



Jersey private funds

In 2023 we undertook thematic assessment visits to assess designated service providers' (DSPs) compliance with statutory and regulatory requirements regarding financial crime and the role they play in ensuring compliance as well as the Jersey private funds (JPFs) to which they provide services. Below we've broken down our observations to good practice, areas of improvement and key considerations.



Good practice we observed

- ▶ DSP business risk assessments comprehensively documented and evaluated a broad spectrum of risks including those associated with each fund type, new and emerging risks, consideration of the National Risk Assessment and similar publications.
- ▶ DSP's customer risk assessment process, undertaken at on-boarding and periodically, included assessing a wide range of risks and challenging whether the complexity of the fund structure was commensurate with its stated purpose and nature.
- ▶ Integrated data systems that combined customer risk assessments, investor information and risk assessments, as well as wider business risks improved client servicing, decision making and supported easier risk identification and management.



Areas of improvement we identified

- ▶ Customer business and risk profiles maintained for JPFs and investors were not comprehensive and were not kept up to date. Deficiencies included not recording conflicts of interest, failure to consider geographical risks and inadequate records of source of funds and wealth.
- ▶ Issues were identified with JPF and investor customer risk assessments. These included limitations in the methodology for calculating risk, not all risks being identified and considered, and a failure to reassess risk on an ongoing basis.
- ▶ Issues with periodic reviews. These included not performing them for investors, failing to perform reviews on a timely basis resulting in backlogs, and using the JPF's risk rating to drive the frequency of investor reviews, as opposed to the investor's risk rating.



Key considerations

- ▶ Do your JPF customer risk assessments give adequate consideration to the risks of the fund investor base and the fund promoters?
- ▶ Are you assessing customer risk at initial take on, on a periodic basis and at the time of trigger events, to ensure the risk rating remains appropriate?
- ▶ Do your policies and procedures provide adequate guidance to enable staff to determine each individual who is a beneficial owner or controller of an investor i.e. those individuals who exercise control through ownership means, other means, or through positions held?