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At the moment, such services sit outside the regulatory boundary under an exemption from licensing in the *Financial Services Act 2008*. If undertaken by way of business, they are subject to the requirements of the *Anti-Money Laundering and Countering the Financing of Terrorism Code 2019*, but are not subject to anti-money laundering (AML) supervision or compliance oversight. Where they are not conducted as a business, they may be subject to the *Anti-Money Laundering and Countering the Financing of Terrorism (Unregulated Trustees) Code 2018*, but are again not subject to compliance oversight or AML/CFT (Countering the Financing of Terrorism) supervision.

Initially, the Isle of Man Financial Services Authority is asking for information to give a clearer picture of the number of family office services being managed in or from the jurisdiction, as well as the nature and extent of the activities; for example, whether they are operating by way of business. It also seeks views on the possible future treatment of such activities to shape its potential next steps for how these types of arrangements might be treated in the future, if it decides that the current position is not appropriate or in line with international standards. The call for input will lead to further research on the available options, which will form the content of a further consultation paper or discussion paper in due course.

Three high-level options are set out in the document to gauge opinion on future regulation of this type of activity. The first option is to maintain the current treatment of family office services operating by way of business so that the activity would continue to sit outside of any regulatory oversight and AML supervision for the time being. The second is to expand Schedule 1 to the *Designated Businesses (Registration and Oversight) Act 2015* to bring family office services within the scope of the registration requirements and AML oversight regime under that act. The third possibility is to bring them fully within the scope of regulation under the *Financial Services Act 2008*, so that family offices would be subject to regulatory requirements and supervision, e.g., the Financial Services Rule Book as well as AML supervision.

The responses to the call for input will also be used to inform an upcoming standalone risk assessment of legal persons and legal arrangements, as well as the national risk assessment (NRA) currently being conducted as part of the jurisdiction's AML effectiveness programme.

The deadline for submissions is 26 June.

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