

Business Plan 2021



Jersey
Financial
Services
Commission

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Introduction

This business plan sets out the Jersey Financial Services Commission's (JFSC) priorities for 2021 and will help businesses, as well as the wider community, understand our focus for the year ahead.

Last year, we published our strategic roadmap for 2020-2023. This business plan is an overview of what we intend to deliver in 2021, as we embark on the second year of our strategic journey. The latter pages provide greater detail on our priorities for the year and our forecast income and expenditure.

This plan also briefly looks at what we achieved in 2020, a year that presented exceptional challenges for the JFSC, the finance industry and the Island community more widely.

Alongside the plans we have outlined here, we will also review our strategic roadmap. Whilst we intended to do this in 2023, given the impact of Covid-19 we feel it is prudent to do this exercise now to ensure our plans are still fit for purpose.

The year ahead at a glance

Transforming the way we supervise

What we are doing:

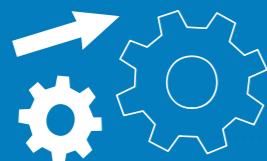
Introducing a new operating approach for our Supervision team



Deploying technology to support our key supervisory processes



Making improvements to the way we grant licenses for businesses



Expanding online services by upgrading the myJFSC experience



Delivering increased outreach to Industry with webinars and digital updates

Increased outreach



What the benefits will be for our stakeholders:

More assured consistency in how our supervisors engage with regulated businesses



Increased efficiencies in the way we operate, leading to efficiencies for Industry



Increased protection for consumers



One place for all information relating to regulatory interactions, resulting in more accurate and efficient data management



More updates, guidance, lessons learnt, and content so the regulated community is fully informed about all our activities



Enhancing how we fight and prevent financial crime

What we are doing:

Building on our 2020 work to implement the FATF Recommendations to enhance the AML/CFT regime



Continuing to prepare for the MONEYVAL assessment so the JFSC is in the best possible place to receive a positive outcome for the Island



Acting on the outcomes and recommendations of risk assessments, including the National Risk Assessment for money laundering and terrorist financing



What the benefits will be for our stakeholders:

Jersey maintains its reputation as a hostile environment for money laundering, making it a more attractive, well-run jurisdiction for legitimate businesses



Jersey's finance industry maintains access to markets, ensuring ongoing business opportunities



Jersey's finance industry strengthens its controls to protect against the Island being used for money laundering and terrorist financing



Building a resilient and modern Registry

What we are doing:

Delivering additional functionality for myRegistry and the new digital Registry

myRegistry



Establishing a Register of Directors and making more information public in line with international standards



Establishing enhanced vetting and Registry supervision



What the benefits will be for our stakeholders:

Making updates to information is more convenient and efficient. Automated services allow for quicker turn-around times

Jersey maintains its leading position in meeting transparency standards, making it a more attractive jurisdiction for businesses



Jersey continues to strengthen its position to protect against, identify and address financial crime



Chair's statement

Just a few weeks after we launched our 2020 business plan, the JFSC and businesses across the Island were significantly disrupted by Covid-19. The pandemic has had a devastating impact on lives and livelihoods. Today though there is hope, as vaccines are rolled out across the world. But we should be under no illusions, the easing of the pandemic does not mean a return to the old ways of doing things. The depth and duration of the crisis will bring about permanent change.



Over recent years, the JFSC and the financial services sector have made significant investments in technology. Covid-19 demonstrated the value of that investment as together we showed a high degree of operational resilience. Throughout the pandemic, Jersey financial services and its regulator remained open for business.

I would like to take this opportunity to thank Martin Moloney and the JFSC team for the resilience they have shown during the crisis. Not only did we keep the Registry open and continue to supervise firms, but we were able to contribute to the cross-Island response, supporting the Business Disruption Scheme, operating the Essential Employee Framework and providing data to the authorities. I have been particularly touched to see the support colleagues in the JFSC have given each other, as well as the charitable work they have undertaken to support the wider community, as this human crisis has evolved.

We were able not just to maintain day-to-day operations, but also continue our programme of investment in our people and our technology in pursuit of our three strategic priorities to:

- Build even more effective supervision
- Embed risk-focused choices throughout our work
- Strengthen our organisational resilience.

"I have been particularly touched to see the support colleagues in the JFSC have given each other, as well as the charitable work they have undertaken to support the wider community, as this human crisis has evolved."

We are starting to see the fruits of this. Our new Registry system and improved customer account will make it easier for you to do business with us. The rollout of our new risk model enables us to make better decisions on where to target our resources.

Within the overall framework of our strategic priorities, there are three particular projects, in 2021, I would like to highlight:

- Transforming the way we supervise
- Enhancing how we fight and prevent financial crime
- Building a resilient and digital Registry.

These three priorities respond to the external landscape in which we operate. The upcoming inspection by MONEYVAL and the global focus on transparency requires us, as an Island, to focus on continual improvement if we are to demonstrate to current and potential customers that we are a well-regulated jurisdiction. This requires the effective supervision of firms with a particular focus on financial crime. In an increasingly competitive environment, we also know that the ease of doing business gives jurisdictions an advantage.

There are other external challenges too. Brexit disrupts our relationships with others. It asks fundamental questions of our relationship with the UK – will we maintain our synergistic relationship with the City or will the City become a competitor? With the European Union, we have benefitted from equivalence granting us market access, but will the EU continue to welcome this level of access if the UK is no longer there to champion the benefits of cross-border trade in financial services? The greater use of technology, as a result of Covid-19, has increased the optionality available to firms when they consider the location of their businesses. Add to these factors the macro-economic headwinds affecting business in a post-Covid world and you can see that 2021 will be challenging for all of us. For the JFSC, this means that we will continue to work with well-run, well-controlled businesses as they seek to weather the storm.

"We will continue to work with well-run, well-controlled businesses as they seek to weather the storm"

2020 was a year of pain as we adjusted to the impact of Covid-19. I did not expect a pandemic to dominate my first year as Chair, but as we look ahead, I hope that 2021 will be a year of healing, as we seek to repair and rebuild the Island's economy. The Commissioners, the Director General and the entire JFSC team look forward to playing their role in this.

Mark Hoban
Chair



Our strategic roadmap and the journey so far

In our strategic roadmap for 2020-2023, we identified three priorities, which we would need to focus on to position Jersey as a well-regulated jurisdiction prepared for an increasingly uncertain environment.

Everything we have experienced in the last year tells us that these three priorities remain critical for 2021:

- Build even more effective supervision
- Embed risk-focused choices throughout our work
- Strengthen our organisational resilience.

As we reflect on what was a turbulent and challenging year for all in 2020, we can celebrate significant successes in what we delivered and reflect on the strong position we are now in for 2021 to build on those foundations.

Our focuses in 2020 were:

- Putting the fight against financial crime at the heart of our supervisory approach
- Rolling out data-based risk assessments as a driver for day-to-day supervisory decisions
- Building new digital platforms for both the Registry and regulatory sides of our organisation
- Adjusting the JFSC's own financing mechanisms (including fees) to make us more financially resilient in the face of future shocks
- Developing and supporting our staff and laying the foundations for new workflow management systems.

While predominantly working remotely for three quarters of the year, in 2020 we achieved the following and more:

We demonstrated our resilience and adaptability in the face of a pandemic by:

- Remaining open for business by transitioning to home working and moving all our regulatory activities online
- Supporting the Island's businesses by keeping the Registry open
- Providing significant support to the Government of Jersey with the Business Disruption Scheme, Essential Employee Register for Financial Services Businesses and regular reporting on the challenges and economic impacts of Covid-19
- Undertaking significant outreach to Industry to ensure business continuity planning and organisational resilience
- Adopting a flexible approach to Industry deadlines, publishing enhanced guidance to respond to the challenges faced by Industry, working closely with Jersey Finance, and delivering a series of webinars to allow questions to be raised and answered.

We increased our focus on fighting financial crime by:

- Continuing our work to in developing our capacity to supervise the fight against financial crime across Jersey's finance industry
- Carrying out an ambitious programme of financial crime compliance focused examinations on 86 businesses, 83 of which were undertaken remotely
- Finalising our contribution to Jersey's first [National Risk Assessment for money laundering](#), which the Government of Jersey published in late September
- Publishing our report on the [development of a shared 'know your customer' \(KYC\) utility](#)
- Reviewing our authorisations framework with a view to making enhancements in 2021 to the way we grant licences to businesses.

We took significant steps to becoming a fully digital regulator and Registry by:

- Completing the first phase of our extensive programme to deliver a fully digital Registry which simplified interactions for all our customers and allows for enhanced intelligence, vetting and compliance
- Upgrading the whole core workflow management platform used by our Supervision team to prepare for recalibration of our supervisory workflows in 2021
- Rolling out the next phase of our risk model so all our supervisors are now able to capture and monitor risk more effectively
- Deploying the first phase of the work to upgrade our online regulatory service so regulated persons can more easily submit and update their personal information.

We started future proofing our fees mechanisms by:

- Reviewing our financial resilience and initiating discussions with Industry on revised fee structures to underpin our financial resilience
- Introducing new fees for businesses applying for eligible foreign limited partnerships to continue as a limited partnership in Jersey.



Outlook for 2021

Our strategic roadmap articulated a multi-year project of challenging work on multiple fronts. Events have shown us that we were correct to emphasise resilience, risk-focused choices and financial crime, but there are lessons to be learnt.

Our analysis of our environment tells us that uncertainty will remain high throughout 2021, including market risk, conduct risk, cyber risk, financial crime risk and the potential for further market fragmentation.

Working with Industry - 'smart regulation'

To meet our targets for 2020, we had to intensify our engagement with Industry. The scale of webinars, videos and bilateral support was unparalleled last year and the feedback to this online delivery was overwhelmingly positive. Accordingly, we plan to continue and embed this level of engagement during 2021, complementing written consultations with more dialogue and more open-ended discussion.

Checking we are on course

Our plans to execute our strategic roadmap remain broadly on course, but 2020 holds valuable lessons for us that we want to take on board. We will be undertaking a full strategic review of what we had planned to deliver between 2020 and 2023. Initially we envisaged conducting this review once we had completed the roadmap, but we cannot ignore the impact of the pandemic and our first year of intensified capital investment. And Industry needs to be part of that strategic discussion.

Reprioritising and rescheduling our plans

It became apparent during 2020 that a number of our ambitious supervisory projects are considerably more challenging to deliver than initially scheduled, particularly under the pressured circumstances presented by Covid-19. We have also accommodated additional projects at the request of our stakeholders.

We are carrying some deliverables into 2021 and this requires some rescheduling for our subsequent projects. We are, however, learning by doing and what we want to deliver is also evolving.

Heading in the right direction

As we enter the second year of our strategic journey, our approach will centre on:

- Reaping the benefits from the considerable investment we made in new core systems with detailed customisation of our supervisory workflow
- Adding additional features to our registry services which will improve flexibility, timeliness and our customers' online experience
- Enhancing our external reporting and education, particularly in relation to financial crime, through feedback papers, webinars and engagement with trade bodies
- Finalising our rolling review of our fees mechanisms
- Planning and preparing for our next big push in project work, focused on risk and data, which will begin in 2022 in line with our strategic roadmap.

Developing regulatory policies for changing financial markets

We continue to watch financial markets closely and identify policy goals which respond to market developments. We are well-advanced in developing our approach to regulating Environmental, Social and Corporate Governance (ESG) issues. With close engagement from Industry, we can develop a regulatory framework that allows Jersey to be a location of choice for responsible ESG issuance.

We will work with Government to develop regulatory regimes for retail lending and virtual asset services providers (VASPs), which respond to the continuing growth of both sectors.

As financial crime risks change, we will work closely with Industry to prepare recommendations for Government to adjust the exemptions available from financial crime requirements to ensure that only low risk exemptions are allowed. This protects Jersey's reputation.

We will develop our regulatory framework within which financial advisers operate in Jersey, so that they can be as clear as practical on their duties of care to their customers.

We will implement important changes to the way we do authorisations to make the process more risk-focused, so that we provide better protection to customers of regulated businesses while also facilitating innovation.

Key projects for 2021

Our goals and key projects for 2021 build on what we started in 2020 and come under the umbrella of our four-year roadmap.

While we have a number of projects that we will be concentrating on during 2021, there are three primary focuses, which relate to our core functions as both regulator and Registry. These are:

- Transforming the way we supervise
- Enhancing how we fight and prevent financial crime
- Building a modern and resilient Registry.

All three of these key projects link to one of more of our three strategic priorities as illustrated below.

Key projects for 2020	Goal	Build even more effective supervision	Embed risk-focused choices throughout our work	Strengthen our organisational resilience
Transforming the way we supervise	Introducing a new operating approach and technology to support key supervisory activities	✓	✓	✓
	Expanding online services for Industry with our new regulatory platform	✓		✓
	Making improvements to the way we grant licences for businesses	✓	✓	✓
Enhancing how we fight and prevent financial crime	Building on our 2020 work to implement the FATF Recommendations to enhance the AML/CFT regime	✓	✓	
	Continuing to prepare for the MONEYVAL assessment	✓	✓	✓
	Actioning the outcomes and recommendations of the NRA for money laundering	✓	✓	
Building a modern and resilient Registry	Delivering additional functionality for myRegistry and the new digital Registry		✓	✓
	Establishing a new register for directors and making more information public in line with international standards	✓	✓	✓

"Our plans to execute our strategic roadmap remain broadly on course"

Delivering on our strategic priorities

Much of what we are delivering in 2021 sees us building on the work we started in 2020 and planning the next phases of our work for 2022. In the subsequent pages of this business plan, we provide more detail on our three main programmes of work for the year ahead, as well as the other projects that we will be focusing on, outlining how all of this work aligns with our strategic priorities.

Transforming the way we supervise

Throughout 2021, we will focus further on reviewing the way we supervise on a day-to-day basis.

In 2020, we laid the groundwork for restructuring our day-to-day supervisory work patterns, with the end goal of introducing more assured consistency in the standard of the engagement between our supervisors and regulated businesses, and better data showing the effectiveness of what we do.

The backbone of day-to-day supervision is a set of IT systems that hold records of our engagement with Industry, our own analysis of the data they provide us and our internal deliberations on how to approach issues that arise. These systems are key to our supervisory efficiency and effectiveness. They set the parameters of how we manage the work of our team of skilled supervisors to ensure consistency and quality of judgement in our supervisory work. They create a framework for the dozens of different supervisory processes, which make up the day-to-day work of a 21st century supervisor.

Having built improving our systems in some key areas in 2020, our intention in 2021 is to leverage that system capability and deploy the technology for each key supervisory process. This will mean that we can continuously improve our operational processes and through the use of technology increase efficiencies for Industry and the JFSC.

In practice, what this means is going through each of our processes and procedures with the support of business analysts, looking for efficiencies and creating precise redesign instructions for IT developers to create a workflow management system, which decreases administrative tasks, speeds up access to stored data, improves transparency to management and generates authoritative audit trails of decisions and responses. This will also allow for additional straight through processing, which will mean quicker decisions for more routine activities: a direct benefit for Industry.

We will be implementing this review, on a phased basis, resulting in a new operating approach. Alongside that, we will look at the structure of our Supervision division and makes changes consistent with those revised processes, which will build on the enhancements we introduced in 2016 and 2018.

A key component of our supervisory approach is examinations and this will continue to be a high priority for us in 2021. Our dedicated, specialist Financial Crime Examination Unit conducts financial crime examinations and provides support to Industry by sharing lessons learnt and technical support across the Supervision division. This year, the team will continue with a programme of examinations and will introduce a series of questionnaires for desk-based reviews of key components of the AML Handbooks. The Supervision Examination Unit and Pooled Supervision teams will undertake a series of thematic examinations on sectors and common issues identified by our risk model and the National Risk Assessment.

At the end of 2020, we completed a review of our authorisations processes. We will use the findings of this review in 2021 to improve how we licence businesses, with a view to developing our authorisations systems in 2022. These improvements will enable us to strike a balance between authorising businesses promptly, while giving assurance that we have challenged applications and made suitable judgements so that we protect Islanders from undesirable propositions.



Expanding the 'myJFSC' experience

Our vision is to implement a single online service for our regulated community that is easy to use and will drive more accurate and efficient data management, both for us and our stakeholders. This will replace three pre-existing portals, which are inefficient and outdated.

In 2020, we upgraded the way key and principal persons update and manage their personal information with the launch of myProfile; replacing the personal questionnaire portal. In 2021, we will expand the online services that we offer by focusing primarily on modifying how Industry submit data to us. This will mean we can de-commission legacy systems and streamline how we gather and process information.

These new services will allow regulated businesses to have, in one place, a greater range of information relating to their regulatory interactions and their management information for compliance. For the JFSC, these additional online services, which are integrated directly with our own internal systems, will allow us to continually monitor and assess the quality and consistency of our supervisory activity.

These improvements are the foundation of how we are going to engage with Industry. We already significantly increased the scale of our engagement in 2020 for both our regulatory and registry work, through the working groups we set up, the webinars we delivered, and the guidance and feedback papers we published. We expect this to continue and develop in new areas in the coming years. We will keep working with the user group of Industry representatives that we established to help us upgrade the myJFSC platform. Equally, the sub-groups that are focusing on specific areas including personal questionnaires and fees will be integral to the developments we make to our operations, as will our Registry User Group.

We will supplement this engagement with webinars, updates, bilateral problem-solving and a range of policy-focused engagements. The outcomes we achieve with this extensive work align with, and progress, our strategic roadmap.

Enhancing how we fight and prevent financial crime

Fighting financial crime remains a primary focus for us. Being the regulator of a hugely important global financial services centre means that our work in this area must adapt and evolve, in order to stay ahead of the threat of money laundering and terrorist financing.

Building on the work in 2020 and previous years, this year we will continue to develop the ways in which we endeavour to fight financial crime so that we can protect and maintain Jersey's reputation as a hostile environment for money laundering.

With the Island's next MONEYVAL assessment rapidly approaching, we will keep playing our part and prioritising this critical work so the Island meets the necessary international standards for countering financial crime. But our substantial efforts in this area go beyond the assessment. They are for the longer-term, to ensure that we can tackle the threat over a prolonged period in order to maintain Jersey's international reputation.

With this in mind, 2021 we will see us progress our extensive Financial Crime Prevention Programme, which over the next 12 months will specifically focus on the following areas:

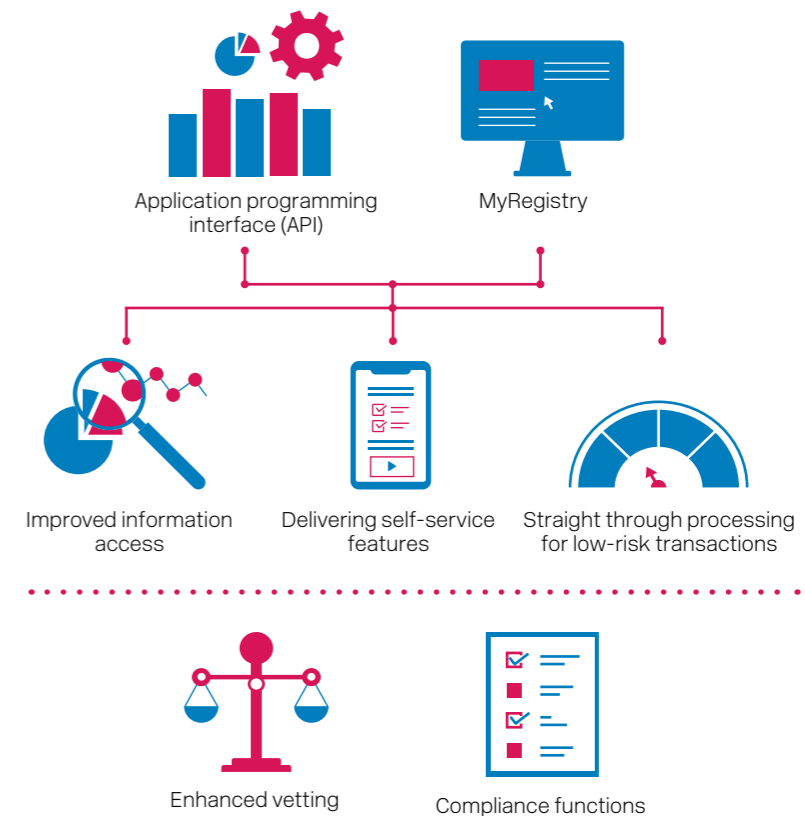
- Building on our 2020 work to implement the FATF Recommendations and enhance Jersey's AML/CFT regime
- Moving forward with our preparation work for the MONEYVAL assessment, making sure that the Island is in the best possible place to achieve the gold standard
- Delivering technical changes and enhancements to our regulatory regime, for example working with the Government to reform the Money Laundering Order
 - Proving how effective we are at supervising Jersey's finance industry.

Building a resilient and digital Registry

While 2020 was characterised by building the new digital customer platform, myRegistry, and our resilience during the initial outbreak of the pandemic, 2021 will be defined by further improvements to Jersey's Registry.

This will be a momentous period in the Island's economic development as this digital change will have a significant bearing on the future shaping of how, in particular, the finance industry operates post 2021.

The new Registry 2021



We have overhauled our registry systems to realise a step-change in customer service delivery. Our new digital services are delivered via myRegistry to provide improved information access, delivering self-service features and straight through processing for low-risk transactions. High-volume filing trust company and fund services businesses can integrate with our new application programming interface (API) channel to streamline processes with direct information updates. Behind the scenes, we are delivering enhanced vetting and compliance functions to further develop our capabilities to combat financial crime. Our robust processes and procedures are underpinned by modern legislation via the introduction, by Government, of the Financial Services (Disclosure and Provision of Information) (Jersey) Law 2020.

We are aiming to complete work on the new Registry by 30 June 2021. Key deliverables for the year include:

Accurate adequate and timely data collection



- The first digital annual confirmation statement period will run from January to June (later for those willing to pay a late filing fee)
- The central Register of Directors (and significant persons) will be populated between January and June and will become public from 1 October 2021
- We will also be reviewing and planning for the introduction of a public register of Beneficial Ownership.

Vetting and automated processes



- From April to June, we will implement automated and enhanced vetting in accordance with changing international standards
- From May, we will offer enhanced digital interaction with more straight through and augmented processing.

Enhanced Registry compliance/enforcement and breach monitoring



- As the Registry becomes larger (there are currently 12 types of register) and new legislation and policies increase the requirements for us to provide accurate, adequate and timely data to law enforcement agencies and financial intelligence units, it is important that Jersey can demonstrate this data is correct. To do this, we will need to be able to enforce compliance. Other higher risk disclosures, such as activity and ownership, also need to be continually verified.



Digital

- We will review our digital policies and the potential to adopt a digital identification and verification application to on-board individuals
- From May, we will expand the use of API channels.



New products and system migration

- By May, we will have migrated the Securities Interest Register to the new platform
- We will continue our discussions with Government about migrating the Trades Mark register
- We will launch the Limited Liability Companies Register in line with new Government legislation coming into effect.

As you would expect from such an ambitious programme, both in terms of its aggressive delivery timelines and the constantly developing international standards, we will undertake a period of reflection and benefit realisation during the latter part of 2021.

We will continue our day-to-day registry operations. We believe the digital registers will allow our Registry team to provide a more customer-focused service during 2021, while also dealing with the continued effects of the Covid-19 pandemic.

This year we will also be preparing for future assessments and Government policy change or delivery. 2021 will see the Registry team contribute to the undertakings coming from the outcomes and recommendations of the 2020 money laundering National Risk Assessment.

2021 and beyond



Government policy

- Interconnection of UBO Register
- With EU (LEA/FIU)
- Financial Service Provider Access
- Public Access (EU Review 2022)



FATF

- Digitalisation
- eID
- Recommendation 24 & 25 amendments



Assessment

- Effectiveness

The key projects set out in the earlier pages of this report are only part of our overall plan for 2021. Below, in brief, is an indication of the broad programme of activities, which form our plan for the year ahead, organised under the key priorities of our strategic roadmap.

Build even more effective supervision

In 2021, we will continue our extensive programme of improvements to make our supervisory work even more effective. This work falls under three headings: fighting financial crime, developing our supervisory approach and modernising our regulatory remit.

Fighting financial crime by:

- Progressing our preparation work for being assessed by MONEYVAL, including collating and reporting on the data we hold which relates to financial crime
- Building on our 2020 work to implement the FATF Recommendations to enhance Jersey's AML/CFT regime
 - Working to implement additional changes to the AML/CFT Handbooks
 - Working with Government to prepare the ground for extending the money laundering regulation to VASPs, non-profit organisations, money/ value transfer services (MVTs) and Non-profit organisations (NPOs):
 - VASPs - Making recommendations to Government for a licensing regime, in line with FATF Recommendation 15, and preparing for its implementation in 2022. Legislation is expected to be in place by the end of 2021
 - NPOs- Undertaking further work to develop our recommendations to Government
 - MVTs (Amended Regime) - Making recommendations to Government to fully implement FATF Recommendation 14, for the new FATF definition of MVTs
- Increasing our engagement with Industry to develop local typologies of the risks which arise in Jersey and therefore strengthen our understanding of money laundering and terrorist financing risk in line with the findings from the National Risk Assessment
- Providing technical support to Government to finalise the National Risk Assessment for terrorist financing
- Consulting with Industry on an AML/CFT exemptions regime in order to develop recommendations for Government to bring exemptions line with the FATF Recommendations

- Advising Government on changes to the administrative enforcement powers/penalties with regard to money laundering control failings
- Continuing to develop our supervisors' capabilities through structured training and development so we are recognised as an AML/CFT centre of excellence.

Developing our regulatory approach by:

Supporting the work that we outlined in the earlier section of this business plan to transform the way we supervise, in 2021 we will also be:

- Developing our own internal review process so that we can regularly assess how effective we are as a supervisor
- Starting the planning for enhancing Registry compliance/enforcement and breach monitoring
- Checking companies on our registers on a continual basis, particularly those that are considered to be more high risk
- Reducing our data processing and administrative burdens to make our dealings with Industry easier and more automated, so that we can more effectively and accurately manage data and workflows to focus on critical supervisory activity
- Continue to develop and strengthen the co-ordination between our Enforcement and Supervision teams
- Consulting on enhancements to our decision-making process to deliver efficiencies in the process which will, in turn, provide us with an opportunity to develop our enforcement strategy, which, given the JFSC focus on financial crime capability, will see a focus on AML related cases
- Mapping all authorisations processes and implementing efficiencies, following our 2020 review of how we grant licences
- Planning the requirements for any system development that needs to be delivered in 2022
- Developing and testing a multi-year data strategy to provide staff across the organisation with better insights to allow them to do their jobs better.

Modernising our regulatory remit

We have to continue to evolve in light of new challenges facing the Island and any potential responsibilities that we may take on in the future. 2021 looks set to be a year of legislative preparation for new and amended regulatory regimes:

- Control of Borrowing Order (CoBO) – We will complete our advice to Government on amendments to this critical piece of legislation for the protection of Jersey's global reputation. This will see a key distinction being made between non-financial services activities and financial services activities
- Jersey Resolution Authority and Depositor Compensation Scheme (New Regime) – We have indicated our willingness to support Government in the practical work of setting up a new Resolution Authority and this will require work from us in 2021 to implement Government plans
- Consumer lending - We will continue to advise Government on possible initiatives to add to the protections for borrowers in Jersey and plan for potential appropriate follow-up actions
- Pensions (new Regime) – There are three phases to this. The first is now likely to be in 2021 and will extend the application of FSJ Law Investment Business activity to all pension products i.e. all pension products will be considered “investments” for the purposes of Investment Business activity under the Financial Services (Jersey) Law 1998. Phase 2 is to extend the role of the Ombudsman to all pension products. Phase 3 is a product and service provider regulatory regime which would come in at the earliest in late 2021/early 2022
- Sustainable finance (amendment to funds and Investment business regimes) – Following our consultation and feedback received from Industry, the Code of Practice requirements will focus on disclosure and/or active measures to prevent “green washing”
- Investment business guidance - We will explore the potential for additional guidance on the duties of investment advisers.

Embed risk-focused choices throughout our work

Since the end of 2019, we've had a working risk system in place. It has already started to change the way we supervise by ensuring risk is the central focus of everything we do. It also means we can concentrate our resources on the activities that pose the greatest risk to Jersey's finance industry, reputation and community.

In 2020, we rolled out further improvements to our risk model and, in 2021, we will complete a range of initiatives started in 2020 to get better at factoring probability into our risk assessments, take stock and plan how we will enhance the system further in 2022.

Developing our risk systems across all our activities by:

- Improving the way we collect and analyse AML/CFT data to assess our supervisory effectiveness
- Continuing to build statistical evidence regarding the risk profile of the financial services industry
- Extending the alignment of our supervisory engagement with our risk model recommendations, focusing on areas of highest risk
- Using the insights provided by our risk model to better understand risk and sharpen our risk assessments
- Opening up new forms of risk assessment to continue the improvements to our risk model
- Developing the work we are already doing with our risk model to understand, monitor and assess regulated businesses from when they are licenced to when they cease to operate
- Using reporting to provide a multi-layered view of regulated businesses and our own effectiveness
- Assessing the requirements for our risk model and designing further refinements to be delivered in the two final years of our strategic roadmap.

Using data more effectively to inform our decisions by:

- Embedding a data strategy that will shape the future of regulation
- Using automated data led risk assessments to identify new areas of risk.

Managing the regulatory risk of innovation by:

- Leveraging the knowledge and experiences of other supervisory authorities through more international cooperation
- Liaising with Digital Jersey on FinTech
- Developing our increasingly coordinated approach to risk-assessing innovative business proposals across the organisation.



Strengthen our organisational resilience

Our operational resilience has never been tested more than in 2020, as we responded to a pandemic and managed to maintain both our regulatory and registry operations while working remotely. At the same time, we delivered a number of large transformational projects that will benefit the regulated community and our registry customers.

The pandemic is a single event that alone proves that focusing on strengthening our resilience is essential. We will continue to prioritise this in future years so that we can respond and adapt to the changing environments and challenges that we will inevitably face.

Last year, we undertook a full review of our cost controls and our approach to financial management, to ensure that our finances are stable and sustainable. We also began to engage with stakeholders on our fee structures, which is an ongoing process.

This year we will seek to implement the findings of that financial review so that we can be a resilient regulator and Registry. That means making sure we have the balance sheet reserves and cash assets to ensure we can continue to operate without loss of quality through an adverse event. It also means we can continue to provide regulatory and registry functions that make Jersey globally competitive and give a good level of protection for Islanders.

To make sure we are operationally resilient, in 2021 we will focus on the following areas:

Enhancing our digital interactions to become more accessible by:

- Launching fee and data collections on the new online regulatory platform
- Working to build all of the existing myJFSC services on the new platform
- Migrating fund statistics to the new portal and replacing all three portals (PQ, myJFSC, and Fund Stats) with one platform
- Expanding online services so that there are more user types, enabling activities to be assigned to appropriate business representatives
- Increasing online capabilities, particularly for notifications and data management, so that Industry can make submissions more easily, for example advising about breaches and ceasing to act as a principal or key person
- Delivering enhanced stakeholder engagement through an annual programme of outreach, webinars and digital content to provide training, updates and insights on regulatory and registry matters, financial education and consumer awareness.

Ensuring our finances are stable and sustainable by:

- Continuing our work to implement more resilient fee structures for both our regulatory and registry services, to support our operational costs and build sufficient capital reserves
- Consulting with Industry on our fee structures.

Developing and supporting our staff by:

- Executing a people strategy that supports a strong team of skilled and expert staff. Our people strategy will set out our ambition and aspirations for our people and will focus on key priorities including culture and talent
- Continuing to adapt our approach to flexible and office working arrangements, in light of the changes in staff's work patterns brought about by Covid-19
- Developing further the Graduate Programme launched in 2020, to support our people strategy and succession planning.

Focusing even more on environment, social and governance by:

- Examining our own environmental impact
- Develop an approach to considering our impact when deciding on business travel
- Taking our energy consumption into account in redesigning our work environment
- Looking for additional opportunities to support local charities

2021 income and expenditure

Summary of key financials

Our projection for 2021 is to raise £21.4m in revenue, compared to £22.1m forecast for 2020. We have budgeted our operational expenditure to match projected income, resulting in a balanced net operating position before any litigation costs. We have constructed our budget with continued financial resilience in mind and have kept tight control of our operating costs.

The demands on the JFSC to be both an effective supervisor and a competitive, leading international Registry continue to evolve. And the associated cost demands continue to increase. By investing in technology and process engineering, we have successfully delivered efficiencies in the way we operate so we can meet these increasing demands at the lowest incremental cost to Jersey's finance industry and our registry customers.

This capital investment is also impacted by having to adapt to emerging opportunities and threats, resulting in fluctuations in capital expenditure, which would be unmanageable for Industry to bear directly through sudden changes in our fee levels.

	2020 forecast £'000	2021 projected £'000	Variance between 2020 forecast and 2021 projected £'000
Regulatory fees	15,818	16,082	264
Registry fees	6,168	5,280	(888)
Other income	64	64	-
Total income	22,050	21,426	(624)
Staff costs	(13,291)	(14,628)	(1,337)
Computer systems	(1,456)	(1,784)	(328)
Other operating costs	(3,821)	(3,288)	533
Total operating expenses	(18,568)	(19,700)	(1,132)
Depreciation	(1,461)	(1,634)	173
Investing capital expenditure costs	2,846	2,121	(725)

Financial resilience

In the last two years, we have moved our financial projections from focusing on the next 12 months to considering the medium to long-term. Our priority has been to make sure that we are financially resilient by strengthening our reserves and planning for the foreseeable future. When reviewing our fee structures, we have worked to ensure open conversation and dialogue with Industry about our position including, the efficiencies and cost-savings that we have achieved.

This investment, as well as the time-constrained requirement to adapt to emerging opportunities and threats, requires material fluctuations in capital expenditure, which would be unmanageable for Industry to bear directly through sudden changes in our fee levels.

In 2021, we will finalise our financial resilience review, which we will share with Industry to give context for our discussion on our fees.

In reviewing our fee bases, we seek to provide for sufficient reserves and retained funds, built up over a period of time. This enables us to plan for future investments, while also managing any increased demands on fee payers in such a way that Industry and registry customers will not be subject to sudden material fee changes. Such retained funds will be maintained to provide for three separate elements: Operational Expenses; Litigation Costs; and Capital Investments. This approach will allow us to clearly present both: our future plans to Industry; and how the funding of such investment gives rise to the associated recalibration of fee levels. We will present the building of our reserves clearly to all our key stakeholders.

Regulatory income

We have already begun to engage with Industry bodies to explain our approach and gain views on potential revisions to our fee bases so that these plans can reduce risks associated with some of the outdated fee mechanisms. These discussions will continue through 2021 as we seek to retain total revenue at a level broadly in line with 2020, while determining a revised set of fee bases for future years that will strengthen our financial resilience.

The below figures show forecast fee income from Industry sectors compared to 2021 projected fees income:

	2020 forecast £'000	2021 projected £'000	Movement £'000
Banking	2,115	2,160	45
Investment Business	1,432	1,513	81
Insurance Business*	1,019	1,015	(4)
Funds and Funds Business	6,979	7,174	195
Trust Company Business	3,457	3,441	(16)
Other businesses**	816	779	(37)
	15,818	16,082	264

* Insurance Business includes General Insurance Mediation Business

** Other businesses - Designated Non-Financial Businesses and Professions, Money Services Business, and Recognised Auditors

Registry income

The JFSC's capital funding mechanism for Registry has, to date, benefited from the availability of a proportion of the annual return fees which isn't allocated to Government. The agreement with Government came to an end in January 2021. The JFSC's accounts have been prepared on the basis that the unwinding of this previous capital funding arrangement has resulted in a temporary increase in the proportion of annual return fee revenue allocated to the JFSC in 2020, as reflected in the below unaudited forecast position. These revenues levels will return to the previous lower level in 2021. We have therefore consulted on and implemented alternative funding solutions by adjusting our registry fee bases.

The table below provides further details on the composition of registry fee income:

	2020 forecast £'000	2021 projected £'000	Variance between 2020 forecast and 2021 projected £'000
Annual confirmation fees	3,720	2,654	(1,066)
Transactional fees	2,448	2,626	178
	6,168	5,280	(888)

Operating costs

Our results in 2020 differed from our budget due to a range of factors, resulting in a material net profit. Our review and enhancement of our project governance at the start of the year provided a solid foundation from which to launch our significant capital investment, but compressed the time frames for completion of the associated work streams. Our focus on these strategically important initiatives also resulted in a slower rate of expenditure on other, lower priority investments. As a result, total capital investment was lower in 2020 than originally planned.

In addition, as many organisations will have observed, operating costs in 2020 were impacted by Covid-19, with a period of slower recruitment in the second quarter and significant reduction in travel, training and engagement costs as we shifted to virtual platforms. We have been proud of the successes achieved in pivoting to remote methods for training, recruitment and on-boarding of new staff and will begin 2021 much closer to a fully staffed position.

The operating costs breakdown is shown in the table below:

	2020 forecast £'000	2021 projected £'000	Variance between 2020 forecast and 2021 projected £'000
Operating expenses			
Staff costs	(13,291)	(14,628)	(1,337)
Computer systems	(1,456)	(1,784)	(328)
Other operating costs	(3,821)	(3,288)	533
	(18,568)	(19,700)	(1,132)



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