



Jersey Financial
Services Commission

2022 Annual Report

R.118/2023



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Services Commission

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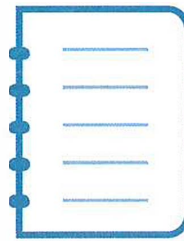
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Highlights at a glance

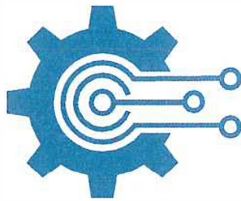
Facilitating business integrity



Financial Crime Coordination team established



4 handbooks merged and scope extended



89 enforcement cases and 30 whistleblowing calls handled



4 combined financial crime events held with the Government of Jersey



10 conduct cases opened and 3 concluded

726 intelligence reports



Registry Supervision authenticated the details of

4,843 associated parties



142 examination activities undertaken over 148 entities

Harnessing technology

38,449

live registry entities

Registry and regulatory platforms enhanced to facilitate new regimes and expanded remits, including:

VASPs

NPOs

Register of LLCs



Automated vetting introduced to identify AML/CFT/CPF risks, and APIs enhanced



Innovation Hub held **12** events and drop-in sessions at Digital Jersey



Promoted hybrid working, enhanced collaboration and ease of on-site examination through all-staff laptop deployment with enhanced built-in cyber security

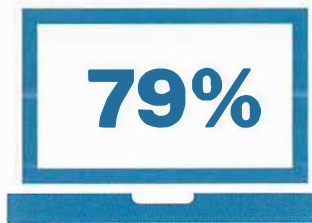
Developing our people, systems and capabilities



Our average recruitment time has been cut from 9 weeks to 7 weeks.

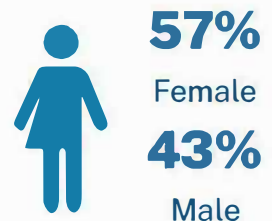
£254,413

spent on learning and development

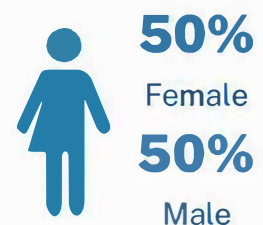


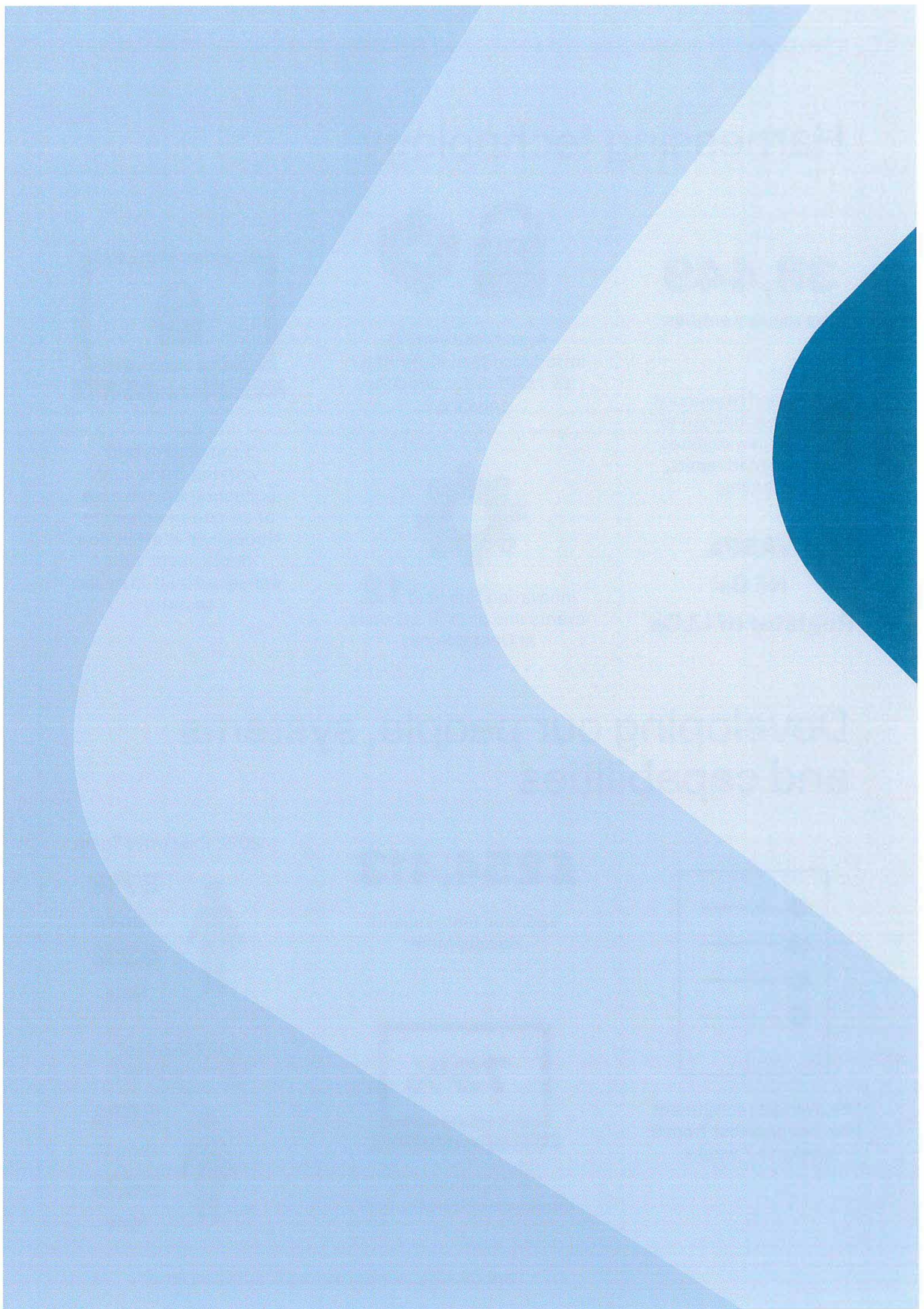
Participation in all employee cultural survey

2022 Executive Team

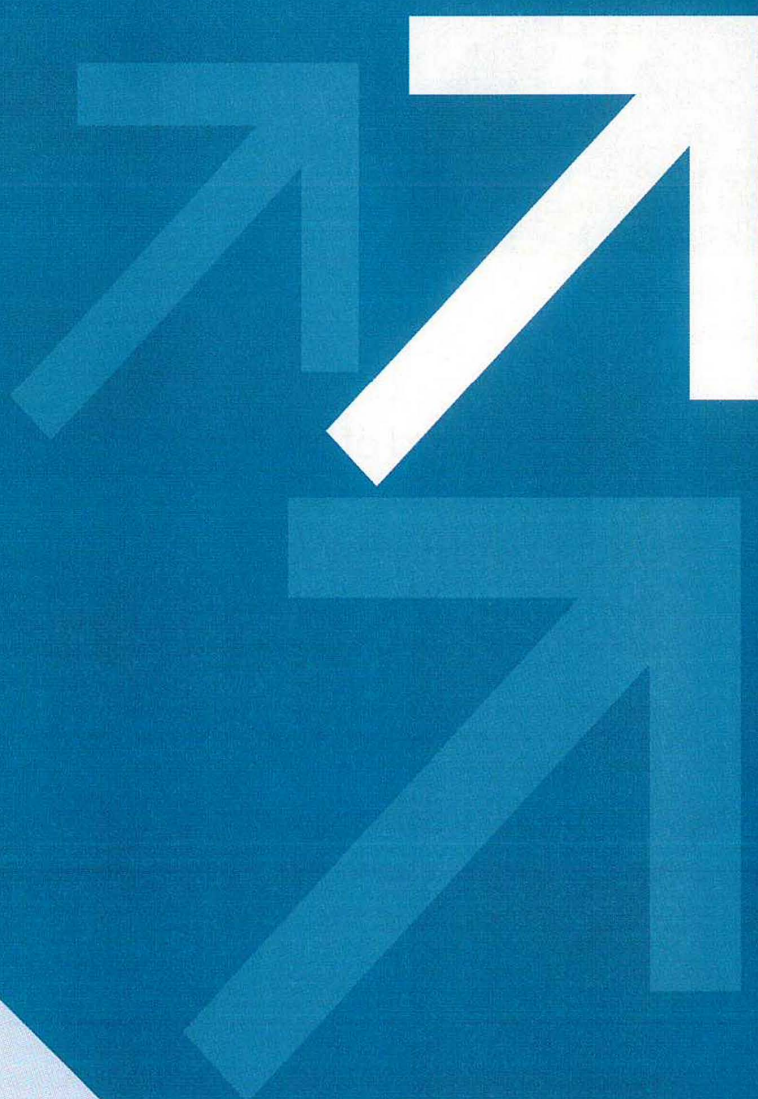


2022 Board of Commissioners





Forewords



Chair's statement



➤ Mark Hoban
Chairman

“I am immensely proud of the JFSC, its people, and how we have reacted to global events”

Operating within an environment impacted by global events

It is self-evidently true, but nonetheless worth restating, that the JFSC is affected by the local and international environment in which it operates. In 2020 and 2021, our activities were significantly impacted by COVID-19, and whilst this remained a factor in 2022, the JFSC has been stretched over the last twelve months by new local and international circumstances. The war in Ukraine, higher inflation, and a tight local labour market have all stretched the JFSC. In many respects we are no different from any other local business and organisation, but these factors do impact on our ability to achieve our vision of being a high-performing regulator, building for the long-term success of the Island.

I am immensely proud of the JFSC, its people, and how we have reacted to global events. Our people displayed great resilience during COVID-19 and we continued to build resilient systems to support their work throughout 2022. We played a key role in supporting the Government in enforcing sanctions following Russia's invasion of Ukraine. The global environment is becoming increasingly unpredictable, and the events of the last few years are a reminder that we need to be both resilient and agile in our response. The impact of the Russian invasion of Ukraine has affected everyone, with far-reaching effects on energy, supply chains and the cost of living. Neither Jersey nor its financial services sector are immune from these.

Vision and top strategic priority

To achieve our top strategic priority, we need to remain focused on our responsibilities in all aspects of combatting financial crime, from refining the Handbook to regulating new sectors, engaging with Government and industry as well as enforcement where appropriate.

Our ability to tackle financial crime is always under scrutiny. Rightly, people have critically looked at our response to the imposition of sanctions following the invasion of Ukraine. I believe that our cross-agency work with Government and its agencies was robust and effective. Later this year, we will have a formal assessment by MONEYVAL of the Island's effectiveness

in tackling financial crime. There is a strong collective effort in preparation for this from Government, its agencies and industry, as well as across all Divisions within the JFSC. I thank everyone for their support in helping provide the MONEYVAL assessment team with an accurate picture of Jersey.

Our people are key to achieving our vision. Jersey and elsewhere are currently experiencing a tight labour market and we continue to focus on the challenges this creates. There is an Island-wide skills shortage and it is usually the first thing CEOs mention to me when we meet. As compliance standards across the Island are raised to meet higher expectations, it is understandable that firms seek to recruit some of our excellent people. We have also benefitted from colleagues returning to us after time spent with industry. We do need to work together – the JFSC, industry and Government – to widen and deepen skills on our Island.

Delivering our strategy

We continue to make good progress in a number of areas of the JFSC in harnessing technology to enhance our activities, as well as working towards making it easier for industry to interact with us, and to facilitate business integrity.

We have risen to the opportunity to expand our remit with both existing and also new regimes for Non-Profit Organisations (NPOs) and Virtual Asset Service Providers (VASPs). NPOs play an important role in the life of the Island, and we need to ensure that they have appropriate controls to ensure they understand their financial crime risk. The growth in the virtual asset sector is an opportunity for the Island to provide services such as custody, but again there must be a robust financial crime regulatory regime in which they operate.

We continue to strengthen our internal risk management processes, as well as the risk framework we rely upon to supervise others.

We build on our engagement locally and with the easing of COVID-19 we have been able to increase international engagement.

The year ahead

As the Director General highlights in her report, the day-to-day activity undertaken by the team is very important to Jersey as an International Finance Centre. We continue to build our resilience, as we are never sure when the next unexpected global event will impact us. The preparation in readiness for MONEYVAL's assessment later this year will drive much of what we do as we continue to tackle financial crime.

Innovation in digital solutions will continue at pace and we will support this through our expanding Innovation Hub. As we continue to work on our three strategic anchors – our course of direction through our vision, strategy and priorities is unchanged.

The cost-of-living crisis will continue to affect so many people. We will remain alert to the frauds and scams which try to profit from the crisis as savers seek a higher return on their investments. We will also continue to have effective, proportionate and dissuasive sanctions.

We will extend our engagement programme locally and also internationally. We know the importance of ensuring our international stakeholders properly understand Jersey, ensuring its continued position as a well-respected IFC.

Conclusion

I shall be retiring from the Board in October this year and I would like to take this opportunity to thank my fellow Commissioners, the Executive and, above all, the JFSC staff for their hard work and support. They will continue to drive forward our work in support of the Island's long-term success as we work closely with the Government of Jersey, agencies, and industry, as well as our international stakeholders.

It is because of the work of the whole JFSC team that I am confident that they will rise to the new challenges we face in 2023.

Director General's statement



↗ Jill Britton
Director General

Introduction

2022 has been a busy, varied and productive year. We emerged from essential COVID-19 restrictions implemented in the previous two years, and whilst we had become adept at working remotely, it was great to interact face-to-face with my colleagues once again. During and after the global pandemic we displayed great resilience in the JFSC across our people, systems and processes, and credit must also go to all those we supervise and work with who were equally adaptable and resilient.

In early 2022 another unexpected world event occurred, when Russia invaded Ukraine. The resultant need for the international community to act swiftly with the imposition of sanctions required resourcefulness from across the JFSC. Jersey collaborated very quickly with the Government, other agencies and industry. I was proud of Jersey's response which demonstrated the real importance of our contacts and collaboration at an international level.

Strategy

In late 2021 we launched our strategic framework for 2021 to 2024. We communicated our vision, to be a high-performing regulator, building for the long-term success of Jersey. This reflected our continued commitment to Jersey as an International Finance Centre. We also set out our top strategic priority of achieving sustainable, long-term excellence in regulatory effectiveness, and increased capability for the Island in combatting financial crime.

Within our strategic framework, we have three strategic anchors which provide the lens through which we make our decisions and help to deliver our vision:

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

I have structured my reflections and review of the year around our top strategic priority and our three anchors.

Achievements and challenges

Top strategic priority

To support our top strategic priority, we set up the Financial Crime Prevention Capability Programme which I chair. The breadth of this programme was extensive. My Executive Directors go into the programme in greater depth in their reports.

Preparing for any international assessment creates pressures and challenges, but it is an excellent opportunity to ensure we have completed any outstanding work ahead of the MONEYVAL assessment team arriving later in 2023. It also provides Jersey with an opportunity to review the progress we have made as we ensure that Jersey continues to be a leading International Finance Centre.

2022 saw a significant increase in the volume of activity both internally and in cooperation with Government and other external agencies. These combined efforts resulted in the successful delivery of a wide range of new regulatory frameworks and regimes required to meet stakeholder needs and keep pace with increasing international regulatory requirements. In addition, we:

- › Supported the Government with additional risk assessments.
- › Continually refined and improved our Handbook.
- › Strengthened our risk framework with clearly defined top risks.
- › Enhanced our risk model and sectoral risk assessments.

Facilitate business integrity

We have also worked closely with industry on the outsourcing policy, as we have on exemptions. Some of our work can be quite contentious at the outset, as it requires industry to adapt their existing operating models. However, I am grateful to my teams in the JFSC as well as those from industry, Government, and agencies who worked collaboratively to ensure the final solutions are both compliant with international standards as well as client-centric.

Supervision is our largest team. They interact extensively with the industry that they supervise and examine. They provide continual feedback, demonstrated by the examination findings reports, which allow industry to learn best practices, as well as understand wider industry failings to help them with their own risk mitigation programmes.

We are fortunate that we are one of the few jurisdictions to benefit from housing our regulator and registry under one roof. During the year, in support of our vision, the Registry has expanded as we increase the checking that is undertaken through the introduction of a new Registry Supervision Team, all in support of evidencing the effectiveness of our controls.

We have enhanced our regulatory effectiveness through the development of our risk-based supervision. As we continue to evolve our method and process more data, our approach will further evolve.

Over the course of the year, we increased our engagement programme across Jersey and internationally. We have hosted numerous events and webinars and post regular news messages on our website. We have our international and domestic outreach schedule, which we often undertake in collaboration with the Government and agencies as we all seek to protect Jersey. This engagement helps us stay close to the requirement for Jersey to be doing business competitively whilst consistently meeting international standards.

“2022 saw a significant increase in the volume of activity both internally and in cooperation with Government and other external agencies.”

Harness technology and influence the digitalisation of financial services

Our small Innovation Hub team have undertaken extensive outreach throughout the year, an area that we are expanding. The importance of innovation is acknowledged by Financial Action Task Force (FATF) in their report on Opportunities and Challenges of New Technologies for Anti-Money Laundering (AML)/ Countering the Financing of Terrorism (CFT):

“...new technologies can improve the speed, quality and efficiency of measures to combat money laundering and terrorist financing. They can help financial institutions and supervisors, assess these risks in ways that are more accurate, timely and comprehensive.”

We explore our Innovation Hub activities within the Policy, Risk and Communications section. Our digitalisation activities in 2022 included:

Engaging a specialist third party, RT Associates, 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 barriers and provide clear and effective guidance to support innovation.

- › In conjunction with the Government of Jersey, we consulted on several options to further enable the adoption of Digital ID systems by Supervised Persons.
- › We built more straight-through processing within the Registry, which has supported the expansion of work this invaluable team undertake.
- › We continued our progression towards becoming a digitally enabled regulator providing secure, reliable access to our systems for both JFSC staff and industry and securing synergies which promote easier and more effective execution of tasks.

In 2022 we focused on de-commissioning our legacy platforms and moving services onto our new portals. This introduced a number of internal efficiencies through automation and reductions in manual input and for industry by having one place for all of their regulatory activity. We also introduced new services to support the new regimes including an online application for Non-Profit Organisations.

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

Our people are vital to our vision and the key role they play in supporting Jersey. To help our growth in people, we created a new role of Executive Director People and Culture, and I was delighted that Alexis Dolling joined us in May 2022. Alexis is leading the People Strategy and supporting the Executive team with organisational effectiveness, employee engagement, and further strengthening our capability to be a high-performing organisation.

As we have expanded our remit with both new and existing regimes, we have increased our overall headcount. The JFSC in 2023 is now a team of 249 when fully resourced, compared with our average headcount of 132 in 2018. Consequently, there have been challenges in resourcing both existing and new vacancies, exacerbated by the current competitive labour market in Jersey. Our supervision team has undoubtedly felt these challenges the most.

We continue to seek feedback from all our people within the JFSC and encourage completion of our Happiness Survey. In 2022, 79% of employees participated, which is above the external average. Whilst the overall result is in line with 2020, through our People Strategy, we strive to do more and enhance working for the JFSC.

The day-to-day work

Whilst the work focussing on our strategic anchors is very important, we never lose sight of the key day-to-day activities that support our vision. These create constant opportunities to interact with other colleagues, industry and stakeholders, locally and internationally. There is essential work undertaken across all our divisions and their work is often “unseen” but greatly contributes to the JFSC and Jersey’s continued success. Throughout this Annual Report you will see impressive numbers showing the daily activity we undertake.

JFSC is an integral part of Jersey

Whilst engagement with industry can be challenging at times, as we all work in complex organisations, and service a range of customers and stakeholders, I am grateful to industry for having provided feedback on our performance via the survey we launched in 2022. It helps support us as we work towards our vision. Jersey is a small jurisdiction, and we work closely with stakeholders across our Island, as well as with international organisations where the JFSC also represents Jersey.

Therefore, I was very proud when one of my colleagues was recognised internationally for all his work, with Julian Lamb being invited to the Executive Committee of the Corporate Registrars Forum.

“We have enhanced our regulatory effectiveness through the development of our risk-based supervision.”

2023, the year ahead

Our vision, strategic anchors and top strategic priority remain unchanged. This will ensure that we:

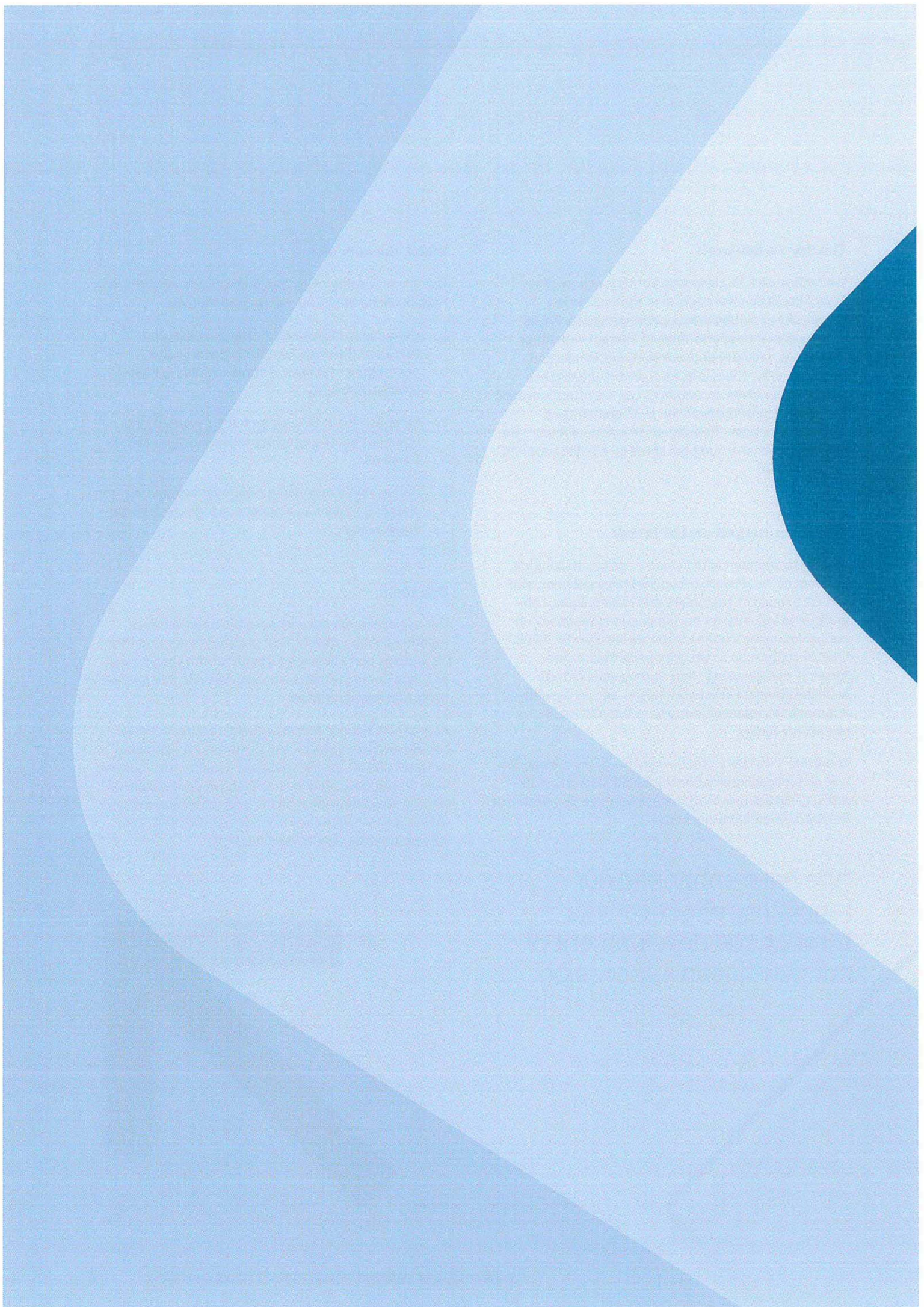
1. Continue to increase our effectiveness, and therefore the island’s effectiveness, in the combatting of financial crime to achieve higher business integrity.
2. Establish the JFSC as a technology-orientated regulator enabling the digitalisation of Financial Services.
3. Deliver positive employee experiences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

One team

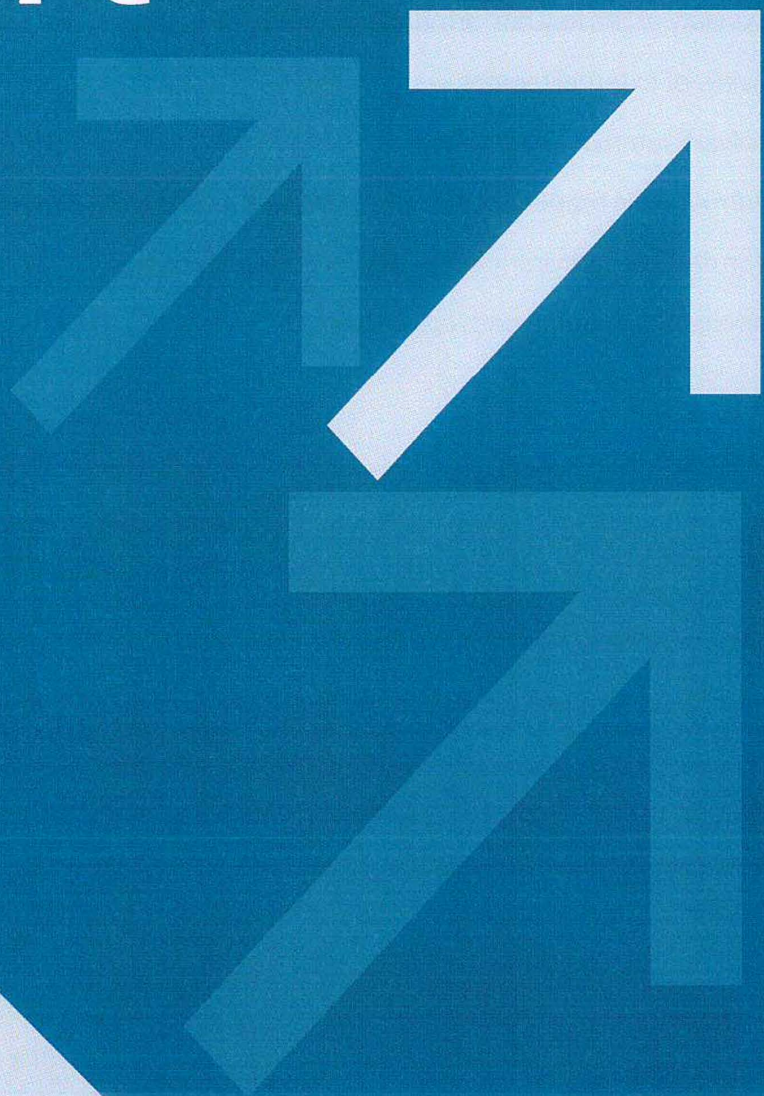
Our achievements are only possible as we all work together collaboratively. I am grateful to our Chair for his support and guidance throughout the year, as well as to the Commissioners who provide valuable guidance to me and my wider team.

As we work closely with stakeholders across Jersey, I would also like to thank the Government, agencies, industry, and all the international bodies with whom we have strong, established and effective relationships. I want to also thank my team of Executive Directors as well as all my colleagues from across the JFSC. I am very proud to be able to lead the JFSC.





Performance report



Introduction

Our performance report is written to provide a fair, balanced and understandable analysis of performance, and includes the following:

- › Summary of the purpose and activities of the JFSC
- › Recap of the strategy
- › Description of the risks faced by the JFSC as well as those it supervises
- › Overview of the key performance metrics
- › Review of external factors
- › Analysis summary by Division
- › Information in respect of human rights, anti-corruption, and anti-bribery matters
- › Information on Environmental, Social and Governance
- › Summary of Finance and Resources

Annual Report and Business Plan

Our two key strategic documents, the Annual Report and Business Plan, have different outlooks. Our Annual Report is a reflective record of the previous year including progress made, risks faced, and any unresolved key issues. Our Business Plan is published at the start of each year and is a forward-looking document which clearly states our priorities and ambition for the year ahead, helping industry and our wider stakeholder community to understand our focus.

Purpose and activities of the JFSC

We are the regulator for financial services in Jersey and are responsible for regulating, developing and supervising the Island's financial services industry. We aim to deliver balanced, progressive, risk-based financial regulation, built on insight, integrity, and expertise.

Our mission is to maintain Jersey's position as a leading International Finance Centre, with high regulatory standards, and to adhere to our guiding principles which are set out in law:

- › Reducing risk to the public of financial loss due to dishonesty, incompetence, malpractice, or the financial unsoundness of financial service providers.
- › Protecting and enhancing the reputation and integrity of Jersey in commercial and financial matters.
- › Safeguarding the best economic interests of Jersey.
- › Countering financial crime both in Jersey and elsewhere.

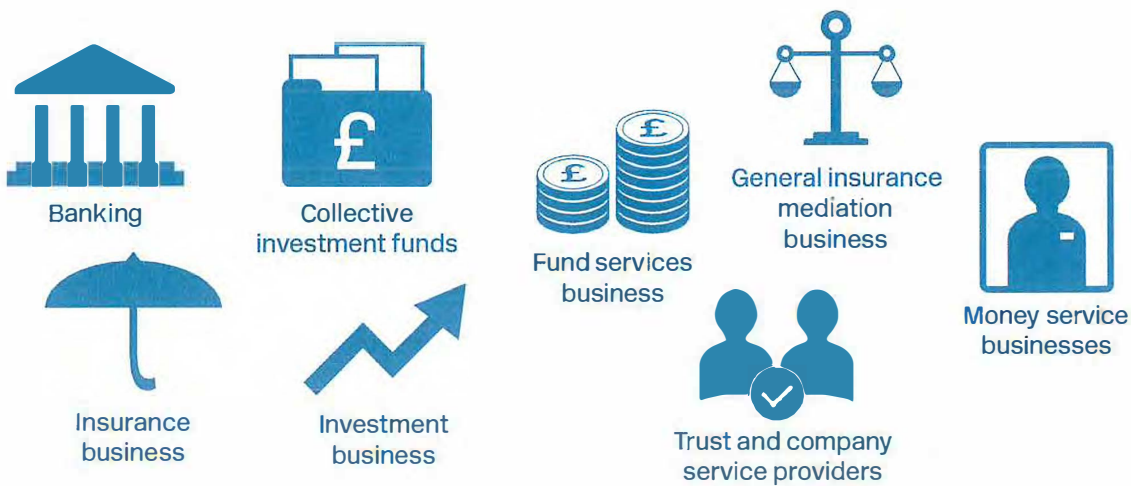
Our statutory responsibilities are set out in the Financial Services Commission (Jersey) Law 1998 (the Commission Law) and include:

- › Authorising, supervising, overseeing, and developing financial services in or from within Jersey.
- › Enforcing the Commission Law.
- › Reporting, advising, assisting, and informing the Government of Jersey and other public bodies.
- › Preparing and recommending financial services legislation.
- › Operating the Companies Registry.

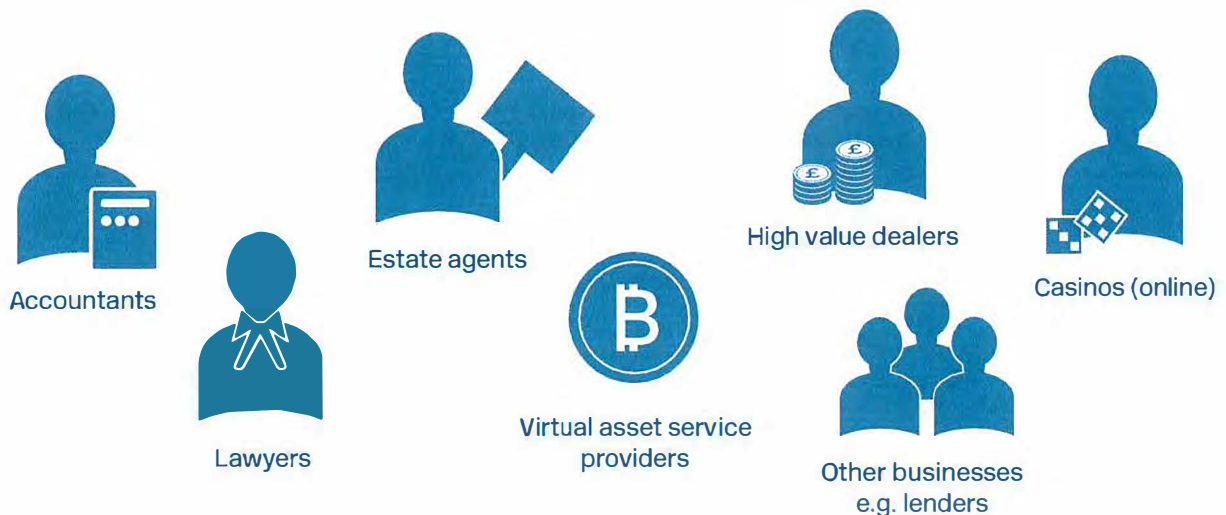
We aim to fulfil these responsibilities by:

- › Ensuring that all authorised financial services businesses and individuals meet the appropriate criteria and that we, as the regulator, meet international standards of banking, securities, trust company business, and insurance regulation.
- › Playing our role in combatting the financing of terrorism and financial crime as part of the wider international effort.
- › Working closely with fellow regulators and lawmakers to ensure access to efficient and effective markets for financial services.
- › Reacting to and, where appropriate, anticipating changes in markets and the financial services industry by developing policy and the way we supervise.
- › Acting as an agile, thoughtful, proportionate regulator that gives fair consideration to both the costs and benefits of regulation.

Areas we regulate



We also supervise the above and the following for Anti-Money Laundering, Countering the Financing of Terrorism and the Countering of Proliferation Financing (AML/CFT/CPF):



We also supervise non-profit organisations for countering of terrorist financing purposes.

Our strategy

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

Our strategic framework ensures we are fit for purpose within a changing international landscape, and supports Jersey as a competitive, successful and well-regulated International Financial Centre. Our process to develop our vision, top strategic priority and three strategic anchors distilled our thinking and sharpened our collective understanding of our purpose.

Our strategic framework for 2021-2024

Vision	To be a high-performing regulator, building for the long-term success of Jersey.
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
Top strategic priority	Achieving sustainable, long-term excellence in regulatory effectiveness and increased capability for the Island in combatting financial crime.



Delivered by	
Core work streams	Big, strategic projects, managed by our project management team.
Key initiatives	Smaller, tactical business-as-usual improvements.
Key performance indicators	Operational and strategic measures of performance that can measure success and monitor business-as-usual activity.

Supervision

The Supervision Division's primary function is to oversee the financial services industry and ensure relevant legal obligations and regulatory requirements are met. As part of this we continually assess whether existing or emerging risks, to which Jersey is exposed, are being effectively managed. We operate a risk-based approach to our supervisory activities, ensuring that we focus our resources and activities on those businesses that pose the greatest potential regulatory risk to Jersey's reputation as an International Finance Centre.

Our supervisory activity includes:

- › Visiting businesses directly and engaging with key personnel .
- › Requesting and assessing information and data.
- › Conducting review meetings.
- › Examining trends and assessing risk.

Whilst our remit is to ensure regulated businesses and individuals meet their relevant legal and regulatory obligations, we also aim to build regulatory capability within Jersey's financial services industry through education and engagement.

Supervision is the largest division of the JFSC and has several teams:

- › **Central Authorisations** is a centralised unit for authorisation and cessation activities for all regulated businesses, products and individuals. This unit is our first line of defence in our supervisory model.
- › Our **Financial Crime Examination Unit** is a dedicated financial crime unit, focusing on AML/ CFT/CPF, targeted sanctions and anti-bribery and corruption. The team coordinates and delivers a programme of examinations, ensuring businesses are complying with statutory and regulatory requirements relating to financial crime.
- › Our **Supervisory Examination Unit** is responsible for coordinating and delivering a dedicated programme of examinations across all sectors of Jersey's regulated community. This team's primary focus is to conduct a programme of thematic examinations, and examinations in response to a known or perceived risk within a particular entity.
- › Our **Relationship Managed Supervision** teams manage the relationship directly with those businesses considered to present the greatest

risk to the JFSC's guiding principles, which are set out in law. We supervise banking business, fund services business, trust company business and investment business and insurance. Supervisors in these units remain sector-focused, ensuring we retain specialist knowledge. They manage a portfolio of businesses, using a risk-based approach to engagement, which involves increased face-to-face activities and regular dialogue, outreach and review meetings.

- › Our **Pooled Supervision Unit** currently supervises businesses that are considered to present a lower potential risk. A number of these are Designated Non-Financial Businesses and Professions (DNFBP), such as lawyers, accountants and estate agents.
- › Our **New Regimes team** works closely with the JFSC's Policy Team to operationalise supervisory oversight of new areas of regulated business resulting from new legislation or amendments.
- › Our **Heightened Risk Response (HRR) team** supports the effective risk-based supervision of entities where significant and material regulatory concerns have been identified, resulting in the need for an intensified supervisory focus. The primary aim of HRR is to support Supervisors by overseeing an appropriate and timely conclusion to matters, giving rise to significant and material regulatory concerns.



Enhancing our regulatory effectiveness

Risk approach

Throughout the year we have further embedded risk in the way the Supervision team works:

- › Risk model: we have been refining how the AML/CFT/CPF risk is assessed, ensuring we are aligned with the latest guidance on risk-based supervision from FATF.
- › Data: ongoing data gathering and analysis of data submitted by regulated entities is fed into our risk model to identify entities where our greatest focus should be, and to allocate resources to the highest risk areas and entities.
- › A risk-based approach to supervision: ensures we are continually engaged with the industry we supervise and helps us be as effective as possible.
- › Financial Crime Prevention Change Programme: we worked with other Divisions to build a new supervisory team for the new regimes of NPOs and VASPs.

Supervisory risk data

Since 2018, we have collected data from supervised persons on an annual basis to support our implementation of a risk-based approach to supervision. This includes:

- › Organisational / footprint data.
- › AML/CFT compliance data .
- › Data regarding a supervised person's customers.

This data is used to improve our understanding of the activities undertaken by supervised persons and modify our risk-based approach accordingly and assist in the preparation and enhancement of the National Risk Assessments for Jersey.

A consultation has been issued ensuring that all supervised persons receiving a Risk Questionnaire are required to complete and return it to the JFSC. To improve the experience for supervised entities we also made enhancements to the myJFSC platform, allowing notifications to be made through the portal and improve the user experience.

During 2023 we will focus on our risk based supervisory activity driven by the National Risk Assessments and sectoral risk assessment outcomes. We will also roll out and train a revised AML/CFT manual to our supervisory teams.

Feedback provided to industry

An important part of our feedback is not only from supervisors to regulated entities but also themes from our examination teams. In June 2022 we published the feedback from our 2021 financial crime examinations, where we completed 25 financial crime examinations, which identified 146 findings at the businesses we visited.

In addition to this feedback, we also published the following feedback reports:

- › 2021 Supervisory Risk Examinations – Feedback Paper.
- › Thematic examination AML/CFT Business Risk Assessment and formal AML/CFT Strategy feedback.
- › Thematic examination on sanctions.
- › AML/CFT training.
- › Wire transfers thematic examination.

Late in the year we issued a 'Dear CEO' letter regarding customer service standards. We advised Banks that they can expect an increased focus on customer satisfaction and complaint handling in their meetings with Supervisors in 2023.

Our people

For a variety of reasons, combined with the planned expansion of the Supervision teams, it has been a challenge to recruit and retain colleagues in 2022. Vacancies create instability and put pressure on those who have to cover, as well as support the upskilling, of new colleagues. The team displayed great resilience during a challenging period and our induction process was updated to support the new members of the team.

Throughout the year, we ensured resources were allocated to those areas posing the highest risks. Where gaps existed, we supported through some examination activity being completed externally. The Supervision team have also been actively supporting the preparation of data for the MONEYVAL questionnaires.

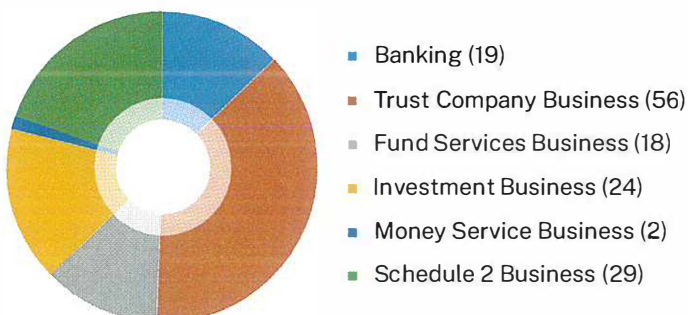
The below overview shows the level of applications supported by the authorisations team in 2022.

Area	2020	2021	2022
Alternative Investment Fund Services Business	14	8	6
Auditors	7	3	7
Banking	0	1	1
Collected Investment Funds	28	35	26
CoBO	77	104	157
Fund Services Business	18	23	28
General Insurance Mediation Business	1	2	3
Investment Business	1	3	2
Insurance	7	2	7
Jersey Private Funds	117	150	195
Money Service Business	1	3	1
Non-Profit Organisations	21	56	29
Other	0	0	0
Schedule 2 Business	29	33	27
Trust Company Business	18	11	21
TOTAL	339	434	510
Licence and CIF Revocations	279	238	159

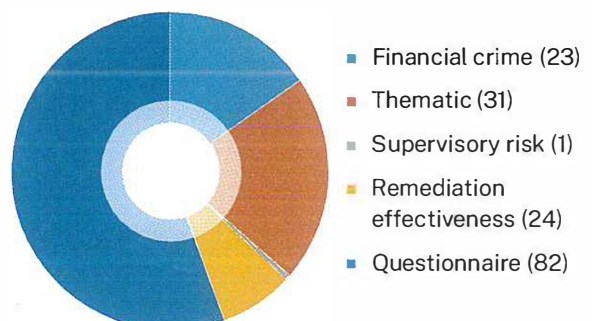
2022 examination activity

Examination Type	Number	Entities	Number of examinations by sector					
			Banking	Trust Company Business	Fund Services Business	Investment Business	Money Service Business	Schedule 2 Business
Financial Crime	17	23	3	12	2	2	1	3
Thematic	31	31	2	15	8	5	1	0
Supervisory Risk	1	1	0	0	0	1	0	0
Remediation effectiveness	11	11	1	5	1	4	0	0
Questionnaire	82	82	13	24	7	12	0	26
Total	142	148	19	56	18	24	2	29

Number of examinations by industry sectors



Number of supervised entities by examination type



Registry

The Registry holds and updates 15 registers, including the central register of beneficial ownership, companies, business names, foundations, partnerships and security interests. Our aim is to maintain a customer-centric approach, so all our users have access to accurate and reliable information.

We are one of very few jurisdictions to benefit from the regulator and entity registries operating under a single Financial Services Commission. Our responsibilities include assessing and recording beneficial ownership and control details, as well as monitoring and vetting adherence to the Sound Business Practice Policy.

We now operate a “four cornerstones approach” to policy regarding oversight of legal persons to prevent against misuse for ML/TF – the four cornerstones are:

1. A central registry gatekeeper function, with a rigorous incorporation/registration for new legal persons and arrangements.
2. JFSC regulated gatekeepers, responsible for administration of over 71% of companies, with AML/CFT obligations under the MLO and JFSC AML/CFT/CPF Handbook.
3. A company approach, which places obligations on legal persons to keep and maintain information at the registered office address.
4. Registry Supervision function, developed to carry out the proactive monitoring of compliance with information requirements.

Each new application is considered against our guiding principles which are:

- › Reducing risk to the public of financial loss due to dishonesty, incompetence, malpractice, or the financial unsoundness of financial service providers.
- › Protecting and enhancing the reputation and integrity of Jersey in commercial and financial matters.
- › Safeguarding the best economic interests of Jersey.
- › Countering financial crime both in Jersey and elsewhere.

Our Registry Supervision Examination Unit is responsible for coordinating and delivering a dedicated programme of examinations across all Jersey Registered entities (Companies, Partnerships and Foundations). This team’s primary focus is to conduct a programme of thematic examinations, and examinations in response to a known or perceived risk within a particular entity.

Strategic priorities

Registry’s aims align with the JFSC’s top strategic priority, achieving long-term excellence in regulatory effectiveness and increased capability for the Island in combatting financial crime.

Jersey is committed to maintaining its compliance with international standards. This includes the Financial Action Task Force standards on transparency in relation to beneficial ownership of legal persons which requires information on registers to be adequate, accurate and up to date. Registry is central to supporting this commitment.

The 2021 implementation of the digital register provided the platform to capture data requirements – making registry data accessible for review and updating. Following the 2021 transition period to the new digital registers and the capture of the additional information required, our focus in 2022 changed to enhancing supervision to ensure that entities were fully meeting their requirements and, where they were not, providing details of those offences to the law office for potential prosecution.

The Registry is a data-intensive Division and we are highly dependent on systems, which carry their own risks, challenges and dependencies. We have worked hard at building resilience into our people, processes and systems.

The Disclosure Law

In 2021, the Financial Services (Disclosure and Provision of Information) (Jersey) Law 2020 (the Disclosure Law) came into force. The Disclosure Law sets out the legal authority for the Registry to collect and maintain information in relation to significant persons and beneficial owners. The Disclosure Law has two approaches to ensuring the information held by us is adequate, accurate and up to date.

Requirement to provide up to date and accurate information

All companies and other entities must provide the Registry with detailed information in relation to:

- › Beneficial Owners and Controllers.
- › Significant Persons.

This information must be kept up to date and any changes must be provided to the Registry within 21 days. There are late fees which increase on a monthly basis. Failing to update information within 21 days or providing incomplete, false or misleading information is a criminal offence and the entity and the significant persons may be liable to prosecution. The maximum penalty is a fine and seven years imprisonment.

Registry Supervision

A Registry Supervision team was established in January 2022 to check that the information provided to Registry is accurate and up to date. This new supervision includes:

- › Onsite inspections.
- › Reviews and interrogations of data submitted to the Registry to highlight and investigate anomalies.
- › Regular reviews of public information sources.

We are in the early stages of the testing programme by Registry Supervision, therefore, where required, we are working through the process of referring matters to colleagues in enforcement and the law offices to support prosecutions. Throughout 2022 these two approaches helped create a robust framework within which we can be confident that the information we hold is in line with international standards. The team undertook 560 entity inspections and authenticated the details of 4,843 associated parties.

Sanctions

When Russia invaded Ukraine there was an urgent requirement to determine Jersey's exposure against the sanctions lists as they were updated. Following the 2021 transition to fully digital registers, the Registry was able to quickly provide the information required to Government and other relevant agencies, demonstrating the absolute value of the 2021 digital registry project to the Island.

Enhancing the Registry service

Registry team resilience

The Registry is a strategic foundation of Jersey's business environment. Maintaining and building resilience within the Registry team is essential to ensure robust future customer service and support. The number of incorporation, registration and data updates continues to increase year on year. Consequently, the Registry operations and Supervision teams have expanded through the year to accommodate increasing volumes.

Enhanced support for time-sensitive transactions

Working with industry stakeholders, Registry operations implemented an enhanced support model for all high-priority / complex transactions (Continuance / Mergers / Demergers) to pre-review supporting documentation ahead of completion dates and provide certainty in advance of transaction dates that submissions will be registered on the agreed target date. This has allowed Jersey to quickly establish new business streams for entities migrating from other jurisdictions where required. We are proud that a 100% target date registration was maintained throughout 2022.

Dedicated client response team

Registry operations have established a dedicated client response team to respond to all incoming enquiries received by phone, email and via the myRegistry platform. The team's goal is to provide a timely response to all client enquiries and support the full spectrum of Registry clients – from lawyers and finance industry professionals to sole traders. Face-to-face support appointments are available to all Registry clients, covering all aspects of Registry reporting, and additional support is provided where Registry clients have different access requirements.

Straight through processing – benefits to clients and operations

The digital myRegistry platform provided users with the ability to quickly review data held on the register and, where no updates were required, a faster annual confirmation process. There were 32,600 annual confirmations, of these:

- › 59.4% were filed without changes.
- › 94.9% were processed straight through.

This represented a significant improvement for both clients and the operations processing team. It also ensured that the information registered and available to the public and law enforcement agencies is adequate, accurate and up to date by eliminating the processing lag that occurs due to manual review and processing.

Entity profiles launch in January 2022

Following the 2021 transition period where entities reviewed, updated and added the required additional information to the digital registers, the updated entity profile was launched in January. The profile is available to the public and provides information on the shareholding of company Directors and Members.

Register for Limited Liability Companies (LLCs)

In September 2022, in response to industry demand, we expanded the new Registry system to facilitate an additional register for LLCs and administration of the new LLC legislation which came into effect:

- › Limited Liability Companies (General Provisions) (Jersey) Regulations 2022.
- › Limited Liability Companies (Winding Up and Dissolution) (Jersey) Regulations 2022.
- › Limited Liability Companies (Consequential Amendments) (Jersey) Regulations 2022.

Improvements to the myRegistry API

The rollout of a dual API environment is a positive step forward for the JFSC, demonstrating our commitment to our strategic anchor of harnessing technology. This functionality provides API users with greater control when scheduling their own development to move to the new version of the API, whilst maintaining existing API channels. New API channels will come on line during 2023, myRegistry is designed for the low volume user and high volume (bulk) users should be gearing up to use the API channels in the future. We are reviewing the functionality of Myregistry as part of our assessment of the survey results and conscious that most respondents should now be considering the API channels.

Limited Partnership law changes and alignment

Limited Partnerships were not included in the scope of the Disclosure Law, so to align the data reporting obligations, the Limited Partnership (Jersey) Law 1994 was updated in August 2022. The change included the introduction of the requirement for Limited Partnerships to file Annual Confirmation statements each year and introduced offences and penalties for failure to complete an annual confirmation and providing false or misleading information. myRegistry was updated to accommodate all aspects of the change to the Law.

Engagement

Our engagement activity, both internationally and domestically, is important across the JFSC and the Registry plays a key role.

International engagement

International engagement with other Registries provides a mechanism to discuss Registry challenges, such as the public beneficial ownership and data privacy challenge, with industry peers and allows Jersey to ensure our Registry approach and platforms keep in line with international standards.

During the year our Registrar, Executive Director of Registry Julian Lamb was elected by the Corporate Registers Forum onto their Executive Committee. Julian was, in 2022, a board member of the:

- › European Business Registry Association.
- › International Association of Commercial Administrators.

We are delighted that the Jersey digital Registry, myRegistry, won a 2022 award from the International Association of Commercial Administrators (IACA), for the Registry digitalisation programme. It is the sixth IACA Merit Award that we have won to date.

Closer to home, we were proud of the team when Julian Lamb won the leadership award at Digital Jersey. The Jersey Tech Awards celebrate the best of Jersey's digital talent, creativity and entrepreneurship. The Leadership award is presented to the person who has shown the most effective leadership of a technology company or function. They may be leading a technology company, but could equally be someone leading technological functions or projects within an organisation that is not inherently a tech company. The Registry transformation programme was an

ambitious project, with significant technological changes for businesses in Jersey. The project delivered a modern and fully digital Registry environment, giving Registry customers access to update and submit their information. It replaced disparate systems and created a platform for future requirements – all whilst dealing with a global pandemic.

Domestic engagement

Ongoing industry engagement is important to the Registry team's commitment to continuous improvement and responding quickly to changing industry requirements and new opportunities. 2022 has been no different. We continued to work with industry representative groups and Registry clients to listen to changing requirements and work collaboratively to meet customer needs. In 2022 we:

- › Delivered enhanced support for high-priority/time-sensitive transactions.
- › Streamlined and improved the continuance process to support the new business stream from Cayman, which has resulted in Jersey being recognised as a jurisdiction of choice for Collateralized Loan Obligation transactions.
- › Introduced new myRegistry functionality including: myParties list (to store regularly used associated party details), the new Limited Liability Company register and further improved API functionality.

Working with the Government of Jersey and government agencies

The Registry team worked closely with peers in the JFSC Policy team, Government of Jersey and industry on the drafting and response to changing legislation and data collection to feed into:

- › The National Risk Assessment for legal persons and arrangements
- › Consultations relating to public reporting of beneficial owners and changes to obliged persons obligations
- › Preparation for the upcoming MONEYVAL assessment.

MONEYVAL preparation

As is the case for other Divisions, the Registry team has invested time in developing content and providing data to the Government, who are leading the preparation of questionnaires to ensure MONEYVAL assessors have

all the necessary information ahead of their visit. The Registry has focused closely on:

- › Immediate Outcome 5: legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.
- › Recommendation 24: transparency and beneficial ownership of legal persons.
- › Recommendation 25: transparency and beneficial ownership of legal arrangements.

Obligated entities

The Government of Jersey is consulting on a proposal to extend access to the central register of beneficial ownership and control to obliged entities in Jersey for the purpose of client due diligence. To support this enhancement, the Registry is building access paths to the Registry.

Data sharing with other government agencies

The Jersey Financial Crime Unit has had direct access to key registry data for many years. In 2022 additional data sharing agreements have been put in place with Revenue Jersey and the Law Officers Department, with technology links established to provide access to registry data.

Statistics

Live entities 38,449

Total registrations 3,438

Company incorporations 3,050

Company dissolutions 2,244

Dissolutions cancellations 2,365

Entities migrated in 218

2-hour fast track 1,130

1 Day 538

2 Day 235

3 Day 209

5 Day 938



Enforcement

The Enforcement team consists of two teams: the Operations team and the Intelligence team.

The Intelligence team collates, develops and disseminates intelligence in a timely manner and works closely with internal divisions of the JFSC, local law enforcement and other appropriate agencies and international regulators.

The Operations team, broadly, investigates and, where appropriate, takes or recommends action against businesses and individuals for serious non-compliance with Jersey's regulatory and legal requirements. The Operations team engages and works constructively with businesses and individuals to ensure issues are resolved, particularly where breaches are self-reported, so that fair, reasonable and proportionate outcomes are achieved.

Where breaches are particularly serious or efforts to address shortcomings fail, statutory powers may be used, and a range of sanctions can be imposed. These include:

- › Restricting or preventing people from working in the finance industry without our consent.
- › Revoking or placing a condition on a business licence.
- › Issuing public statements.
- › Imposing civil financial penalties.
- › Referring cases to the States of Jersey Police or Law Officer's Department for consideration of criminal prosecution.

Enforcement Policy

Decision making process

In early 2022, after a detailed consultation process, we published a revised decision-making process for determining whether a regulatory sanction should be imposed at the conclusion of an enforcement case. The revised process is more streamlined and provides a more efficient process both for us and the businesses or individuals. Importantly, the revised process continues to comply with the principles of fairness by giving a business or individual the opportunity to make representations in person to our decision-makers.

Civil financial penalties

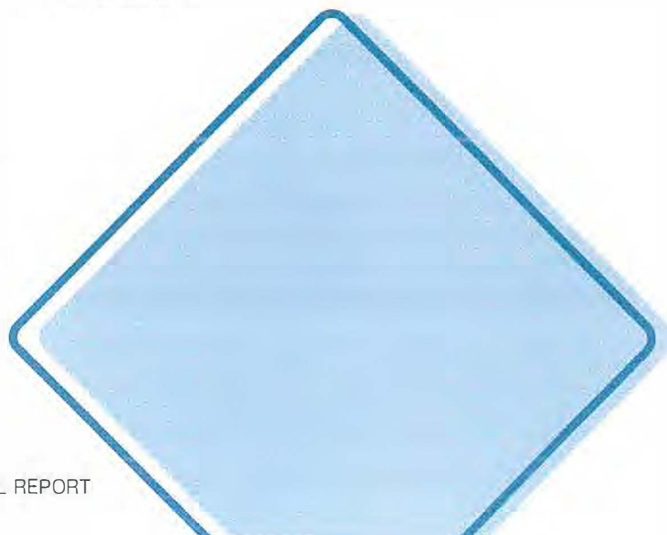
In 2021 the Government of Jersey held a consultation on extending our statutory powers to impose civil financial penalties to ensure it met international standards. The consultation proposed bringing Money Laundering Reporting Officers (including deputy MLROs), senior managers, Designated Non-Financial Businesses and Professions (DNFBPs) and breaches of the Money Laundering (Jersey) Order 2008 into scope of the civil financial penalties' regime. Following approval by the States Assembly, the revised legislation to make these changes came into force in April 2022.

We subsequently consulted on which senior managers should fall within the scope of the civil financial penalties' regime. Our initial proposal was revised following constructive feedback from industry, and our formal notice designating which senior managers are in scope was issued in January 2023, with a 'coming into force' date of 13 March 2023.

Building capability

Throughout the year we enhanced the team's knowledge and capability in respect of AML/CFT investigations by providing internal training regarding common AML/CFT weaknesses found in businesses. To further support this work, we recruited additional investigators and provided training in interview and investigation techniques.

During the year, to further develop our capabilities, we reviewed our toolkit. Enforcement worked with Supervision to design new internal guidance and procedures for any referrals from Supervision to Enforcement.



Intelligence

At the start of the year and throughout 2022 the Intelligence team played a key role in the Operational task force that was put together under the oversight of the Minister to support the implementation of financial sanctions following Russia's invasion of Ukraine. The team assisted the Task force and worked closely with our Supervision team in supporting supervised entities.

In 2022 a total of 726 internal intelligence reports were compiled and shared with Supervision and Registry to assess and take any action in a risk-based manner.

We recognise the importance of intelligence for our own regulatory and supervisory activities and that of overseas regulators and supervisors. Therefore, during 2022, the Intelligence team disseminated 145 intelligence reports to 49 overseas agencies in 38 different jurisdictions. In addition, it cooperated internationally with five jurisdictions, processing 14 formal letters of request for information to assist investigations being carried out by regulators overseas.

The Intelligence team's efforts in 'policing the perimeter' for unauthorised activities resulted in a more significant number of Enforcement cases in this area, ultimately leading to the disruption / regularisation of the unauthorised activity and, where appropriate, the issuance of a relevant regulatory sanction.

We received 30 whistleblowing calls in 2022. Whistleblowers continue to play an important role in identifying the most serious misconduct and breaches. To ensure whistleblowers are confident to approach us, we remain committed to accepting information anonymously. Where a whistleblower prefers to communicate through a face-to-face meeting, we ensure that their identity is kept confidential.

Operations

The Operations team dealt with 89 cases in 2022, primarily arising from referrals from the Intelligence team, Supervision (including outcomes of examination activities) and requests for assistance from overseas agencies. Most cases focused on unauthorised financial service providers, non-compliance with Jersey's AML/CFT regime and inadequate internal systems and controls.

Notwithstanding the strategic focus on AML/CFT throughout the year, the Operations team also investigated and concluded conduct related cases. For example, during 2022, 10 conduct cases were opened and three were concluded. For one case, a public statement was issued on the JFSC's website and the subject was banned from working in Jersey's finance industry.

In support of our objectives of reducing the risk of financial loss to the public and protecting Jersey's reputation, the team continued to support in the prevention of fraud and scams. We published several warnings to the public against dealing with those unauthorised service providers considered to be scams and, throughout the year, five other public warnings were provided. Following local tragic events late in the year, we also warned the public of scams which may target Islanders following the explosion at Pier Road.



Policy, risk and communications

Team structure

The Policy team is responsible for ensuring domestic laws, regulations and codes meet global standards. Within the Policy team is our Innovation Hub, which aims to provide industry and our supervisory teams with a more straightforward regulatory framework, and to lay the foundations for increased digitalisation of our codes and handbooks in future years.

The Risk team lead on operational risk for the JFSC and collaborate with other divisions on regulatory risk. Further details on the work of our Risk team can be found in the Risk section of our Performance Report.

The Marketing and Communications team seek to inform and engage our internal and external stakeholder community, providing mechanisms for feedback and enabling our considerable programme of activity to be better understood.

Policy - focus on simplification

Jersey has a legislative framework underpinning its regulatory toolkit. Feedback from industry is consistent that it can be hard to navigate and understand. As a result, we have prioritised, streamlined and enhanced our guidance notes and handbooks. Making them simple and clear has been the basis of our approach for both existing and new regimes. This work has been a foundational element for facilitating business integrity and we have made good progress in 2022, aligned with and supported by our Innovation Hub activities.

Our externally focused efforts in combatting financial crime over the year has seen the introduction of new regimes as well as the expansion and enhancement of existing regimes.

Review of scope exemptions - areas exempt from anti-money laundering measures having proven low risk

The last MONEYVAL Mutual Evaluation Report highlighted concerns about the rationale for scope exemptions that mean businesses are not required to comply with AML/CFT obligations. The JFSC and Government published a consultation in late 2021 seeking feedback on the proposals to amend Jersey's AML/CFT scope exemptions regime and continued to consult through 2022.

The JFSC ran an extensive engagement programme, including hosting topic specific working groups, industry wide and sector specific briefing seminars, guidance webinars and ongoing face-to-face engagement leading into the changes.

VASPs

We developed a supervisory regime for the growing VASPs sector that is FATF compliant and provides a robust framework for innovation.

Criminality checks for designated non-financial businesses and professions

The amendment passed during the year allows the JFSC to perform criminality checks for individuals within DNFBPs where necessary.

Handbook consolidation and simplification

The Handbook was consolidated during the year, which included merging all handbooks into one, extending the scope of the AML/CFT Codes of Practice to cover all supervised persons, adding new AML/CFT Codes of Practice for electronic identification (E-ID), and adding diagrams to assist in explaining certain concepts within the Handbook.

Proliferation finance

As part of the Island's fight against financial crime, we updated our guidance concerning the financing of proliferation of weapons of mass destruction to help industry better understand the issue. We continue working with the Government and other local and international stakeholders to build a better understanding of the local exposure to proliferation financing and its associated risks.

Extension of the civil financial penalties regime

We extended the ability to enforce penalties on those who fail to comply with AML/CFT requirements which is a key part of the FATF recommendations for there to be a range of,

“...effective, proportionate and dissuasive criminal, civil or administrative penalties available to deal with natural or legal persons which fail to comply with those requirements.”

Enhancing how we fight and prevent financial crime

Combatting financial crime together

Our top strategic priority is to achieve sustainable, long-term excellence in regulatory effectiveness and increased capability in combatting financial crime.

An important test of our effectiveness will be the forthcoming round five mutual evaluation by MONEYVAL. However, this is a review at a single point in time, and we will continually seek to improve on our top strategic priority in future. A great deal has been done to aid the assessment, and all divisions across the JFSC have been engaged during the year in supporting the preparation of the Mutual Evaluation Questionnaire and the Technical Compliance Questionnaire.

The Financial Crime Coordination team (FCC) was established during 2022 to connect activities across the JFSC, in alignment with the international standards set out by the Financial Action Task Force (FATF). Collaborating closely with partner agencies in Jersey, the FCC played a critical role in supporting the preparation work needed for external reviews, including MONEYVAL. Such work formed the basis for a continual cycle of review, maintaining a focus on international standards, and delivering an effective framework of AML/CFT/CPF regulation.

During 2022 the FCC further developed the JFSC internal programme of work – the Financial Crime Prevention and Capability Programme (FCPCP), whose scope included coordination and preparation for the Island's MONEYVAL assessment.

Task force and Russian sanctions

The invasion of Ukraine by Russia created the need across the jurisdiction to act quickly. A task force representing the Government, all relevant agencies, including the JFSC and the Financial Intelligence Unit of the States of Jersey Police, coordinated in identifying and investigating relevant Russian assets in Jersey. This supported Jersey's cooperation with international authorities, including those in the UK and across the transatlantic task force. The Jersey task force represented a quickly formed partnership and model that will be used in future when swift action is required across the private and public sectors. It has created the 'playbook.'

Conduct and prudential

Alongside our Policy work on combatting financial crime, the Policy team have also continued to enhance and simplify the Conduct and Prudential framework.

In June 2022, the JFSC issued a consultation on a revised Outsourcing Policy (OSP) and worked on the consolidation and simplification of the sectoral Conduct and Prudential Codes, into one 'Mega Code'. A public consultation on the Mega Code is anticipated in H1 2023.

Following the introduction of anti-greenwashing disclosure requirements in mid-2021, we were accepted into the Network for Greening the Financial system.

We have continued our direct involvement and engagement with the Jersey for Good group, which resulted in Jersey receiving its first benchmarking from the Financial Centres for Sustainability (FC4S).

We supported the Jersey Resolution Authority establishment, which went live in 2022. The JRA is responsible for minimising the impact of bank failure in the Island and ensuring that public funds are protected.

Perimeter review

The JFSC perimeter determines what activities we must authorise and supervise. It highlights any potential gaps in our financial services legislation caused by, for example, unregulated activity or products or activities exempt from regulation. A review of the perimeter can also highlight gaps in our regulatory architecture.

We completed a review in 2022 and discussion has commenced with the Government on appropriate actions in 2023. Consequently we improved the rules around Money or Value Transfer Services (MVTS) by enhancing the Money Services Business definition in the Financial Services Law and implemented our supervisory approach.

Innovation Hub

Purpose and progress

A strategic anchor is to harness technology and influence the digitalisation of financial services.

The JFSC's Innovation Hub was established to ensure open and active engagement with businesses innovating within financial services. This is achieved by providing a direct and dedicated point of contact for all businesses. This engagement allows the Innovation Hub to identify and respond to emerging risks and opportunities for the Island. It also helps us understand developing technologies that might be of interest to businesses.

In 2022 the hub has shown its commitment to industry by providing assistance to those wishing to navigate the regulatory landscape and have provided resources on how to do so. Engagement has ranged from organising monthly drop-in sessions at the Digital Jersey hub, to presenting on our published RegTech report and providing ad hoc assistance to entities through our Innovation Hub mailbox. A key theme that arose from the Hub drop-in sessions at Digital Jersey related to E-ID, signifying a real change in the narrative surrounding RegTech adoption.

RegTech, FinTech and SupTech

The successful adoption of technology and digitalisation through FinTech, SupTech and RegTech supports innovation and growth for Jersey and ensures 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 as we continue to upskill our own team at the JFSC we will support our goal to be a high-performing organisation. For some time, Jersey has had the broadband infrastructure to support this technology and can leverage its small size and skills to be agile in approach.

Resource constraints have presented 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 resource.

During the year the JFSC has made progress on the digitalisation of our services.

In conjunction with the Government of Jersey team, we consulted on several options to further enable the adoption of Digital ID systems by Supervised Persons. As a result, the JFSC will:

- › Amend the AML/CFT Handbook to provide further guidance for Supervised Persons wishing to adopt a Digital ID System to meet their obligations under the Money Laundering Order.
- › Support the Government with amendments to the Money Laundering Order to allow for a statutory safe harbour for the use of Digital ID Systems.
- › Support Digital Jersey and Jersey Finance Limited in the development of an educational programme for the adoption of Digital ID Systems.

During the year we engaged with RegTech Associates, a specialist third-party to conduct research to identify perceived barriers to the adoption of new technology by Jersey financial services institutions. This work assisted us in targeting specific actions to address the barriers and provide clear and effective guidance to:

- › Clarify the JFSC's position on RegTech and ensure consistency.
- › Broaden and deepen awareness of RegTech.
- › Focus on RegTech education.
- › Develop RegTech skills in the Jersey workforce.
- › Provide certainty on specific policy areas related to RegTech.



Marketing and Communications

In 2022 we delivered a programme of multi-channel marketing, communications, and stakeholder engagement in support of our strategy.

Engagement

Engagement remains critical in an ever-changing world and we recognise the importance of developing relations both domestically and internationally.

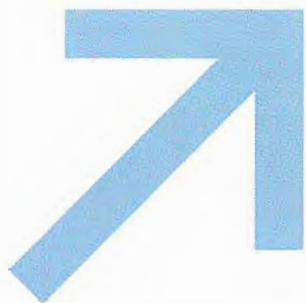
To measure our activity, we have introduced a strategic key performance indicator on the level of local and international engagement by the Board of Commissioners and Executive Directors, which we will report on in future.

International engagement has been an important vehicle for us to engage with stakeholders and help protect Jersey's reputation. Interactions with other regulators and international bodies, such as IOSCO, provided an opportunity to tell our story as a jurisdiction, upskill and update our collective knowledge and shape the international regulatory agenda.

Events

We have delivered a comprehensive programme of events to inform and engage our stakeholder community, including:

- › 2022 Business plan launch
- › Government and JFSC – Combatting Financial Crime Together:
 - › Enhanced CDD
 - › 2022 Exemptions, Digital ID and Law updates
 - › The Road to MONEYVAL and Beyond
 - › Risk
- › RegTech: A missed Opportunity?
- › Digital Jersey - Innovation Hub:
 - › 'Meet the Registrar'
 - › Let's Talk... Innovation
 - › Let's Talk... Outsourcing
 - › Let's Talk... Digital ID Systems
 - › Let's Talk... Virtual Assets
- › 'Myth Busting' digital compliance misconceptions
- › Drop-in session: new guidance notes and Codes of Practice proposed for the AML/CFT Handbook
- › NPO 'Lunch and Learn' and drop-in sessions



Risk

Risk and Governance

During 2022, we proactively managed and responded to an increasingly dynamic and complex global environment which emphasised the importance of our robust approach to risk management and our governance framework. The impact of the war in Ukraine and resulting economic sanctions are particularly notable. We mobilised, assessed and responded at speed, working with governmental agencies to ensure we adequately and appropriately managed the potential impact to the JFSC, and the island of Jersey.

Governance

Our approach and response to risk is governed primarily through the structure below, each body with different roles and responsibilities.



Our risk management approach, supported by a robust governance framework, has proven pivotal in managing potential harm to the reputation of the JFSC and Jersey.

Board of Commissioners

The Board of Commissioners establishes a framework of prudent and effective controls, enabling risk assessment and management. It also sets the JFSC's risk appetite and monitors systems and controls to ensure we remain within agreed parameters.

Board Risk Committee

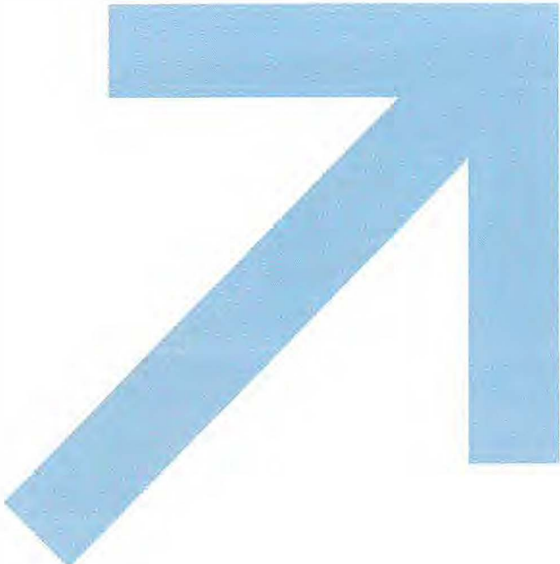
The Board Risk Committee advises the Board of Commissioners on the JFSC's overall risk appetite, tolerance and strategy. It also reviews the work of the Executive Risk Committee and advises the Board of Commissioners on principal risk exposures, the likelihood and impact of these risks materialising and key mitigation measures required.

Executive Risk Committee

The Executive Risk Committee reviews on-going practices and provides assurance that risks are managed appropriately and within the JFSC's risk appetite.

Executive Directors Committee

The Executive Directors Committee, in addition to strategic and operational matters, monitors progress against key performance indicators.



Enterprise Risk Management

Principal risk exposures

A key part of our Enterprise Risk Management framework is the identification, measurement and management of the principal risk exposures facing the JFSC, including external risks associated with shifting jurisdictional policy, and operational issues such as the risk of a ransomware attack. We work collaboratively within our governance structures to assess these risks and implement appropriate and measured responses that protect the JFSC and deliver on our purpose. Our focus in 2022 has been on the following principal risk exposures.

1. Ransomware attack	2. Disruption to critical business systems
Human or technical weaknesses are exploited, allowing cyber criminals access to critical systems and highly sensitive data.	Disruption to business-critical systems impacting operational efficiency (for both JFSC staff and industry).
3. People risk	4. MONEYVAL
Potential lack of capacity and capability across the business resulting in the JFSC not being able to meet current demands for business as usual as well as strategic delivery.	The risk that operational and strategic activities are heavily focused on MONEYVAL preparation and inadvertently not identifying risks in other disciplines such as Conduct or Prudential.
5. Shifting jurisdictional policy	6. Third party risk
Adverse events or changing external factors give rise to legislation or international policy changes that have an unfavourable impact on the JFSC and Jersey as a jurisdiction.	The risk that our procurement processes governing new and existing relationships do not work as designed, creating risks via third parties.
7. Business resilience	8. Strategy execution risk
Inadequate response in the event of a crisis or significant incident faced by the JFSC which affects the JFSC's reputation, service levels and performance.	Internal activities (including project related work) that are not aligned with our key strategic priorities.
9. Data strategy	10. Insider threat
The risk that we lack a definition of a clear data strategy including use, storage, roles and responsibilities, which affects our ability to use data as planned.	Confidential and / or sensitive information is compromised by our people.



Evolving risk analysis

We acknowledge the world is changing at a rapid pace, and so the way we manage risk requires agility in the face of this disruption and change. We are developing our deployment of a horizon scanning approach to continuously review trends to provide timely awareness of new or emerging risks, as well as opportunities these changes can create.

In 2022 we saw the easing of certain prevalent risks and the emergence of new risks. Following the easing of COVID-19 lockdown measures and restrictions, there was a return to the norm in terms of socialisation and travel. Whilst there were occasional increases in infections affecting our colleagues, the resilience built into the JFSC infrastructure served us well, in addition to offering our people the opportunity to work in a hybrid manner and be flexible in how and where they work.

Russia's invasion of Ukraine instigated a significant global response in the form of economic sanctions. Whilst the time and effort required for our initial response have now largely been weathered, the emergence of new risks has the potential to have a significant impact. Supply chain shocks, the availability and cost of goods and energy, and the emergence of a cost-of-living challenge are all matters at the forefront of response efforts. In addition, the response to Russia's invasion has created heightened risks related to cyber attacks for the jurisdiction of Jersey and the JFSC which require close monitoring and attention.

Risk appetite

In 2022 the JFSC undertook an exercise to define and where relevant, reset its risk appetite and risk thresholds covering operational and regulatory risk. This was a major step in further enhancing the JFSC's Enterprise Risk Management Framework and in fulfilling our responsibility as a first and second line of defence for Jersey in its fight against financial crime.

In defining our appetite it was important to ensure this was aligned with the Government of Jersey's National Risk Appetite, but also that we defined appetite and threshold levels that were capable of being operationalised on a day-to-day basis across our key external facing activities: Authorisations, Registry, Supervision and Enforcement. This aims to support our ongoing Supervision strategy and approach, but also importantly, coupled with outputs from our risk model, to further advance our approach to risk-based regulation.



Risk modelling

In its simplest form our risk model is a combination of systems and processes that use information we collect annually through our supervisory data collection exercises, the results of the various reviews and examinations we perform (such as thematic and financial crime examinations), as well as data from breaches, annual review meetings and intelligence gathering. It applies a set of defined aggregation techniques and formulas to produce views of risk (both inherent and residual).

Activity is recorded in a structured way that produces a wealth of data on supervisory activities, risk assessments and effectiveness.

Our data visualisation tools provide unique insights at market, sector, entity and individual risk type levels. This level of data analysis and insight provides us with the tools to become truly data-driven in our thinking and approach.

As we have continued to develop the risk model through its phases, each iteration of the model has built additional layers of functionality, ultimately moving towards the goal of having a risk model that offers increasing levels of automation and predictive analytics as a driver for the allocation of supervisory resources.

2022 enhancements

Throughout 2022 we continued to develop our risk model. Notably, the underlying calculations of inherent risk were updated to improve alignment with National Risk Assessment findings, making better use of supervisory risk data and addressing recommendations from third-party reviews. In particular, this has led to a greater distinction between money laundering and terrorist financing risks. In addition, we made enhancements to create functionality that better reflects external events in our risk model, such as the automated updating of entity risk scores where a country has been grey-listed and based on an entities exposure to that country.

Alongside enhancements to the model, we also undertook a programme of assurance which included the validity, accuracy and completeness of risk scoring, governance processes, and how effectively the model is used within supervision.

During 2022, supervisors added over 1,000 new risk assessments. This continues to contribute to the increasing wealth of data already captured and produced, building a picture of risk at entity, sector and market level. The ability through our systems to individually track all remediation actions and associate them with a picture of risk both pre and post-remediation allows us to produce a clear view of the effectiveness of both regulated firms and the JFSC in managing risk. This is a key component of telling a positive story about Jersey's finance industry and its regulation.

Sectoral risk

Building on the 2020 Money Laundering National Risk Assessment (NRA), sectoral risk assessments have been undertaken by the JFSC for the highest risk sectors identified within the NRA (Trust and Corporate Service Provider, Banking, Investment Business and Fund Services Business) and also the Designated Non-Financial Businesses or Professions sector. These risk assessments were produced to both update our understanding of the ML/TF risks present within each of the sectors and assist with the identification of supervisory priorities for 2023 and beyond.

Personal data-related incidents

There were no data-related incidents reported to the Office of the Information Commissioner by the JFSC in 2022.



Operations

The Operations Team's focus is to support the execution of our strategic plans and day-to-day activities. Consequently, much of this work is covered in other areas of this Annual Report. The Operations Team's work spans finance, project management and governance, IT, data, and cyber security.

To drive progress on our JFSC strategy, Operations teams have delivered a significant amount of change within 2022, including the further enhancement of our Registry and Supervisory systems. These developments have focused on ensuring that we have the right processes and tools to capture and manage our regulatory effectiveness and thereby drive our continuous cycle of review and enhancement of our regulatory approach.

In 2022 we supported activities that helped to increase the JFSC's operational resilience and efficiencies, as well as creating capacity to assist with the increased activity we have planned to support our expanded regulatory remit.

In addition, the year saw a significant increase in the volume of activity both internally and in cooperation with other external government agencies as we supported the gathering of information and data for MONEYVAL submissions, which demonstrates our effectiveness.

Digital transformation

One of our strategic anchors is to harness technology and influence the digitalisation of Financial Services. We seek to be a digitally enabled regulator providing secure, reliable access to our systems for both JFSC staff and industry, and securing synergies which promote easier and more effective execution of tasks.

Throughout 2020 and 2021 we focused on the development of our core processes and systems delivered via our new platforms (myJFSC and myRegistry). During 2022 we expanded these core platforms and finalised our digital strategy, encompassing our plans in relation to IT, data and cyber security.

Supporting supervision - myJFSC

In 2022 we expanded our core supervisory platform to capture the processes required for new regimes and expanded remits. This work included the myProfile no objection (Personal Questionnaire) application, financial statement submissions, annual

fees, Jersey Private Fund applications, examination document uploads, fund statistic submissions and data collections. This introduced a number of internal efficiencies through automation and reductions in manual input, and helped industry by having one place for all of their regulatory activity.

Supporting the Registry - myRegistry

2022 saw the enhancement of our Registry platform 'myRegistry' to:

- › Cater for Limited Liability Companies (LLCs) and changes to reporting obligations for Limited Partnerships.
- › Implement the development of entity profiles to provide public access to information of directors and members shareholdings.
- › Improve our Application Programming Interfaces (APIs) to assist larger administrators in uploading large volumes of information. This is much more efficient for firms as well as our Registry.

Other cross divisional support

We launched the introduction of the automated vetting of names on the registers against clearly defined criteria, designed to identify AML/CFT/CPF risks. This removes manual processes and therefore both enhances our efficiency whilst reducing risks.

Satisfactory progress was made in consolidating our enterprise architecture to increase agility and capacity for future developments. Maintaining these good habits in decommissioning older systems also reduces risk, not least by reducing cyber security vulnerabilities.

We also changed how our own people access systems, with the roll out of enhanced desktops (via laptops) with in-built enhanced security. This has increased our resilience, as well as supporting our People Strategy by improving remote access, whether working from home, conducting onsite examinations, or enhancing collaboration by taking technology into meetings.

Data strategy

We gather and receive a great deal of valuable data. Our data strategy seeks to improve the connectivity of our data to improve our levels of insight and ensure robust data driven decision making.

Protecting our information and systems

We have introduced new systems that protect our data by:

- › Using machine learning to understand behaviours and thereby automatically prevent advanced threats and data loss on email.
- › Deploying zero trust isolation technology to create a robust barrier between our systems and sources of potential threats.

Managing costs and financial resilience

As we detailed in our Financial Resilience Report, we manage our financial planning via a retained liquid assets approach. As part of this, we 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 a five-year period so that we can make relatively small adjustments to funding levels, 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 approach has assisted in the initial creation of new regimes. We used our resources to fund the development of new frameworks, including NPOs and VASPs, and seek to recover those costs through future application and regulatory fees. In subsequent years, as the full costs and volumes of these new products becomes more certain, we will adjust the relevant regulatory fees.

Managing costs and fee levels

In 2022 there was a material increase in the running costs required to deliver our expanded regulatory remit and to deliver our strategy. As a result, we used some of 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.

Operations

Delivery models

Across the JFSC, we use a variety of in-house delivery models which ensure that an appropriate cost-effective risk-based approach is used. Automation supports this model. The Registry deals with high volumes of interactions with industry, working to service level agreements. The highest volume users have APIs that allow volumes of data to be submitted.

Our Supervision teams use a risk-based approach to allocate greater resources to the highest-risk areas. These models support the Government's National Strategy for Combatting Money Laundering, the Financing of Terrorism and the Financing of Proliferation of Weapons of Mass Destruction, 2022-26. They also support the Government vision:

“For the public and private sectors to deliver a holistic plan that protects Jersey against financial crime, which prevents harm to our jurisdictional society and international stakeholders, upholds the position of Jersey as a responsible and cooperative international financial centre and supports legitimate growth and prosperity. Combatting Financial Crime TOGETHER.”

Contracted out services

A small number of services that require specialist expertise are contracted out including development work, data analytics and regulatory technology.

Consideration of capital investments and how we achieve value for money

Our capital investments have been focused on supporting our strategic core work streams, including the migration of our core infrastructure to a secure cloud environment and enhancements to our supervisory systems which help secure increased operational resilience and efficiency.

The Programme Management Office has a documented initiation and benefits realisation process, in conjunction with the Finance team. This helps ensure there is rigour around expenditure.

People and culture

Alexis Dolling was appointed Executive Director of People and Culture in May 2022 to lead our people strategy and Human Resource (HR) operations. This role primarily supports the Executive team with organisational effectiveness and employee engagement, further strengthening our capability to be a high-performing organisation.

The People and Culture team has increased its size and capacity to support the organisation. With an increasing number of people employed by the JFSC and further plans for growth, this function's importance is heightened.

People Strategy

In support of our strategic anchor to develop our people, systems and capability to be a high-performing organisation, we established a people strategy and subsequent multi-year programme of work.

Our JFSC people strategy vision is to:

“Create a leading employment experience where our people are high-performing, role model our values and enjoy professional and personal development, building confidence and competence for now and the future.”

People context

The JFSC has grown and at the end of 2022 had 213 permanent employees. In 2023, this will increase to 249 when fully resourced.

Replacing leavers and increasing the overall headcount has reduced the average tenure of the workforce to just under four years and almost half of our people are within two years of service. This short tenure, coupled with the continuing growth planned for 2023, creates a potential risk of reduced capability as new starters onboard and build their technical expertise. As a result, we are investing in the development of our people, as well as supporting our leaders to deliver a leading employee experience which should both engender

confidence and build high performance within the workforce. This will build organisational resilience and aid the retention of talent so as to increase the average tenure to our target of 3-5 years.

Modern and Progressive Work Practices

Employee value proposition

It is important to us that our people act in a way, both internally and externally, which enhances our JFSC brand and reputation as an employer and regulator. In support of our people, we are building modern and progressive employment practices that enhance the employee experience and underpin a high-performing environment.

Examples of the work we have undertaken this year include:

- › We completed an external pay benchmarking exercise to ensure that our remuneration package remained competitive in the jurisdiction, which has a highly competitive labour market.
- › We updated our contractual terms, making them more relevant and progressive.
- › We are ensuring that our people have clarity on the expectations of their role and performance outcomes, and take accountability for individually and collectively delivering our strategic aims.
- › We are proud of the hybrid approach to working that we have established, which affords autonomy on where, when and how our people are able to work, with our new technology making this easier for colleagues. This was a change to our internal 'tone of voice' and signified the beginning of a more progressive offering that is appreciated by our people.
- › The health and wellbeing of our people is a priority and enabled through in-house activities and an enhanced external employee assistance programme.

In 2022, we improved our HR system to provide enhanced reporting and insight. Our system now consolidates people data in one place and we plan to increase its automation in future.

For the second time, we undertook a full cultural survey where we obtained feedback from our people. Participation was 79%, which is above external average. The survey identified areas to be celebrated and areas for improvement. The overall score was similar to 2020 and showed progress in areas of focus such as flexible working.

As we continue to deliver our people strategy in 2023 we will focus on: recognition, learning and development, leadership effectiveness, values and automating and digitising more of our people processes.

Recruitment journey

We have redesigned our recruitment journey for anyone wishing to apply for a JFSC vacancy, so that they enjoy the process and are able to perform at their best. Given our increasing staff numbers, and the need to replace people who have left, this process is an important step in ensuring we build an attractive employment brand and that the right values, behaviours and skills that we currently require, are recruited for. The time to fill a role (from posting it to offer acceptance) has improved from an average of nine weeks to seven weeks.

Development journey

We are investing further in the development of our people so they are well trained, for now and the future, and work consistently to enhance the JFSC brand as an employer and a regulator. Our primary focus is on the supervision pipeline and internal career pathways.

Leadership journey

We know it is key that our managers and leaders are inspirational and foster a high-performing environment where our people thrive. We have worked with external specialists and will deliver a training programme for our leaders in 2023.



Diversity, equity and inclusion

We seek to embed diversity, equity and inclusion within our organisation, and to continually improve our approach to attract and retain colleagues from a wide variety of professional, educational and cultural backgrounds. We actively promote:

- › Fair opportunities for success in each role based on individual needs.
- › A focus on the outcomes delivered and value added to the JFSC.
- › Team empowerment.
- › Creating awareness on bias and stereotypes.

We are building a strong inclusive culture where there is a focus on giving everyone the space and encouragement to contribute. We also have a dedicated inclusion group, to further prioritise and promote diversity, equity and inclusion in our workplace and culture, which covered several topics, including:

- › Baby loss awareness.
- › Mental health awareness.

We have also provided our line managers with bias awareness training ahead of the year end performance management review discussions.

Gender ratio

Our Executive team has a female-to-male ratio of 66% to 33%. After the new Executive Director for Supervision commences employment in February 2023, the ratio will be 57% to 43%. Our Board of Commissioners have a 50% to 50% ratio. In our overall workforce our ratio is 58% to 42%.

Qualifications and celebrating success

23 professional qualifications were awarded to our people in 2022. This included: International Compliance Association Advanced Certificates and Diplomas; Company Law at the Chartered Governance Institute UK and Ireland; ACCA Diploma in Financial and Management Accounting; Agile Project Management Foundation and Practitioner certifications, and many more. We are very proud of all our colleagues who achieved these successes. We also enjoy celebrating the successes achieved by our colleagues both inside and outside of work and the feedback from our staff survey is encouraging us to do more in this area.

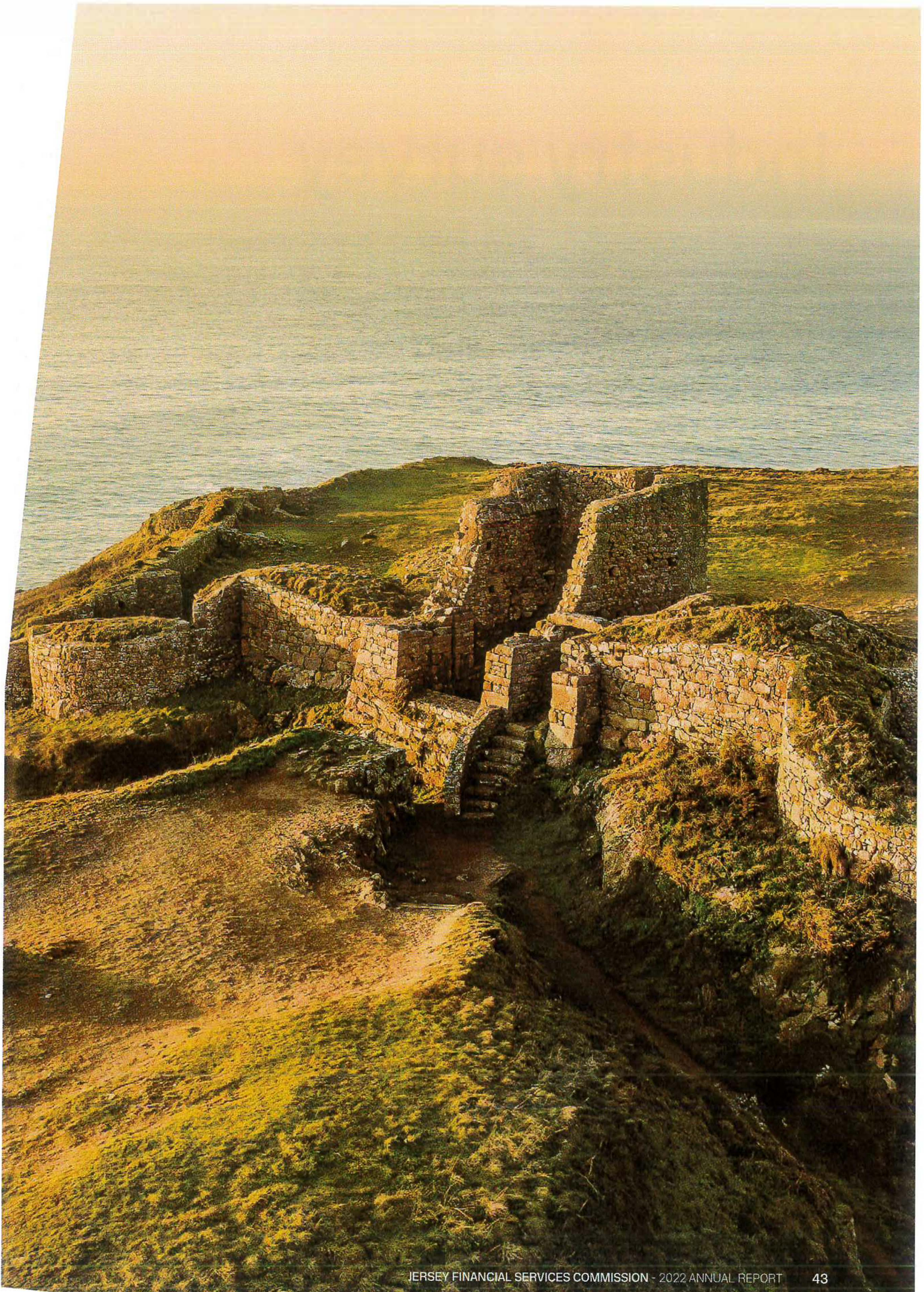
Performance analysis

In our 2021 Annual Report, we noted the establishment of an initial set of Key Performance Indicators (KPIs) to enable progress on our strategic aims to be monitored and reported. The measurement and assessment of these KPIs, conducted internally throughout 2022, allowed us to validate the appropriateness and effectiveness of our measures and to adjust them where we thought necessary.

As subsequently covered in our published 2023 Business Plan, being a high-performing organisation requires us to encourage greater accountability, transparency and oversight in our ways of working. Consequently, in 2023, we are publishing several KPIs which will be cascaded throughout the organisation, supplementing internally focused KPIs, and all designed to ensure we achieve our strategic vision. We will report on our strategic KPIs in the next Annual Report.

Strategic key performance indicators

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



Industry survey

To inform future strategy and continuous improvement, we commissioned a local market research company to carry out an independent survey to gain industry views and experiences of the JFSC. The main objective of the survey was to measure stakeholder perceptions and satisfaction levels.

Phase one – quantitative study

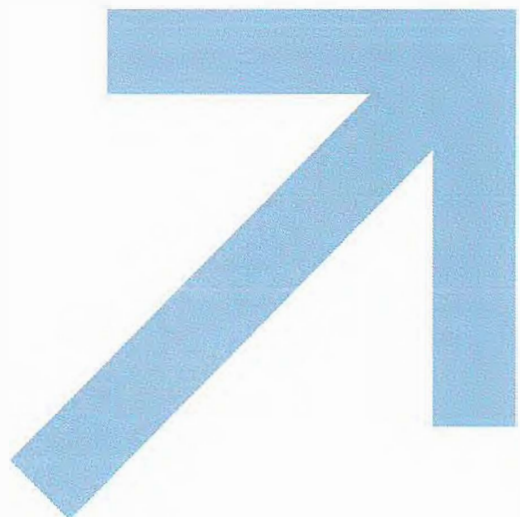
In November 2022 we completed phase one, an online quantitative survey including open-ended questions and received 486 responses that were reflective of our local finance industry. Users of certain services, e.g. Registry, were routed to specific, relevant questions.

Areas of strength included perceptions of the JFSC as a regulator acting in the best interests of Jersey, being perceived to be supportive of Jersey's competitiveness as an International Finance Centre, external communications activity and the majority of respondents stating we were comparably better than other international regulators.

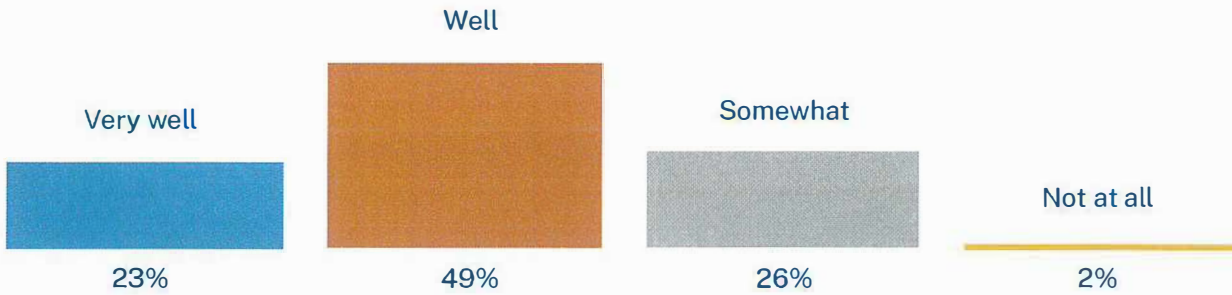
Areas for review and improvement included the quality of user experience, particularly regarding our portals and website search functionality.



55% responded 'better' or 'much better' when compared with other international regulators

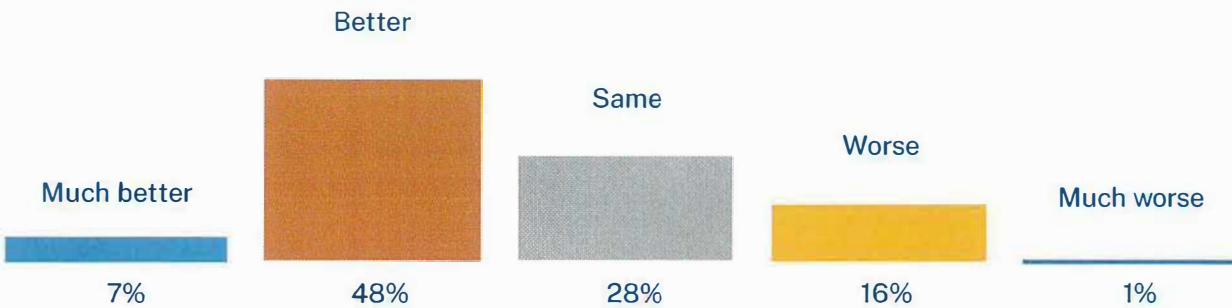


How well do you think the JFSC as a regulator acts in the best interest of Jersey?



sample size: 434 responses

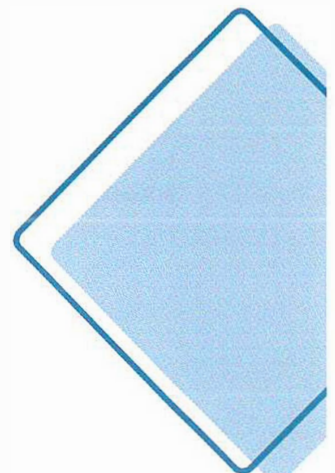
How do you think the JFSC compares with other international regulators?



sample size: 425 responses

6.4 Average score for quality of last engagement with JFSC

88% Have engaged with the JFSC in the last 12 months



Phase two – qualitative study

In January 2023 we completed phase two, an in person qualitative survey with eighteen face-to-face interviews. While this publication date is outside of the scope of the 2022 Annual Report, summary information is included to add context to the phase one findings.

Our phase two interviews provided an opportunity to test the findings from phase one, adding colour and context to the initial results. Again, we recruited respondents to be broadly representative of industry.

Engagement

- › Mixed engagement with JFSC, mostly via email
- › Lack of phone support

Perceptions

- › Well regarded international reputation, lower on-island reputation
- › High responsiveness to international matters

Positives

- › On the whole engaged staff who are professional and polite
- › National Risk assessment 2020
- › Industry updates
- › International reputation

Negatives

- › Majority of customers face frustrating issues with myRegistry, myJFSC is better but slow and there are search issues on the website
- › Strong perception of high turnover, lack of incentive to attract staff and lack of experienced staff

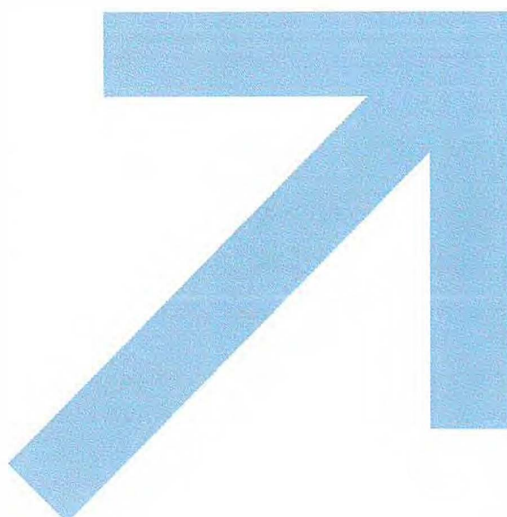
Research respondents called for:

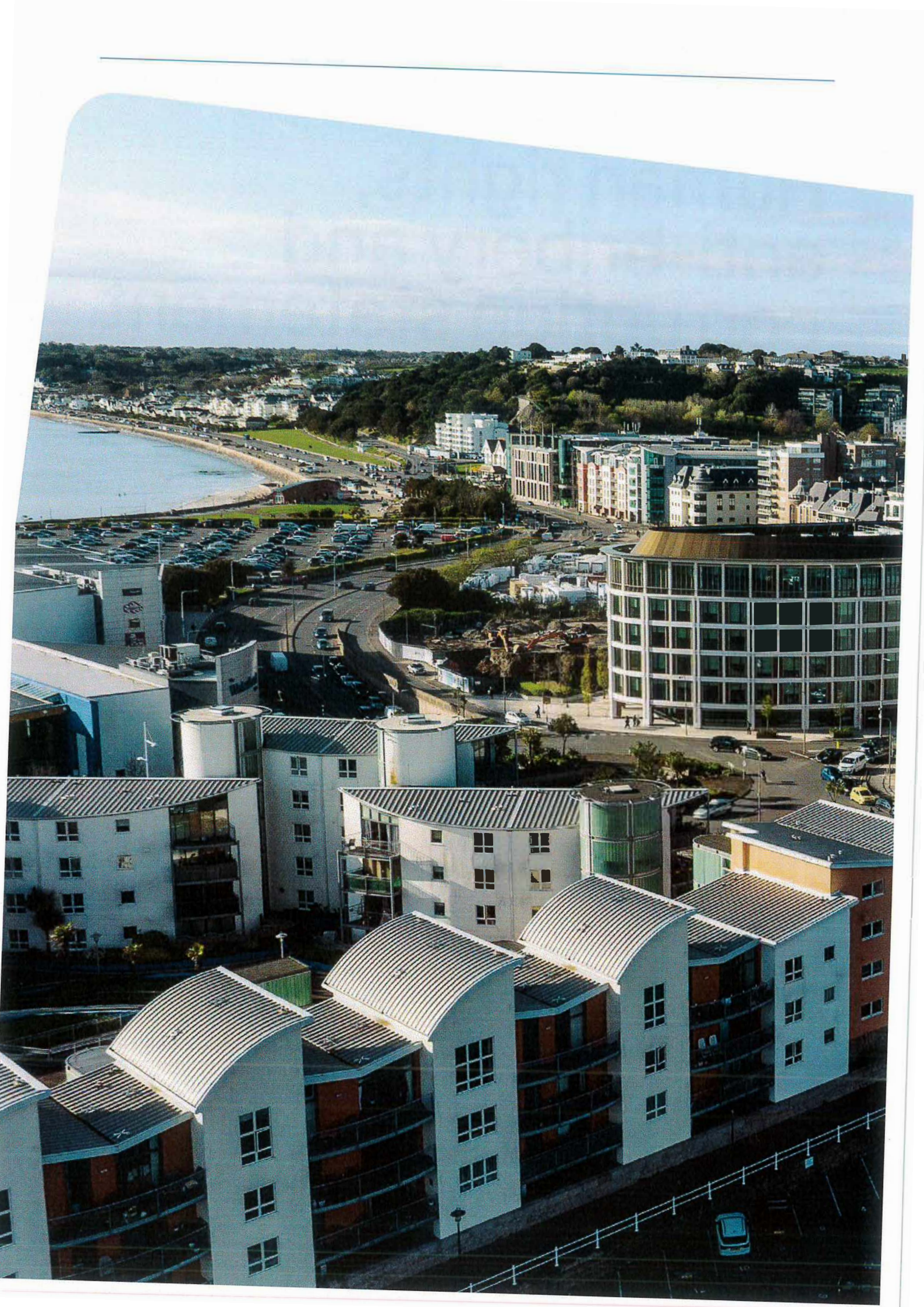
Digital - improved user-friendliness of myRegistry, myJFSC and website.

Support - consistency in staff, support and response time, and phone support.

Engagement - with industry and transparency of requirements.

The actions we take as a consequence of the industry survey will be communicated to our stakeholders, and included in our 2023 annual report.





Human rights, anti-bribery and corruption statement

■ We are compliant with the Human Rights (Jersey) Law 2000, as well as the Corruption (Jersey) Law 2006.

Furthermore, under the Financial Services Commission (Jersey) Law 1998 (Commission Law) we are required to

“...secure a proper balance between the interests of persons carrying on the business of financial services, the users of such services and the interests of the public at large”.

Within the JFSC there is a clear conflicts of interest policy for all staff, which sets out procedures for:

- › Conflicts of interest
- › Share dealing
- › Gifts
- › Hospitality

In addition, the expectation of the JFSC is that a Relevant Person's systems and controls to prevent, detect and report financial crime will include measures to mitigate risk associated with money laundering, terrorist financing, financial sanctions, bribery and corruption, proliferation financing and carrying on sensitive business activities.



Environmental, social and governance

Our Executive Risk Committee has ESG built into its Terms of Reference to ensure the risks associated are considered and managed.

We are committed to becoming a more sustainable organisation and minimising our environmental impact. Being a good corporate citizen and being socially responsible are key to who we are, both for the JFSC as an organisation and for the people we employ. We are conscious of the impact we make environmentally and socially, and we champion making positive contributions to our local community and the wider environment.

Sustainable development goals

During the year we reviewed the United Nations 17 sustainable development goals, to gauge the level of alignment with our strategic anchors. This work is an ongoing process which will develop over future years.

Encouraging our people to live sustainably

We continue to give every employee a refillable water bottle to cut back on plastic use and we have introduced a Bicycle Employee Benefit Scheme to support and encourage staff to buy a bike, supportive of the Government's Sustainable Transport Policy. We have also continued to make small but important changes in the office, such as switching to light-saving LED bulbs, ensuring lights and equipment are turned off when not in use and using recycled paper for printing and recycling bins for waste.

Whilst we need to use air travel to and from Jersey, we have invested in technology to enable greater working from home and for meetings to be conducted remotely, which may contribute to a reduced carbon footprint. We also continued with our support of local community causes, including Mencap pond clearance events.

Financial capability, education and inclusion

We have a responsibility to set the standards expected of regulated firms, inform the public of known risks, and promote best practice. We contributed to the improvement of financial capability, education, and inclusion in Jersey by making available information and resources, whether by production or signposting

to verified third-party information for both investors, consumers and regulated entities, thereby raising standards across the island. Furthermore, we are a member of IOSCO's Committee eight on Retail Investor Protection.

In the year, we continued as members of the Jersey Fraud Prevention Forum, which is a group of interested parties chaired by the States of Jersey Police, with a core focus of crime prevention. The Forum produced two newsletters in 2022 which are distributed to all households on the island, had an active social media presence, and held a number of outreach events to raise awareness of current fraud and scams which are prevalent in the island.



Finances and resources

In 2022 we recorded a surplus of £1.3m (2021: £0.3m). Our surplus was £1m higher than 2021 due to an increase in total income of £4.8m, combined with an increase in operating expenses of £3.8m. These operating cost increases principally relate to an increase in professional services costs (£1.4m), partly recovered under other income (increase of £0.5m), and increases in staff costs (£2.7m) and computer systems costs (£0.4m).

We had budgeted a deficit of £2.7m in 2022, but higher than expected income combined with lower than planned expenditure in a number of areas gave rise to the £1.3m surplus. As a result, our reserves increased to £10.8m.

Income

Total income in the year reached £27.3m (2021: £22.5m) following an increase in regulatory and registry fee income.

Regulatory fee income rose by £1.6m as a result of fee increases to fund our capital investment programme and further develop our capability to combat the threat of financial crime. Registry fee income increased by £2.4m relative to the prior year, driven by increased volumes of annual confirmations and transactions year-on-year.

Operating costs

Total operating expenditure increased by £3.8m (17%) to £25.9m.

Staff costs are the most significant item of expenditure, representing over 60% of our cost base. Costs increased by £2.7m (20%) compared to 2021, driven by an 11% increase in the average number of full-time employees to 201. Despite inflationary pressures, average costs per head remain stable year-on-year as we carefully manage our staff structure. Capital investments continued to drive the annual depreciation charge, however, the reduction in 2022 relates to a one off impairment of £1.2m in 2021 as we launched the new supervisory platform.

Capital expenditure

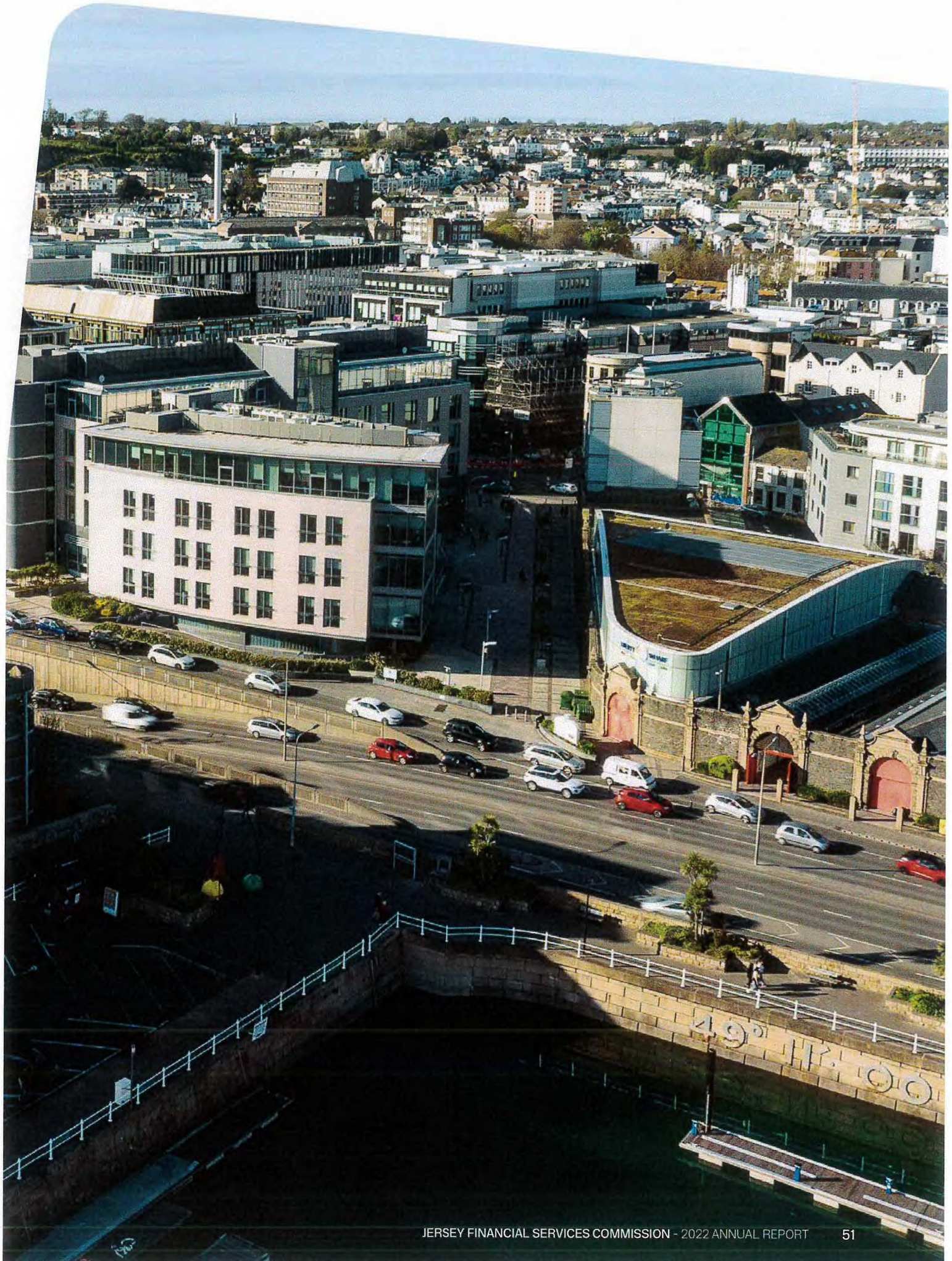
Our focus for 2022, combined with enhancements to our project governance, has ensured investment in only strategically important initiatives. As a result, capital investment for 2022 of £1.6m was in line with planned levels.

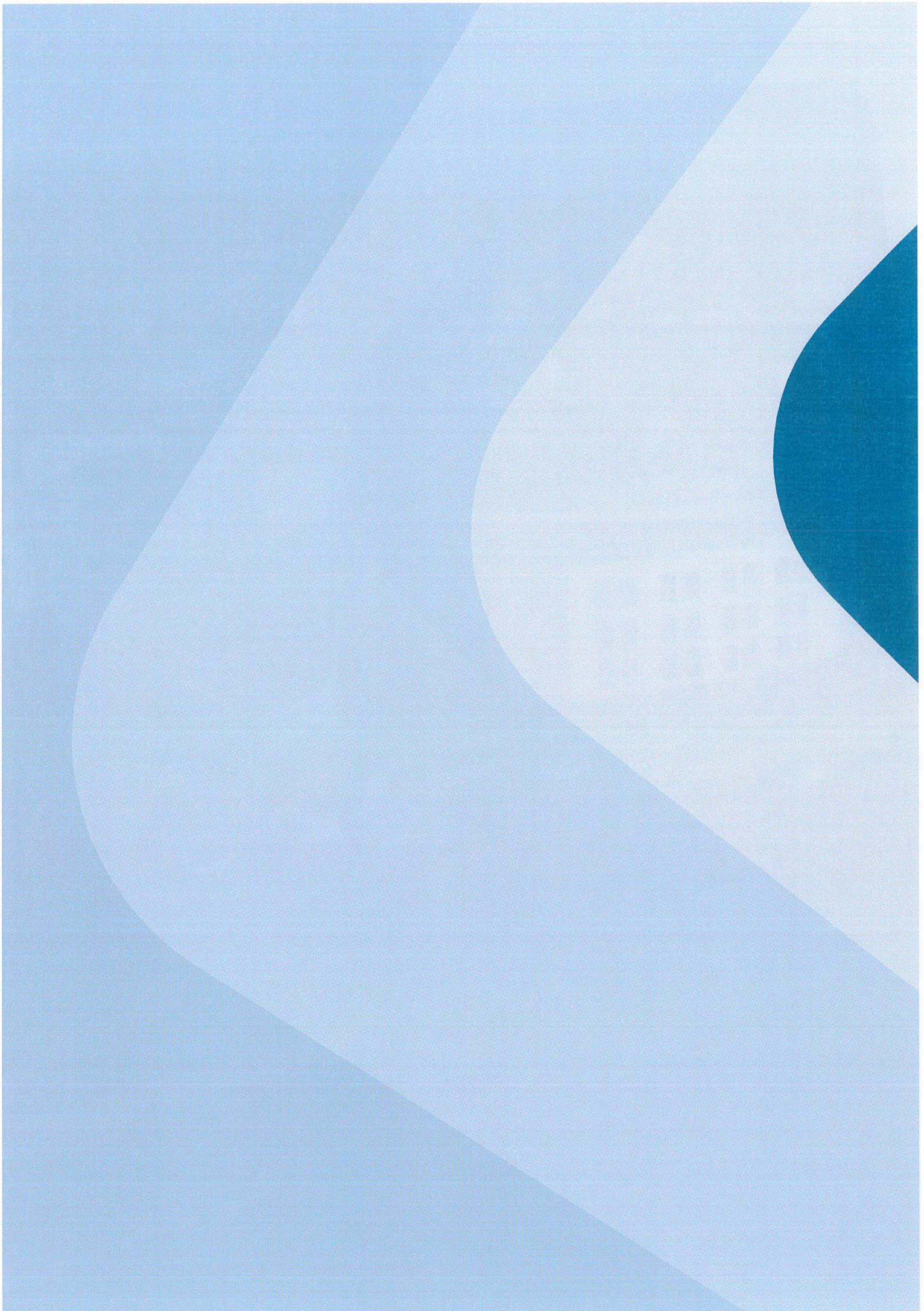
The net book value of fixed assets was maintained at £7.7m (2021: £7.7m) with annual depreciation and amortisation decreasing to £1.5m (2021: £1.9m).

Financial position and forward look

Our retained liquid assets position improved during 2022 to £11.7m (2021: £10.5m), driven by transactional volumes exceeding expectations. This has supported the increase in our financial reserves during 2022 to £10.8m (2021: £9.4m). The level of retained liquid assets will support the continued investment in our change program and initiatives driving improvements, while still managing our operating costs effectively. This ensures that, if a significant adverse event occurs, we would retain the financial ability to continue with business-critical projects, in addition to our normal regulatory and registry operations, while appropriate action is taken.

In addition, it allows us to make effective use of our retained liquid assets to pre-fund valuable initiatives in their initial stages where the full details of volumes and costs are unknown.





Accountability report



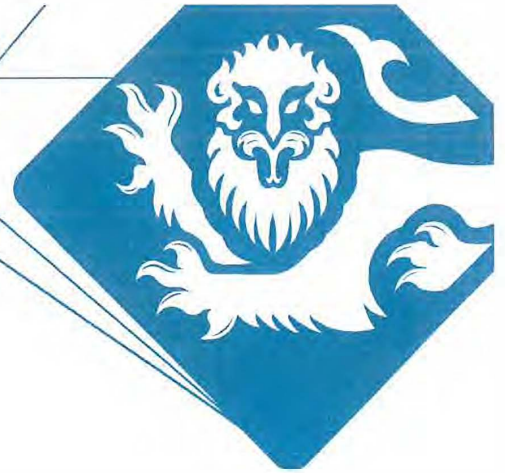
Introduction

The Accountability Report provides key accountability information, comprising:

- › The Governance Statement, which includes the remuneration report. It describes the governance structures and how they support the overall objectives of the JFSC.
- › The Independent Auditors Report and Financial Statements.



Governance statement



Constitution

The Jersey Financial Services Commission (JFSC) is a statutory body established under Article 2 of the Financial Services Commission (Jersey) Law 1998 (FSC(J)L), which provides that the JFSC shall be governed by a Board of Commissioners comprising persons with financial services experience, regular users of such services and persons representing the public interest.

Accountability arrangements

The JFSC is an independent body, accountable to the public through the Island's elected representatives, namely, the Minister for External Relations and Financial Services and the States Assembly. The relationship with ministers is set out in a Memorandum of Understanding to ensure the independence of the JFSC whilst facilitating effective dialogue and working practices. Article 12 of the Commission Law provides that the Minister for External Relations and Financial Services may give the JFSC general directions in respect of the policies to be followed by the JFSC in relation to the supervision and development of financial services in Jersey and the manner in which any function of the Commission is to be carried out.

The JFSC produces an annual Business Plan and, separately, this Annual Report to inform members of the States Assembly and other stakeholders. The JFSC consults extensively on all proposals to create or amend Laws and Regulations and provides feedback statements to explain how responses were taken into account.

Governance arrangements

The Board maintains overall responsibility for the governance of the JFSC, setting its strategic aims and supporting the Executive Leadership Team to put them into effect; and holding the Executive accountable, within the scope of the FSC(J)L and the powers that the JFSC has been granted under that Law. The Board also oversees the running of the Board Committees.

Led by the Chair, Mark Hoban, the Board believes in high quality and effective governance arrangements and, in the absence of specific Codes or Standards for the governance of a financial services regulator, the Board follows the UK Corporate Governance Code (Code) as an appropriate benchmark.

In line with the Principles of the Code, the JFSC's Board establishes the strategy and seeks to satisfy itself that this and its culture are aligned. Much work was undertaken in 2022 to progress the JFSC's People Strategy, including a review of the JFSC's values and culture, in order to further support the effective delivery of the JFSC's strategic objectives.

The Board is mindful of the level of resources required to negotiate an ever more complex regulatory environment, as well as supporting the need to meet international standards. It seeks to ensure that the necessary resources are in place for the JFSC to meet its objectives and the Board looks to measure performance against those objectives by way of regular reporting on KPIs at Board meetings. An independent review of the JFSC's Resource Model was conducted in late 2022. In summary, the outcome was that if the JFSC completed its planned recruitment activities in 2023, its staffing would be in line with its peers.



The Board has established a framework of prudent and effective controls, which enables risk to be assessed and managed. Led by Commissioner Garrad, the JFSC's Risk Committee oversaw a significant development of the JFSC's Risk function in 2022, with the appointment of a Director of Risk, a growing team and further embedding of a risk led mindset across the organisation. The Board now has regular reporting on its top Enterprise risks and risk appetite statements have been developed for the sectors that the JFSC supervises.

Mindful of its responsibilities to stakeholders, the Board ensures effective engagement with, and encourages participation from, these parties. This is further supported by the rollout of an External Engagement Strategy in 2023, the JFSC seeks to strengthen its relationships both locally and internationally with active participation from Commissioners as well as the senior management teams. This will bolster Jersey's place on the international map and seeks to improve communication and engagement with industry. The Board plays a key role in listening to industry to understand current trends, as well as international developments, and is actively seeking to improve the JFSC's interaction with industry. The Board fully supports strategic engagement with industry bodies.

In terms of the JFSC's employees, the Board ensures that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The JFSC's workforce is able to raise any matters of concern via the formal route of an internal Whistleblowing line or through attendance at the Staff Forum meetings. The JFSC's Staff Forum went through a process of formalisation in 2022, with a dedicated Chair and the formulation of a Terms of Reference. A number of initiatives were supported by the Staff Forum, such as the JFSC's ESG policy development. Representatives from the Staff Forum have been invited to attend the Board's Remuneration Committee in 2023, bringing the voice of the employee into the Boardroom

There is a clear division of responsibility between the Chair and the Director General, no individual has unfettered power of decision-making.

Delegation of powers

The Board delegates its powers to the Director General, where possible, to ensure that the JFSC can act and respond without undue delay. The Director General is responsible for the successful leadership of the JFSC, ensuring that Jersey's position as an International Financial Centre with high regulatory standards is maintained. However, in some areas, the power of the Commissioners to delegate is restricted by legislation. For example, the Board acts in a similar manner to a tribunal in relation to contested enforcement cases. Consequently, the Board is more involved in some areas of detail than the Board of a listed or private company. A full explanation regarding the 'Delegation of Powers' can be found on the JFSC's website: www.jerseyfsc.org.

Director General's responsibilities

The Director General is accountable to the JFSC Board, which is made up of on and off-island Commissioners. The Director General is an ex officio member of the Board

The Director General:

- › Provides effective leadership of the JFSC in its day-to-day operations as both regulator and registry, ensuring the organisation delivers its strategic priorities.
- › Works collaboratively with the Board and the Executive team towards common objectives, fostering effective teamwork.
- › Drives the transformation of capabilities through the implementation of strategy and the development of the JFSC's annual business plan and budget.
- › Plays a leading role in Jersey's financial services ecosystem, working closely with Government and industry to deliver high standards of regulation and a sustainable future for the sector.
- › Maintains and enhances effective supervision of Jersey's financial services sector with a particular focus on financial crime.
- › Develops and strengthens good relationships with regulated firms, other regulators and relevant international bodies.
- › Is responsible for the effective operation of risk management frameworks and systems of internal control.

Composition of the Board and appointment of Commissioners

The Board currently consists of the Chair, Deputy Chair and seven other Commissioners, including the Director General. Over half of the Commission Board is female. All of the Commissioners are considered to be independent, with the exception of the Director General. A chart of the current Commissioners is set out on page 94 of this Annual Report and further information on their skills, knowledge, experience and significant interests is set out on the JFSC's website.

A search for two new Commissioners is underway in light of the fact that Commissioners Pichler and Morris will retire after nine years on the Board in January 2024.

Recruitment of Commissioners follows a rigorous and transparent process in line with the Jersey Appointments Commission's guidance.

Board meetings and attendance

The Board met eight times during 2022 to consider strategy, risk, preparedness for the 2023 MONEYVAL assessment and regular business. All Board members attended all eight meetings, with the exception of two Commissioners, who both missed one meeting.

The Board also met several times in 2022 to review and consider enforcement settlement cases and contested matters.

In July, the Commissioners and the Executive met for a strategy day to look at the shape of the 2023 Business Plan and to review progress with strategic objectives. Commissioners were joined by external speakers from the digital/crypto industry to provide current insights and commentary on the evolution of this sector.

Throughout the year, the Executive and Commissioners participated in events with fellow regulators, industry representatives and Government ministers. Regular discussions took place over the year with Government in terms of significant financial services matters and planning for the MONEYVAL assessment.

Board members record their conflict of interests on the JFSC's Register of Interest and are asked to make annual attestations as to those entries. Furthermore, Commissioners consider carefully the potential for conflicts of interest to arise in meetings and excuse themselves should any perceived or actual conflict be identified.

Board apprentice programme

As a result of Board Apprentice's 'I WILL' initiative, Catherine Watson from Government's Internal Audit function joined the Commissioners for Board meetings for a year from Q2 2021 as a Board Apprentice. This experience was deemed to have been of value both to the Board and to the Board Apprentice. The same scheme is running throughout 2023 with a new Board Apprentice.



Board meetings and attendance 2022

Commissioners'	Board	Audit	Remuneration	Risk	Nomination
Mark Hoban (Chair)	8/8	-	4/6	-	3/3
Monique O'Keefe	8/8	-	6/6	-	3/3
Simon Morris	8/8	6/7	-	-	-
Tracy Garrad	7/8	-	-	4/4	-
Annamaria Koerling	8/8	-	6/6	-	3/3
Peter Pichler	7/8	6/7	-	3/4	-
Matt Palmer	8/8	7/7	-	4/4	-
Claire Bowes	4/4	-	6/6	-	-
Megan Butler (appointed 31 May 2023)	0/0	-	-	-	-
John Laurens (appointed 31 May 2023)	0/0	-	-	-	-

Board effectiveness

In the interests of good governance, the Board underwent an internal Board Effectiveness Evaluation in 2022 which included an element of Commissioner self-assessment. The outcome of the evaluation led to a number of actions being agreed upon, all of which are now in progress, including the use of Board training to drive more strategic thinking, the commitment to run a stakeholder survey and to look at more direct engagement between the Board, industry practitioners and civil society.

An external Board Evaluation is scheduled for 2023.

Enforcement matters

As is required every year, the Board spent significant time on a number of enforcement matters that arose through the application of the Commission's Decision-Making Process (DMP) and civil financial penalty cases. Such cases tend to be highly complex and involve the actions of regulated persons over a considerable period of time. These cases require Commissioners to dedicate a significant amount of time ahead of DMP meetings in the reading of extensive and detailed material whilst maintaining an independent mindset, in order to consider and conclude outcomes which are in the best interest of Jersey and its residents.

Nomination Committee

The Board's Nomination Committee is chaired by Mark Hoban and is responsible for reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and makes recommendations to the Board with regard to any changes. Mark Hoban is joined by Monique O'Keefe and Annamaria Koerling as members of the Committee. Creating an inclusive environment where all types of diversity are valued is important to the JFSC. The Nomination Committee oversees the recruitment process for Commissioners and the Director and ensures this is in accordance with the Jersey Appointments Commission (JAC) Guidelines.

In 2022 its principal focus was the recruitment of a permanent Director General in H1 whilst switching its focus to succession planning and skills analysis in H2 in light of the fact that two Commissioners are due to retire in January 2024.

Audit Committee

The Audit Committee is responsible for monitoring internal financial control systems and to work with the Executive and the external auditor to ensure the quality of the management of financial reports and the annual accounts.

The Committee met seven times during 2022. It is chaired by Matt Palmer who is joined by Peter Pichler and Simon Morris as members.

Remuneration Committee

As well as monitoring the level and structure of remunerations for senior management (directors at grade nine and above), including individual performance against objectives, the Remuneration Committee provides advice and counsel to the JFSC's Executive in the production of remuneration policies and practices to support strategy and promote long-term sustainable success.

Commissioner Bowes assumed the position of Chair of the Remuneration Committee in 2022, following a five-year period under Commissioner Koerling. Claire Bowes, who has a strong background in HR, is joined by Monique O'Keefe, Mark Hoban and Annamaria Koerling as members of the Committee.

The Committee met on four occasions during the year, joined by the Director General and the Executive Director of People and Culture.

Risk Committee

Responsibility for risk and risk management remains with the full Board, but the Risk Committee oversees and guides the Executive Risk Committee as the JFSC further develops its risk-based supervision strategy. The Risk Committee, Chaired by Commissioner Garrad, advises and partners with the Executive in fulfilling the Executive's accountability to the Board regarding risk management. Other members include Peter Pichler and Matt Palmer, each with a wealth of experience in risk management.

The Risk Committee met four times in 2022 and principally spent its time working with the Executive on the further development of the JFSC's Risk governance and the development of risk appetite statements.

Auditor

Grant Thornton Limited undertook the annual audit.

Responsibility for annual report and financial statements

This Annual Report and financial statements comply with the requirement in the FSC(J)L to produce an Annual Report to the Minister for External Relations and Financial Services and to be present it to the Members of the States no later than seven months after the end of the financial year.

The statutory obligations on the Commissioners are not extensive, requiring only that the annual accounts shall be prepared in accordance with generally accepted accounting principles and show a true and fair view of the surplus or deficit for the period and state of affairs at the period end. The Commissioners have elected to prepare the financial statements in accordance with Financial Reporting Standard 102 (FRS102); the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

Taking into account general practice, the Commissioners confirm that they are responsible for:

- › Keeping adequate accounting records sufficient to show the financial position within a reasonable period of time.
- › Safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.
- › Preparing the financial statements in accordance with applicable laws and regulations.
- › Selecting suitable accounting policies and applying them consistently

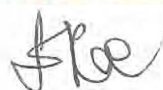
- › Making judgments and accounting estimates that are reasonable and prudent
- › Preparing the accounts on a going concern basis unless it is inappropriate to presume that the JFSC will continue in business.

The Commissioners have considered the financial statements on pages 74 to 91 and are satisfied that they show a true and fair view for the year and the financial position of the JFSC at 31 December 2022.

As far as the Commissioners are aware, there is no relevant audit information of which the auditors are unaware and the Commissioners have taken all practical steps to make themselves aware of any relevant audit information and that the auditors are aware of that information.

The Commissioners have considered the Annual Report and, taken as a whole, confirm that they believe the Annual Report is fair, balanced and understandable.

For and on behalf of the Board of Commissioners



L Roe

Commission Secretary

PO Box 267
14-18 Castle Street
St Helier
Jersey
Channel Islands
JE4 8TP

11 July 2023



Remuneration and staff report

The JFSC's remuneration principles are designed to support our strategic anchor of developing our people, systems and capabilities to be a high performing organisation. We seek to attract and retain high calibre individuals and to reward them for achieving clear objectives that are focused on results and behaviours.

We completed an external pay benchmarking exercise to ensure that our remuneration package remained competitive in the jurisdiction, which has a highly competitive labour market.

Metrics

We report on a number of people metrics. The following data is presented as at 31 December 2022.

Gender

- › 58% female out of our total employee population
- › 42% male out of our total employee population
- › Our Executive team has a female-to-male ratio of 66% to 33%. In early 2023, when our new Executive Director for Supervision starts, the ratio will be 57% to 43%
- › Our Commissioners have a 50% to 50% ratio

Contract type

- › 181 employees on permanent contracts
- › 13 employees on fixed term contracts
- › 2 employees on zero hour contracts

Tenure

- › 4 year average tenure
- › 49% less than two year tenure

Location

- › 195 on-island staff
- › 1 off-island member of staff

Learning and development

- › £254,413 spent in 2022

Remuneration

Employees are split between nine grades.

Grades 7-9

- › 65 employees
- › Average salary: £99,621

Grades 4-6

- › 97 employees
- › Average salary: £52,015

Grades 1-3

- › 34 employees
- › Average salary: £30,359

Director General remuneration

Jill Britton was not paid any fees in her capacity as a Commissioner but was paid as an Executive Director in her capacity as Director General from 7 April 2022. For 2022, Jill Britton received £229,025, comprised of fixed remuneration £194,575 and variable remuneration £34,450.

For 2021, Martin Moloney received £224,550.

Commissioner Remuneration

Commissioners receive a fixed annual amount. No additional amounts are paid for participating in or chairing sub-committees, dealing with enforcement cases or attending to other matters.

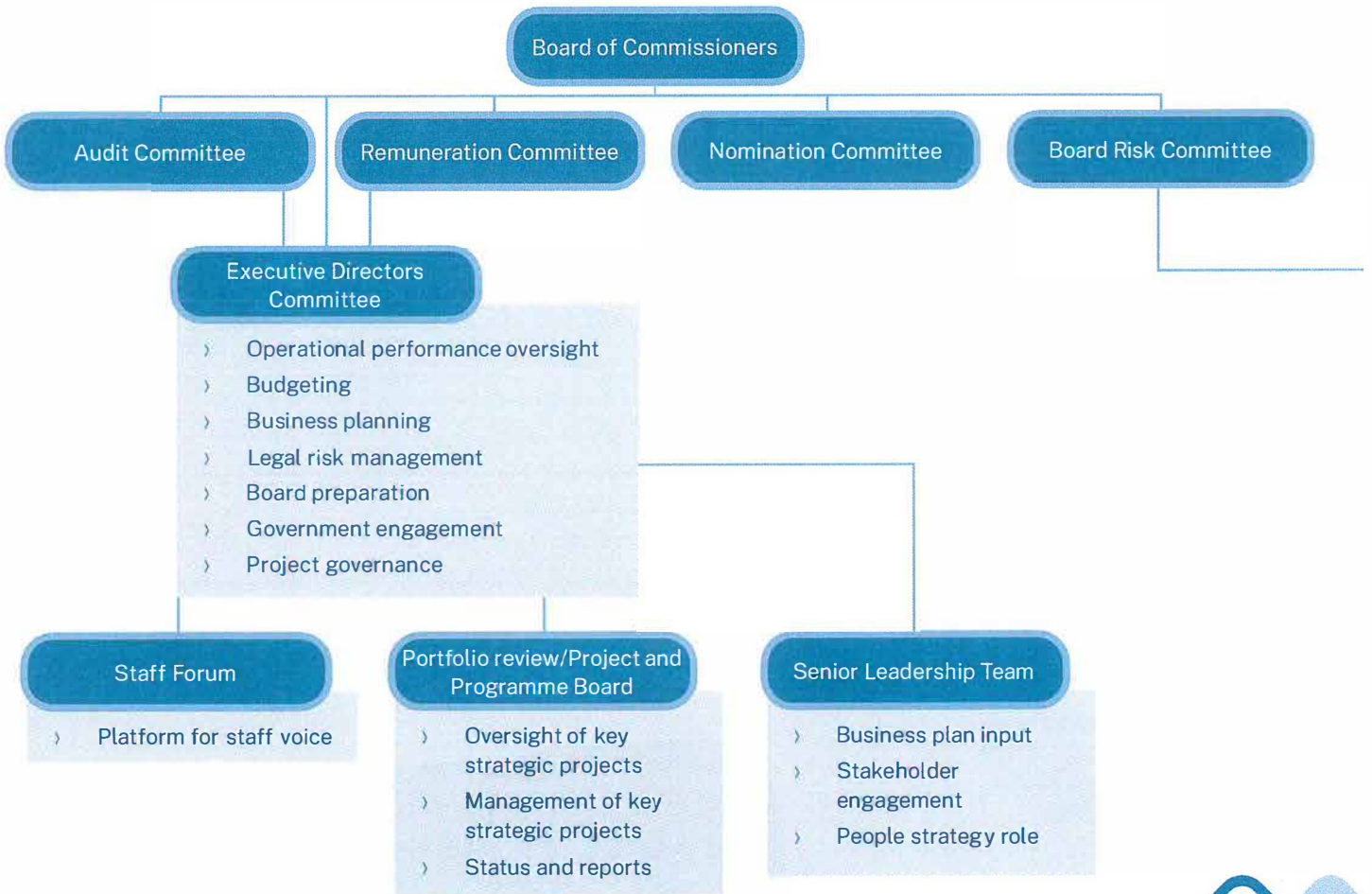
The Commissioners fees have remained unchanged since 2015 and it has been agreed that in the light of cost of living changes since then the fees for 2023 should be increased by 5%, in line with the pay rise for staff.

Commissioners' remuneration	2022 £	2021 £
Mark Hoban (Chair)	150,000	150,000
Jill Britton	0	0
Monique O'Keefe (Deputy Chair)	33,350	32,182
Simon Morris	36,500	36,500
Tracy Garrad	36,500	36,500
Annamaria Koerling	36,500	36,500
Peter Pichler	26,000	26,000
Matthew Palmer	26,000	26,000
Claire Bowes*	38,357	13,300
Ian Wright	0	9,834
Megan Butler (appointed 31 May 2023)	0	0
John Laurens (appointed 31 May 2023)	0	0
Total	383,207	366,816

*Claire Bowes worked as an adviser in a capacity outside her remit as Commissioner and was remunerated £12,357 for this.



Governance structure





Executive Risk Committee

- › Assists the Board Risk Committee in overseeing the management of risk across the JFSC, ensuring that policies, organisational structures, budget and resources are appropriate to manage the JFSC's principal risks

Information Security Committee

- › Provides oversight and prioritisation of information security issues

Regulatory Effectiveness Committee

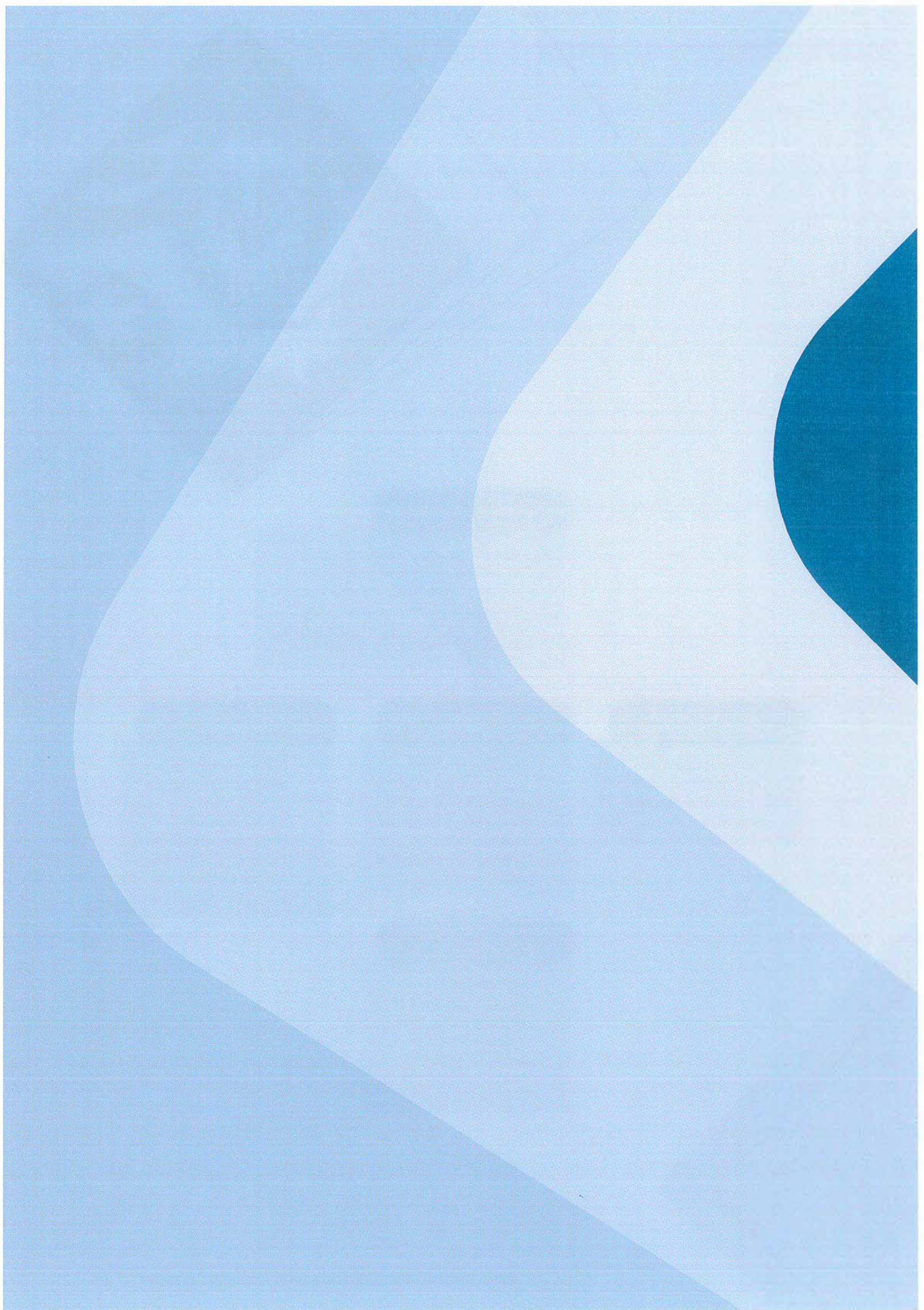
- › Provides strategic advice and guidance to both Supervision and Enforcement on matters relating to ML/FT, conduct and prudential risk

High Risk Business Forum

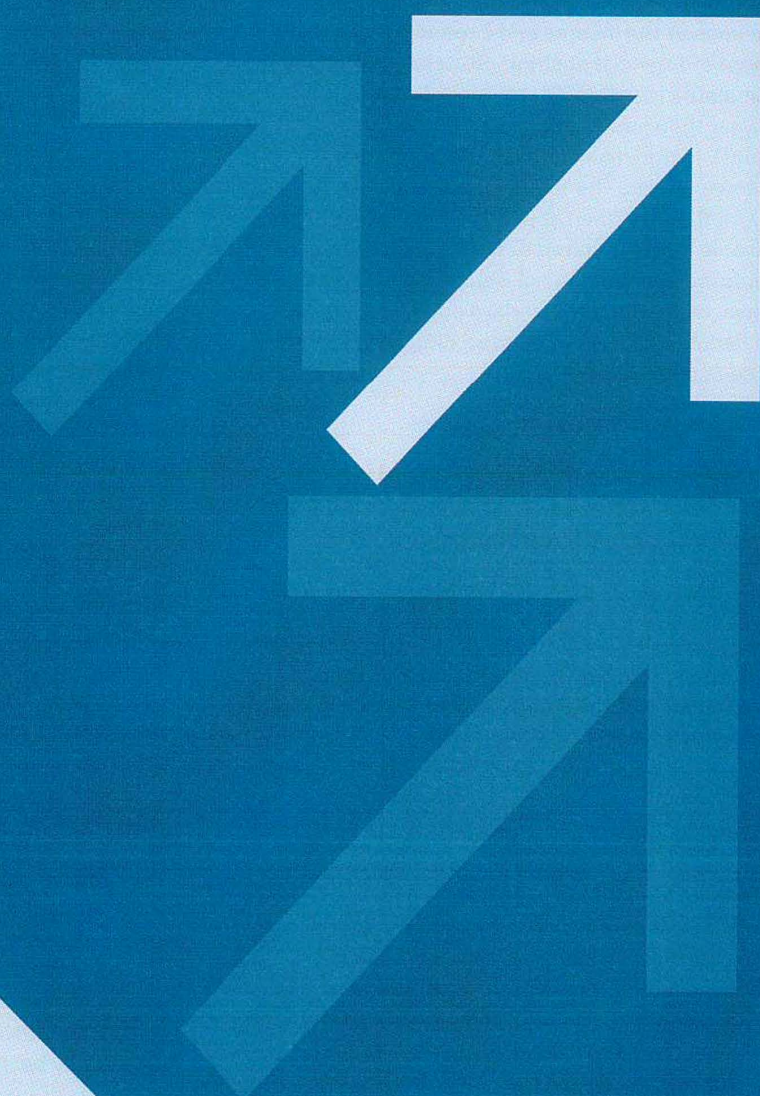
- › Ensures consistency in decisions regarding incorporation, registration and authorisation of high risk entities, emerging business models and products and services

Supervision Data Collection Forum

- › Considers the suitability and use of data requested from industry through targeted, sector specific, industry data collection exercises



Financial statements



Independent auditor's report

To the Chief Minister of the States of Jersey

Opinion

We have audited the financial statements of Jersey Financial Services Commission (the 'Commission'), which comprise the Income and expenditure account, Statement of financial position, Statement of changes in accumulated reserves, Statement of cash flows for the year then ended, and Notes to the financial statements, including a summary of significant accounting policies. The financial statements framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- › give a true and fair view of the state of the Commission's affairs as at 31 December 2022 and of its surplus for the year then ended;
- › are in accordance with United Kingdom Generally Accepted Accounting Practice; and
- › have been prepared in accordance with the requirements of the Financial Services Commission (Jersey) Law 1998

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Jersey, and we have fulfilled our other ethical responsibilities in

accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Commissioners made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Commission, the accounting processes and controls, and the industry in which the Commission operates.

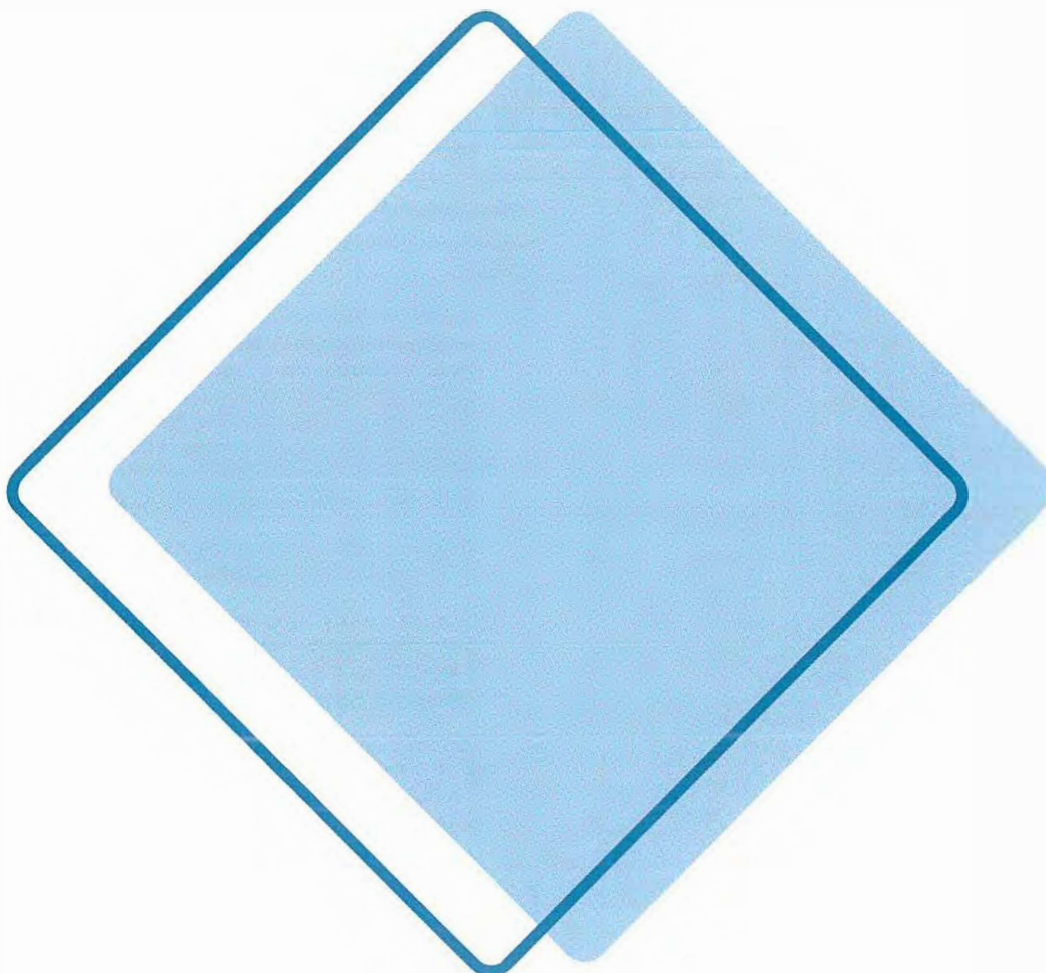
Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Commission materiality for the financial statements as a whole as set out in the table below.

These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	£466,000 based on annualised interim revenues with final revenues leading to an increased materiality, hence not updated (2021: £387,000)
How we determined it	1.75% (2021: 1.75%) of the Commission's total revenue (2021: average income over three-year period)
Rationale for the materiality benchmark	We believe that revenue is the key performance measure used by the Commissioners in assessing and reporting on overall performance by the Commission. Surplus is not a relevant benchmark as the Commission is not a profit-oriented entity but rather a public service provider. Statement of financial position items are also deemed to be inappropriate to use as benchmark given stakeholders are not interested in a return on investment made.



Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
<p>Risk of fraud in revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition.</p> <p>The risk is mainly around completeness and cut off of revenue.</p> <p>Completeness Risk</p> <p>Due to the ad-hoc nature of some revenue lines, there is a risk that not all revenue transactions occurring during the period have been billed to the customer and recorded in the accounting records.</p> <p>Cut-off Risk</p> <p>The main revenue streams of the Commission are regulatory and registry fees, of which annual fees are charged on different dates throughout the year depending on the specific fee. There is a risk that revenue may not be recorded in the correct period.</p> <p>Details of the accounting policies applied during the year are included in note 1 to the financial statements and details of regulatory and registry fee income are included in notes 4 and 5 to the financial statements respectively.</p>	<p>Registry income</p> <p>Our audit approach included but was not limited to:</p> <ul style="list-style-type: none"> › We performed a walkthrough of annual confirmation fee posting on the Regsys system to understand the workflow from creation through to acceptance and posting into the NAV accounting system. › We utilised data analytics to interrogate data extracts from the myRegistry (Regsys) system to obtain all annual confirmations which were created and registered during 2022. › Transactional line items in relation to annual confirmations were then analysed to ensure that total fees for each submission were in line with the published fees on the JFSC website (£270 or £220) and that the net fee (after deduction of the government levy) is what was recorded as revenue in totality in the general ledger. › Other transaction related fees, originating from orders placed on the portal, have been reconciled in total through to the general ledger. › All material revenue postings in relation to registry fees have then been analysed using data analytics to ensure that they have been credited to revenue and debited either to debtor control accounts or to the bank and covered by our balance sheet testing accordingly. › Any remaining postings are considered as part of our approach to the testing of manual journal entries. <p>Regulatory fee income</p> <p>Our approach to the audit of regulatory fee income was as follows:</p> <ul style="list-style-type: none"> › Identify an entity which from our own experience received its regulatory license during the financial year. Walkthrough the data for this entity from the public registry to the list of regulated entities on the JFSC website, and then follow the license through to the underlying ERM system to ensure that the data captured is in line with our expectations and the entity was included within the 2022 fee runs appropriate for the licenses held. › Review the XML query utilised to generate the fee run for each material regulatory class. › Using data analytics to determine whether all expected entities are included within the relevant fee run and that the fee charged is consistent with the published fee notice on the JFSC website. › Perform a proof in total to determine whether all invoice lines within the ERM system have been posted to the revenue totals in the general ledger and within the correct accounting period. › Perform a proof in total to validate the deferred income balance. <p>As a result of our work, no material exceptions were noted.</p>

Other information in the Annual Report

The Commissioners are responsible for the other information. The other information comprises the information included in the 'Annual Report' but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Commissioners for the financial statements

As explained more fully in the Responsibility for annual report and financial statements set out on page 60, the Commissioners are responsible for the preparation of the financial statements which give a true and fair view and for such internal control as the Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioners are responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Commissioners either intend to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

- › Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners.
- › Conclude on the appropriateness of the Commissioners' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- › Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Commissioners regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Commissioners with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Commissioners, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of our report

This report is made solely to the Chief Minister of the States of Jersey in accordance with Article 21(3) of the Financial Services Commission (Jersey) Law 1998. Our audit work has been undertaken so that we might state to the Chief Minister those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Minister, the JFSC and the Commissioners of the JFSC as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited

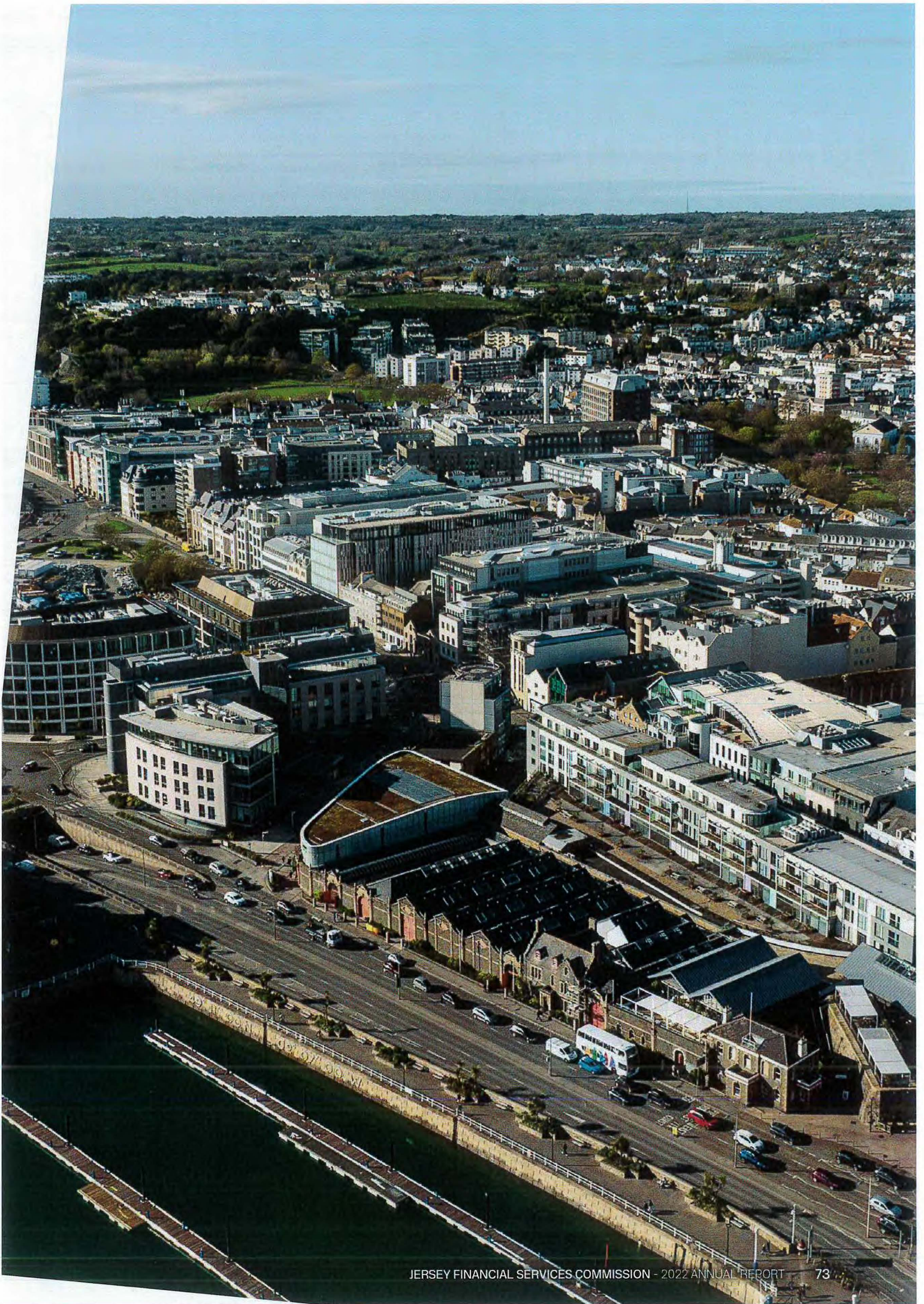
Grant Thornton Limited

Chartered Accountants

St Helier

Jersey

1³
1² July 2023



Financial statements

Income and expenditure account for the year to 31 December 2022

		2022	2021
	Notes	£'000	£'000
Regulatory income			
Regulatory fee income	4	18,609	16,948
Registry fee income	5	7,620	5,183
Total regulatory income		26,229	22,131
Other income	6	914	366
Interest income		146	7
Total income		27,289	22,504
Expenses			
Staff costs	7	(16,444)	(13,718)
Computer systems		(2,234)	(1,808)
Premises costs		(1,081)	(871)
Professional services		(3,063)	(1,704)
Investigation & litigation		(12)	(1)
Other operating costs		(1,267)	(850)
Depreciation, amortisation and impairments	8	(1,533)	(3,081)
Staff learning and development		(224)	(110)
Travel costs		(92)	(35)
Total expenses		(25,950)	(22,178)
Surplus for the year	8	1,339	326

All the items dealt with in arriving at the net surplus relate to continuing operations.

There are no recognised gains and losses in the current and preceding year other than those included in the net surplus above, therefore no separate statement of other comprehensive income and expenditure has been presented.

Statement of financial position as at 31 December 2022

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed Assets					
Intangible assets	9	6,869		7,182	
Tangible fixed assets	10	835		491	
			7,704		7,673
Current Assets					
Trade and other receivables	11	1,405		2,900	
Prepayments		1,781		1,562	
Cash and bank balances	12	16,531		11,124	
			19,717		15,586
Total assets			27,421		23,259
Creditors - Amounts falling due within one year					
Fee income received in advance		7,829		6,941	
Creditors	13	6,385		4,269	
Provisions	14	22		35	
			14,236		11,245
Total assets less current liabilities			13,185		12,014
Creditors - Amounts falling due after more than one year					
Fee income received in advance			209		183
Creditors	13		1,577		1,887
Provisions	14		639		523
			2,425		2,593
Net assets			10,760		9,421
Represented by					
Accumulated reserves			10,760		9,421

The notes on pages 78 to 91 form an integral part of the financial statements.

The financial statements on pages 74 to 91 were approved and authorised for issue by the Board of Commissioners on 11 July 2023, and signed on its behalf by:



Mark Hoban
Chairman



Jill Britton
Director General

Statement of changes in accumulated reserves

	Accumulated reserves
	£'000
Balance at 1 January 2021	9,095
Surplus for the year	326
Balance at 31 December 2021	<u>9,421</u>
Balance at 1 January 2022	9,421
Surplus for the year	1,339
Balance at 31 December 2022	<u>10,760</u>

The notes on pages 78 to 91 form an integral part of the financial statements.

Statement of cash flows for the year ended 31 December 2022

		2022	2021
	Notes	£'000	£'000
Cash flows from operating activities			
Surplus for the year		1,339	326
Interest receivable		(146)	(7)
Depreciation, amortisation and impairment charges	9, 10	1,533	3,081
Utilisation of provision		-	(14)
Movements in creditor provisions		103	76
Movement in doubtful debts provision		(57)	(12)
Deferred rental incentive		(10)	(26)
Decrease/(increase) in debtors and prepayments		1,333	(2,574)
Increase/(decrease) in income received in advance		914	(7)
Increase in creditors		1,816	433
Net cash generated from operating activities		6,825	1,276
Cash flows from investing activities			
Interest received		146	7
Proceeds from disposal of fixed assets		7	0
Purchases of tangible and intangible fixed assets	9, 10	(1,571)	(2,295)
Net cash used in investing activities		(1,418)	(2,288)
Net increase/(decrease) in cash and cash equivalents		5,407	(1,012)
Cash and cash equivalents at 1 January		11,124	12,136
Cash and cash equivalents at 31 December	12	16,531	11,124
Cash and cash equivalents consists of:			
Cash at bank and in hand		3,708	2,294
Short-term deposits		12,823	8,830
Cash and cash equivalents	12	16,531	11,124

The notes on pages 78 to 91 form an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 December 2022

1. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The financial statements are prepared on a going concern basis, under the historical cost convention.

The significant accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to both accounting years presented.

The JFSC is a statutory body established under Article 2 of the Financial Services Commission (Jersey) Law 1998.

Our registered address is Jersey Financial Services Commission, PO Box 267, 14-18 Castle Street, JE4 8TP.

We have taken advantage of the exemption available under FRS 102 section 9.3(g) and have not prepared consolidated financial statements.

Income

Income is accounted for on an accruals basis.

Regulatory and Registry annual fees received are recognised as income on a straight-line basis over the relevant period. Annual registry fees and revenue from the operation of the Island's registers include only the share of that income attributable to us.

Amounts received from the Government of Jersey in the form of grants and other financial assistance are recognised when the JFSC has satisfied all of the conditions necessary for the funds to be released. Amounts received are recognised as income in the period in which the related costs are incurred or in the periods in which any related asset is depreciated or impaired.

Civil penalties are recognised when the penalty has been agreed with the regulated entity and where it has the ability to settle the amount involved. Income from civil penalties is deferred and is released to income in the year in which the amount of fees to be paid by Industry is reduced due to the penalty having been received.

Recoveries of enforcement costs are accounted for only when they have been agreed with the regulated entity or awarded by the Royal Court and it has become virtually certain that they will be received.

Interest received on bank deposits is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable. Sundry income is recognised on receipt.

Expenses

All expenses are accounted for on an accruals basis.

Foreign currency

Foreign currency balances are translated to Sterling at the rate of exchange ruling on the last business day in the financial period. Foreign currency transactions are translated into Sterling at the rate of exchange ruling on the date of the transaction. Profits and losses on foreign exchange are included in the income and expenditure account.

Investigation and litigation costs

Investigation and litigation costs are recognised as incurred. No provision is made for the cost of completing current work unless a present obligation exists at the balance sheet date.

Cash and bank balances

Cash and bank balances comprise cash in hand, deposits and other short-term liquid investments that are readily convertible to a known amount of cash, are subject to an insignificant risk of changes in value, controlled by the organisation and to which the organisation attaches equitable ownership.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial liabilities

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price plus attributable transaction costs.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Trade and sundry creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and sundry creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Tangible fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Repairs and maintenance are charged to the income and expenditure account during the period in which they are incurred.

Depreciation of fixed assets is calculated so as to write off their cost less estimated residual value on a straight-line basis over their expected useful lives. The estimated useful lives used for this purpose are:

Motor vehicles	3 years
Office furniture, fittings and equipment	3 to 5 years
Computer equipment	3 to 5 years
Leasehold improvements	Over the remaining lease period

Gains and losses on disposals of fixed assets are determined by comparing the proceeds with the carrying amount and are recognised in the income and expenditure account.

Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation and any impairment losses. Historical cost includes expenditure that is directly attributable to the development of the intangible asset. Subsequent

Notes to the financial statements continued

maintenance and support costs are charged to the income and expenditure account during the period in which they are incurred.

Amortisation of intangible assets is calculated so as to write off their cost on a straight-line basis over their expected useful lives. The estimated useful lives used for this purpose are:

Computer software	Up to 7 years
-------------------	---------------

The cost of computer software in respect of major systems is capitalised within intangible assets. All other computer software costs are expensed as incurred. Computer systems under development are not amortised until the system has been completed and is ready for use.

Gains and losses on disposal of intangible assets are determined by comparing any proceeds with their carrying amount and are recognised in the income and expenditure account.

In the requirements gathering phase of an internal systems development project, it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure is recognised as an expense when incurred. Systems under development are recognised as fixed assets from the development phase of a project if, and only if, certain specific criteria are met in order to demonstrate that the system will generate probable future economic benefits and that its cost can be reliably measured. If it is not possible to distinguish between the requirements gathering phase and the development phase, the expenditure is treated as if it were all incurred in the requirements gathering phase only.

Impairment

Assets that are subject to depreciation and amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is an indication that an asset may be impaired, it is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Cash flows from registry and supervisory income are separately identifiable and assets are allocated between these cash flows based on their operational application.

Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Leases

Rent payable under operating leases is charged to the income and expenditure account on a straight-line basis over the term of the lease.

We have taken advantage of the exemption available on transition to FRS 102, which allows lease incentives on leases entered into before the date of transition to continue to be released to the income and expenditure account on a straight-line basis over the period to the first lease break.

For leases entered into after the date of adoption of FRS 102, lease incentives received to enter into operating lease agreements are released to the income and expenditure account over the full term of the lease.

Pension costs

The costs of defined contribution pension schemes are accounted for on an accruals basis. The costs of annual contributions payable to defined benefit schemes operated by the Government of Jersey are accounted for on an accruals basis because we are unable to obtain the information necessary to apply defined benefit scheme accounting.

Annual leave pay accrual

A liability is recognised to the extent of any untaken annual leave entitlement which has accrued at the balance sheet

date and can be carried forward to future periods. The liability is measured at the undiscounted cost of untaken annual leave that has accrued up to the balance sheet date

Provision for long leave entitlements

Provision is made for the accrued entitlements to long leave as at the balance sheet date, even when such entitlements may not yet have vested. The provision is increased each year as additional entitlements are earned. The provision is decreased when long leave entitlements are taken and when such entitlements expire.

The provision represents management's best estimate of the amounts expected to be paid out, taking into account long leave entitlements that may be lost when an employee leaves our employment. The provision is discounted if the effect would be material.

Provision for premises reinstatement

Provision is made for the expected costs of reinstating office premises to their original condition upon the termination of existing lease agreements. The balance represents management's best estimate of amounts to be paid for reinstatement. The provision is assessed each year based on changes in the expected costs of reinstatement and discount rates where applicable. The provision will be reduced when related costs are incurred in future periods. Provisions for premises reinstatement costs are discounted if the effect would be material.

2. a) Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key accounting estimates and assumptions

Management is required to make estimates and assumptions concerning the future. The resulting accounting estimates may not equal the actual outcomes. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within this and the next financial year are outlined below.

Provision for long leave entitlements

The balance of the provision for long leave has been determined based on a range of estimates regarding the probability that the related leave entitlement will vest and be taken. This represents management's best estimate regarding the expected future cash flows related to long leave entitlements.

Provision for premises reinstatement

The balance of the provision for premises reinstatement has been determined based on the applicable square footage of leased premises and the rate per square foot for such reinstatement works published by the Royal Institute of Chartered Surveyors. The provision is adjusted annually based on movements in the published rate per square foot. This represents management's best estimate regarding the expected future cash flows related to these costs.

Provision for doubtful debts

Provision is made for doubtful debts when the recoverability of a trade receivable is considered uncertain at the reporting date. In the overall assessment of irrecoverability, management considers each amount and debtor individually as well as available information at the reporting date and any other relevant factors pertaining to the trade receivable.

Useful lives and residual values

Fixed assets and intangible assets are depreciated over their expected useful lives, taking into account residual values where appropriate. The actual lives and residual values are assessed annually and may vary depending on a number of factors. In re-assessing useful lives and residual values, a wide range of factors are taken into account. Changes in these assessments are accounted for prospectively and therefore only have a financial effect on current and future periods.

Notes to the financial statements continued

2. b) Going concern

The Board regularly reviews our actual and forecast retained liquid asset level to ensure that it meets the minimum requirements in accordance with its retained liquid asset policy. This ensures that, by retaining a minimum liquid asset level at all times, we are able to cover a period of operating costs, maintain a reserve for investigation and litigation costs, and cover essential capital requirements. Forecast liquid asset levels also exceed the target liquid reserves for the medium term and therefore the Board has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future and we therefore continue to adopt the going concern basis in preparing our financial statements

3. Taxation

We are exempt from the provisions of the Income Tax (Jersey) Law 1961, as amended.

4. Regulatory fee income

	2022	2021
	£'000	£'000
Banking	2,282	2,249
Funds	8,393	7,751
Insurance business	1,089	1,016
General insurance mediation	203	156
Investment business	1,675	1,471
Trust companies	4,047	3,570
Designated non-financial businesses and professions	868	681
Recognised auditors	22	28
Money services business	30	26
	18,609	16,948

5. Registry fee income

Registry fees arise from the operation of the Companies Registry, the Business Names Registry, the Registry of Limited Partnerships, the Registry of Limited Liability Partnerships, the Registry of Incorporated Limited Partnerships, the Registry of Limited Liability Companies, the Registry of Separate Limited Partnerships and the Security Interests Register.

Registry fees include annual confirmation fees. The amount of the annual confirmation fees payable to the Registry includes amounts collected on behalf of and remitted to the Government of Jersey.

In 2022 the annual confirmation fees were increased to £270 (2021: £225) for all entities except unregulated companies. The annual confirmation fees for the latter was decreased to £220 (2021: £225). The government portion for 2022 for each annual confirmation remained unchanged from 2021 at £145.

	2022 £'000	2021 £'000
Total annual fees collected	9,191	7,401
This is apportioned as follows:		
Collected on behalf of the Government of Jersey	5,161	4,810
Collected by the JFSC	4,030	2,591
	9,191	7,401
Annual confirmation fee income collected by the JFSC	4,030	2,591
Other Registry income	3,590	2,592
Total Registry income	7,620	5,183

The number of annual confirmations received during the year was:

	2022	2021
Annual confirmations received	35,596	33,090

6. Other income

	2022 £'000	2021 £'000
Investigation and litigation recoveries	0	12
Financial contribution income*	328	338
Cost recoveries**	559	0
Sundry income	27	16
	914	366

*As detailed in note 13, an amount of £328,344 from previously segregated and deferred registry fees has been included in financial contribution income for the year ended 31 December 2022 (2021: £257,867).

**For the year ended 31 December 2022, an amount of £217,079 (2021: £nil) was recharged to the Jersey Resolution Authority ("the Authority") in relation to various administrative and other support services, including premises, facilities, information technology and human resources as detailed further in note 11.

An amount of £342,285 (2021: £nil), which is also included in Cost recoveries above, represents recharged costs in relation to Basel III, which we incurred in 2022.

Notes to the financial statements continued

7. Staff costs

	2022 £'000	2021 £'000
Staff salaries	(13,639)	(11,238)
Commissioners' fees	(383)	(367)
Social security contributions	(694)	(596)
Pension contributions	(1,138)	(982)
Permanent health and medical insurance	(513)	(438)
Other staff costs	(89)	(112)
Long leave provision	11	(27)
Annual leave pay accrual	1	42
	(16,444)	(13,718)

The average number of staff employed during the year was 201 (2021: 181). The prior year breakdown has been updated for minor movements in categorisation with no change to the total costs.

8. Surplus for the year

The surplus for the year is stated after including the below:

	2022 £'000	2021 £'000
Amortisation of intangible assets (note 9)	(1,246)	(1,513)
Depreciation of tangible fixed assets (note 10)	(279)	(334)
Impairment of intangible assets (note 9)	0	(1,233)
Loss on disposal of tangible fixed assets	(8)	(1)
Foreign exchange differences	(10)	(11)
Operating lease expenditure	(603)	(575)
Contributions to employee pension schemes	(1,138)	(982)
Movement in doubtful debts	(57)	12
Audit fees	(48)	(49)

The prior year breakdown has been updated for minor movements in categorisation with no change to the total costs.

9. Intangible assets

Cost	Computer systems under development £'000	Computer systems £'000	Total £'000
Balance at 1 January 2022	2,590	9,714	12,304
Additions	933	0	933
Completed computer systems	(2,629)	2,629	0
At 31 December 2022	894	12,343	13,237
Amortisation			
Balance at 1 January 2022	0	(5,122)	(5,122)
Charge for the year	0	(1,246)	(1,246)
At 31 December 2022	0	(6,368)	(6,368)
Net book value at 31 December 2022	894	5,975	6,869
Net book value at 31 December 2021	2,590	4,592	7,182

The principal expenditure during the current year was in relation to the implementation of new modules for the registry, risk and supervision systems.

An assessment of intangible assets was performed for the year under review and no impairment was considered necessary. For the year ended 31 December 2021, 3 systems were impaired, the Legacy Supervision CRM system, the HR Talent system and the Legacy HR system. These systems had been decommissioned, reducing their economic value and therefore the remaining net book value of £1.2m had been fully impaired.

Notes to the financial statements continued

10. Tangible fixed assets

Cost	Office furniture, fittings & equipment	Leasehold improvements	Computer equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022	680	350	2,082	13	3,125
Additions	135	0	503	0	638
Disposals	(208)	0	(1,477)	(13)	(1,698)
At 31 December 2022	607	350	1,108	0	2,065
Accumulated depreciation					
Balance at 1 January 2022	(622)	(283)	(1,716)	(13)	(2,634)
Charge for the year	(29)	(35)	(215)	0	(279)
Disposals	208	0	1,462	13	1,683
At 31 December 2022	(443)	(318)	(469)	0	(1,230)
Net book value at 31 December 2022	164	32	639	0	835
Net book value at 31 December 2021	58	67	366	0	491

11. Trade and other receivables

	2022	2021
	£'000	£'000
Trade debtors	908	2,881
Provision for doubtful debts	(115)	(58)
	793	2,823
Other debtors	548	77
Jersey Resolution Authority*	64	-
	1,405	2,900

Provision is made for doubtful debts when the recoverability of a trade receivable is considered uncertain at the reporting date. In the overall assessment of irrecoverability, management considers each amount and debtor individually as well as available information at the reporting date and any other relevant factors pertaining to the trade receivable. At 31 December 2022, trade debtors are stated after providing for doubtful debts of £115,041 (2021: £57,682).

* On 31 January 2022 we entered into an agreement, the Master Services Agreement ("the MSA"), with the Jersey Resolution Authority ("the Authority") for the provision of various administrative and other support services, including premises, facilities, information technology and human resources. We charged the Authority a fee of £50,000 (2021: £nil) in 2022 for the services under the MSA. During 2022 we also recharged to the Authority costs of £167,079 incurred by us on behalf of the Authority. This income has been included in Cost recoveries as detailed in note 6. The amount due to us by the Authority at the year end was £63,503 (2021: £nil). The prior year breakdown has been updated for minor movements in categorisation with no change to total receivables.

12. Cash and bank balances

	2022	2021
	£'000	£'000
Current accounts	3,708	2,294
Short-term deposits	12,823	8,830
Cash and cash equivalents at bank	16,531	11,124

In order to mitigate the credit risk, these deposit accounts are maintained with five different banks.

Notes to the financial statements continued

13. Creditors

	2022 £'000	2021 £'000
Trade creditors	2,581	2,068
Accruals	1,306	1,277
Deferred rental incentive	0	10
Deferred industry fees *	905	191
Deferred registry fees **	1,696	2,025
Registry funds on account	1,271	414
Sundry creditors	203	171
	7,962	6,156
Falling due within one year	6,385	4,269
Falling due after more than one year	1,577	1,887
	7,962	6,156

*Deferred industry fees arise from civil penalties received during the year. The Law requires the amount to be credited to Industry by way of reductions in the Industry fees that would otherwise be charged in future years.

**It was agreed with the Government of Jersey that a portion of the additional registry fees charged from 2017 to 2019 be segregated and used for certain current and future enhancements to the Registry and its systems. In 2020 it was confirmed the segregated amount should be utilised for Registry projects and for start-up costs of the MONEYVAL AML inspection unit. As referred to in note 6, an amount of £328,344 has been recognised as financial contribution income during the current financial year (2021: £257,867) as an offset to the charges associated with running the unit, and £1,696,444 (2021: £2,024,798) is carried forward to be released over the useful life of the Registry system, in line with amortisation charges. No further unallocated segregated funds under this arrangement remain.

14. Provisions

	Provision for long leave £'000	Reinstatement provision £'000	Total £'000
Balance at 1 January 2021	90	406	496
Amounts provided for during the year	27	49	76
Utilised during the year	(14)	0	(14)
Balance at 31 December 2021	103	455	558
Amounts provided for during the year	20	114	134
Reversal of unused provision	(31)	0	(31)
Balance at 31 December 2022	92	569	661
Falling due within one year	22	0	22
Falling due after more than one year	70	569	639
	92	569	661

The provision for long leave relates to the expected cost of long leave entitlements that have accrued up to the date of the Statement of financial position. Long leave entitlements may continue to accrue up to June 2043 if all vesting conditions are satisfied up to that period.

Provision for premises reinstatement

The provision relates to the expected costs of reinstatement of office premises to their original condition on termination of premises leases. The balance at year end has been determined based on a guideline rate of £28 per square foot (2021: £22.4 per square foot) as determined by a RICS qualified surveyor, which reflects the inflationary pressures being experienced in the construction industry. The provision is adjusted annually based on movements in the guideline rate.

15. Commitments under operating leases

We had minimum lease payments under non-cancellable operating leases as set out below:

	2022 £'000	2021 £'000
Not later than 1 year	601	519
Later than 1 year but not later than 5 years	2,269	2,595
Later than 5 years	0	174
	2,870	3,288

Rentals payable under this operating lease are subject to periodic review and are based on market rates. The most recent rent review was agreed during 2020 and the resulting rental increase was effective from May 2019.

Notes to the financial statements continued

16. Statement of net debt

	Cash at bank and in hand £'000	Short term deposits £'000	Total £'000
Balance at 1 January 2022	2,294	8,830	11,124
Cash flows	1,414	3,993	5,407
Balance at 31 December 2022	3,708	12,823	16,531

17. Financial instruments

Our financial instruments are analysed as follows:

	2022 £'000	2021 £'000
Financial assets		
Financial assets measured at amortised cost	17,936	14,024
Financial liabilities		
Financial liabilities measured at amortised cost	(2,784)	(2,239)

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors and other creditors.

18. Related party transactions

Transactions with the Government of Jersey

We have been established in law as an independent financial services regulator and, as such, the Government of Jersey is not a related party.

The JFSC and the Jersey Resolution Authority (“the Authority”) have common representation at governance level with Jill Britton and Monique O’Keefe serving on the Board of the Authority. The Authority occupies an office within our premises and utilises the JFSC for certain support and administrative services. As detailed in note 11, we entered into an agreement, the Master Services Agreement (“the MSA”), with the Authority on 31 January 2022 for the provision of various administrative and other support services, including premises, facilities, information technology and human resources. We charged the Authority a fee of £50,000 in 2022 for the services under the MSA and also recharged to the Authority other costs paid on its behalf as detailed in note 6.

Remuneration of key management personnel

Key management personnel includes the Commissioners, the Director General and Executive Directors who together have authority and responsibility for planning, directing and controlling our activities. Total remuneration paid to members of key management personnel during the year was £1.6 million (2021: £1.5 million).

Remuneration of Commissioners

Remuneration of the Commissioners and the Director General is set out on page 63 of this Annual Report. There were no other transactions with key management personnel other than the reimbursement of expenses incurred for JFSC purposes.

19. Subsidiary undertakings

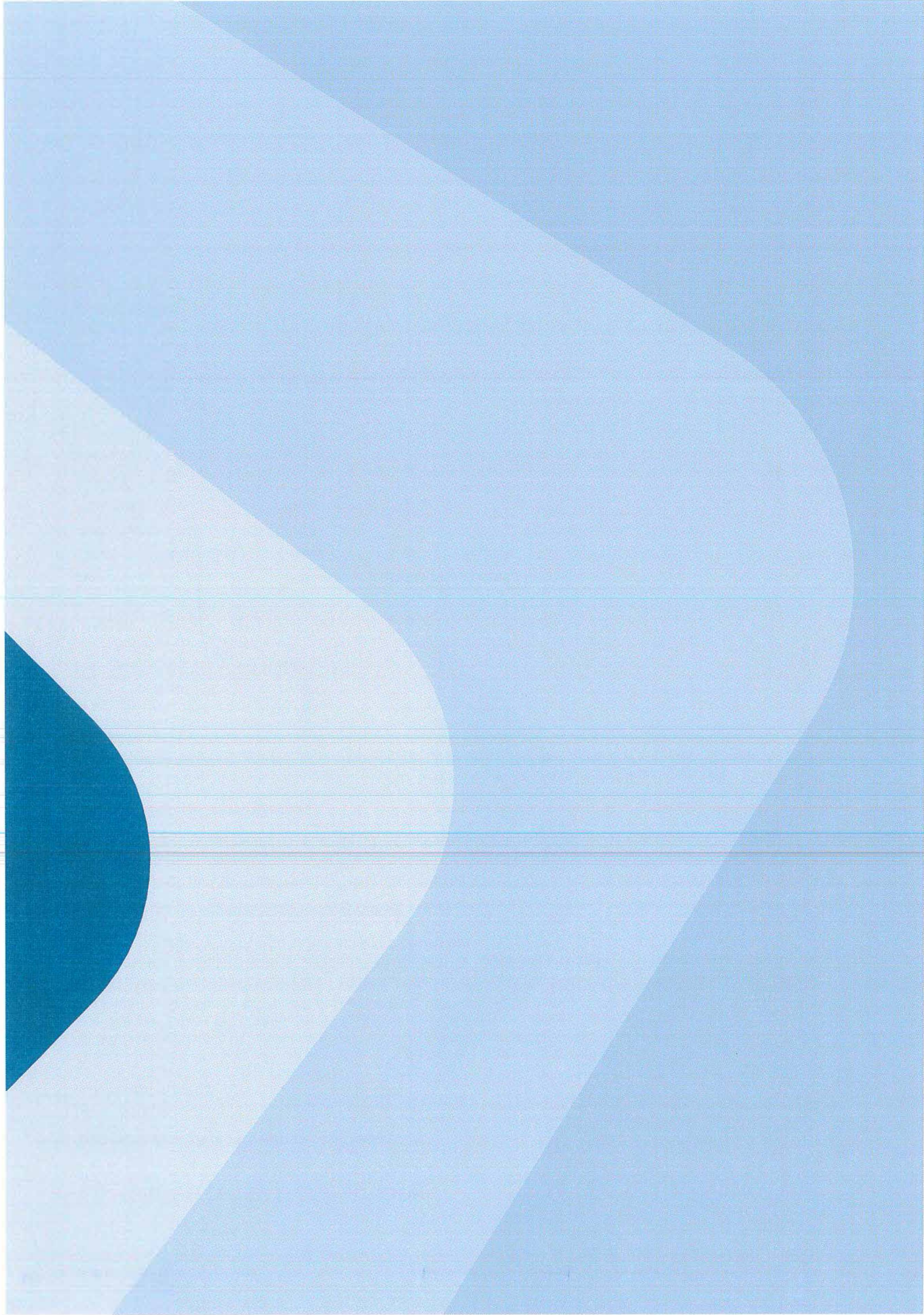
At 31 December 2022, we had an interest in one wholly owned subsidiary company. Further details are outlined below:

Name:	JFSC Property Holdings No.1 Limited
Country of incorporation:	Jersey
% of shares held:	100%
Principal activity:	Property lease holding

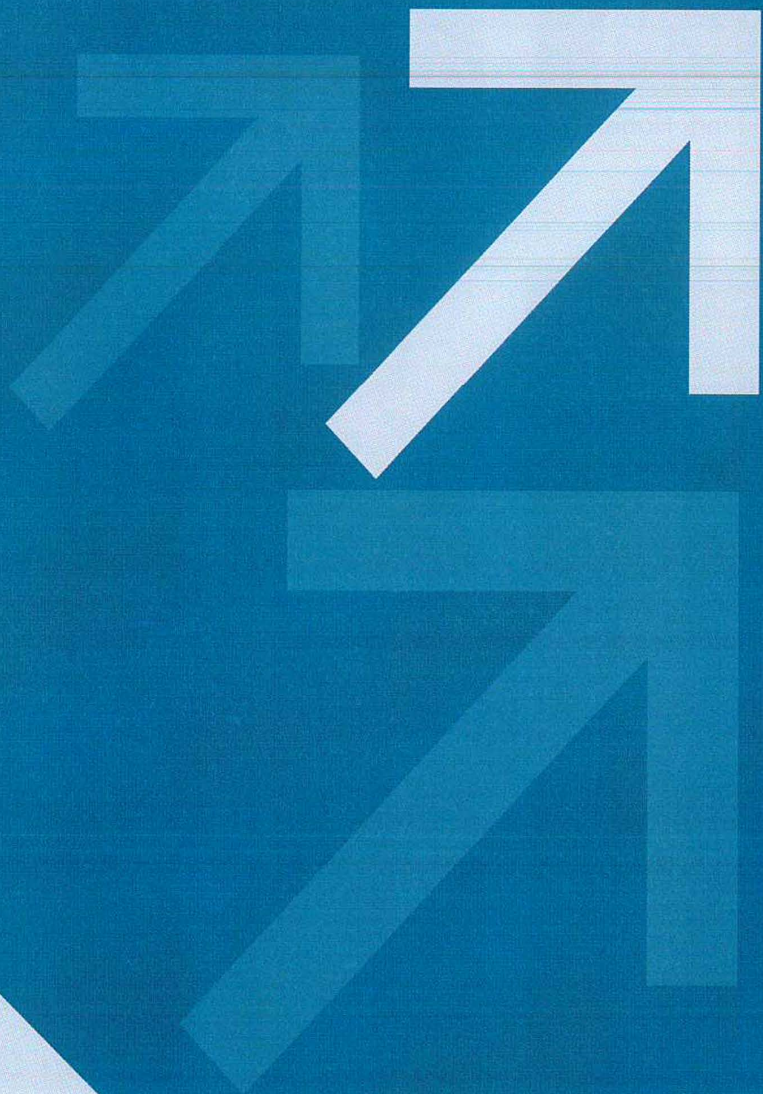
JFSC Property Holdings No.1 Limited (the Company) entered into an agreement on our behalf to lease our office premises. The Company had no expenditure during the year (2021: Nil) and has no assets or liabilities.

20. Events after the reporting period

The Chair of the JFSC, Mark Hoban, will retire from the Board following the conclusion of his five year term, at the end of October 2023.



Appendix



Board of Commissioners



➤ **Mark Hoban**
Chair



➤ **Monique O'Keefe**
Deputy Chair



➤ **Claire Bowes**
Commissioner



➤ **Tracy Garrad**
Commissioner



➤ **Annamaria Koerling**
Commissioner



➤ **Simon Morris**
Commissioner



➤ **Peter Pichler**
Commissioner



➤ **Matt Palmer**
Commissioner



➤ **Megan Butler**
Commissioner



➤ **John Laurens**
Commissioner

Executive Team



➤ **Jill Britton**
Director General



➤ **John Gavey**
Chief Operations
Officer



➤ **Julian Lamb**
Executive Director
of Registry



➤ **Diane Maxwell**
Executive Director
of Policy and Risk



➤ **Kerry Petulla**
Executive Director
of Enforcement



➤ **Alexis Dolling**
Executive Director
of People and
Culture



➤ **David Eacott**
Executive Director
of Supervision



Jersey Financial
Services Commission

2022 ANNUAL REPORT

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