

# The RegTech Opportunity



Jersey Financial  
Services Commission



# The RegTech Opportunity

In November 2021 we launched our three year strategy, outlining our vision 'To be a high performing regulator, building for the long term success of Jersey'.

In defining our strategic anchors we determined our areas of focus to support Jersey being a well regulated and competitive jurisdiction, keeping pace with change, recognising our strengths, and meeting the international standards that give us our reputational licence to operate.

The process of distilling our priorities and better determining our challenges and opportunities, informed those three strategic anchors: Facilitate Business Integrity, Harness technology and influence the digitalisation of Financial Services, and be a high performing organisation.

The successful adoption of technology and digitalisation through FinTech, SupTech and RegTech, will support innovation and growth for Jersey, and ensure we collectively offer world class services to the firms and individuals we work with locally and globally. As a regulator, we also believe that the adoption of RegTech and SupTech can facilitate high standards of business integrity, and upskilling our own team at JFSC will support our goal to be a high performing organisation. Jersey has the broadband infrastructure to support the technology, and can leverage our size and skills to be agile in approach.

Resource constraints present a challenge for growth for the island in many areas including compliance. Technology has the potential to automate repetitive tasks, allowing better use of our scarce and valuable on-island human capital.

The future offers 'rules as code', meaning legislation, regulations and handbooks translated into code by computers, to be read by computers. That future may be three years away, but in the meantime JFSC can make progress on the digitalisation of our services, make our Handbook machine readable, and enhance our data analytics. We can embrace the next step of 'Digital by Design' which takes us beyond putting analogue forms and processes online, to processes built for digital use, making the distinction between online and digitalisation.

The big picture is the adoption of technology, this document focusses on a subset of that, Regtech (compliance based) and the need to work with industry, government, other agencies including Digital Jersey and providers to make collective progress.

JFSC commissioning the RT Associates Report in 2021 was the first step to doing so, seeking a clearer understanding of the barriers, and the role of the regulator. It allowed us to get a more nuanced local picture of RegTech use, opportunities, and the challenges to adoption, via an independent third party with a strong track record in RegTech.

This document provides our initial response, laid out alongside each recommendation in the RT Associates report. We have challenged ourselves on whether our existing programme of work is enough to close the gaps identified, and where it isn't, we have reviewed new actions and tested our thinking. A good example is acknowledging that our Innovation Hub does great work but needs more investment and resource to be truly effective.

We have asked the question: Are we being ambitious enough? If there are areas where our ambitions are not keeping pace with industry then we are open to engaging. This needs to be a collective effort to work.

Our ambition is for Jersey to reach a level of Regtech maturity by the end of 2024 that is evidenced by high adoption rates, and results in cost efficiencies, improved compliance and management of regulatory complexity. Rules as code is planned for 2025 and would be the next stage of RegTech maturity.

To support that ambition, we intend to accelerate our internal capabilities and external support of RegTech adoption. A more detailed response is outlined in the following pages but highlights include:

- > Increasing investment in our Innovation Hub supporting FinTech, SupTech and RegTech, including the recruitment of further resource in 2022 and 2023
- > Providing greater clarity on our regulatory expectations through increased outreach and engagement from Q4 2022 onwards and a series of best practice guides to facilitate adoption of RegTech
- > Collaborating with other agencies on skills development to support increased capability for JFSC, government and industry, commencing Q3 2022
- > Clarifying and simplifying our regulatory framework to enable the digitalisation of our regulatory content by mid-2023; with a further goal of delivering machine readable rules by early 2024.
- > Developing our regulatory submissions so that they are 100% 'digital by design' by January 2024.

The **JFSC Innovation Hub** seeks to support outreach and engagement, learning and development across FinTech, RegTech and SupTech by:

- > providing support for businesses, both regulated firms and technology vendors, to understand how the regulatory framework might apply to them and their proposed products and services
- > providing help to internal stakeholders on the regulatory treatment or nuance to applications with a technology focus
- > listening to and engaging with industry, developing evidence-based policy decisions where appropriate to foster the development of RegTech products or services
- > working closely with key stakeholders, including the Government of Jersey, industry bodies, and international standard setters to ensure that Jersey is well placed to respond quickly to new innovations in financial services
- > building the quality of conversation between the regulator and regulated
- > encouraging and supporting the use of innovative technology, allowing flexible, efficient and effective RegTech adoption
- > providing an environment where new and emerging risks can be identified and managed effectively through the adoption of RegTech
- > identifying areas of manual processing and exploring opportunities for technology enablement across all JFSC divisions. This will include a full digitalisation of JFSC data-requests to deploy efficiencies for both firms and the JFSC, as well as our approach to prospectus/annual accounts reviews, sanctions and examinations
- > collaborating at every opportunity – ensuring new RegTech products meet the needs of a digitally evolving community while being compatible with international standards
- > empowering JFSC staff to utilise technology that supports a risk based approach to authorization, supervision and policy making

We have reviewed the report, recommendations and next steps prepared by RT Associates. The impact of each recommendation has been evaluated, factoring in the resources and time to implement. The views on and progress of these recommendations have been separated into three categories:

- > Existing activities (Green, E): Existing activities that go some way to meet the Recommendations. These will be further assessed as to whether these should be expanded in the context of the Recommendations.
- > Planned initiatives (Yellow, P): Initiatives that we have already committed to delivering as part of our Strategic Framework and Plan.
- > In consideration (Red, C): Initiatives that we will consider further the benefit and feasibility of the Recommendation before committing to further implementation.

Activities for each Recommendation are summarised below. Target kick-off dates are estimated based on current plans, but may be revisited as circumstances change.

Recommendations	E	P	C	Detail
<b>Recommendation 1:</b> Clarify the JFSC's position on RegTech and ensure consistency				
<b>Recommendation 1.1:</b> Establish the JFSC's position and strategy with respect to RegTech adoption based on the JFSC's mandate, regulatory priorities and objectives, risk appetite, capacity and skills	✓	✓		<p>One of our strategic anchors is to “harness technology and facilitate the digitalisation of financial services”. This positive outlook on technology adoption is a step-change for us, and alongside already identified initiatives and deliverables, the Report has assisted in the prioritisation of the greatest needs which will have the biggest impact. Initiatives which are already underway include:</p> <ul style="list-style-type: none"> <li>› Making the business of engaging with us simpler, easier and more efficient. Our internal IT strategy supports this.</li> <li>› Laying the ground work for clarifying and simplifying the regulatory regime to enable digitalisation of our regulatory content (and eventual machine-readable regulations) in the near future. Our focus in this regard has commenced with a revised Outsourcing Policy and the consolidation of our Codes of Practice.</li> <li>› Investing in our Innovation Hub to enable the team to conduct more outreach and engagement with firms who need further guidance on RegTech.</li> <li>› This will include a comprehensive engagement plan and deliverables supporting the other Recommendations identified.</li> </ul>
<b>Recommendation 1.2:</b> Produce a clear communications strategy and plan regarding the JFSC's overall position on RegTech and ensure this is followed consistently by all JFSC staff		✓		<p>Leveraging our ambition to be a proactive, committed facilitator of RegTech adoption, we will publish a plan to clearly articulate how we will do this in H2 2022</p>
<b>Recommendation 1.3:</b> Review the JFSC's own technology roadmap and position in adopting innovative technologies.	✓	✓		<p>We intend to focus first on the areas with the greatest volume, and ensure that all interactions are digital by design by the end of 2024 this will include the supervisory risk data collections, applications and notifications.</p>

Recommendations	E	P	C	Detail
				<p>Work has begun and we have invested significantly in deploying technology to support firms interactions with us including:</p> <ul style="list-style-type: none"> <li>› Development of the new Registry System with accompanying Application Programme Interfaces for Trust and Company Service Providers who update their records with volume.</li> <li>› Development of our Supervisory systems and portals to allow for certain applications to be made online, as well as submitting data as part of on-site examinations.</li> </ul> <p>Areas of priority identified include automated vetting, expansion of straight through processing and the supervisory data collection which is completed by firms annually. These initiatives will continue to be developed into other applications and interactions.</p> <p>We will publish our programme for this in our 2023 Business Plan</p>
<p><b>Recommendation 1.4:</b> Considering data standardisation as well as making the underlying regulatory framework in Jersey more digitally enabled.</p>		✓		<p>The work underway on the AML/CFT Handbooks and Codes of Practice will lay the foundation for better data standardisation between firms with multiple classes of licence or registrations. As a first step we are consolidating these publications with the intention for them to be digitised, standardised and machine-readable by mid-2023</p> <p>We have further resourced our internal data capabilities to enable “leveraging modern data, process and security capabilities to secure operational efficiencies and enhancements.” As these initiatives evolve, we will be better placed to consult on data standardisation, particularly in the field of regulatory reporting.</p>

Recommendations	E	P	C	Detail
<b>Recommendation 2:</b> Broaden and deepen awareness of RegTech				
<b>Recommendation 2.1:</b> Engage with local trade associations such as Jersey Finance, Jersey Funds Association and the Jersey Bankers Association to create a programme of awareness raising activities, which could include: <ul style="list-style-type: none"> <li>› Vendor demonstration days around a specific compliance issue or problem</li> <li>› Sharing best practice on successful RegTech implementations on the island</li> <li>› Mentoring between more mature RegTech adopters and those at an earlier stage in the journey</li> </ul>	✓	✓	✓	<p>Collaboration between stakeholders on Island is critical to achieving success.</p> <p>We will work with Digital Jersey and Jersey Finance on a comprehensive programme for vendor days drawing upon on and off Island expertise</p> <p>We will develop best practice guides on specific areas of RegTech to support RegTech implementation.</p> <p>Our innovation team has created regular “drop-in” sessions at Digital Jersey, as well as delivering focussed sessions on new initiatives. This will provide firms with an opportunity to ask specific questions regarding our regulatory expectations and/or share ideas to contribute to our work.</p>
<b>Recommendation 3:</b> Focus on RegTech education				
<b>Recommendation 3.1:</b> Create a campaign to establish clear parameters around RegTech as a concept and ensure more firms really know what RegTech can do to transform their compliance processes		✓		<p>We will continue working with Jersey Finance and Digital Jersey to ensure our support of RegTech adoption is clear and unambiguous. We will work with Stakeholders to develop this as part of Recommendation 2.1.</p>
<b>Recommendation 3.2:</b> Build a set of focused guides unpacking the position of the regulator as regards firms’ and the JFSC’s high priority compliance areas.		✓		<p>The development of a modern and up to date Outsourcing Policy has recently been completed and is currently out for consultation with firms.</p> <p>We will prepare further resources for firms based on the higher priority areas (inclusive of financial crime tools, E-ID or Digital ID Systems following the joint consultation paper with Government, cyber security tools as well as data management in line with Record Keeping requirements).</p> <p>We will build a library of guides building on international best practice so that firms can implement global RegTech tools across their operations.</p> <p>To be developed: Q4 2022</p>

Recommendations	E	P	C	Detail
<b>Recommendation 3.3:</b> Create similar assets for other compliance issues that our research showed as lower priority but are no less important.			✓	This Recommendation will remain under consideration following the publication of Recommendation 2.3. Areas of priority will change over time and we would encourage all firms to get in touch if specific guidance would be useful.
<b>Recommendation 4:</b> Developing RegTech skills in the Jersey workforce				
<b>Recommendation 4.1:</b> Stakeholders should work together to produce an action plan to attract technology skills to the Island, with a pronounced focus on RegTech.			✓	To be developed with other Stakeholders on Island in Q3 2022
<b>Recommendation 4.2:</b> Focus on how to upskill the existing workforce on the island with respect to RegTech.	✓	✓		<p>There are a number of resources available to firms and the JFSC on Island to upskill on RegTech, including those which are available online.</p> <p>We will work with other stakeholders to co-developing materials and programmes in collaboration with other stakeholders for both Industry and JFSC staff to utilise.</p> <p>We will be focussing on upskilling in the high priority areas (financial crime, cyber and data management), developing tools to further our digital engagement with firms relating to regulatory reporting and ensuring that we horizon scan to prepare for future developments.</p>
<b>Recommendation 4.3:</b> JFSC should consider how best to build RegTech expertise within its own ranks, particularly for supervisory staff - this could make use of the suggested work with Digital Jersey or a separate training plan.		✓		



Recommendations	E	P	C	Detail
<b>Recommendation 5:</b> Provide certainty on specific policy areas related to RegTech				
<b>Recommendation 5.1:</b> Consider reviewing areas of policy and regulation that firms are finding difficult to interpret with respect to the adoption of technology and, if necessary, publish updated guidance or clarifications to help address firms' concerns	✓	✓		<p>Our 2022 Business Plan delivered detail on what areas of policy we have prioritised to streamline and enhance to make them simpler and clearer. These initiatives have kicked off in earnest and include:</p> <ul style="list-style-type: none"> <li>› Outsourcing Policy: Q2 2022</li> <li>› AML/CFT Handbook: Q3 2022</li> <li>› Consolidated Code of Practice: Q4 2022</li> </ul> <p>Our proposal for a library of guides as set out in 3.2 will assist in this.</p>
<b>Recommendation 5.1:</b> Consider whether specific guidance is required around regulated firms' management of technology risk which would clarify firms' responsibilities for the risk assessment and management of new technology solutions.			✓	<p>We will consider the publication of such a document as part of our work of Recommendation 3.2.</p>

## Next Steps

We have said we need to make collective progress and to do that we will be forming a Working Group in Q3 comprised of key stakeholders. For any firm interested in getting involved either via the Working Group or outside of it, please reach out to us on [innovate@jerseyfsc.org](mailto:innovate@jerseyfsc.org). Work on the plan and actions outlined above has commenced. It will be updated and informed by our collaboration with stakeholders via the Working Group and additional engagement.