

2020

2022

BUSINESS  
PLAN



Jersey Financial  
Services Commission

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# Introduction

This business plan sets out our priorities for 2022 and will help businesses and the wider community understand our focus for the year ahead.

Last year we published our strategic framework for 2021-2024 which outlined our long-term vision to be a high performing regulator, building for the long-term success of Jersey. This business plan is an overview of what we intend to deliver in 2022, the first year of the strategic journey to achieve our vision.

It also provides our forecasted income and expenditure.

We also reflect on what we have achieved in 2021, a second year of exceptional challenges for the Jersey Financial Services Commission (JFSC), the finance industry, and our island community more widely.



**Jersey Financial  
Services Commission**

# The year ahead at a glance

## Enhancing and simplifying our regulatory toolkit



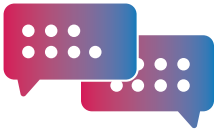
### What we are doing

Consolidating, updating and simplifying core elements of our policy, handbooks, codes and guidance.

### The benefits for stakeholders

More accessible information on compliance obligations, reduced duplication and greater clarity for practitioners.

## Fighting and preventing financial crime together



### What we are doing

To support better industry understanding, we will increase industry engagement and outreach on existing and new obligations.

### The benefits for stakeholders

Better access to our development work, more opportunities to seek guidance on complex matters, stronger understanding of compliance obligations.



### What we are doing

Preparing for forthcoming international assessments by MONEYVAL.

### The benefits for stakeholders

Maintaining and enhancing Jersey's international reputation as a robustly regulated International Finance Centre.

## Investing in our technology and data analytics to operate even more effectively



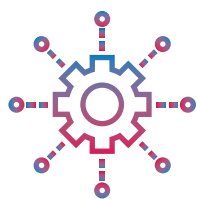
### What we are doing

Leverage modern data, process and security capabilities to secure operational efficiencies and enhancements. This will include automated vetting and expansion of straight through processing.

### The benefits for stakeholders

Swifter decision-making for routine applications and a reduction in purely administrative tasks enabling us, and Industry, to focus on more complex matters.

## Enhancing our regulatory effectiveness by embedding risk-based choices and expanding our regulatory remit



### What we are doing

Strengthening our risk framework.

### The benefits for stakeholders

Greater clarity on activities presenting lower, or higher, risk enabling greater focus in our work and that of practitioners.



### What we are doing

Tailoring our risk models for increased scope and new regimes/business sectors.

### The benefits for stakeholders

Consistency in approach for new and existing businesses with outcomes driving our supervision and engagement activities.

## People strategy



### What we are doing

Recruiting, retaining and developing great talent.

### The benefits for stakeholders

Stronger engagements between our people and our stakeholders based on mutual trust and technical excellence.

# Chair's statement



**Mark Hoban**  
Chair



In November last year, the JFSC set out its vision to be a high-performing regulator: building for the long term success of Jersey. This reflects our desire to support the Island in an increasingly competitive global environment for the location of financial services business. We also recognise though the continued and heightened scrutiny facing international financial centres; the forthcoming MONEYVAL assessment is just one aspect of this. Together these require us to lean-in to industry challenges whilst at the same time maintaining high regulatory standards. This is not an easy balance to strike, but it is vital to get it right.

"As a Commission not only will we focus on the sustainability of our organisation, but we will also seek to develop guidance that will help firms deliver on this agenda with transparency and disclosure being at the centre of our regime. "

The JFSC is part of the Island's financial services eco-system alongside the Government and industry. We have a distinct and independent role to play in that ecosystem given our regulatory responsibilities, but we believe our vision aligns strongly with that of the Government as set out in its strategy document published in December 2021. Collectively, we need to address the challenges of globalisation and digitalisation, if Jersey is to remain a jurisdiction of choice.

Increasingly, people see financial services as a force for good. One of the lessons from last year's COP26 was that the choices made by financial services can reshape the global economy as our activities are increasingly driven by ESG principles. The Government strongly supports that agenda as do we. As a Commission not only will we focus on the sustainability of our organisation, but we will also seek to develop guidance that will help firms deliver on this agenda with transparency and disclosure being at the centre of our regime.

When we launched our strategy last year, we committed to publish more detail in our Business Plan. Today, we set out that detail. Over the next three years, we will seek to achieve our vision by focusing on three strategic anchors.

# 01

**Facilitate  
business  
integrity**

These three anchors flow through this year's key projects. Let me give an example. One of the messages we have heard from industry is the need to simplify, streamline and consolidate our handbooks, policy and guidance. We have already started this work but it is a key project for 2022.

By setting out our rules more clearly, this will facilitate business integrity, but it will also lay the foundations for a machine readable handbook supporting digitalisation. This will also help us work more effectively with you. As business has to respond to increasing external challenge, then so does the JFSC.

# 02

**Harness  
technology and  
influence the  
digitalisation of  
Financial  
Services; and**

We need to evolve our ways of working to maximise our effectiveness as a regulator. That is the benchmark by which we will be judged. For firms that effectiveness can be judged by ease of doing business with us whether that is the clarity of our rules or the speed of authorisations.

For the Government, it will be whether we are delivering against our statutory objectives: the Guiding Principles. For the international community, it will be our capacity to tackle financial crime. Collectively, this is about achieving long term sustainable regulatory effectiveness. This Business Plan shows how this will be achieved.

# 03

**Develop our  
people, systems  
and capability  
to be a high-  
performing  
organisation.**

# Our strategic framework for 2021-2024

In November 2021, we shared our strategic framework for 2021-2024, which outlines our long term vision and our key areas of focus for delivery.



## Vision

To be a high-performing regulator building for the long-term success of Jersey



## Strategic Anchors

- 01** Facilitate business integrity
- 02** Harness technology and influence the digitalisation of Financial Services
- 03** Develop our people, systems and capability to be a high-performing organisation




















## Top Priority

Achieving sustainable, long-term excellence in regulatory effectiveness, and increased capability for the Island in combating financial crime.

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# How we will deliver our strategy – our 2022 core work streams

Core work streams	Goal	Facilitate business integrity	Harness technology and influence the digitalisation of financial services	Develop our people, systems and capability to be a high performing organisation
Enhancing and simplifying our regulatory toolkit	Delivering increased Industry engagement and outreach on existing and new obligations			
Fighting and preventing financial crime together	To support better industry understanding, we will increase industry engagement and outreach on existing and new obligations			
	Preparing for forthcoming international assessments by MONEYVAL			
Investing in our technology and data analytics to operate even more effectively	Leverage modern data, process and security capabilities to secure operational efficiencies and enhancements. This will include automated vetting and expansion of straight through processing			
Enhancing our regulatory effectiveness by embedding risk-based choices and expanding our regulatory remit	Strengthening our risk framework			
	Tailoring our risk models for increased scope and new regimes/business sectors			
	Identifying higher risk businesses through acquiring better data			
People strategy	Recruiting, retaining and developing great talent			

- Facilitate business integrity
- Harness technology
- High performing organisation

# Enhancing and simplifying our regulatory toolkit



Jersey has a complex legislative, handbook and guidance framework underpinning its regulatory toolkit. Feedback from Industry is consistent that it can be hard to navigate and understand. We agree.

As a result, we are prioritising, streamlining, and enhancing our guidance notes and handbooks. Making them simple and clear needs to be the basis of our approach for both existing and new regimes.

This work will be a foundational element for facilitating business integrity and we have made good progress in 2021 on the simplification of our Outsourcing Policy and the consolidation of our AML/CFT Handbooks.

## What we will do:

Activity	Why	When
Licensing policy	Consolidating, updating and simplifying our licensing policies to support new applicants for business and existing firms in understanding ongoing obligations	Q1 2022
Jersey Private Fund (JPF) Guide	Simplifying the JPF Guide and providing enhanced AML/CFT guidance	Q1 2022
Codes of Practice Consolidation	Consolidating our codes of practice to provide one document for users	Q2 2022
Handbook Simplification	Simplifying and enhancing the AML/CFT Handbooks for ease of use and easier automation	Q3 2022
Codes of Practice	Simplifying and enhancing the Codes of Practice for ease of use and easier automation	Q4 2022
Simplification Code of Conduct	Introducing a Code of Conduct clarifying the expectations on senior managers in Industry	Q2 2022

## What we will deliver:

The work will provide Industry and our supervisory teams with a more straightforward regulatory framework and lay the foundations for increased digitalisation of our handbooks in 2023.

# Fighting and preventing financial crime together

## What we will do:

An effective regulatory framework is also essential for protecting Jersey's status as a competitive, well regulated International Financial Centre. It strengthens Jersey's attractiveness to well run businesses. A key aspect of this is ensuring that we support Industry in their understanding of, and adherence to, the evolving requirements of International Standards Setters such as FATF.

To do this we will be:

- Delivering increased Industry engagement and outreach across a multi-channel strategy;
- Continuing enhancement of our risk based supervisory activity;
- Preparing for forthcoming international assessments;
- Ensuring technical compliance with international standards; and
- Actively involved in the updating and revising of the National Risk Assessment (NRA).

By increasing our engagement with Industry we will increase the breadth and depth of understanding of ML/TF risk.

## What we will deliver:

The work will provide Industry and our supervisory teams with a more straightforward regulatory framework and lay the foundations for increased digitalisation of our handbooks in 2023.

- Harness technology
- High performing organisation

# Investing in our technology and data analytics

## What we will do:

Building on the work delivered in 2021 with the launch of the new Registry platform, myRegistry, and our re-designed Supervisory system, we will continue to capitalise on opportunities to secure efficiencies and increase our effectiveness. By migrating more of our systems to the cloud we will increase our resilience and gain access to better data, processes and security capabilities.

This work will be completed in conjunction with our data strategy and expansion of our adoption of Lean methodologies. Supported by our Project Management Office, subject matter experts from within each of our divisions will champion the ongoing review and improvement of our operations and improve our use of the data we gather and increase our efficiency and effectiveness.

A significant area of focus will be the deployment of automated vetting activities to remove manual processing, reduce risk and improve efficiency. This will allow us to develop in line with increasing international standards in a cost efficient manner for Industry.

We have also engaged with a specialist third party to conduct research to identify perceived barriers to the adoption of new technology by Jersey financial services institutions. This work will assist us in targeting specific actions to address those barriers and provide clear and effective guidance to support innovation.

By migrating more of our systems to the cloud we will increase our resilience and gain access to better data, processes and security capabilities.

## What we will deliver:

We will increase our operational resilience and efficiencies, freeing up capacity to assist with the increasing transactional volumes observed in 2021 and to support our expanded regulatory remit.

# Enhancing our regulatory effectiveness

## What we will do:

We have committed to adopting a risk-based approach for how we supervise businesses and made significant progress in this regard.

Risk needs to be further embedded throughout all of our work and we will be:

1. Refining the way money laundering/terrorist financing (ML/TF) risk is assessed by our risk model. This will align with the latest guidance on risk-based supervision from the Financial Action Task Force (FATF).
2. Widening the scope of our risk model to incorporate additional sectors, for example virtual asset service providers (VASPs) and insurance and general insurance mediation businesses (GIMB).
3. Continuing to collect and analyse the data we collect in our risk model to identify businesses that may need enhanced supervisory attention.
4. Utilising our risk model efficiently to ensure we allocate resources to the areas of highest risk.
5. Expanding the remit of our Registry team to commence Registry supervisory activity such as vetting and undertaking supervisory visits to validate data submitted to our registers.

## What we will deliver:

This work will make us a more effective regulator and will modernise the regulatory regime for new business sectors, such as VASPs. It also ensures more engagement with Industry through ongoing assessments and enables the continuous review and evolution of our approach.

The immediate test for this work will be our performance in international assessments, such as the forthcoming MONEYVAL assessment in 2023. To that end, enhancing regulatory effectiveness will help safeguard the Island's reputation.

# People Strategy

## What we will do:

Our staff are at the core of what we do, so it is essential that we recruit and retain great talent.

Our People Strategy will focus on enhancing the quality of our internal engagement and ensuring that we are continuously developing our people and building the skills we need for the future.

## What we will deliver:

This will be a critical component to how we build a high performance culture, fostering a growth mind-set and providing staff with the support and tools they need to enhance their careers.

# New and expanded regimes

Working in partnership with the Government of Jersey, we will be introducing new regimes in 2022 and expanding the remit of some existing regimes including:

Regime	Why	When in force
New regimes		
Virtual Asset Service Providers	Developing a supervisory regime for the growing VASPs sector that is FATF compliant and provides a robust framework for innovation	From H2 2022
Money or Value Transfer Services (MVTs)	Enhancing the rules around MVTs by enhancing the Money Services Business definition in the Financial Services Law.	From H2 2022
Non Profit Organisations (NPOs)	Bringing higher-risk NPOs within the regulatory perimeter to ensure that Jersey is supervising the sector in a risk-based way.	From H2 2022
Register of Limited Liability Companies (LLCs)	Expanding the new registry system to facilitate an additional register for LLCs and administration of the new LLC legislation which is expected to come into force in April 2022.	From H1 2022
Expanded regimes		
Registration exemptions	Bringing Jersey's AML/CFT regime in line with international standards so that exemptions from AML/CFT supervision relate only to low-risk activities.	From H2 2022

## What we will deliver:

This work is essential in delivering to international standards including being FATF compliant, avoiding a grey listing, and supporting the development of new financial services products.

# Managing our costs and financial resilience

As detailed in our Financial Resilience Report, we have moved from a target reserves policy to a retained liquid assets approach. As part of this, we have set minimum and target levels of liquid assets to ensure that we maintain sufficient funds to cater for our future needs and respond to emerging challenges.



Our model projects our financial performance over the next 5 years so that we can make relatively smaller adjustments, reducing the risk of sudden and material fluctuations in fee levels.

This approach also allows us to make effective use of our retained liquid assets to pre-fund valuable initiatives where the full details of volumes and costs are unknown.



# Pre-funding of new regimes



In 2022, this new approach will assist with the initial creation of new regimes. We will use our resources to fund the development of new frameworks and seek to recover those costs through future application and regulatory fees.

There is a careful balance to be achieved at such a critical stage for new products so we will not seek full recovery from initial application fees. In the subsequent years, as the full costs and volumes of these new products becomes more certain, we will adjust the relevant regulatory fees to ensure that each regime returns the funds deployed as pre-funding and makes an overall positive contribution to our financial position.

# Managing costs and fee levels

2022 will also see a material increase in our running costs in order to deliver our expanded regulatory remit and to deliver our strategy. As a result, we will utilise our retained liquid assets to reduce the immediate impact on fee levels and to support the delivery of operational efficiencies to reduce potential future increases.

It is a combination of these approaches which allows us to be confident in our budget, despite the net cash outflow for 2022. We will continue to use this forecasting method to make effective use of our retained liquid assets and to ensure that we replenish these funds to provide for the future.

# 2022 income and expenditure

## Summary of our key financials

The 2022 budget is particularly challenging due to:

- Increased targeted staff levels to handle increased volumes of activity in both Registry and Supervision and to create Registry Supervision;
- Expansion of existing regimes and the delivery of new regimes, much of which requires initial pre-funding to reduce barriers at key stages for new products; and
- Continued investment for the future in order to deliver on our Strategy.

**Careful balance has therefore been applied to:**

- The extent of the work we have planned to undertake and the cost and capacity required to achieve it; and
- The impact on our retained liquid assets and the impact on industry from increasing fees to meet the increased costs.

To achieve this, we have made effective use of our retained liquid assets built up in previous years, in line with our agreed approach to financial resilience.

As a result, we have budgeted to make a deficit in 2022 on the basis that the normalisation of the pre-funding of new regimes and reaping the benefits of investment in our systems and processes will return us to a break even position by 2023.

This approach is consistent with our retained liquid assets policy as we will remain well above our minimum threshold and anticipate that, by the end of 2022, our retained liquid assets will be broadly at our target level.

# Summary of our key financials continued

	2021 forecast	2022 projected	Variance between 2021 forecast and 2022 projected
	£'000	£'000	£'000
Regulatory fees	16,599	17,618	1,019
Registry fees	5,036	6,132	1,096
Other income	31	38	7
<b>Total income</b>	<b>21,666</b>	<b>23,788</b>	<b>2,122</b>
Staff costs	(14,076)	(16,331)	(2,255)
Computer systems	(1,570)	(3,139)	(1,569)
Other operating costs	(3,973)	(4,760)	(787)
<b>Total operating expenses</b>	<b>(19,619)</b>	<b>(24,230)</b>	<b>(4,611)</b>
Depreciation	(1,856)	(2,295)	(439)
<b>Retained Profit / (loss)</b>	<b>191</b>	<b>(2,737)</b>	<b>(2,928)</b>
B/fwd Retained Liquid Assets		10,260	
Operating cash flow		(265)	
Capital investment costs		(1,518)	
<b>C/fwd Retained Liquid Assets</b>		<b>8,477</b>	

# Regulatory Income



The increase in regulatory activity requires an increase in funding in 2022, however the size of this increase has been reduced through utilisation of our retained liquid asset position. These retained funds have been deployed to pre-fund new regimes and provide for capital investments, many of which will target operational efficiency to manage costs in the medium-term. The resultant increase in fees will be 5.5% above inflation. As each regulatory sector's fee cycle differs, this increase will come into effect at different points during 2022 for each sector, with the later fee cycles having less of an impact in the 2022 accounting period.

The below figures show forecast fee income from Industry sectors compared to 2022 projected fees income:

	2021 forecast	2022 projected	Movement
	£'000	£'000	£'000
Banking	2,230	2,231	1
Investment Business	1,434	1,590	156
Insurance Business*	1,115	1,216	101
Funds and Funds Business	6,816	7,202	386
Trust Company Business	3,373)	3,660	287
Other businesses**	1,631	1,719	88
	<b>16,599</b>	<b>17,618</b>	<b>1,019</b>

\* Insurance Business includes General Insurance Mediation Business

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

# Registry Income



Registry income attributable to the JFSC from annual confirmation fees fell by £1 million in 2021 as the previous capital funding mechanism with Government came to an end and a greater proportion of such fees were allocated to Government. Following discussions with the Registry User Group and other key stakeholders in late 2020, we agreed to delay any commensurate increase in the JFSC portion of annual confirmation fees until 2022 and, recognising the pressures on local companies in the current climate, to focus such increases only on entities administered by a regulated service provider.

As a result, annual confirmation fees have changed in 2022 as follows:

	2021	2022
<b>Annual confirmation fee received by us for a company administered by a regulated service provider</b>	£80 (total inclusive of Government levy: £225)	£125 (total inclusive of Government levy: £270)
<b>Annual confirmation fee received by us for a local resident company or company administered by a Class 'O' licence holder</b>	£75 (total inclusive of Government levy: £220)	£75 (total inclusive of Government levy: £220) – no increase

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

	2021 forecast	2022 projected	Variance between 2021 forecast and 2022 projected
	£'000	£'000	£'000
Annual confirmation fees	2,655	3,645	990
Transactional fees	2,381	2,487	106
	<b>5,036</b>	<b>6,132</b>	<b>1,096</b>

# Operating Costs

Operating costs are planned to increase in 2022 in line with our commitment to expansion of our regulatory remit and our investment in ensuring that our teams have the right resources to meet the Island's needs.



The increase in computer systems costs is partly due to the additional licence costs attributed to increased numbers of users, but also as a result of our new Registry and Supervisory systems moving out of capital investment phases and costs being incurred on an operational basis.

As many organisations will have observed, many aspects of other operating costs are set to return to pre-Covid-19 levels but may fluctuate as circumstances continue to develop.

The operating costs breakdown is shown in the table below:

	2021 forecast	2022 projected	Variance between 2021 forecast and 2022 projected
	£'000	£'000	£'000
<b>Operating expenses</b>			
Staff costs	(14,076)	(16,331)	(2,255)
Computer systems	(1,570)	(3,139)	(1,569)
Other operating costs	(3,973)	(4,760)	(787)
	<b>(19,619)</b>	<b>(24,230)</b>	<b>(4,611)</b>

# Capital Investment

Our capital investment in 2022 is focused on supporting our strategic core work streams. The majority of these costs relate to the migration of our core infrastructure to a secure cloud environment and further enhancements to our core supervisory systems to secure increased operational resilience and efficiency.

	2021 forecast	2022 projected
	£'000	£'000
Capital investment costs	2,408	£1,518

# 2022 BUSINESS PLAN



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