



Jersey  
Financial  
Services  
Commission

# Supervision Strategy Update

**Forward Focus**

**Mark Hoban  
Commissioner**



● **Forward focus – welcome and introduction**

Mark Hoban, Commissioner

● **Risk-based supervision and the use of supervisory risk data**

Andrew Garbutt, Head of Risk and Regulatory Change

● **Introducing the Financial Crime Examination Unit**

Jill Britton, Director of Supervision, and Lindon Le Lai, Senior Manager

● **Insight into the Supervision Examination Unit**

Amanda Reilly, Senior Manager

● **Working with your Supervisor – what does a good relationship look like?**

Andrea John, Head of Unit, Supervision

● **Panel Q & A**

● **Closing remarks**

Jill Britton, Director of Supervision



Facilitator



Tony Shiplee

Jill Britton



Panel member

Panel member



Andrea John

Andrew Garbutt



Panel member

Panel member



Sarah Kittleson

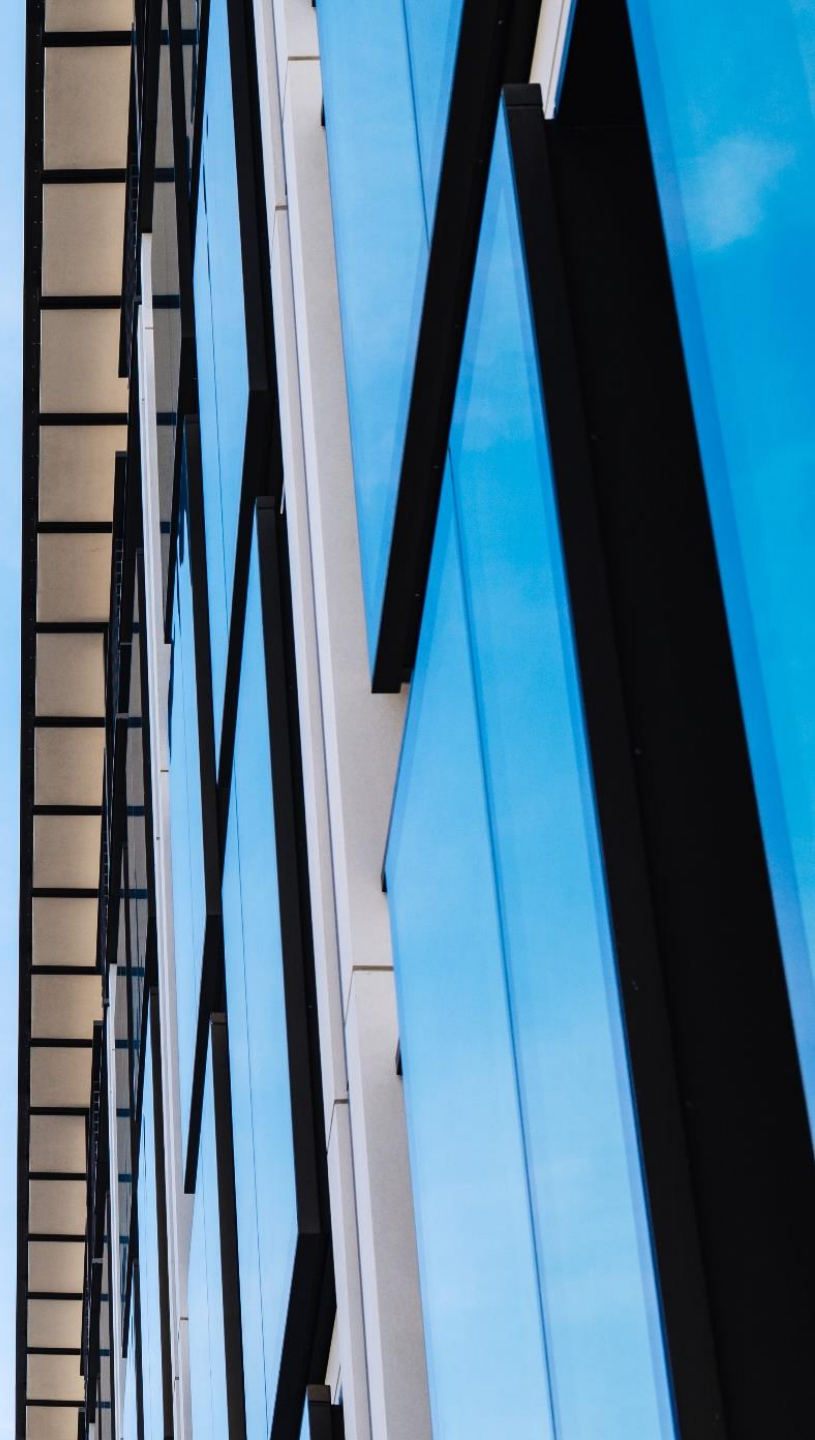


**The need to evolve,  
change and deal  
with uncertainty**




- 
- A nighttime photograph of a city street with light trails from cars. A blue semi-transparent overlay is centered on the image, containing three bullet points in white text. The background shows a road with a brick-paved median, streetlights, and a sign for 'Town centre' on the left.
- › **Building organisational resilience**
  - › **Embedding risk-focused choices across the JFSC**
  - › **Building financial crime capabilities**

**Dealing with the known  
unknowns and having  
the structure, framework  
and a robust funding  
model to do this**



**Building technology solutions to support our staff in making risk-focused choices**





Ensuring that we protect our shores from those looking to exploit the financial sector

# Risk-based supervision and the use of supervisory risk data

Andrew Garbutt, Head of Risk and Regulatory Change



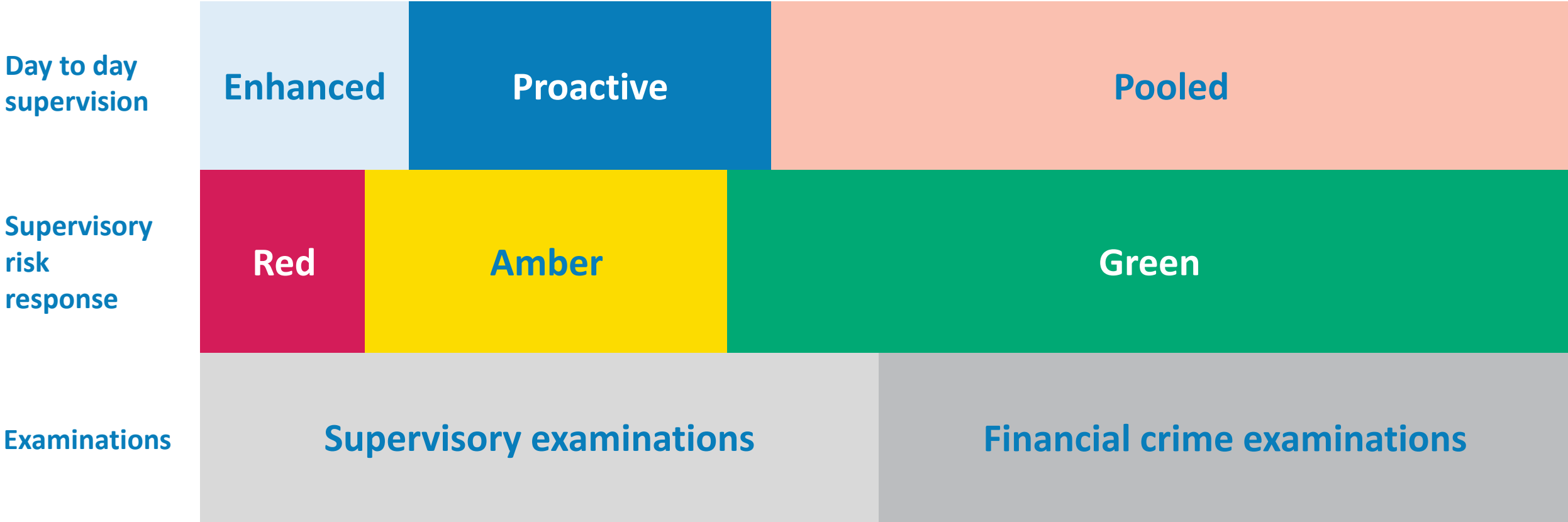
# Why did we collect your data?

**To drive risk-based supervision**

**To inform the National Risk Assessment**

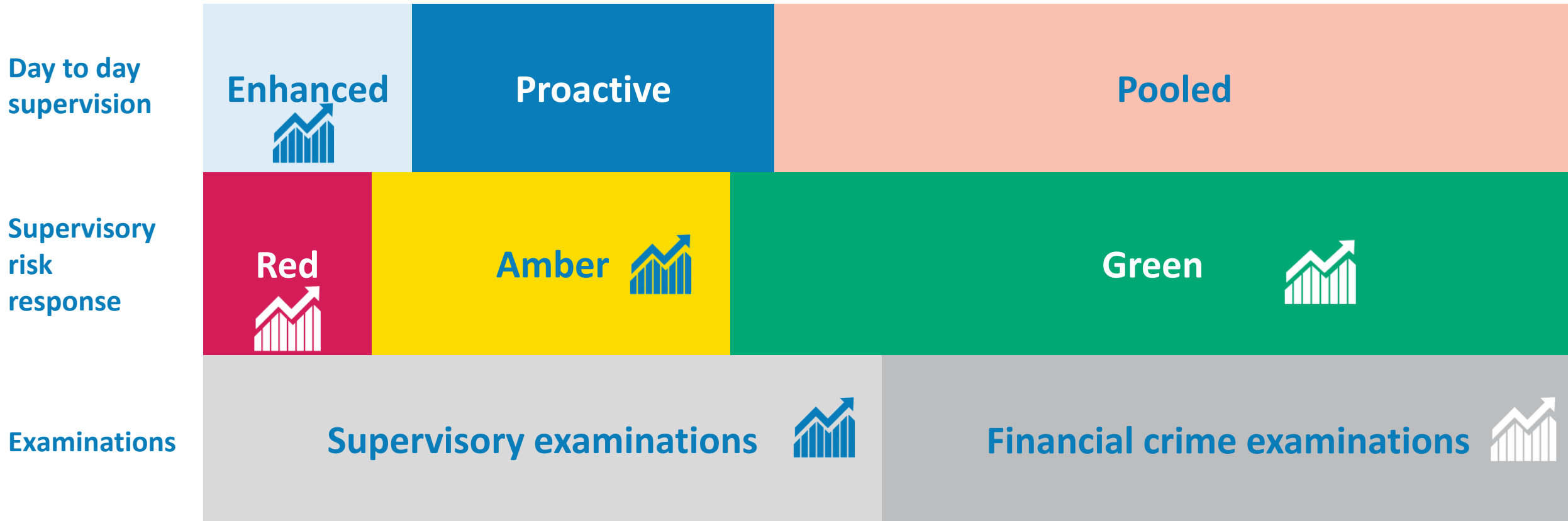
# How have we used it?

› To allocate our finite resource to the highest risks



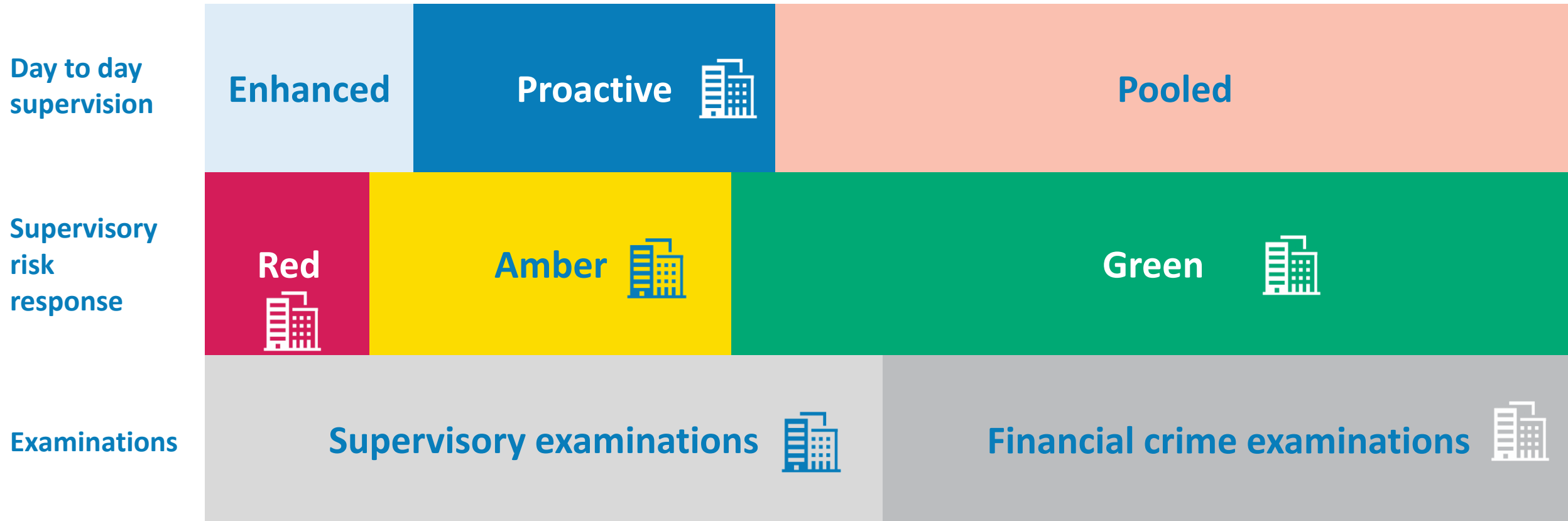
# What does it mean for you?

It will depend on your impact rating...



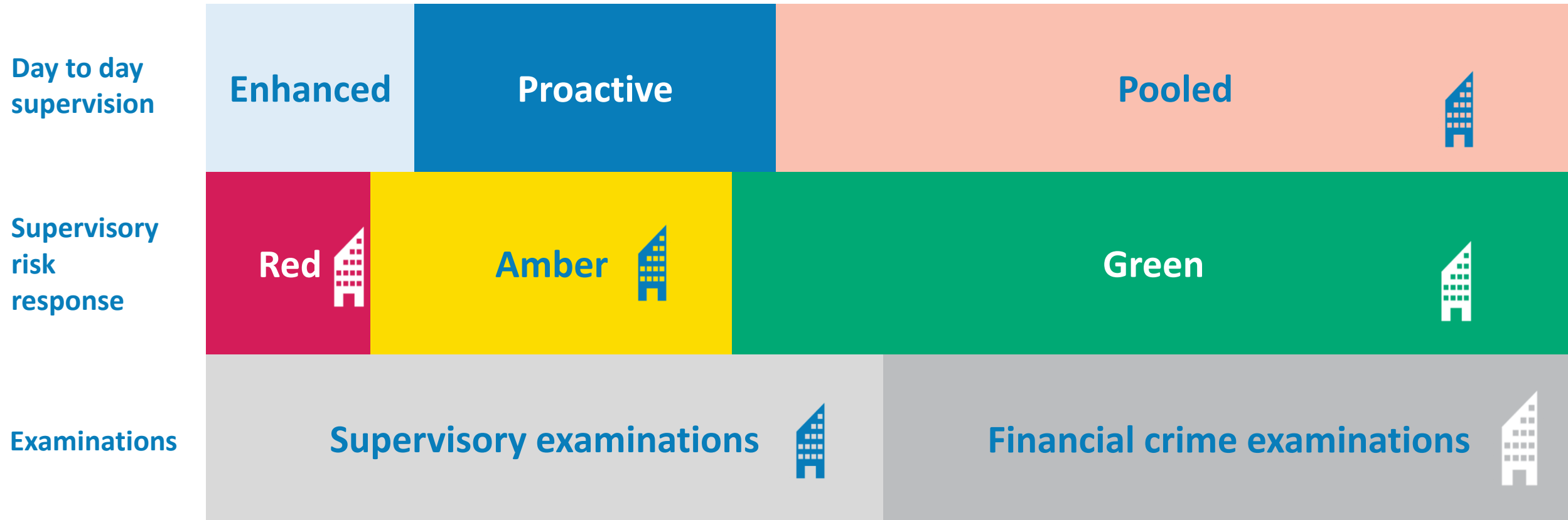
# What does it mean for you?

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It will depend on your impact rating...



# Future data collection exercises

- 
- › We will collect the same data for the next two years
  - › The mechanism will be the same, excel spreadsheets loaded through the my**JFSC** portal
  - › Communication on the next exercise to be issued, submissions to be completed by the end of Q1 2020

# Introducing the Financial Crime Examination Unit

Jill Britton, Director of Supervision



**Island commitment to reaching  
a 'gold standard' of compliance  
with FATF's technical compliance  
and effectiveness standards  
which are due to be assessed by  
MONEYVAL in 2021 / 2022.**



# FATF recommendations

## Technical compliance recommendations:

### 26 - Regulation and Supervision of Financial Institutions

**Methodology:** Countries should ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the FATF recommendations.



# Risk-based approach to supervision and monitoring

The frequency and intensity of on-site and off-site AML/CFT supervision of financial institutions or groups should be determined on the basis of:

- › The ML/TF risks and policies, internal controls and procedures associated with the institution or group, as identified by the supervisor's assessment of the institution's or group's **risk profile**
- › The ML/TF risks present in the **country**
- › The **characteristics** of the financial institutions or groups, in particular the diversity and number of financial institutions and the degree of discretion allowed to them under a risk-based approach.



# FATF recommendations

## Effectiveness immediate outcomes:

3 – Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBPs for compliance with AML/CFT requirements commensurate with their risks.



# Introducing the Financial Crime Examination Unit

Lindon Le Lai, Senior Manager



# The journey so far...



Established  
March 2019



Headcount of 8



Over 200 years of  
financial services  
experience



# Financial Crime Examination Unit - remit

- › Conduct cyclical examinations based on the level of inherent risk of financial crime
- › Focus on entities which are rated as high or medium risk for financial crime
- › Examinations based on the obligations detailed in the relevant AML/CFT Handbook(s)
- › All sectors



# Examinations – how often?

- High risk entities** › Every two years
- Medium risk entities** › Every four years
- Low risk entities** › Random selection



# Methodology

**Stage 1**



Desk-based review

**Stage 2**



On-site review

**Stage 3**



Draft report

**Stage 4**



Final report

**Stage 5**



Action plan

**Stage 6**



Follow up



# Current status and next steps

- › FAQs
- › Information request
- › Portal document upload
- › Soft launch to six entities: October 2019-March 2020
- › Communication of risk categorisation and full examination programme

# An insight into the Supervision Examination Unit

Amanda Reilly, Senior Manager  
Supervision Examination Unit



# The team



**Amanda Reilly**  
Senior Manager



**Anne Lappage**  
Examiner



**Charlie Petulla**  
Examiner



**Ches Trower**  
Examiner



**James Horrigan**  
Examiner



**Abigail Venton**  
Examination Officer



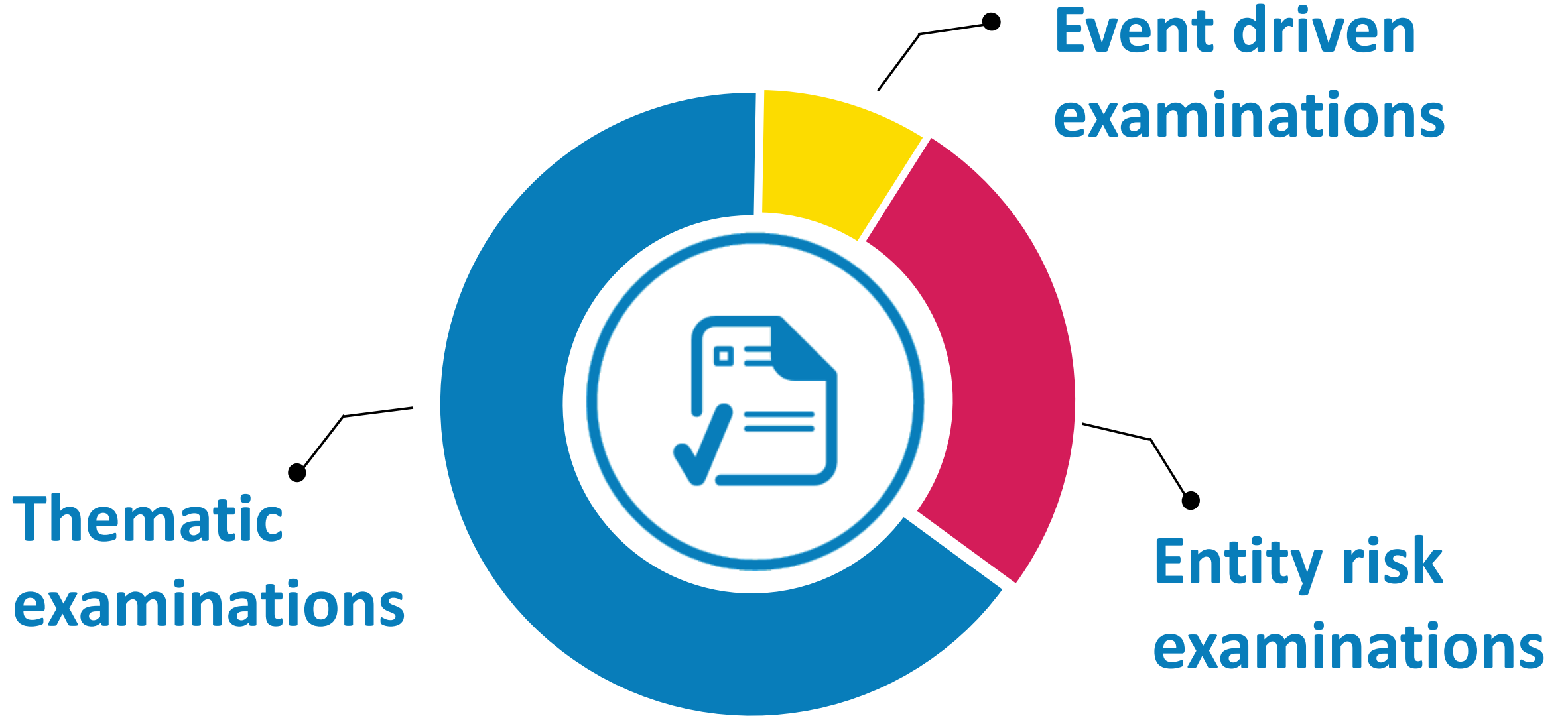
**Examiner**  
Joining November



**Examiner**  
TBC

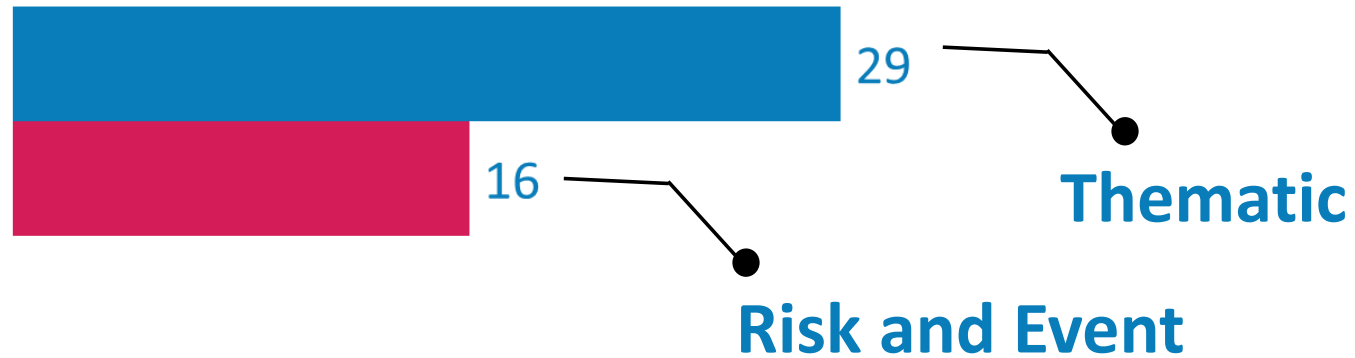


# What we do



# What have we achieved so far?

2018



2019



# Industry feedback

2019	Information request	Preliminary meeting	Examination	Debrief	Factual accuracy report
<b>Positive</b> (Strongly Agree / Agree)	<b>86%</b>	<b>82%</b>	<b>82%</b>	<b>89%</b>	<b>87%</b>
<b>Negative</b> (Disagree / Strongly Disagree)	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>2%</b>	<b>4%</b>
<b>Other</b> (No Comment / Not Applicable)	<b>5%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



# Benefits of examinations

- › **Effectiveness**
- › **Awareness**
- › **Communication**
- › **Knowledge**
- › **Feedback**



# Key findings

**Principle 3** – A registered person must organise and control its affairs for the proper performance of its business activities and be able to demonstrate the existence of adequate risk management systems.



**Corporate  
governance**



**Internal systems  
and controls**



**Record  
keeping**



# Key findings – outsourcing thematic

Feedback issued in July 2019:

- › Inadequate termination arrangements
- › Insufficient monitoring or lack of ongoing assessment of fitness and propriety
- › Non-application of due diligence requirements where outsourcing was to a group entity
- › Inadequate policies and procedures



# Key findings – MLRO thematic

- › Lack of independent assessment conducted annually
- › Training not specific and effectiveness not tested
- › Staff encouraged to discuss concerns with line manager or MLRO/DMLRO
- › Inadequate processes and procedures
- › Lack of understanding between MLRO and MLCO responsibilities
- › Unclear decision making process regarding SARs



# Expectations of the JFSC

- › Oversight of key risks by senior management or board
- › Documented discussion and actions arising from client engagement, committees and board meetings
- › Mapping of processes to regulatory framework
- › Independent verification of due diligence
- › Sufficiently resourced and independent compliance function



# What's next?

- › Portal development
- › Feedback based on The Role of the MLRO thematic
- › Reliance thematic
- › Compliance Monitoring Programme thematic
- › 2019 key findings feedback paper
- › 2020 thematic programme and entity risk selection



# The examination units

## SEU

- › Thematic
- › Entity risk
- › Event driven

### Driven by:

- › data collection
- › industry developments
- › supervisory knowledge
- › utilising the risk model (residual risk and random sampling)

## FCEU

- › Financial crime control

### Driven by:

- › data collection
- › NRA output
- › utilising the risk model (inherent risk)



# Working with your supervisor – what does a good relationship look like?

**Andrea John**  
**Head of Unit, Supervision**



# Overview

- › Why does it matter?
- › What does the data say?
- › What does a good relationship look like?
- › How does it work in practice?
- › Key takeaways



# Why does it matter?



**Less resource intensive**



**Shared goals**



**Better outcomes**



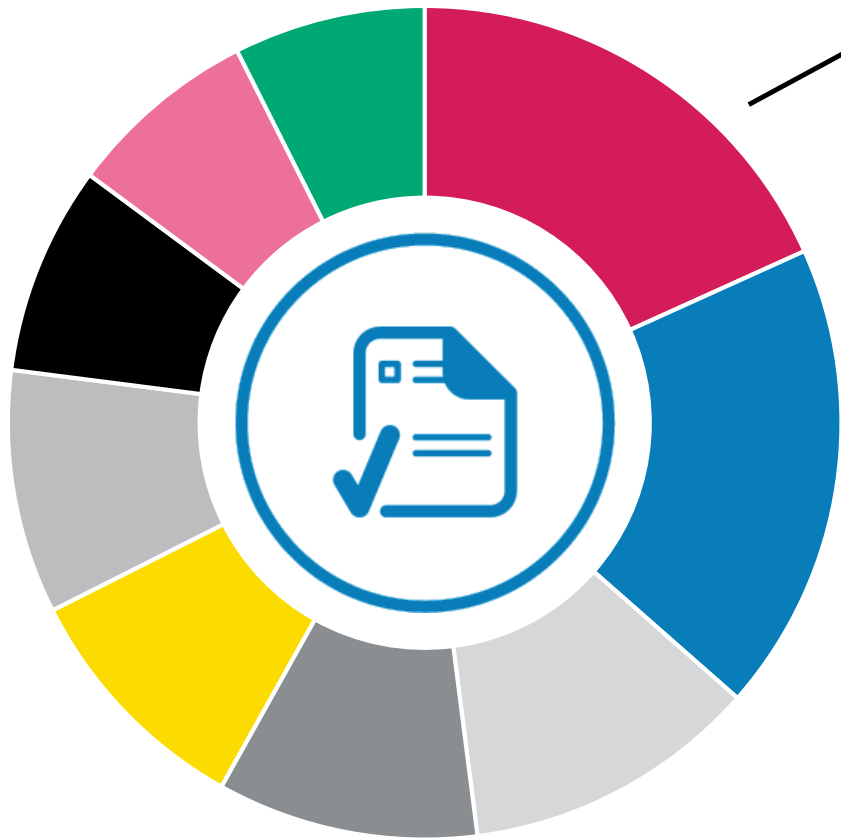
**Happier people**



# What does the data say?



**When a risk event occurs in a regulated entity, what are the top underlying causes?**



Insufficient and/or inexperienced compliance staff

Entity is not open and transparent in its dealings with the JFSC



# What does a good relationship look like?

- › Respectful and professional
- › Open and transparent
- › Communication is:
  - › clear
  - › timely
  - › accurate
  - › complete



# How does it work in practice?

- › You work for a regulated financial services company in Jersey
- › You are the designated point of contact with the JFSC
- › When would you notify us?



# How does it work in practice?



IT incident



Fraud



SARs



Data breach



Merger/sale



Litigation



Changes in  
PPs/KPs





# Key takeaways

- › A good relationship brings real benefits
- › Prompt notification does not need explaining
- › We'll probably find out anyway
- › If you're not sure whether to tell us, tell us
- › If you don't know what we mean, ask us
- › Let's try and work together even better... it will make us even happier!

# Q & A

Facilitated by Tony Shiplee, Head of Unit, Supervision

Panel members:

- › Jill Britton, Director of Supervision
- › Andrea John, Head of Unit, Supervision
- › Andrew Garbutt, Head of Risk and Regulatory Change
- › Sarah Kittleson, Director of Supervisory Engagement



**Closing remarks**

**Jill Britton, Director of Supervision**

