



2023 Business Plan



Jersey Financial
Services Commission

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Introduction

This 2023 business plan clearly states our priorities and ambition for the year ahead, helping industry and our wider stakeholder community to understand our focus.

Our Strategic Framework 2021-2024 outlines our vision to be a 'high-performing regulator, building for the long-term success of Jersey'. As we embark on the second year of our strategic journey, the 2023 business plan outlines our core work streams and key initiatives. Aligned to our strategic anchors, we will continue to focus on preparations for the upcoming MONEYVAL assessment, digital transformation, and people strategy, as we seek to strengthen our capability as a high-performing organisation.

"The MONEYVAL assessment will be a critical test of the effectiveness of the Island's approach to combatting financial crime."

We also clarify our forecast income and expenditure and reflect on what we achieved in 2022. Our organisation has emerged from the pandemic firmly focused on the delivery of our top strategic priority of 'achieving sustainable long-term excellence in regulatory effectiveness and increased capability for the Island in combatting financial crime.'



**Jersey Financial
Services Commission**

Chair's statement



Mark Hoban
Chair



Our perimeter has been expanded as a consequence of new regimes including Virtual Asset Service Providers (VASPs) and Money or Value Transfer Services (MVTs), and amended regimes such as Non-Profit Organisations (NPOs), etc. In addition, we have to respond to the increased complexity of the businesses we regulate as they digitise and innovate.

There is no doubt that 2022 was a year of profound change in the world. 2023 looks no different. As we emerged from a pandemic that has dominated most of our interactions for the last two years, we find ourselves in a vastly different world to that of pre-Covid. Changes driven by energy and food supply chain issues, the war in Ukraine, and de-globalisation are affecting the world we live in. These changes and the uncertainty they bring, are affecting all aspects of our personal and business life and feeding through to a more volatile economic future.

Whilst, instinctively, economic uncertainty and volatility leads to businesses and households adopting a more defensive or cautious position, our operating environment requires us to adapt and change. When I meet the Island's Financial Services leaders, we talk about the challenges their businesses face: a challenging jobs market as people seek to recruit excellent staff, technological change as industry seeks to digitise, and the global move towards tougher regulatory standards. Their challenges are our challenges. This Business Plan sets out our response.

*"Our operating environment
requires us to adapt and change"*

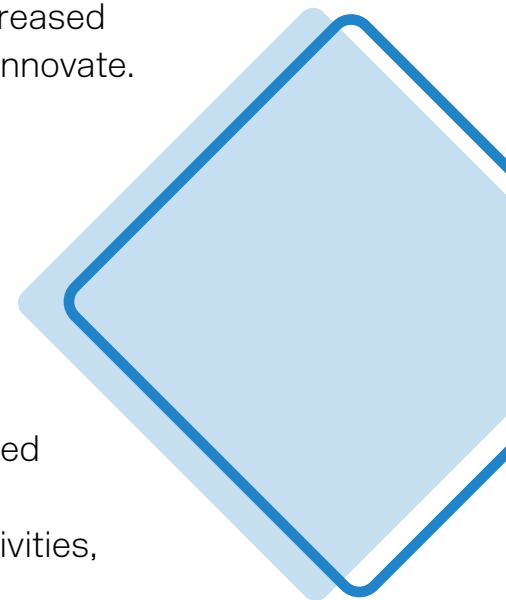
Whilst we will continue to invest in technology to improve the ease of doing business with the JFSC, we know this also enables us to operate more efficiently. However, alongside technology we have to invest more in our people. In part this is to address the increased cost of living, but also, and more significantly, to respond to the expansion in the regulatory perimeter proposed by the Government of Jersey in response to international initiatives. Together these changes will increase our costs by £4.3m, resulting in a forecast deficit for FY23 of £2.2m, but because we have significant reserves, we will seek to recover these additional costs through fees arising from new registrations due to our expanded remit and a gradual increase in fees as opposed to a more sudden approach.

Our perimeter has been expanded as a consequence of new regimes such as VASPs, NPOs, etc. In addition, we have to respond to the increased complexity of the businesses we regulate as they digitise and innovate.

Our focus in 2023 will be the continued implementation of the Strategic Framework we launched in November 2021, which reaffirmed the centrality of combatting financial crime to our work. In pursuit of this we will focus on three core work streams, each linked to one of our strategic anchors (Business Integrity, Harnessing Technology, and Building a High-Performing Organisation) and three key initiatives designed to bring additional value to our finance industry by focusing on enhanced industry engagement, continuous improvement activities, and other regulatory improvements.

Of course, the continued development of the JFSC in 2023 will take place against the backdrop of the MONEYVAL inspection in Autumn this year. Across the organisation there has been a tremendous focus on preparing for this as well as strong engagement with Government, other agencies, and industry.

Shortly after we published our Business Plan for 2022, the JFSC appointed Jill Britton as its Director General. I want to take this opportunity to thank Jill and all the team at the JFSC for their resilience and commitment in the face of challenging circumstances. I know that they stand ready to take forward the work outlined in this Business Plan.



Our strategy

Our Strategic Framework for 2021-2024 outlines our long-term vision and key areas of focus for delivery.

↗ Our vision

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

↗ Our top strategic priority

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

↗ Our strategic anchors

Three strategic anchors provide the lens through which we make our decisions:



Facilitate business integrity



Harness technology and influence the digitalisation of Financial Services



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

Progress in 2022

To drive progress on our strategy we have delivered a significant amount of change within the JFSC in 2022, including the further enhancement of our Registry and Supervisory systems. These activities have supported the development of critical processes and tools to capture and manage our regulatory effectiveness and have helped to drive a continuous cycle of review and enhancement in our regulatory approach.

In addition, 2022 saw a significant increase in the volume of activity both internally and in cooperation with Government and other external agencies, as we prepare for the upcoming 2023 MONEYVAL assessment.

These combined efforts resulted in the successful delivery of a wide range of new regulatory frameworks required to meet stakeholders' needs and keep pace with increasing international regulatory requirements, primarily focusing on demonstrating effectiveness in our ability to combat financial crime. This included:

1. Broadening our supervisory responsibilities through new and amended regimes such as VASPs and MVTs, changes to exemptions, and through our work with Government on NPOs.
2. Extending our regulatory powers in relation to Designated Non-Financial Businesses and Professions (DNFBPs), Partnerships, and Senior Managers.
3. Creating a Registry Supervision function to increase oversight of user compliance levels of the respective frameworks.

Our extended responsibilities have a material impact for our teams. As new rules and legislation are implemented, and change programmes delivered, we must deliver ongoing supervision work. Consequently, increased resource is needed to maintain specific frameworks and enable related downstream activities and infrastructure, such as updating systems, administration and training.

In 2023 we will build on our recent achievements, enabling the JFSC to focus on increasing our effectiveness in combatting financial crime, seeking to enhance our Island's reputation and add value to Jersey's vibrant finance industry.

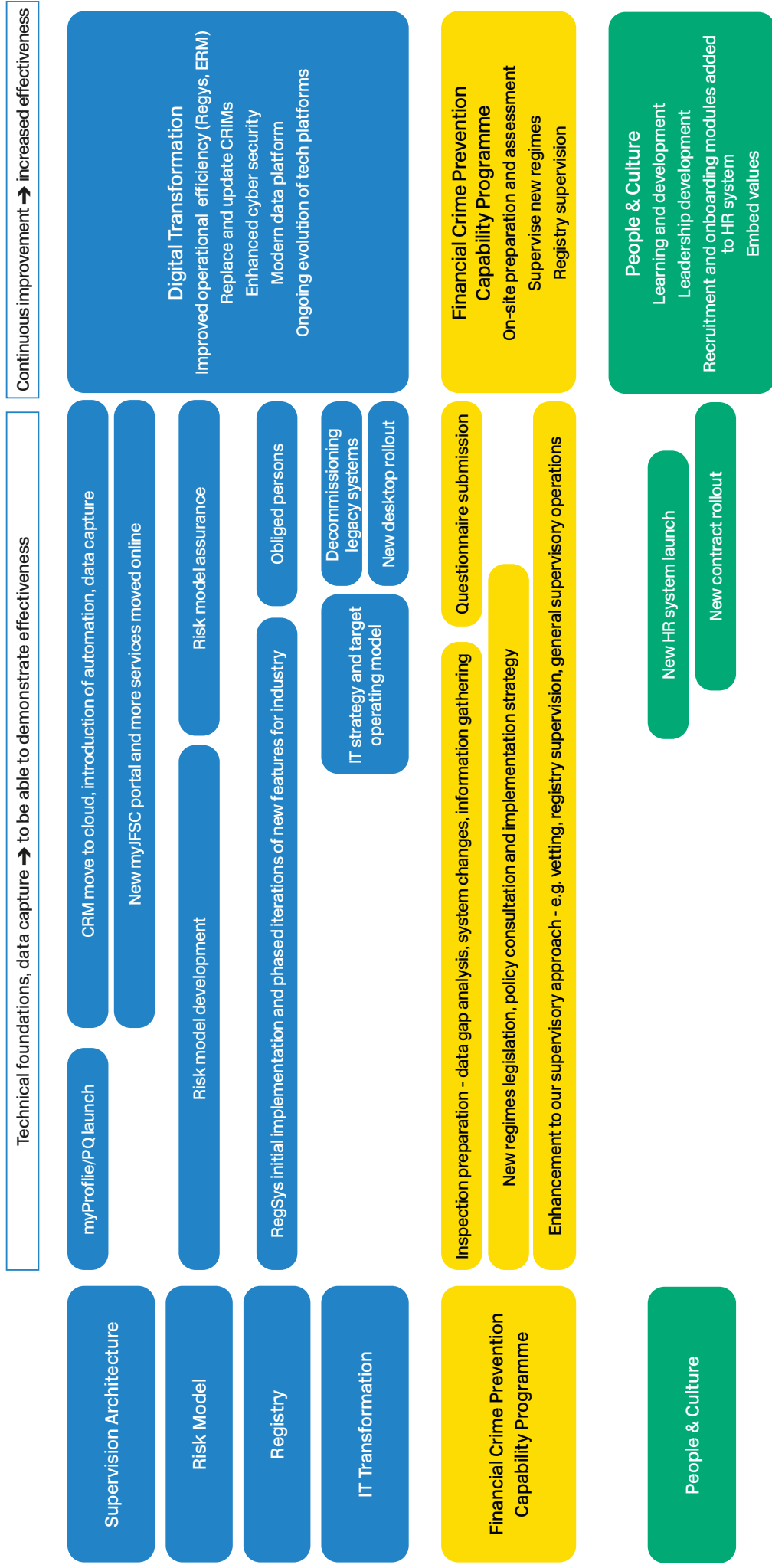
Strategic focus 2021 - 2023

| What we have delivered to date

2021

2022

2023



The year ahead at a glance

We will deliver on three core work streams this year, each one directly linked to a Strategic Anchor and guided by our Vision and Top Strategic Priority.

Vision	To be a high-performing regulator, building for the long-term success of Jersey		
Top strategic priority	Achieving sustainable, long-term excellence in regulatory effectiveness, and increased capability for the Island in combatting financial crime		
Strategic anchors	Facilitate business integrity	Harness technology and influence the digitalisation of financial services	Develop our people, systems and capability to be a high-performing organisation
Core work streams	Financial Crime Prevention Capability Programme	Digital Transformation	People & Culture

This will ensure that we:

1. Continue to increase our effectiveness, and therefore the Island's effectiveness, in the combatting of financial crime to achieve higher business integrity
2. Establish the JFSC as a technology-oriented regulator enabling the digitalisation of Financial Services
3. Deliver positive employee experiences that attract and retain talent in support of a high-performing organisation

Core work streams

1. Financial Crime Prevention Capability Programme

Our top strategic priority is to achieve sustainable, long-term excellence in regulatory effectiveness, by increasing our capability to prevent financial crime, and supporting the Government's programme for Combatting Financial Crime Together. A key aim of this strategic priority is to position ourselves to perform effectively in international assessments and embed this within our continuous regulatory effectiveness review cycle.

An important test of our progress will be the Island's forthcoming round 5 MONEYVAL assessment. However, the journey will not end there. Following the on-site assessment in Autumn 2023, we will progress to the receipt and review of the draft Mutual Evaluation Report (MER), prior to its approval at the plenary in 2024.

We will seek to protect and enhance the Island's reputation and future market access, encouraging new business to move to Jersey, a well-regulated international finance jurisdiction.





2. Digital Transformation

We aspire to be a digitally enabled Regulator and Registry, harnessing technology, and capitalising on the full potential of our data to make both the JFSC and the wider finance industry more effective and efficient. In 2023, we will focus on:

Consolidation and Clarity

We will consolidate and simplify our technology and data landscape to create capacity, increase agility, increase security, and promote clearer user understanding.

User Experience

We will focus on how technology can enable greater efficiency and effectiveness for users and improve their experience of working with us. Leveraging tools such as enhanced automation and straight through processing.

Build Digital Capability

We will continue to build skills, capacity and understanding of technology and data inside and outside the JFSC to foster digital capability. This will enable greater collaboration between users, business owners and our technology teams and will help to uncover the best ways to capitalise on technology and data utilisation. Increased automation will improve efficiency and reduce risk and our aim is to have fully digital regulatory submissions by the end of 2024.

Innovation Hub

Our Innovation Hub provides a direct and dedicated point of contact for firms developing or implementing innovation in financial services. In 2023, our Technology and Policy teams will collaboratively focus on skills development, delivering practice guides, and progressing simplification of our codes as a foundational step for future machine readability.

3. People & Culture

Our people strategy is an essential component of how we continue to build a high-performing organisation. We are creating a leading employment experience where our people role model our values and enjoy professional and personal development. We are investing in a wide range of learning interventions to build leadership and professional confidence and competence, for now and the future.

This strategy has a range of initiatives and programmes of work that aim to ensure:

- › Performance: Our people have clarity on role expectations, performance outcomes, and take responsibility for delivering our strategic aims
- › Leadership and people management: Our managers and leaders are inspirational and foster a high-performing environment where people thrive
- › Development: Our people are well trained and work consistently to enhance the JFSC brand as an employer and a regulator
- › Values and behaviours: Our people's actions and behaviours enhance our brand and reputation as an employer and regulator
- › Employment practices: We have modern and progressive employment practices that enhance our people's experience and enable a high-performing work environment
- › Strategic workforce planning: Our organisational design is future-ready, optimised for efficiency and delivery, and enables capability development
- › People Risk: People risks are identified with mitigating actions in place.



Key initiatives

Our core work streams are supported by three key initiatives, designed to drive progress on our strategic aims and informed by our industry survey.

Key initiatives	International/local engagement	Continuous improvement	Other regulatory improvements
	Increased activity	Embrace iterative change with our people, processes, and technology to increase efficiency and regulatory effectiveness	Support the development of sustainable finance
	Give greater emphasis to international and local engagement	Improved effectiveness and efficiency	Enhance Jersey's consumer lending regime
	Enhanced level of horizon scanning for new initiatives and developments	Enhanced stakeholder experiences	Advance an updated banking regime aligned with Basel III
	Partnership with industry, other agencies, and the Government of Jersey	Support the delivery of a high-performing team culture	

Industry survey

Building understanding of stakeholder views and sentiment is critical to improve our regulatory effectiveness, and this is reflected in our key initiatives.

Our 2022/23 research confirmed that the JFSC is well-regarded, particularly in an international context, responding effectively to international matters with the Island's reputation clearly prioritised. Industry recognised the positive impact made by our engaged, professional workforce, and also recognised our investment and activities in digital technology.

However, industry survey respondents including a subset of Registry users, confirmed that action is needed to improve user experience. Areas for development include improving interactions online and in person, in addition to reducing employee churn in key areas. The benefits of closer collaboration with industry stakeholders and other partners were also articulated.



1. International and local engagement

Our recent industry survey revealed that 73% of participants believe the JFSC supports Jersey's competitiveness as a jurisdiction of choice for financial services businesses

We maintained a degree of international engagement whilst travel was limited by Covid. With the easing of restrictions, we will revitalise this focus area in 2023. International engagement is an important vehicle for us to engage with stakeholders and help protect Jersey's reputation. Interactions with other regulators and international bodies such as the Financial Action Task Force (FATF) provide an opportunity to tell our story as a jurisdiction, upskill and update our collective knowledge, and shape the international regulatory agenda.

In the latter part of 2022, in person attendances included the Annual Meeting of the International Organisation of Securities Commissions (IOSCO), the MONEYVAL plenary, and the Group of International Finance Centre Supervisors (GIFCS) conference. We will build on this activity in 2023 and continue international engagements in partnership with industry and the Government of Jersey, using our Board and Executives.

In addition, we will deliver increased engagement locally through our Chair, Commissioners, Director General, Executives, and our subject matter experts, supported by our external communications activity. We will continue to listen to industry and explore how best to engage with our stakeholder community.



2. Continuous improvement

Our people will strive to deliver iterative improvements in our processes and technology to support regulatory effectiveness.

Processes and Operations

It is important to our people and external stakeholders that we raise the bar of process efficiency and effectiveness. Two examples of this activity in 2023 are in our IT, Operations and People and Culture functions. We will implement internal Service Level Agreements to track IT solution delivery. Establishing clear performance measures and enabling improved identification and resolution of recurring issues. We will also streamline our recruitment and onboarding process, reducing the time to attract and embed talent within our organisation.

Public Statements and Examination Feedback Reports

We understand the important role Public Statements and Examination feedback reports have in informing and educating our stakeholder community. This will continue to be a focus area for improvement in 2023 as we seek to make further enhancements in our approach, ensuring industry can leverage learnings from findings and failures in compliance within the regulatory framework, including Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Countering Proliferation Financing (CPF) regimes.

3. Other regulatory improvements

Sustainable finance

We are committed to supporting the global move towards more sustainable finance that considers environmental, social, and governance factors. In 2023, we plan to build on the work of the Government of Jersey, who have commissioned an external report to help define the risks and opportunities of sustainable finance for our Island. A future Government strategic roadmap on sustainable finance will inform how we respond and define a multi-year plan.

Lending

In 2023 we will continue to work with Government, industry, and consumer representative groups to shape and develop a consumer lending regime which is appropriate and proportionate to the Island's needs.

Banking

We will also continue our work to update Jersey's banking regime in accordance with the revised Basel III international standards. As part of this work, we will aim to align our regulatory requirements with those of peer regulators, such as the UK and EU.

In 2022 Government undertook a review to ensure Jersey's approach to retaining and attracting banking institutions is effective, sustainable, and supports the needs of the wider financial services sector and local community. In 2023 we will focus on the recommendations of that review once published. We will also consider the licensing requirements in respect of banks and payment service providers and the regulatory requirements required to support Open Banking.

Key performance indicators



Being a high-performing organisation, with a renewed focus on operational deliverables that enable greater industry support, requires us to encourage increased accountability, transparency, and oversight in our ways of working.

For 2023 we will publish Key Performance Indicators (KPIs) that will enable us to effectively monitor our progress against our strategic aims. These KPIs will cascade through the organisation, in addition to our internally focused KPIs, designed to ensure we remain on track.

Supplementing these KPIs, we will reflect on a suitable overarching measure of our effectiveness as a regulator.

Table key



Facilitate business integrity



Harness technology and influence the digitalisation of Financial Services



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

Strategic key performance indicators:

Engagement 	Level of local and international engagement by the Board of Commissioners and Executive Directors	# Of international (off-island) meetings versus target # Of meetings with local stakeholders versus target
Industry perception 	Industry survey of perceptions of the JFSC	Year-on-year % improvement
Service level agreements 	Monitor and improve performance against our service level agreements with industry	% Adherence to published SLAs with year-on-year improvement until we hit our target of 50% reduction in all processing times
Digital processes 	Increase end-to-end digital interaction processes with end users	One new end to end process per quarter
Staff engagement 	Annual staff happiness index Survey	Year-on-year improvement in annual happiness index
Staff retention 	Increase staff retention	Year-on-year % increase in average tenure of JFSC staff

Managing complexity and the increased regulatory perimeter



Increased regulatory perimeter

Globally, the remit of financial services regulation has grown, driven by financial failures, political concerns, product innovation, and growth in new sectors. Consequently, the perimeter that regulators are responsible for is increasing substantially and this trend is anticipated to continue. Jersey is not immune to this change and in 2022 we saw an extension of our responsibilities to include for example NPOs and the introduction of new regimes for VASPs and MVTs.

We have advanced our work in aligning Jersey's AML / CFT scope exemptions with international standards. In addition to the broader scope of regulation there is an increasing amount of reporting required, the regulatory equivalent of what the industry experienced with FATCA for example. The extension of the perimeter, additional reporting, and other events ranging from recent Russian Sanctions to the MONEYVAL assessment, has resulted in a more substantial workload and additional financial needs required by the JFSC to deliver effective supervision of the Island's finance industry.

Benchmarking exercise

Independent analysis performed on our resourcing levels in relation to comparable regulators and their scope of work, has enabled us to gain external validation about the need to add additional resource to ensure the JFSC continues to be an effective regulator.

Leveraging the Risk Model and digital tools

Against this backdrop, the development and deployment of our Risk Model has enabled us to focus our efforts in those areas where we observed higher risk. This has not only enabled us to evidence our effectiveness as an AML/CFT regulator but also mitigate where possible, rising headcount and consequent fee increases by working in a smarter and more focused way.

Like industry, we continue to explore ways to automate or streamline processes where possible and achieve efficiencies and cost savings across our operations. Inevitably however, there is a need to develop our human resources, processes, and technologies to meet growing demand and complexity.

As part of our digital transformation core work stream, we will leverage opportunities for greater automation to support vision delivery and increase operational effectiveness in step with industry. We will do this on an iterative, continual improvement basis.



Summary of our key financials

The 2023 budget is demanding due to:

- › Increased target resourcing levels to manage the expansion of existing regimes, and the delivery of new regimes
- › Emerging inflation risks, underlining the need to benchmark salaries
- › Continued investment to enable strategic delivery

An appropriate balance has therefore been struck regarding:


- › Our planned 2023 core work streams and the capacity and cost required to deliver them
- › Retained liquid asset levels and the potential impact on industry from raising fees to meet higher costs

To achieve this, we will continue to use retained liquid assets from previous years. This aligns with our agreed approach to financial resilience. We have budgeted a £2.2m deficit in 2023 and aim to return to break-even by 2025 based on pre-funding new regimes and reaping the benefits of investment in processes and technology.

Our budget is consistent with our retained liquid assets policy. We will remain well above our minimum threshold and anticipate we will return to our target level by the end of 2025.

	2022 forecast	2023 projected	Variance between 2022 forecast and 2023 projected
	£'000	£'000	£'000
Regulatory fees	18,336	19,513	1,177
Registry fees	7,155	6,999	(156)
Other income	49	285	236
Total Income	25,540	26,798	1,258
Staff costs	(16,012)	(20,399)	(4,387)
Computer systems	(2,076)	(2,011)	65
Other operating costs	(5,225)	(5,042)	183
Total Operating expenses	(23,313)	(27,441)	(4,333)
Depreciation	(1,543)	(1,540)	(439)
Retained profit/(loss)	684	(2,139)	(2,928)
B/fwd retained liquid assets		10,133	
Operating cash flow		(982)	
Capital investment costs		(1,148)	
C/fwd retained liquid assets		8,003	

Regulatory income

 Additional funding is needed in 2023 to resource an enhanced regulatory remit. However, the size of this increase has been lessened by using our retained liquid asset position. We will continue to deploy retained funds to pre-fund new regimes and provide for capital investments, including initiatives to improve operational efficiencies in the medium-term. The resultant increase in fees will be 2% above inflation. This increase will come into effect at separate points during 2023 for each sector because of different regulatory sector fee cycles, with the later fee cycles having less or minimal impact in the 2023 accounting period.


The below figures show forecast fee income from industry sectors compared to 2023 projected fees income:

	2022 forecast	2023 projected	Movement	Projected fee increase effect date
	£'000	£'000	£'000	
Banking	2,176	2,389	213	December 2023
Investment Business	1,668	1,901	233	May 2023
Insurance Business*	1,263	1,348	85	October 2023
Funds and Funds Business	8,310	8,738	428	July 2023
Trust Company Business	4,007	4,179	172	January 2024
Other** businesses**	912	958	46	Various from June 2023
	18,336	19,513	1,177	

*Insurance Business includes General Insurance Mediation Business

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

Registry income

 Registry income from annual confirmation fees is anticipated to fall by circa £563,000 in 2023 as a direct result of one-off income from additional historical confirmations received in 2022. There is no anticipated increase for Registry fees in 2023, however we will consult on the triennial increase scheduled for 2024.

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

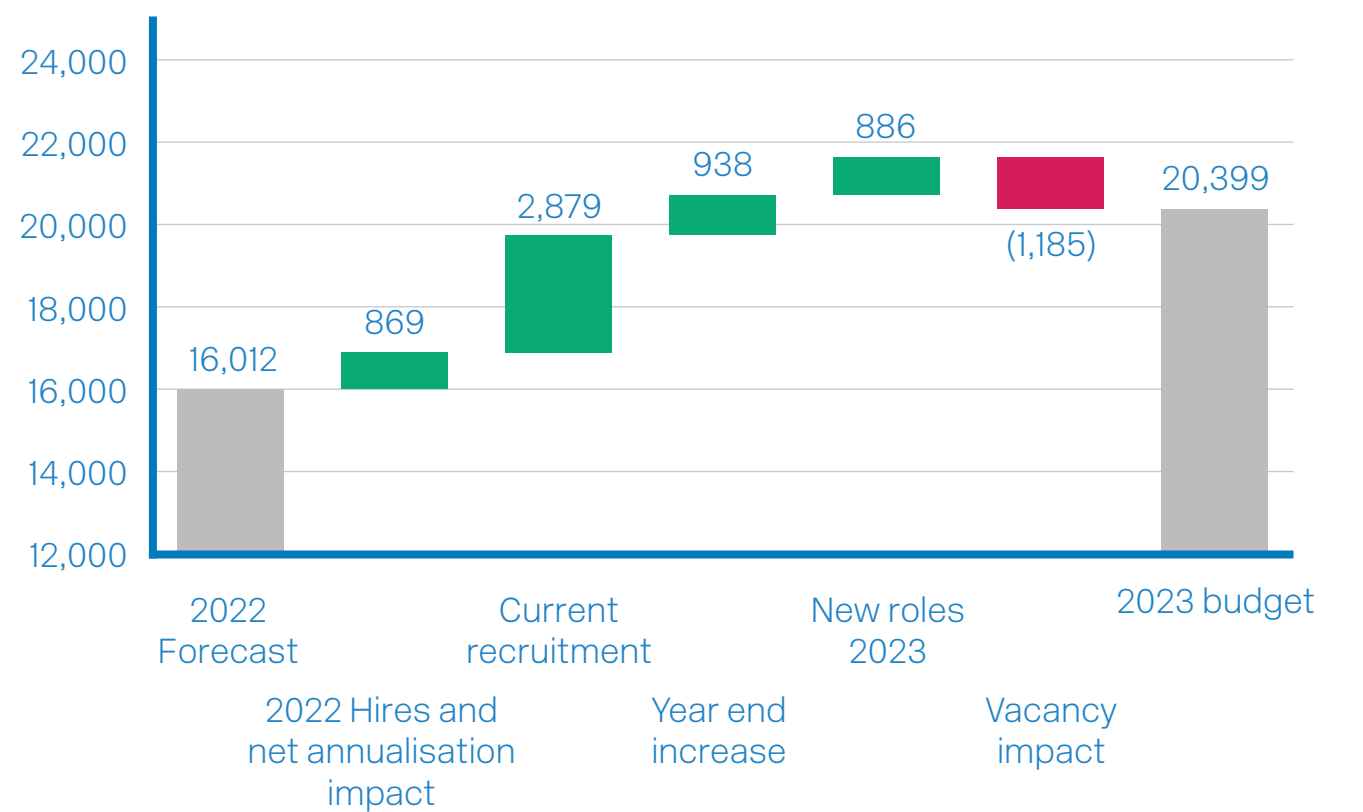
	2022 forecast	2023 projected	Variance between 2022 and 2023
	£'000	£'000	£'000
Annual confirmation fees	4,040	3,645	(395)
Transactional fees	3,522	3,354	(168)
	7,562	6,999	(563)

Operating costs

 Operating costs are planned to increase in 2023 to fund an expanded scope of regulation and to ensure our investment in people, processes, and technology supports regulatory effectiveness.

Employee levels are increasing from an average of 204 in 2022 to an anticipated average of 248 in 2023. The average cost per head will rise by 4.6% owing to pay increases associated with rising living costs, but overall, the rise in employee costs is below the rate of inflation due to a changing mix of personnel and associated pay grades.


The employee costs below illustrates the key drivers for the overall cost increase. The Current Recruitment column includes open recruitment roles and those under offer or accepted that have start dates due in 2023:



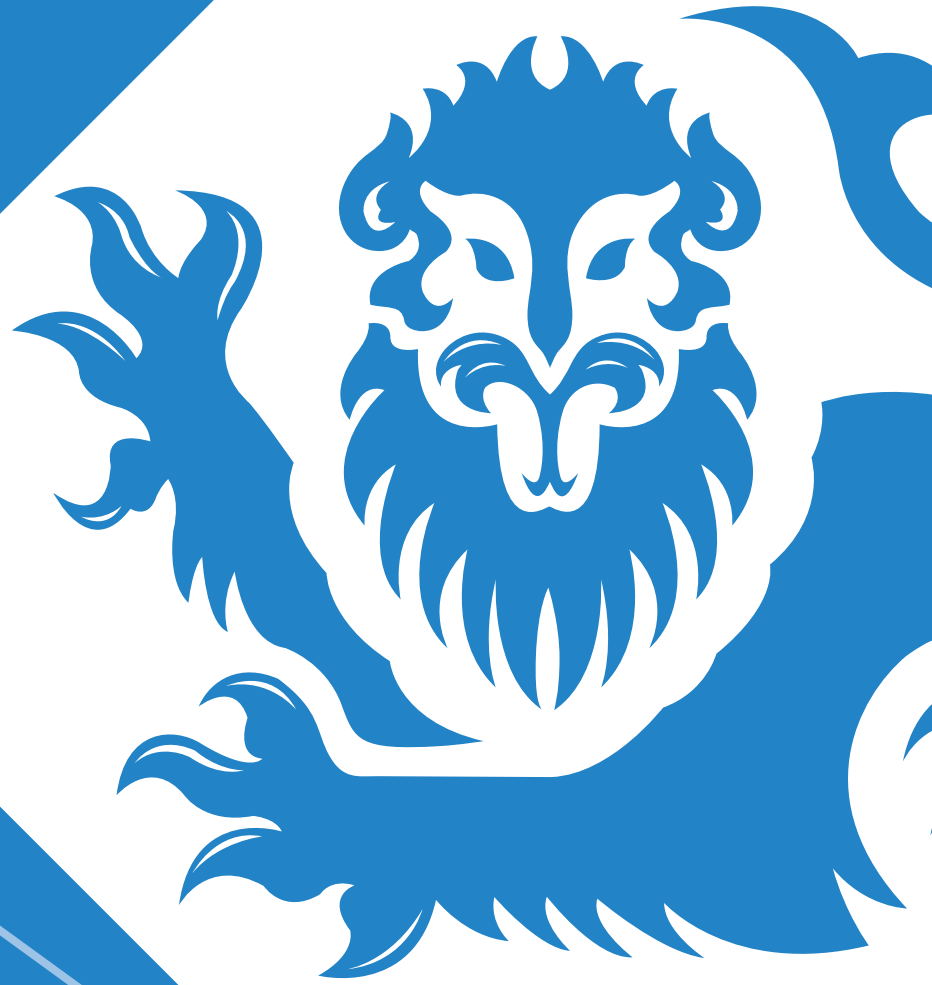
The operating costs breakdown is shown in the table below:

	2022 forecast	2023 projected	Variance between 2022 and 2023
	£'000	£'000	£'000
Staff costs	(16,012)	(20,399)	(4,387)
Computer systems	(2,076)	(2,011)	65
Other operating costs	(5,225)	(5,042)	183
	(23,313)	(27,441)	(4,333)

Capital Investment

 Our capital investment programme in 2023 supports the delivery of our strategic core work streams. The majority of costs are linked to investment in technology with continued migration of our core infrastructure to a secure cloud environment. Supplemented by continuous improvements to our core supervisory systems to further enhance operational efficiency and resilience.

	2022 forecast	2023 projected
	£'000	£'000
Capital investment costs	1,360	1,148



2023 Business Plan

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**Jersey Financial
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