

# **Examination feedback – conflicts of interest**

**2025 thematic examination programme**

Issued: November 2025

## Executive summary

Adequate and effective systems and controls to identify and manage conflicts of interest helps a registered person evidence integrity in decision making and the fair treatment of its customers.

### Overview of the thematic examination

In September 2024 we issued a [thematic questionnaire](#) to forty registered persons from a cross-section of industry. The questionnaire covered:

- › policies and procedures in place to identify and manage conflicts of interest
- › disclosing conflicts and keeping records
- › consideration of conflicts in the compliance risk assessment
- › compliance monitoring and testing the effectiveness of conflict management controls
- › staff training

From the results of this questionnaire, we selected ten firms for inclusion in the thematic examination. Our selection was based on the answers provided as well as supervisory data held in relation to conflicts of interest.

The scope of the thematic examination focussed on testing the ten firms' compliance with obligations in relation to:

- › the adequacy of policies and procedures for identifying and managing conflicts of interest
- › the accuracy of the records maintained
- › the firm's understanding of conflict risk in their business
- › the board's oversight of the compliance function and the effectiveness of managing conflict risk
- › the independence of the key persons
- › staff awareness of their responsibilities to disclose and manage conflicts of interest

A desk-based review of policies, procedures and other supporting documentation was conducted prior to onsite examinations during which we interviewed key persons, board and other staff members. All ten firms received direct feedback. Where deficiencies were identified, firms were required to submit formal remediation plans, outlining their remediation.

### Key findings

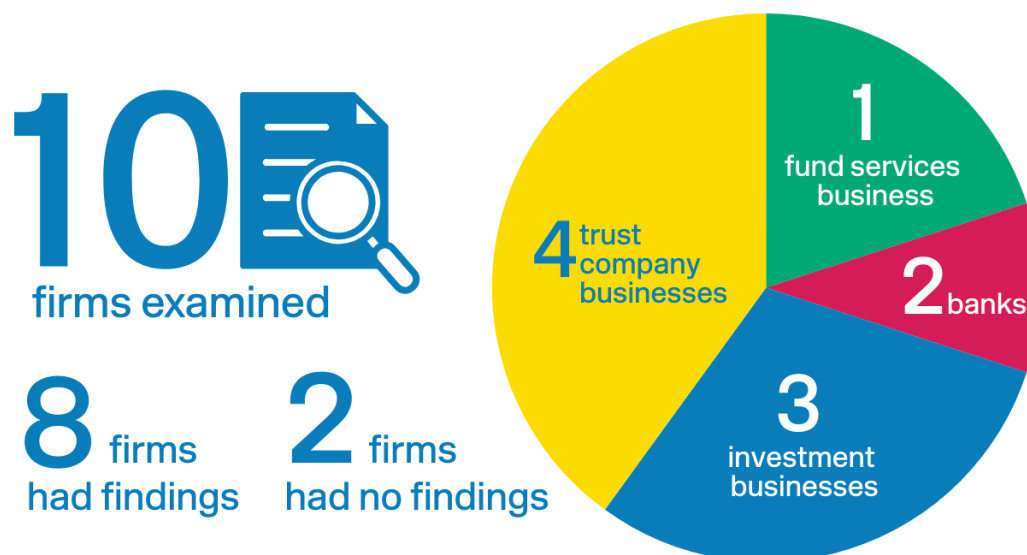
Overall, our thematic examination highlighted varying levels of compliance with the applicable obligations. This is a summary of the key findings under the following categories:

- › **identification and management of conflicts of interest:** instances of undisclosed conflicts, inadequate measures to manage unavoidable conflicts, incomplete registers and a lack of training for staff
- › **internal systems and controls:** instances of inadequate policies and procedures and failures to comply with policies and procedures
- › **independence of the key persons:** instances where the independence of the compliance function was undermined as compliance and business development activities were performed by the same individual, without implementing adequate mitigants

When systems and controls for identifying and managing conflicts of interest are inadequate, it heightens the risk that registered persons are exposed to situations where personal interests may improperly influence professional judgement, leading to regulatory breaches, reputational damage, or compromised customer outcomes.

## The thematic examination at-a-glance

This thematic examination tested each firm's compliance with the obligations under Principles 2 and 3 of the applicable Codes of Practice regarding the identification and management of conflicts of interest. It also considered how firms managed the requirement for the key persons to be independent when performing their functions.



**19**  
findings  
(in scope)

**2** out of scope findings

Findings unrelated to conflicts of interest, identified through the provided information and document review

**7** observations

Feedback provided on control enhancements to reduce risk, but where there was no failure to comply with an obligation

## Conflicts of interest requirements

Principle 2 of the sector specific codes of practice require registered persons to identify and manage conflicts of interest. Where possible, registered persons should avoid conflicts, but where they cannot be avoided, they need to be recorded and managed through adequate systems and controls. Some of the codes of practice for the examined sectors have additional provisions relating to conflicts of interest.

### Banks

The code of practice for banks requires:

- › clear documented policies regarding:
  - › identification, notification and handling of any conflicts of its directors and employees encountered during the normal course of business
  - › private transactions, self-dealing, preferential treatment and other transactions of a non-arm's length nature
- › a sound and well documented credit granting and investment process which ensures:
  - › officers make credit decisions free of conflicting interests, on an arm's length basis, free from inappropriate pressure from outside parties
  - › when dealing with related parties, senior managers and/or directors with conflicts of interest should be excluded from the process
- › clearly defined employee duties that include sufficient separation of position taking and control functions to avoid conflicts of interest

### Fund services business

The code of practice for fund services businesses requires that, where a conflict arises, a registered person must seek written confirmation that it may continue to provide services to the fund (where appropriate).

### Investment business

The code of practice for investment businesses was enhanced in 2019 to require registered persons to endeavour to avoid any conflict of interest arising. This code also has express record keeping obligations in relation to employees' own account dealing.

The code of practice for investment businesses is supported by published guidance relevant to the sector:

- › [Investment Businesses - guidance on conflicts of interests](#) – sets out our expectations on how registered persons should manage conflict of interest risk where conflicts cannot be avoided and provides some examples of the risks/outcomes of where conflicts are present in this sector.

### Trust company business

The code of practice for trust company businesses is also supported by sector-specific guidance:

- › [Trust Company Businesses - guidance on conflicts of interest](#) – sets out some examples of where we deem a conflict to arise and some controls which can be used to mitigate conflict risk.

## All supervised persons

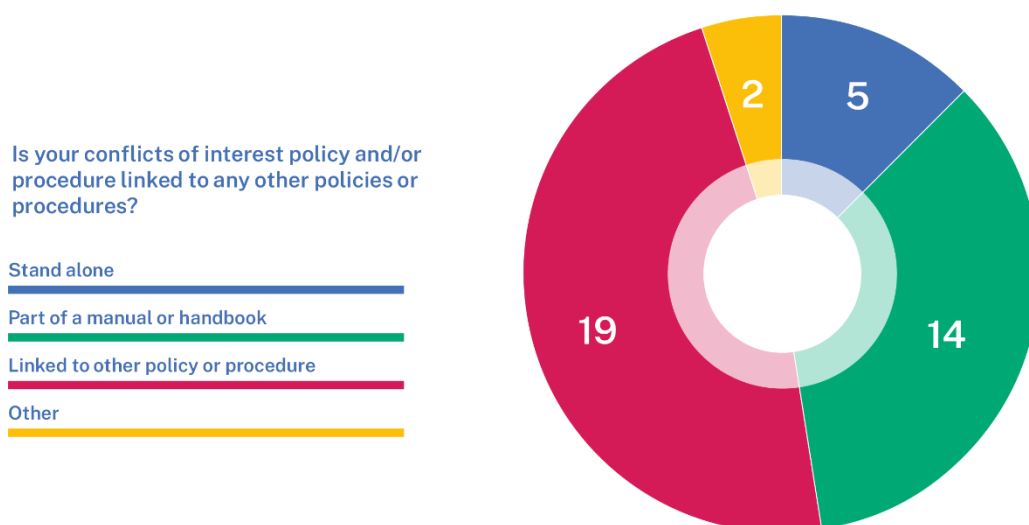
Supervised persons are also required by the AML/CFT/CPF code of practice set out in the handbook to ensure that the MLCO and MLRO have appropriate independence in the business to perform their functions appropriately. As such, effective identification, management and mitigation of conflict risk is an essential part of a robust risk management framework.

## Analysis of questionnaire responses

The questionnaire issued to forty firms provided us with useful insights into industry practice which helped shape our line of questioning during the onsite visits. A brief analysis of the responses is provided in this section.

### Policies and procedures

100% of respondents confirmed they had policies and procedures in place relating to conflicts of interest.



97% of respondents confirmed their policy/procedure:

- › defined what a conflict was
- › considered both potential and actual conflicts of interest and
- › was accessible to all employees

95% of respondents confirmed all employees were required to disclose conflicts of interest regardless of their role in the business.

### Conflicts of interest register and risk assessment

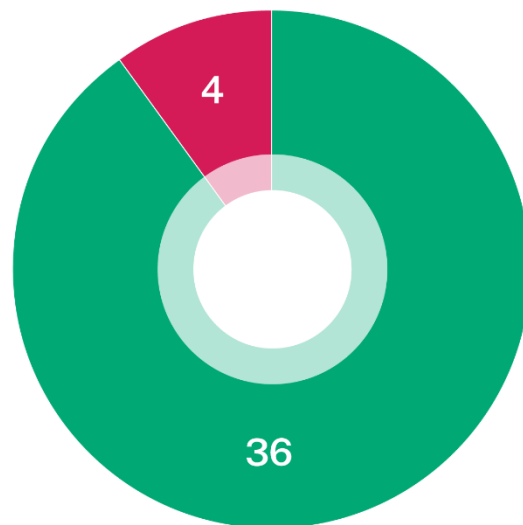
100% of respondents confirmed they maintained a conflict of interests register with 95% confirming they captured role-based conflicts as well as relationships.

95% of respondents confirmed that conflicts of interest had been identified as an actual or potential risk to the business within the firm's formal risk assessment process.

90% of respondents confirmed they undertook testing specific to conflicts of interest as part of their compliance monitoring plan.

Do you specifically test conflicts of interest as part of your compliance monitoring programme?

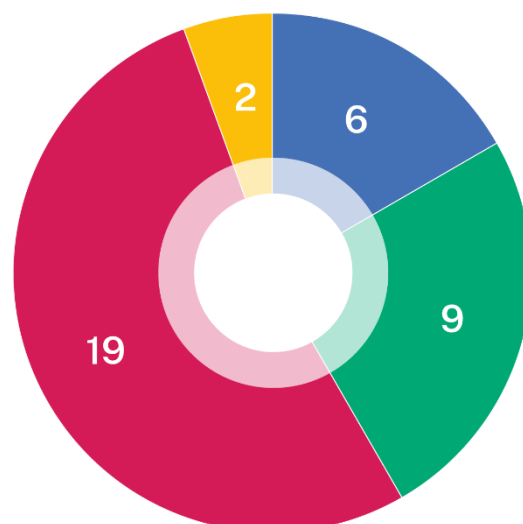
Yes  
No



- › The frequency of testing varied across the respondents as follows:
  - › 53% annually
  - › 25% six-monthly
  - › 17% quarterly
  - › 5% other

Please select the frequency of testing in relation to conflicts of interest

Quarterly  
Biannually  
Annually  
Other

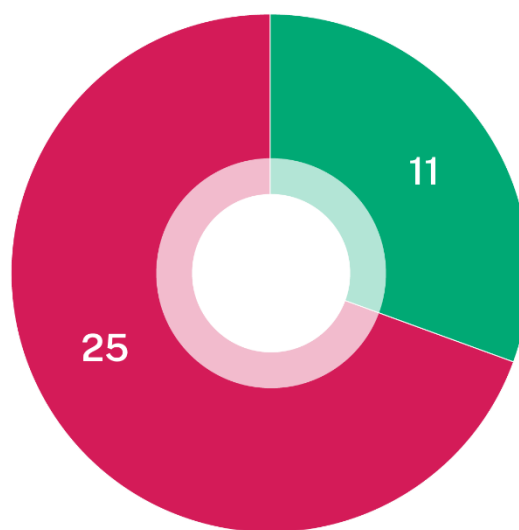


Just under a third of respondents identified issues from the two most recent tests.

Have any issues been identified from the past two tests conducted?

Yes

No



While there is no express obligation to test systems and controls relating to conflicts of interest risk, we expect firms to apply a risk-based approach to ensuring there are no gaps in the controls which have been put in place and that the controls are operating effectively.

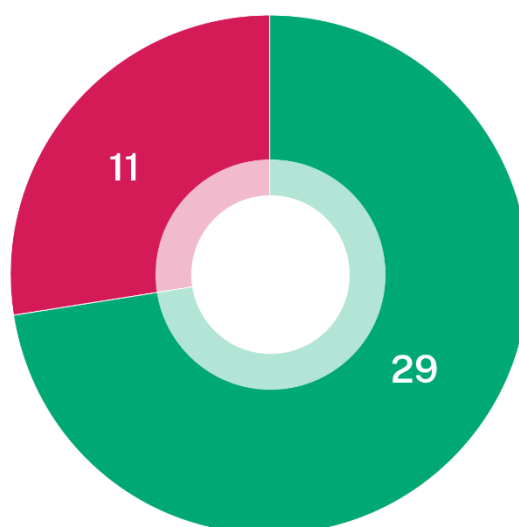
### Employee training

Almost three quarters of respondents confirmed they provided training to staff on conflicts of interest.

Do you provide training to employees relating to conflicts of interest?

Yes

No



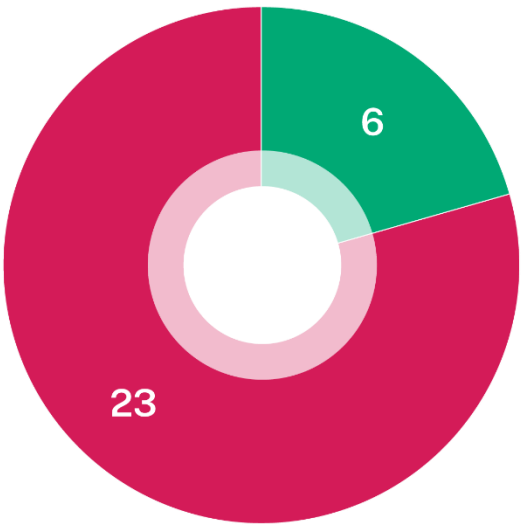


Of these, 21% tailored the training to the employee’s role.

Is the training tailored depending on the employee’s role?

Yes

No

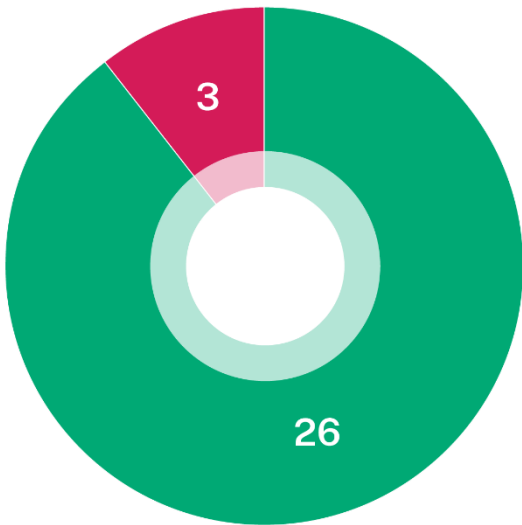


90% included in training scenarios of a conflict arising in the context of the business.

Does the training include scenarios where a conflict arises for an employee in the context of your business?

Yes

No



While some firms are delivering robust training to staff, there are firms delivering inadequate training or no training at all on the firm’s policies and procedures for identifying, recording and managing conflict risk.

## Findings and good practice

Our examinations showed there was a varied level of compliance with obligations to identify and manage conflicts of interest. Improvements are needed to ensure policies and procedures adequately set out how businesses define conflicts of interest and how they need to be managed. Training staff on policies and procedures and the regulatory requirements relevant to conflicts of interest is needed to ensure staff understand what needs to be disclosed and recorded in the conflicts of interest register to support effective risk management.

Area	Findings	Good Practice
Identification and management of conflicts of interest	<p>Failure to identify all relevant conflicts of interest in the business.</p> <p>Inadequate policies and procedures failed to set out:</p> <ul style="list-style-type: none"> <li>› a clear definition of what a conflict of interest was in the context of the business</li> <li>› how and when to report a conflict of interest</li> <li>› how to manage a conflict of interest should one arise</li> </ul> <p>Conflict registers failed to record the date on which conflicts had been disclosed and/or what measures were in place to manage the conflict.</p> <p>Failure to implement adequate measures to manage conflicts which could not otherwise be avoided, including an inappropriate assumption</p>	<p>Procedures in relation to conflicts of interest included:</p> <ul style="list-style-type: none"> <li>› a clear explanation of what the business considered to be a conflict of interest and why, with business-related scenarios to help understanding</li> <li>› the process for reporting conflicts of interest when they arise with clearly designated contacts and reporting lines</li> <li>› controls appropriate to the type of conflict and examples of the type of control needed to mitigate the risks (such as disclosure, changes in reporting lines, additional approvals, reviews or sign-off)</li> </ul> <p>Staff training on conflicts of interest procedures provided as part of the induction process, with periodic refreshers and role-specific sessions.</p> <p>As part of an annual declaration process for all staff to complete regarding their conflicts of interest, staff provide confirmation of their</p>

	<p>that simply disclosing a conflict was enough to mitigate the risk.</p> <p>Failure to adequately train all staff on the content of policies and procedures relating to the identification and management of conflicts of interest.</p>	<p>understanding of the conflicts of interest procedures.</p> <p>Comprehensive conflicts of interest registers contained information including:</p> <ul style="list-style-type: none"> <li>› the date the conflict was disclosed</li> <li>› the type of conflict such as: <ul style="list-style-type: none"> <li>› financial (other business interests or personal account dealing)</li> <li>› personal or familial relationships</li> <li>› positions held (including key person roles, shareholdings or other positions of control)</li> </ul> </li> <li>› whether the conflict was actual, potential or perceived</li> <li>› details of controls in place to manage the conflict risk</li> </ul>
Corporate governance	<p>Inadequate assessment of the risk in the business relating to conflicts of interest.</p> <p>Failure to document board discussion regarding conflicts of interest in the minutes.</p>	<p>The board is kept up to date on the number and nature of conflicts of interest present in the business and the measures in place to mitigate the risks.</p> <p>Board minutes recorded declarations, decisions, and mitigation strategies in place for identified conflicts of interest.</p> <p>Board minutes provided details of all conflicts disclosed and separated out conflict disclosures</p>

		made under the firm's policies and procedures from those disclosed under a director's statutory obligations set out in Article 75 of the Companies (Jersey) Law 1991.
Internal systems and controls	<p>Failure by staff to disclose conflicts of interest in line with procedures.</p> <p>Non-compliance with conflicts of interest procedures including:</p> <ul style="list-style-type: none"> <li>› failure to obtain annual declarations from staff</li> <li>› failure to maintain a gifts and hospitality register</li> <li>› failure to periodically review policies and procedures in line with agreed frequencies.</li> </ul> <p>Failure to keep adequate, orderly and up to date records of personal account dealing for staff.</p>	Procedures for managing conflicts of interest are embedded into operational workflows, ensuring they are actively applied across business functions.

<p>Compliance function</p>	<p>Failure to undertake testing in line with compliance monitoring plan.</p> <p>Failure to adequately document the results of testing done on controls to manage conflicts of interest.</p>	<p>Firms performed testing which provided the board with assurance that the controls were effective at mitigating the conflict risk when properly complied with, rather than just assessing whether procedures were being followed.</p>
<p>AML/CFT/CPF Codes of Practice set out in the Handbook – the MLCO/MLRO must have appropriate independence, in particular from customer facing and business development roles</p>	<p>Failure to adequately manage the risk of conflicts of interest materialising where personal relationships existed between key persons, their deputies and/or with principal persons (e.g. spousal relationships, parent-child).</p> <p>MLCO/MLRO role profiles included business development among other responsibilities, but there were no controls to ensure independence.</p>	<p>Firms demonstrated independence of the compliance function/MLCO/MLRO where there were personal relationships between key and/or principal persons of the firm by:</p> <ul style="list-style-type: none"> <li>› disclosed the relationship and noted the specific controls in place in the conflicts of interest register</li> <li>› adjustments had been made to the reporting lines</li> <li>› one was not the other's deputy</li> <li>› independent oversight of the compliance function was via a committee or third party</li> </ul>

## Looking forward

All registered persons are expected to review this feedback paper. You should assess your own systems and controls to identify and implement any necessary enhancements to the way you identify and manage conflicts of interest. In future engagements with us, you may be asked to demonstrate the steps taken to address any deficiencies identified through your review of this and other feedback materials.

Key questions to consider are:

1. Has the board approved a conflicts of interest policy that is appropriate to the complexity and scale of the business?
2. Are your policies and procedures in relation to conflicts of interest sufficiently detailed to ensure all staff understand what conflicts need to be disclosed, how to do so and what measures can be put in place to mitigate those conflicts?
3. Do you have procedures for reminding staff to review or renew conflict disclosures to ensure up to date records are maintained?
4. Does your conflicts of interest register contain sufficient details of each conflict to enable you to adequately assess the business' exposure to conflict risk?
5. Does your compliance function undertake testing of conflicts of interest management controls at a frequency commensurate with the risk those conflicts present?
6. Where the compliance function is undertaken by individuals holding more than one role or function within the business, do you have adequate measures in place to ensure independence of the compliance function?

Registered persons are encouraged to reflect on the feedback provided above to aid the strengthening of their own systems and controls for the identification and management of conflict of interest.

Any remediation should not be approached in isolation. Firms are expected to consider the broader implications of findings or self-identified gaps and ensure that remediation is proportionate to the risks identified. Effective remediation requires that remediation efforts are not only implemented but are also sustainable and capable of ensuring ongoing compliance with statutory and regulatory obligations. Please refer to our published [guidance](#) on how supervised persons should approach remediation action plans.

We may revisit this thematic examination in the future to assess whether firms have acted on guidance provided and to evaluate improvements in overall compliance rates.

For any questions regarding this thematic examination or the feedback provided, please contact us at [FSCSEU@jerseyfsc.org](mailto:FSCSEU@jerseyfsc.org).