

Appendix A

Consultation Comment	Reply
<p>Rule 2.10 – rule requires any financial return to be prepared in accordance with UK GAAP (including SORPs) or IFRS. We would prefer it to include International Financial Reporting Standards as adopted by the EU as there are subsidiaries/branches whose parent companies are listed on a European Union stock exchange and are therefore expected to prepare their audited accounts in accordance with these standards.</p>	<p>Noted. This will be covered by guidance.</p>
<p>Rule 2.11 - Proposed amendment re accounts of a trust that owns a licenceholder– why is change intended? No explanation was provided in consultation.</p> <p>Rule 2.11 wants parent company accounts to be signed by the auditors. We currently submit a copy of the type-signed published accounts – will this meet the requirement or will they have to be physically signed? If the latter, this will create additional work for us with little perceived benefit.</p>	<p>The rationale is to maintain a level playing field across those licenceholders owned by companies and those owned by trusts. Also, it is important that the Commission can see from the accounts whether the parent (company or trust) can support the licenceholder if needed.</p> <p>Although the wording has been amended the requirement is mainly unchanged. Guidance permits a link to published accounts which may be more effective.</p>
<p>Rules 2.14(4) and 2.18(4) – will licenceholders only have to notify storage and location of records 20 days before licence surrender rather than when licence is issued?</p>	<p>Correct – before surrender not on licence issuance.</p>
<p>Rule 2.40(1)(b) – what does “verified by the auditor” mean?</p> <p>Rule 2.40 – what is value in making change to rule, unless auditors’ practice will change also?</p>	<p>“Signed” has been changed to “verify” to deal with the fact that auditors do not sign the statements – e.g. one large firm simply annotates with its name on hard copy rather than signs it.</p> <p>Rule is changing to reflect auditors’ current practice as above</p>
<p>Part 3 - Client Monies Rules. We would suggest that for the purpose of fund administration these rules are rather unwieldy. It may be better to have a set of industry-specific rules rather than ones designed for every eventuality. One point we would make is that it is not normal practice, in our experience, to have separate subscription and redemption accounts, so rule 3.24 could be changed to refer to “client bank account” instead of “subscription account or a redemption account”.</p>	<p>The suggested change is not considered unreasonable however the FMA regulatory sub-committee is still reviewing client money rules for funds and it is best to await the outcome of that before making further changes.</p>
<p>Rule 3.35(9) – Should there be an additional rule equivalent to 3.14 to require e-money issuers to disclose the interest position to the e-money purchaser?</p>	<p>Amendments have been made to rules 3.14 and 6.63 to address the point about e-money float. Thank you.</p>
<p>Rule 5.2 – The cap level is not specified re auditor’s capped liability. Despite link with 5.2(c), amount is unclear – guidance requested.</p>	<p>Rule 5.2 – has been amended slightly but further guidance may be issued.</p>
<p>Rule 5.10 – audit report would need to mention a failure to keep proper accounting records, so does this also need to be required by Rule Book?</p>	<p>This is not required to be included in the Rule Book as it would be replicating other requirements.</p>
<p>Rule 5.21 is ambiguous and should have “unless the licenceholders are also licensed to carry on regulated activities within Class 1”.</p>	<p>Agreed and rule amended.</p>

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<p>Chapter 9 of Part 6 - Conduct of Business does not appear to clarify if those Class 1 licenceholders whose Investment Business licence is dependent on the Deposit Taking licence are exempt from or included in the requirement on 6.75 (Provision of statistical information). Can this please be clarified?</p>	<p>The chapter has been clarified – it does apply to those also licensed to carry on Class 1 regulated activity.</p>
<p>Rule 6.4 – extra text in (d) puts an unnecessary burden on clients to assess qualifications of licenceholders’ officer(s) OR, would a business card showing qualifications suffice?</p> <p>Rule 6.4 - need for written reference to educational/ professional qualifications questioned. Rule appears onerous and unclear. Does it only apply to external intermediaries or also to licenceholders’ staff who are cross-selling services? Impractical for licenceholders’ staff to provide their qualifications in writing. Intermediary may not have qualifications but may be regulated (e.g. by FSC). Suggest amendment should be omitted now to allow for clarification & more consultation.</p> <p>Rule 6.4(1)(d) – need for educational/ professional qualifications on documents questioned. Suggest this is more relevant to Class 2 than Class 4 or 5 licenceholders.</p> <p>We find it hard to understand the rationale for rule 6.4(d). A sales person will have a business card providing most of the information required and the majority of businesses will have brochures available in hard copy or on a website that will provide further information. Not only should a licenceholder carry out due diligence on a prospective client, the prospective client should carry out due diligence on their proposed service provider.</p>	<p>The extra text relating to qualifications in rule 6.4 has been removed.</p>
<p>Rule 6.13A – wording of rule (which seems to relate to Irish Gov’t guarantee) could also prohibit funds from referring to e.g. guarantees from banks/other entities re fund’s assets – is this intentional?</p> <p>Rule 6.13A – proposal may conflict with FSA’s rule on disclosure of 3rd party guarantees & risks. TCF rules in UK require such disclosures.</p> <p>Rule 6.13A – Seems an onerous condition on the basis that you may mislead a client by not being clear i.e. by specifying that a product or underlying asset may have a guarantee. I would strongly oppose this in its entirety.</p>	<p>Rule 6.13A has been deleted.</p>
<p>Rule 6.29: All f2f meetings client(s) will sign the fact find. This will impact non-f2f market. Currently application form & Terms of Business Letter (TOBL) is signed and all calls are on a recorded line with documented date, time and extension number and fully retrievable, fact find is not signed. Copies of fact find are</p>	<p>This suggestion does not appear to be unreasonable but, as it appears to be an isolated case, a request for a modification to the rules applicable to the particular licenceholder may be more appropriate than amending the rules themselves..</p>

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<p>provided to the client and a copy retained on file. Clients are requested to check the contents of the fact find and revert with any changes.</p> <p>Rule 6.29(3) – Suggest alternative wording: “...prior to a licenceholder undertaking new business...”</p>	<p>Rule 6.29 has been amended to reflect this comment.</p>
<p>Rule 6.30 - Is the opportunity for someone to accompany the client specific to "sales to the elderly" or for all clients. We already have a “sales to the elderly policy” and offer an accompanied meeting. If this is to be offered to all clients will you expect us to evidence that the opportunity has been offered?</p> <p>Rule 6.30 – (2)(b) could be bad for industry on international stage – does this standard practice need to be legislation?</p> <p>Rule 6.30(2)(b) - clarification required if this opportunity is to invite the client to bring additional people or accommodate the client if they request additional people.</p>	<p>Rule 6.30 retains the requirement to recommend products suitable for a client’s circumstances (including attitude to risk, age and state of health), but the need to offer an accompanied visit will now be covered by guidance rather than a rule.</p> <p>Rule 6.30(2)(b) has been removed and will be covered by guidance.</p> <p>Rule 6.30(2)(b) has been deleted and will be covered by guidance. However, it is intended to accommodate the client’s stated wishes rather than force the opportunity to be proactively given.</p>
<p>Rule 6.34 – Suggest that Execution Only deals (rule 6.18) be excluded in respect of rule 6.34. Also, (2) & (3) probably unworkable for “advisory” clients who make stockbroking decisions on verbal advice sometimes.</p> <p>Rule 6.34(2)(c)(iv) - Suggest alternative wording: “...details as to whether each product has a cooling off period, and where there is no cooling off period, a statement...”</p> <p>Rule 6.34: 6.34(2) This may be practical for local clients to a degree, but for international clients where postal systems are slow and clients may not have access to faxes, there should be the facility to allow clients to make a decision and instruct the arrangement of a deal by recorded line and the reason why letter to be supplied within reasonable timescale. Where investments have a short entry period for placements, the client could miss the opportunity to invest in this type of product.</p> <p>6.34 (3) definition or expectation of what 'sufficient time' means would be helpful.</p>	<p>Rule 6.34 should not apply to execution only deals – rule 6.18 has been amended. Also (2) and (3) have been applied solely to financial advisers.</p> <p>Rule 6.34 – has been amended to reflect the comments.</p> <p>Consideration should be given to use of e-mail or recorded telephone line in order to demonstrate clients have received rationale for advice prior to dealing.</p> <p>“Sufficient time” will depend on each individual client but this will be considered for guidance.</p>
<p>Rule 6.63 (2) (f) Whilst we accept that this clause is addressed at CSPs and TSPs, is it intended that this clause is also intended to ensure that fiduciaries disclose retrocession payments that they might receive from banks which may be additional income for the fiduciary based upon the total amount of client business placed with a particular bank?</p>	<p>Rule 6.63 has been amended to require a statement as to whether or not the licenceholder may receive remuneration from third parties in connection with a transaction effected by the licenceholder with or for the client and, where this is the case, the nature of the remuneration.</p>

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Rule 6.63 – What is potential benefit to clients of this requirement?	Increased transparency.
Rule 6.67 – Requires licenceholders to ensure that clients comply with contractual and statutory obligations. This is unworkable. It is too onerous and transfers clients' directors' responsibilities to the licenceholder. Does this make licenceholder shadow director? Will cause PII problems. May make IoM uncompetitive as e.g. licenceholder couldn't check that all contractual obligations of a multinational had been complied with. Suggest that amendment shouldn't be made.	Noted. "Contractual" now removed from rule.
Rule 6.75 –Request that if FSC require quarterly stats, it is not made overly time-consuming, especially for small licenceholders. Benefits of stats for IoM understood, but suggest just having annual return and extra stats to be sought only after full consultation with CSPs.	Comment noted.
7.3A (b)/7.8 (3) – This should be a notification issue at most. A company and its subsidiaries may wish to redomicile for a number of reasons the FSC with all of their powers would not be able to decline any commercial decisions.	It is considered appropriate that FSC consent is obtained for redomiciliations.
<p>Rule 7.5(5) – Emphasise need for FSC to be flexible with alternative timescale due to cost of carrying out review in 20 days for large client base. Guidance on "circumstances" of client would be appreciated.</p> <p>Rule 7.5 – New (4) and (5) – does requirement re acquiring clients apply where licenceholder X has purchased a licence holding company? X may want to continue to use previous owner's client agreements etc rather than issue new ones. Needs clarifying which situations rules apply to.</p>	<p>Rule 7.5(5) states "or such other date as may be agreed with the Commission" so flexibility is permitted on a case by case basis. Guidance not considered necessary on "clients' circumstances".</p> <p>Rule 7.5(4) and (5) states "where a licenceholder has acquired clients of another licenceholder" and refers only to when the clients are acquired but not the licenceholding company itself.</p>
<p>Rule 7.9A and 7.9B - the proposed changes to the provisions are welcomed.</p> <p>Rule 7.9A – Concern over implication of this role in small licenceholders with few senior staff. Suggest rule is strengthened by requiring assessment of individual to be supplied to FSC with notification required by 7.9A(c).</p> <p>Rule 7.9B. Whilst we understand the rationale for putting this in, we think that this could conflict with the policy within many businesses designed to avoid legal recourse in the event that the employment does not work out. It is possible that some businesses might opt to breach this rule rather than provide a reference which could lead to a claim from a former employee and the time and expense of subject access requests and/or employment tribunals.</p>	<p>Noted.</p> <p>As this is in relation to exceptional circumstances, it is considered that obtaining details of assessment on request is sufficient. If small firms have a problem in appointing an appropriate person, a modification may be considered.</p> <p>The comments are noted but the rule remains.</p>

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<p>Rule 8.4(3) - I would be interested in the Commission's views/guidance on what type of evidence it would be looking for from branches when the vast majority of controls, systems and policies are not IoM based.</p> <p>8.4(3) – This is an ongoing responsibility of the Board. By definition, the management information the Board receives will be indicative of any problem areas and by adding that it should be documented provides no tangible benefits.</p>	<p>The evidence could vary on a case by case basis dependent on the type of licenceholder. It is suggested that if you are uncertain that you should contact your Relationship Manager who will be able to assist with licenceholder specific enquiries.</p> <p>The requirement to document the reviews clarifies the rule although it is appreciated that this should be done as a matter of Board responsibility.</p>
<p>Rule 8.5A (CPD) is welcomed although in this latter case the absence of what constitutes 35 hours of training where no training is stipulated by a professional body might be difficult to quantify, from experience. Other than this, the proposed amendments appear to be fit for purpose.</p> <p>Is the requirement for all directors, including NEDs? There is no reference in the UK FSA rules /regulations or the recent Walker and Turner reviews or Financial Reporting Council publications on corporate governance to specific CPD requirements for all directors and in particular non-executives directors. Different roles of NEDs v executive directors suggests there should be different requirements. What is benefit of NEDs doing CPD? It will only increase cost to companies and reduce NEDs willingness to serve as NEDs – already difficult to find suitable people in IoM.</p> <p>We feel it should be key persons and executive directors only. Where a person holds no professional qualification, then whose standards would they follow? Will the FSC be recommending what minimum CPD is required and therefore auditing records and effectively acting as a professional body?</p> <p>We have several people who are key persons, the majority of which are members of professional bodies but some are not. We are concerned what the benefit would be to send these persons on courses over and above AML training. 35 hours is considered too onerous and we are uncertain how we would structure such CPD requirements and how appropriate it may be to the role they undertake. Rule is considered too broad and subjective and not necessarily appropriate. At the least it should specify that the CPD should be relevant. Could an individual review take place at time of key person's approval with requirements made clear at that time?</p> <p>CPD – 35 hours is a lot compared to requirements of e.g. Solicitors Regulation Authority. This may cause industry to support professional qualifications based on CPD time, resulting in narrower range of qualifications.</p> <p>Training costs (incl CPD) may need to be cut in current economic situation. Reduced</p>	<p>Rule 8.5A requires all directors (including NEDs) and key persons to comply with the CPD requirements of their professional body if they have one or if the professional body does not have a CPD requirement or the person is not a member of a professional body, then the rule has now been amended to a minimum of 25 hours CPD (reduced from 35 hours). The rule also now specifies that the CPD needs to be relevant.</p> <p>The constitution of the CPD will be dealt with through guidance. If licenceholders are of the view that certain key persons should not be subject to CPD requirements for a specific reason, they may apply for a modification to the rule.</p> <p>It would not be possible to take into consideration what CPD is suitable for an individual key person on a case by case basis.</p> <p>We note that the Walker and Turner Reviews do not refer to specific CPD for directors but the UK does not regulate the provision of corporate services including Professional Officers acting as directors whereas the IOM does.</p>

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<p>training would reduce quality of staff. Overall impact could mean experienced staff may have more costly CPD requirements than those with professional qualifications and so may be discriminated against.</p>	
<p>Rule 8.10(b)(ii) – Wording “sector or jurisdiction” could imply occupation and country of residence of a client. Suggest that FSC revises wording if this is not intended meaning.</p> <p>Rule 8.10 – new (b)(ii) – does this mean 20 days advance notice for sole client from new jurisdiction?. This would slow down client take-on & either encourage clients only to use an FSP with previous connections with that jurisdiction, or to take business to another jurisdiction without this requirement. Seems OK if FSP wants to market actively to a new jurisdiction though. If rephrased to “any material addition, cessation or change”, then it would be more acceptable to FSPs and easier for FSC to administer, as immaterial matters wouldn’t be notified.</p> <p>Clarification needed re meaning of “jurisdictions to which it provides services” – is this jurisdiction of residence of beneficial owner/ settler/beneficiaries or place of incorporation for co’s or law of trusts.</p> <p>Rule 8.10(b)(ii) - Suggest this is more relevant to Class 2 than Class 4 or 5 licenceholders as probably most 4s & 5s service international client base rather than specific jurisdictions/sectors.</p>	<p>As a result of comments rule 8.10 has been significantly changed to read – “A licenceholder must notify the Commission, not less than 20 business days in advance -</p> <ol style="list-style-type: none"> (1) of any cessation of or change to any regulated activities which it carries on; (2) of any material cessation of, or material addition or change to, the services or products which it offers (whether or not their provision constitutes a regulated activity); and (3) of any material cessation of, or material addition or change to the sectors or jurisdictions in or to which it provides services or products (whether or not their provision constitutes a regulated activity).” <p>Rule 8.10 has now been significantly changed – see above. However, if the business plan covers international jurisdictions, this rule is unlikely to be an issue.</p>
<p>Rule 8.15 – Change from “an event which may amount to “ to “circumstances which may result in” requires more judgement by licenceholder. 8.15(1)(b) is already wide. What are consequences if a false alarm is given – would licenceholder be protected if staff member sued? Overall: amendment is too wide and requires a judgement today that could be criticised tomorrow, so should be omitted. If aim is for FSC to know about internal investigations, then wording should reflect this.</p> <p>Rule 8.15 – Queries whether proposed change is in line with FSC’s intentions. Difficult to comply with such a comprehensive rule without defensive reporting of every action, as “circumstances” can potentially arise in any transaction.</p>	<p>“Event” was changed to “circumstances” to cover potential procedural issues which would not be an event. We have reverted to “amount to” rather than “result in” as this has more sense of immediacy.</p>
<p>Rule 8.22 - Resident Officers – Not previously clear that role was to equate to former 4 eyes. Current rules imply no allowance for Resident Officers to be away from the place of business for even short intervals without FSC being notified. Suggest some flexibility to rule 8.22 to allow for short absences.</p>	<p>Rule 8.22 has been amended to make reference to “other than standard holidays”.</p>

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Rule 8.29A – Billing for complaint responses should be commercial decision & should be covered by client agreement not leg'n. Who would uphold complaint? Time allocation re complaint v client maintenance may be difficult to allocate.	Rule 8.29A has been deleted.
Rule 8.31(2) - in relation to the notification of Risk Management Policies we wonder whether greater clarity should be given that "A licenceholder must notify the Commission, with 4 months after the end of its financial year, that during that financial year (or during the said financial year) the responsible officers..." We feel that this would provide greater clarity and avoid any possible confusion between financial year and calendar year.	Rule amended in accordance with comment.
Rule 8.44 - The comments made in relation to 8.31(2) would also apply here.	Rule amended in accordance with comment.
Rule 8.54(8d) – Some PI insurers won't cover liability for loss of documents as they say it should be covered by Office Policy. Suggest rule is amended so that cover can be under other insurance policy.	This is an existing requirement which should be complied with. This is the first time this has been raised as a problem and it is suggested that if this is a particular issue for one licenceholder it would be more appropriate to raise the matter with the Relationship Manager who could consider whether a modification could be given.
<p>General comments from Professional Officers</p> <p>Reputational risk to IoM if an individual has a single directorship of a large/significant business. Such an individual will currently be unlicensed (unlike existing POs) but with potential for much damage.</p> <p>Exclude directorships of regulated entities.</p> <p>Regime is more onerous than that in Jersey or Guernsey – cost implications. Is this a good use of FSC resources?</p> <p>“Professional Officer” should be replaced with “Director”. Also reference should be made to NED nature of role. “Licenceholder” could be used for all others.</p> <p>“Professional Officer” is inappropriate title – NED or “licensed director” preferred.</p> <p>Should use term Non Executive Director or sole practitioner rather than professional officer.</p>	<p>The Commission notes this risk flows from having any exemptions.</p> <p>Already exempted under paragraph 4.1.</p> <p>Isle of Man rules have always been more prescriptive than Jersey & Guernsey. The allocation of resources is a matter for the FSC.</p> <p>The suggestions do not reflect the full nature of the professional officer class of licenceholder as this also covers persons other than directors. Reference to NED is not appropriate because the FSC licences directors as a whole, and company law does not draw any distinctions in its requirements of directors.</p>
Rule 9.1(1) definition/term: “acting as officer of the company” conflicts with RAO: “acting as director or alternate director of a company”.	Change made. Thank you.
9.4 Responsible behaviour only used to apply to a licenceholder's officers or	This rule applies to professional officers.

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employees.	
Rule 9.5 Action likely to bring the Island into disrepute – who will judge?	The Commission will make the assessment. It may be a subjective judgment but can be tested.
Rule 9.5 – bringing Island into disrepute not testable.	
Rule 9.8 – querying need for PO rubric on letters etc, depending upon capacity which acting.	Rule 9.8(1) has been clarified to read –
Rule 9.8 - this is appreciated but as I have 1000+ letterheads I am concerned that this will go on for years and will indeed be misleading as I have surrendered the trust element.	Except when carrying on the regulated activity of acting in the capacity of a company director or in a personal capacity, a professional officer must state in a prominent position in all documents issued or published that he is licensed by the Commission. Rule 9.8 – Reference to Class 5 could be crossed out so that it is not misleading. In any event the rule is permissive and states a licenceholder “ may use existing stocks” it does not require that to be the case.
Rule 9.11 – not relevant as POs wouldn’t hold client/trust money.	True but in the rare event that client money may be sent to the professional officer in error this may occur and in this case these rules provide for how it should be treated.
Rule 9.11 I see the point of 2 and 3 but it is odd when 1 forbids it!	
Rule 9.13 – meaningless	Whilst some licenceholders may consider this excessive, it is not meaningless and licenceholders should expect to meet certain requirements as part of being licensed.
Rule 9.13 – Internal controls – suggest adding “appropriate to the nature, scale and complexity of his business”.	This has been added.
Rule 9.13 - Controls OTT for NED.	
Rule 9.14 - Systems and controls for record keeping – the FSC’s worry about this is not going to change the financial world we live in.	Rule remains.
Rule 9.15 – Business plan – no value, as not used in practice.	We believe there is value in having a business plan relative to the size and nature of the business.
Rule 9.15(3) reasonably require is open to a great debate!	
Rule 9.18 – querying need for accounting records in addition to tax reporting.	Rule 9.18 has been deleted
Rule 9.20 – Statistical information requirement – why? Is it new?	Rule 9.20 - It is new and will only be activated if information is required – currently there is no intention to collect statistics.
9.20 This is vague and could be used or abused! The annual return should be sufficient I would not like it to turn into the quarterly return!	
Rule 9.20 – statistical information – we were assured that there would only be an annual requirement via Licence Renewal Applications.	

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<p>Rule 9.21 – Alternate directors – record will be kept by Administrator or Secretary.</p> <p>9.21 Whilst I can see the value it could be a nightmare of recording for no valid purpose.</p>	<p>Rule 9.21 amended to remove requirement to keep a record of the meeting but rule retained as it is relevant to some Professional Officers.</p>
<p>Rule 9.23 – Risk management and rule 9.27 – contingency – value questioned, per previous discussions.</p> <p>9.23 Risk Management – Common sense should suffice</p>	<p>Rules retained.</p>
<p>Rule 9.27 Business resumption and continuity – not relevant</p>	<p>Rule retained.</p>
<p>Rule 9.28 – D&O cover – not an industry standard – likely to be irrelevant to most situations. Revise to permit run-off. Discuss more widely.</p> <p>Rule 9.28 – challenges need for mandatory 6 year run-off period.. Suggests a shorter period e.g. 3 years. 6 years is uncommercial & may cause reduction in NEDs.</p> <p>9.28(7) is a sensitive area it is costly and may be a further unnecessary duplication of cover afforded within the directed companies.</p>	<p>Rule 9.28 has now been significantly amended – licenceholders acting as a director must maintain insurance cover appropriate to his regulated activities which may include “run-off” cover.</p>
<p>Rule 9.31 – this does not reflect the situation of a licensed NED whose directorships fall below the de minimis level but who wishes to maintain his business.</p> <p>Rule 9.31(1)(b) – licence surrender – not realistic – relationships with clients are not a business that can be transferred, they are individual relationships.</p>	<p>Rule 9.31 has been amended to remove “transfer of business” and cover circumstances where licence is surrendered but some directorships retained under exemptions.</p>
<p>Rule 9.33(2)(a) – Resignation – as above and new directors obtain records directly from Administrator/Company Secretary, not from a previous director.</p> <p>Rule 9.33(2)(b) – how would such cooperation occur? How would it be measured.</p>	<p>Rule 9.33 has been amended to read –</p> <p>“(1) If a professional officer intends to cease carrying on regulated activities for any party, he must notify that party in writing.</p> <p>(2) Where a professional officer ceases to carry on regulated activities for or on behalf of a company for any reason, he must preserve any records relating to that regulated activity in a readily realisable format for at least 6 years from the date they were made.”</p>
<p>Rule 9.34 – Either hand over documents or keep for 6 years seems strange - all directors are bound by company law not to destroy key documents.</p>	<p>Rule 9.34 has been deleted.</p>
<p>Rule 9.38 – Duplication in POs reporting requirements (to FSC) with those of Compliance Officers. What happens if these don't match?</p>	<p>Rule 9.38 has been amended to require notification only where not previously notified by the person for whom the professional officer acts.</p>
<p>Definitions: Client – Reason for broadening definition is not clear, appears inappropriate & may have unintended legal consequences. Suggest that change is omitted.</p>	<p>The definition of client has reverted to the current version.</p>

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Exemption Regs – Class 3 – praise for adding exemption 3.6!	Noted.
Exemption Regs – Class 4 – exemption 4.6 – proposed removal of (4) and (5) – external professional associates not used.	Exemption for professional associates has not been removed at this time but remains under review.
Exemption Regs – Class 5 – exemption 5.6 – trust admin provided but accounting provided by external accountants or clients’ group companies.	Private trust company information – to be considered at the next review.
Exemption Regs 4.4, 4.5 and 5.1 – why are subsidiaries required to be DIRECTLY owned by a licenceholder, not a sub of a sub? This may cause time-consuming restructuring for some members. Suggest change to term “wholly owned”, rather than “directly and wholly owned”.	The rationale for this is to ensure that when looking through the licenceholder to the exempt person, Commission staff are not required to utilise further resources reviewing the activities of intermediate companies. The same requirement will also apply to Classes 2 and 3. “Directly” has been retained. The closeness to the licenceholder is also appropriate when an exemption from licensing is based on that parent licenceholder.