

› Jersey Financial
Services Commission
› Annual Report



2015

R.74/2016

-
- › **Maintaining and developing market access for Jersey businesses in Europe and the world**

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Jersey Financial Services Commission

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Annual Report

2015

00

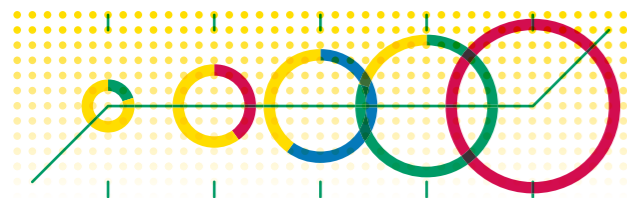
Highlights and Achievements for 2015

› 04

› 200+

› The JFSC 2015 Business Plan presentation attended by over 200 members of Industry

› 01



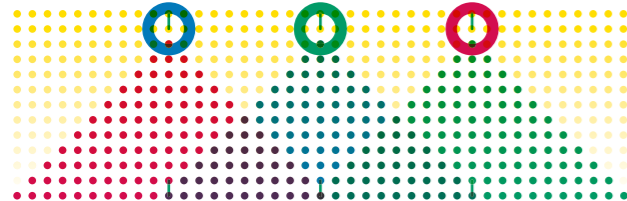
› Development of and initial implementation of the Change Programme

› 05



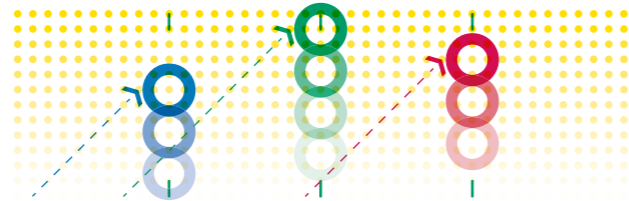
› The JFSC signs MoU with South Africa

› 02



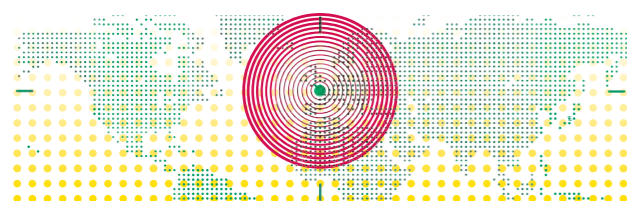
› Appointment of Simon Morris, Peter Pichler & Michael de la Haye as Commissioners

› 06



› Leadership development training for senior managers

› 03



› New Communications function for the JFSC

› 07



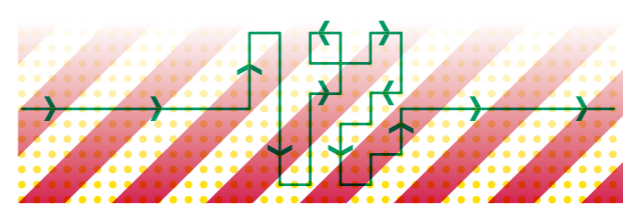
› International Association of Commercial Administrators Merit Award for Jersey Registry

› 08

› 4,000

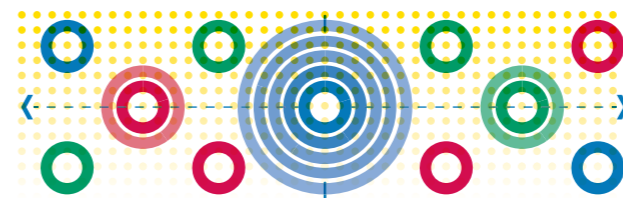
› The JFSC granted power to impose financial penalties on regulated businesses of up to £4m, strengthening regulatory framework

› 09



› Conviction secured in landmark case of providing false and misleading information

› 10



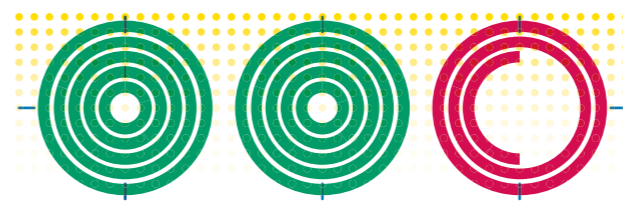
› Jersey Fraud Prevention Forum launched, helping to improve investor awareness

› 11



› ESMA recommended granting Jersey funds and managers AIFMD passport, helping to expand market access

› 12



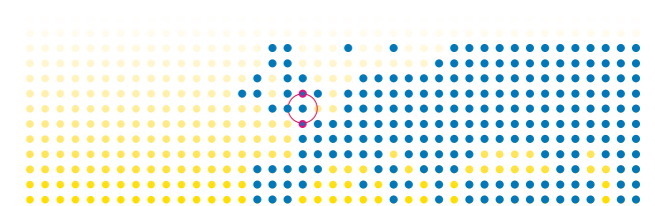
› The JFSC inaugural Careers Fair
150 attendees / 60 CVs

› 13



› Appointment of Deputy Director General

› 14



› MONEYVAL report - expected to enhance Jersey's reputation & international standing

› 15

› Twitter
694 followers

› LinkedIn
1001 followers

› Facebook
806 likes



01

> The Jersey Financial Services Commission Our Role

> What we do

The Jersey Financial Services Commission (JFSC) has statutory responsibilities (or functions) set out in the Financial Services Commission (Jersey) Law 1998. In fulfilling these functions, the JFSC is required to have regard to certain 'guiding principles':

Functions	a	b	c	d
Supervision and development of financial services Enforcement	Reports, advice, assistance and information to Government and public bodies	Policy development	Operation of the Companies Registry	
Have regard to				
Guiding principles	a	b	c	d
Reducing risk to the public of financial loss due to mismanagement	Protecting and enhancing the reputation of Jersey in commercial and financial matters	Fostering the best economic interests of Jersey	Countering financial crime in Jersey and elsewhere	

> In summary, the JFSC carries out these functions by:

- > Ensuring that all authorised financial services businesses and individuals meet the appropriate criteria and that the JFSC matches international standards of banking, securities, trust company business, and insurance regulation
- > Combatting the financing of terrorism and financial crime as part of the wider international effort in this regard
- > Working closely with fellow regulators and law-makers to ensure access to efficient and effective markets for financial services
- > Developing policy in reaction to changes in markets and Industry and, where appropriate, in anticipation of such changes
- > Being an agile, thoughtful, proportionate and listening regulator that pays due regard to both the costs and benefits of regulation.

01

› Priorities for 2015

We made strong progress against our strategic priority areas in 2015. One of the highest priorities for the JFSC is to ensure that Jersey maintains and develops access to international financial markets. This is achieved through the maintenance of the highest standards of regulation. Like all international finance centres, market access is a fundamental feature of Jersey's success, and improvements in market access will be in the best economic interests of Jersey.

› We continued to strengthen Jersey's ability to access international financial markets:

- › European Securities and Markets Authority (ESMA) recommended that Jersey should be amongst the first non-EU Member States granted an Alternative Investment Fund Managers Directive (AIFMD) passport
- › The MONEYVAL assessment is expected to be positive and demonstrate that Jersey is a transparent jurisdiction, with robust measures in place to protect against money laundering and terrorist financing
- › Working with Government and Industry, the JFSC considered the potential benefits and drawbacks of achieving equivalence with the revised EU financial instrument regulatory package (MiFID II and MiFIR)
- › By establishing Memoranda of Understanding with other jurisdictions; and
- › With ongoing work to evolve the Jersey Funds Regime.

› Where appropriate, we undertook work to match international standards:

- › Working together with other Crown Dependencies, we consulted on the local adoption of a Basel III compliant framework
- › Broadening the range of potential enforcement actions by the introduction of a civil penalty Funds Regime.

› We enhanced the delivery of the JFSC's guiding principles:

- › A wide-ranging review of our supervisory functions was completed and the implementation of a revised approach began
- › The revised supervisory approach, which incorporates a shift to entity-based supervision and a more sophisticated assessment of risk, will make our supervisory activities more effective and deliver some efficiencies for Industry
- › We continued to develop and implement improvements to our operational systems, which will provide internal efficiency and make interaction with the JFSC easier and faster
- › We reviewed and improved our Human Resource management, with a focus on being an employer of choice and valuing both individual performance and team contribution in an environment that provides flexible working practices and opportunities for development and growth.

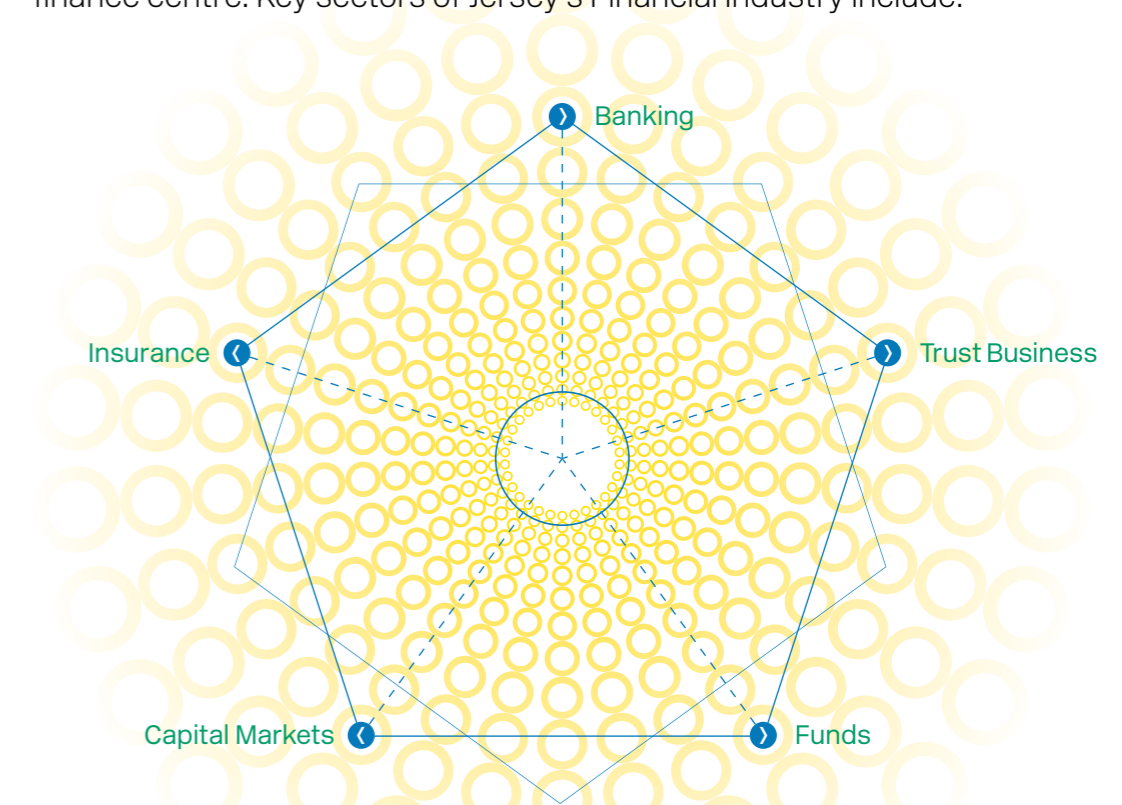
› We ensured that we met legal and other obligations

- › We launched a consultation on the JFSC's funding arrangements, which sought to establish a fair and simple funding model that will provide sufficient resources to enable the JFSC to carry out its functions in a secure and stable environment.

These key priorities will continue to be progressed during 2016.

› The Financial Services Industry that we regulate in Jersey

A combination of factors, including effective and proportionate regulation, a modern and effective legal system, stability, independence and tax neutrality, continue to make Jersey an attractive international finance centre. Key sectors of Jersey's Financial Industry include:



› Banking

Jersey's 32 banks attract clients from more than 200 countries and a sizeable share of Jersey's total deposits are held in foreign currencies; a reflection of the international appeal of Jersey as a banking centre.

- › Jersey's banking sector holds an average Tier 1 Capital ratio that is 50% higher than Basel III requirements;
- › Jersey's banking model is stable and diversified; and
- › In September 2014, Jersey introduced a revised Licencing Policy to reflect new realities and provide a workable and flexible framework for a wide variety of banks to operate within a strong regulatory framework.

01

› Trust Business

Jersey is arguably the number one jurisdiction globally for trusts, with a pedigree in the field of administering trusts since the 1960s. The Island has a broad range of trust and company service providers from large banks and independently owned companies to smaller niche providers.

- › Jersey first introduced its own Trust Law in 1984 and leads the field in the continuing development of the principles of trusts and standards globally; and
- › Jersey has 187 regulated trust and company service providers holding 855 trust company business licences.

› Funds

Jersey has been a prominent player in delivering fund services since the 1960s, with the emphasis today on institutional, specialist and expert investors. Funds in Jersey may be established as companies, limited partnerships or unit trusts, and be open or closed-ended, providing significant flexibility for investor needs.

- › The total net asset value of funds under administration in Jersey stands at £225.7 billion;
- › Jersey has 1,320 regulated funds;
- › The unregulated Funds Regime in Jersey was introduced in early 2008. By December 2015, there were 126 such funds which were active; and
- › The net asset value of funds under administration in Jersey is up 25% since 2009.

› Capital Markets

Jersey has developed specialist expertise in supporting cross-border capital markets transactions structured by the world's leading investment banks and professional services firms.

- › Jersey listed companies on global exchanges held a total combined market capitalisation of £145 billion;
- › Jersey has 111 companies listed on global stock exchanges from the LSE to the NASDAQ; and
- › Jersey has the greatest number of FTSE 100 companies registered outside the UK.

› Insurance

A variety of structured insurance products, particularly insurance transformers and vehicles for securitisation of insurance risk, are evolving within Jersey's positive legislative and regulatory environment, as a result of the convergence of capital markets and insurance/reinsurance markets and Jersey's expert knowledge for securitisation using SPVs and other financial structures.



02

› View from the top

Chairman's Statement

- › Our Business Plan for 2015 envisaged significant effort maintaining and developing market access for Jersey businesses in Europe and the world, restructuring our operations and improving our efficiency by using e-enabled documents and data rather than pieces of paper.

I am pleased to report strong progress in all of these areas, although there is much still to do.

International developments were dominated by AIFMD, MONEYVAL and the approaching MiFID II (something of a moving target). Each of these is important in establishing Jersey as a supportive jurisdiction committed to play its part responsibly in the flow of international capital by working collectively with EU and other major economies.

- › Jersey was among the very first jurisdictions to be recommended for an AIFMD European fund management passport supporting the bilateral market access arrangements already in place with a number of EU countries. I am delighted to observe that the Island is now experiencing significant growth in funds and fund management businesses.

The MONEYVAL assessment also took up significant amounts of our time. The final report is expected to be positive and we look forward to receiving it. The Island pulled strongly together to achieve this outcome and I would particularly like to thank Industry, Jersey Finance, Government and our Senior Executive team for all their hard work and long hours that it involved.

I am also very pleased to report a major step forward in our dialogue with Industry. It is vital that we learn of the potential opportunities and the concerns of Jersey businesses.

Industry will always know their potential and how they can create jobs and growth better than we do. But we can only listen if they speak.

Many financial service providers found the time to join us for our Business Plan presentation and supported new initiatives to help Industry, Government, Jersey Finance and the JFSC better understand common needs and issues. A number of members of the trust company business sector were also particularly helpful in improving our understanding of their business models, opportunities and challenges. I would like to thank them for the time they set aside to meet with us.

The JFSC is in the middle of its planned Change Programme. The Executive has created new roles and responsibilities whilst redefining others, installed a new accounting system and is part way through

installing new Human Resources, Relationship Management and Registry Systems that are changing how we manage and exchange information with Industry. The Executive is substantially on track due in no small part to the significant commitment and effort from all of the team, and it has been a pleasure to observe the very positive team spirit that has developed.

The Board has kept its focus during the year on progress with each of these challenges, whilst being alert to market developments. Last year might have seemed relatively benign but the first quarter of 2016 has brought into focus a plethora of issues ranging from stressed commodity, US debt and equity markets, to Brexit and other EU structural uncertainties, to cyber-attacks and data breaches.

Like many others, we will have to await the result of the UK referendum and the start of any negotiations before we can begin to assess the impact, if any, of a UK withdrawal from the EU. Jersey currently is not a member of the EU but has a special status negotiated as part of the UK's treaty of accession, so we will not be high on any list of pressing issues post the vote. What is clear is that markets are already unsettled and likely to be increasingly so.

Market events are not alone in making an impact on our future prospects. The Board, Executive and team at the JFSC are monitoring economic and regulatory developments from the UK budget, OECD action on taxation (BEPS), Fintech, Regtech, virtual currencies and the prospects for utilising the block chain to make financial services systems more robust and reliable.

Our Business Plan for 2016, published in January, sets out how we are responding to many of these challenges.

This year has also seen significant changes in the membership of the Board.

John Averty retired in January 2016 after 10 years as a Commissioner, of which five were as Deputy Chairman. He was a wise and valued member of the Board. We all appreciated his contribution, particularly during the nine months he chaired the Board and the appointments process for a new Chairman, which he undertook with commensurate skill and good humour.

I am delighted that Debbie Prosser, a Jersey resident Commissioner with significant experience of local legal and trust company services, accepted the Board's invitation to take on the role of Deputy Chairman and Senior Independent Director in John's place. The Board also welcomed Simon Morris and Peter Pichler as new Commissioners at the start of 2015 and Michael de la Haye OBE in early 2016. I would like to thank all of them and the other Commissioners for their hard work and dedication to the JFSC over the period.

John Eatwell
Chairman

A photograph of two men in business suits. The man on the left is smiling and looking towards the man on the right. The man on the right is seen in profile, looking back towards the first man. They appear to be in a professional setting, possibly an office or conference.

› It is vital we learn of potential opportunities and concerns of Jersey businesses. We can only listen if they speak.

03

› Delivering against our objectives

Director General's Statement

› 2015 has been a turning point for the JFSC. The comprehensive internal Change Programme initiated in 2014 has occupied a significant amount of the JFSC's focus and resources during 2015, and the resulting improvements for internal and external stakeholders are beginning to be realised. The Change Programme has purposely sought to challenge existing ideas and practices that constrain the JFSC's performance. The resulting changes can be unsettling, but I have been heartened by the way that the Board and staff at all levels of the JFSC have risen to the challenges and continued to maintain a focus on changing the JFSC for the better - making it more efficient and effective, and better able to manage the evolving regulatory and business environment.

› The Change Programme results from a number of factors, including changes in the international environment and expectations on regulators. The changes also seek to address issues common to all organisations; ensuring that we have skilled and experienced staff, that our stakeholders can interact with us efficiently, and that our back office systems enable staff to work effectively and minimise time spent on administrative tasks.

Some of the more fundamental changes we progressed in 2015 are those designed to further improve the JFSC's supervisory activities. In particular, we agreed to embrace an increasingly risk-based methodology for planning supervisory activity and a switch to an entity-based supervisory model. During 2015, we began the transition to this new approach: establishing a Supervisory Risk Unit, responsible for improving the way we

analyse and manage risk, and initiating a wholesale restructuring of the Supervision divisions within the JFSC. Over the course of 2016, these changes will streamline Industry interaction with the JFSC, improve the allocation of our supervisory resources and enhance our supervisory effectiveness.

In addition to the Change Programme, the JFSC has maintained an appropriate level of supervisory oversight. Our supervisory interactions during 2015 have continued to evolve, with an increasing focus on areas of perceived risk, more use of thematic visits and the continued use of alternative supervisory mechanisms such as "mystery shopping" of Investment Businesses. The key supervisory themes for 2015 included corporate governance, AML/CFT and suitability of investment products.

› The JFSC also continued to take proportionate enforcement action in appropriate circumstances, for example where breaches were particularly serious or where other remediation efforts had been exhausted. Many of the cases were challenging and involved lengthy investigations. 15 public statements were issued covering a range of matters requiring a regulatory sanction, often involving the restriction of future employment of individuals within the Jersey financial sector.

As noted in the Chairman's Statement, the AIFMD passport recommendation and the MONEYVAL report were significant achievements during 2015. I would also like to point to a number of other achievements in this period:

› The JFSC launched the first comprehensive review of its funding arrangements since it was established in 1998. The review reflects the need to ensure that the JFSC is adequately funded and the need to ensure that the fee regime is fair, simple and proportionate for Industry. The consultation paper recognises that the JFSC has held down fee increases since the onset of the financial crisis. This has resulted in the JFSC becoming underfunded in the face of the range of challenges that all regulators face and are expected to shoulder in the post-financial crisis environment. Such underfunding is not sustainable in the long term and therefore we expect that fee increases, exceeding the general level of inflation, will be necessary in future years.

› During 2015, the JFSC was provided with the power to impose financial penalties of up to £4 million on Registered Persons for significant and material breaches. The powers will be exercised in a reasonable and proportionate manner with the aim of protecting consumers, the reputation of Jersey's Finance Industry, and deterring and preventing financial crime.

Our staff are an essential element in the development and delivery of these improvements.

03

- › The Registry was awarded the Merit Award by the International Association of Commercial Administrators (IACA) for introducing the Sound Business Practice Policy as well as a Registry dashboard system that helps to balance the Registry regulatory burden with the ease of doing business.
- › During 2015, the JFSC also made a substantial additional investment in its communications capability with the setting up of a dedicated function in this area. This has already yielded good results in terms of both stakeholder engagement and greater understanding of the JFSC's work and challenges amongst numerous audiences.
- › Worthy of specific mention also has been the JFSC's contribution to the Jersey Fraud Prevention Forum, a multi-agency drive to raise awareness of fraud and scams targeting Island residents. This has taken the form of an extensive information campaign and will continue into 2016. The JFSC is pleased to be able to make such a contribution in an area of growing exposure, where tips and guidance on the "dos and don'ts" can make a significant difference to outcomes for many.

We enter 2016 in good heart for the continuing regulatory and organisational challenges that lie ahead, and we look forward to seeing the improvements arising from all of our hard work in 2015: more effective and efficient Supervision and Registry activities, and easier interaction for our stakeholders. Our staff are an essential element in the development and delivery of these improvements. Throughout the course of 2015, we have invested time and resource in bolstering our people development activities to see our staff equipped as well as possible for the changing demands of Supervision in today's world, inclusive of enhanced managerial and leadership capabilities.

As in previous years, I should like to thank the Chairman and Commissioners for their wise and insightful support across the full range of our activities. I would also like to pay tribute to the hard work, professionalism and dedication of our Directors and all our staff who support me in my role so well.

Turning to 2016,
we look forward
to continuing to
serve Jersey in
the demanding
environment that
financial services
regulation and
supervision
has become.

John Harris
Director General



04

› Summary of Activities



04.1

› Policy

- › The JFSC's Policy function has a number of responsibilities; monitoring and reacting to international regulatory developments, ensuring that the regulatory framework is updated, if appropriate, to changing risks or developments, acting as a knowledge resource for staff involved in Supervision and Authorisation, and leading other one-off significant pieces of work such as evaluations by external standard setters. The policy work is split between two teams with the Financial Crime Policy team, focussing specifically on AML/CFT matters, and the Policy team covering other areas. Both teams work closely with the JFSC's Supervision teams.

 › Key achievements during 2015

The Policy teams play an important role in maintaining a regulatory environment that enables the Financial Services Industry to grow and develop in a way that protects the public and the Island's reputation. Key achievements in 2015 were:

- › The JFSC played a significant role in co-ordinating and contributing to the MONEYVAL assessment of Jersey. It is anticipated that the final report will reflect positively on Jersey as a whole and the JFSC's activities;
- › We developed and implemented a regulatory framework for alternative investment managers (the AIFMD framework) that enabled the European Securities and Markets Authority (ESMA) to recommend that Jersey should be amongst the non-EU Member States granted an AIFMD passport;

- › We worked with Government to consult on and agree the appropriate framework to regulate virtual currencies, the outcome of which was a decision by Government to regulate, for AML/CFT purposes, the conversion of "fiat" currencies (e.g. sterling and euros) into virtual currencies, and vice versa;
- › 2015 saw the introduction of the civil penalties regime, which enables the Commission to impose financial penalties of up to £4 million on Registered Persons for significant and material breaches. This will bring the JFSC in line with similar powers available to counterpart regulators around the world.

› Other key areas of work

A number of other key policy areas were also progressed during 2015:

- › In Banking, we continue to work with our counterparts in other Crown Dependencies on the local adoption of Basel III standards. During 2015, we consulted on capital adequacy and leverage proposals.
- › For the Investment Industry, the JFSC has been monitoring carefully the development of the MiFID II regime within the European Union and engaging with Industry to identify whether there are potential opportunities for Industry in developing an equivalent regime. This work will inform the JFSC's future consultation in this area.
- › The JFSC has worked closely with Government and Industry on the review of the Funds Regime in Jersey. Rather than framing an entirely new Funds Regime, it was determined that the optimal strategy is an evolutionary, step-by-step approach to development of the regime.
- › The JFSC launched the first review of its funding arrangements. The comprehensive review aims to establish a fee regime that is fair, simple and proportionate for Industry.
- › Updated AML/CFT Handbooks and an updated money laundering typologies and trends report were published.
- › The JFSC engaged with Government and Industry on the development of Fintech in Jersey. We consulted on changes to the AML/CFT Handbooks to recognise the development of electronic customer identification tools, provided guidance to a number of "Fintech" businesses, participated in Jersey's first Fintech conference and provided input to a number of other projects, including the Jersey Innovation Review. The JFSC also developed the initial stages of a cyber-security strategy for Industry.
- › Work on introducing financial education into Jersey schools continued. It is pleasing to note that financial education was incorporated into the Jersey curriculum during 2015.

 › Working with other stakeholders

The JFSC maintains a strong working relationship with Government and Industry. It also works closely with other important overseas stakeholders and standard setters, such as HM Treasury, the UK Financial Conduct Authority, the UK Prudential Regulation Authority, the Group of International Finance Centre Supervisors, the European Securities and Markets Authority, the European Commission, MONEYVAL, and IOSCO. These relationships help to enhance the reputation of Jersey, give us a strong voice in policy development, and enable us to identify potential issues or opportunities for Industry.

The JFSC has a responsibility to co-operate with overseas regulators. We have signed Memoranda of Understanding (MoUs) with regulators in over 90 jurisdictions. Each MoU provides a formal framework for the exchange of regulatory information and the provision of mutual assistance for the purpose of ensuring compliance by financial service businesses with regulatory requirements in Jersey and the overseas jurisdiction. During 2015, we signed new or enhanced MoUs with the Channel Islands Securities Exchange Authority Ltd and regulators in Denmark, South Africa, Switzerland and the UK.

04.2

› Supervision

- › One of our key functions as a regulator is to supervise Industry to determine how well firms comply with their relevant legal and regulatory obligations. The Supervision teams do this through desk-based and on-site assessments. The JFSC's supervisory activities are increasingly risk-based, allocating resources to firms, products or services that present a greater risk to our aims and objectives. Authorisation of Registered Persons is an intrinsic function of our Supervision activity and ensures that firms meet certain minimum standards before they are permitted to carry on regulated activities.

› Key achievements during 2015

- › During 2015, the Supervision teams allocated significant levels of resource to a review of the JFSC's supervisory approach, the Change Programme and the MONEYVAL assessment, whilst maintaining core business-as-usual activities.
- › A report on a "mystery shopping" exercise, covering 14 Investment Business firms, was issued in 2015. The report identified examples of best practice and areas for improvement. Where appropriate, the findings of the exercise were followed up with the relevant firms.
- › The Supervision teams continue to interact closely with individual firms that are facing challenging issues or are working to resolve issues identified either internally or through the Commission's monitoring activity.

› Key visit findings

The Supervision teams undertook 112 supervisory visits in 2015. The visits covered the whole range of Industry, including banks, funds services business, insurance companies, investment business, trust company business (TCB), and designated non-financial business and professions (DNFBP). While many visits concluded without identifying any concerns, some key issues were identified during the 2015 visit programme including:

- › In Banking, there was not always evidence of sufficient periodic review of the effectiveness of boards of directors, and there was some evidence of AML/CFT weaknesses (particularly in situations where institutions are using "reliance on obliged persons" to meet certain customer identification requirements, and the application of simplified due diligence)
- › In the Funds area, some corporate governance failings were identified, there was some evidence of inadequate compliance monitoring and resources, and weaknesses in business risk assessments and suspicious activity report (SAR) processes
- › In Investment Business, there were still instances where there was insufficient evidence to confirm the suitability of advice provided. There were also some corporate governance failings and inadequacies in knowledge of suspicious activity reporting requirements
- › In TCB, there were some instances where enhanced customer due diligence had not been applied in higher-risk cases, weaknesses in business risk assessments and SAR processes. In some cases, firms failed to obtain sufficient information, such as current/updated tax advice, necessary for ongoing monitoring of the business relationship for AML/CFT purposes
- › In the DNFBP and money service business sectors, some weaknesses exist in business risk assessment and SAR processes, and there are cases of inappropriate reliance placed on obliged persons and inadequate risk profiling of clients
- › In the insurance sector, some weaknesses were identified in corporate governance and compliance monitoring.

The Supervision teams worked with a number of firms to ensure that identified breaches or weaknesses were adequately remediated.

› Other supervisory activities

During 2015, the JFSC continued to provide guidance to Industry and other stakeholders to help them understand the regulatory framework and the JFSC's supervisory approach, expectations and visit findings.

These take the form of written guidance and reports, Industry presentations and discussions with Registered Persons and Industry bodies.

04.3

› Supervisory Review

- › The JFSC completed a comprehensive review of its supervisory functions during 2015. The review identified a number of ways to enhance the efficiency and effectiveness of its Supervision teams. Following extensive internal consultation and discussion, the JFSC agreed on a number of actions to implement the recommendations made by the review. Some of these actions will have a significant impact on the JFSC's supervisory functions.

› **The key actions agreed as a result of the review are:**

- › We are re-organising ourselves around supervision of the whole firm rather than individual licences held by firms so there will be a single consolidated supervisory view per firm, rather than per licence
- › This model of working will improve our overall understanding of a firm's business and its risk culture. It will enable us to better assess and target our resources more effectively, by concentrating our activities on the risks and issues in Industry that could cause the greatest harm to Jersey and its reputation
- › A new Supervisory Risk Unit has been created to improve the way we analyse and manage risk. The team will have a pan-Industry view, providing information and insight to inform strategy, whilst helping supervisors to manage their portfolio of entities with agreed risk tolerance levels through an improved risk model
- › A dedicated Supervision Examination Unit is being developed to help deliver our examination programme. This new approach will improve consistency and effectiveness across the supervisory function, benefitting both the JFSC and the firms being examined
- › Administrative activities are being centralised within a single team within Supervision, so that we can further improve consistency and become leaner and more efficient

During 2015, the new teams required to carry forward these recommendations were formed and the JFSC began to engage with Industry on the changes and what it will mean for businesses. Further communications, meetings, presentations and consultation, where necessary, will be held as the JFSC continues to implement the changes during 2016.



04.4

› Enforcement

- › The Enforcement team investigates cases of actual or potential legal or regulatory breaches committed by Registered Persons or individuals associated with them. The Enforcement team aims to engage in constructive dialogue with the regulated community, but does resort to the use of statutory Enforcement Sanctions where breaches are particularly serious or where other efforts to resolve issues have been exhausted.

› Key achievements during 2015

- › The team continued to apply a robust but proportionate approach to enforcement matters; achieving successful remediation outcomes in the vast majority of cases, but taking robust enforcement action where necessary
- › Robust background checks, diligent investigation and sound record keeping practices helped to secure a successful criminal prosecution of an individual for knowingly providing false and misleading information to the JFSC
- › A significant contribution was made to the launch and activities of the Jersey Fraud Prevention Forum; a multi-agency body that helps to protect the most vulnerable in our society from falling victim to financial crime. The Forum has embarked on an extensive information campaign, providing useful tips and guidance that will make a significant difference to those at most risk



**JERSEY FRAUD
PREVENTION
FORUM**

› Other key activities

During 2015, 76 new enforcement cases were opened. Although fewer than the number of cases opened in 2014, the complexity of cases has generally increased. As at the end of 2015, the JFSC was working on 53 'live' cases. The JFSC issued 95 formal notices requiring information and/or documents to be provided, and a further 21 notices compelling individuals to attend the JFSC for formal interview.

The JFSC issued 15 Public Statements during 2015, identifying regulatory or legal breaches by firms or individuals. Six of these specifically prevented or restricted individuals from obtaining employment in the Jersey Financial Services Industry.

The JFSC Investigation and Enforcement activity relies on information received from a range of sources. The Whistleblowing Line continues to be a good source of information, with 21 such calls being received during 2015. 10 of these calls led to an active investigation.

› Outreach and international co-operation

Overseas regulators continue to reach out to the JFSC to assist in their formal regulatory investigations. During 2015, the JFSC received and actioned 13 requests for such assistance.

The Enforcement team has provided training to other small island jurisdictions in 2015 on its use of enforcement powers and investigative techniques. In addition, the team has provided input, drawn from its experience dealing with trust structures,

to the UK Serious Fraud Office and National Crime Agency. In November, the team held its bi-annual Enforcement Conference providing feedback on trends and developments to approximately 330 attendees. Feedback on the event was positive and attendees commented favourably on the audience participation approach to the seminar. Any surplus from the nominal charge levied for attendance will be applied to help fund Jersey Fraud Prevention Forum activities.

04.5

› Operations / Internal Change Programme

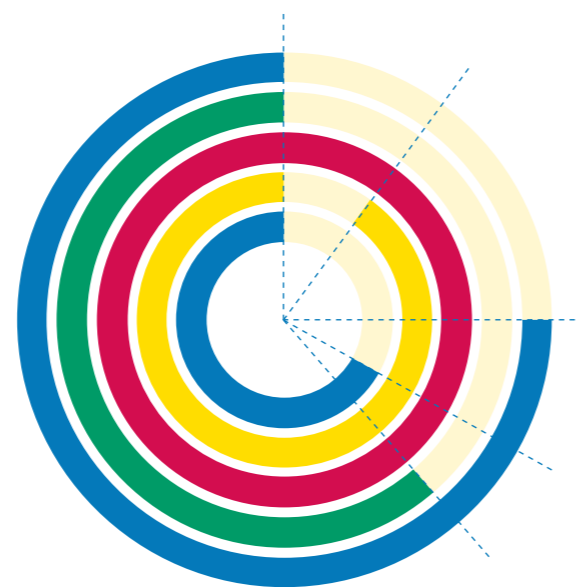
› Overview

The overarching objective of the internal Change Programme is to advance the efficiency and effectiveness of the JFSC's activities. The Operations team plays a significant role in developing and delivering the changes necessary to achieve this. More generally, the Operations team also manages the systems and support necessary for the Commission to carry out its functions effectively.

› Human Resources

The JFSC has increased its investment in its Human Resources and made a number of changes to become an employer of choice that combines a flexible, family-friendly workplace with a performance - focussed culture. These changes included the introduction of a comprehensive competency framework, a performance management framework that more clearly links remuneration to performance, and leadership development initiatives.

In October 2015, the JFSC held its inaugural Careers Fair which was a significant success. Approximately 150 people attended the event and a number of appointments were made directly as a result.



- › 150 Careers Fair attendees
- › 60 CVs received since Careers Fair
- › One new Careers Microsite
- › 520+ clicks on Careers Fair Facebook advert
- › 63% of attendees heard about Careers Fair on Facebook

› Communications

More resources were committed to communications, both internally and externally, during 2015 with a dedicated team appointed. Part of this work was to improve communications and engagement with staff throughout the Change Programme and beyond, so employees understand the purpose, the challenges and the opportunities it brings, and the role they play in it.

Externally, a strategic approach has been developed to deliver a much more proactive, coordinated and comprehensive communications strategy to enable the JFSC's operations, priorities, objectives, values, ambitions and challenges to be better understood by all of our stakeholders.

Evidence of this strategy can be seen in the increased communications output by the JFSC, for example: developing a refreshed and more contemporary brand identity, improving media relations and interaction, establishing social media platforms (Twitter, LinkedIn, Facebook), increasing the number of local and international speaking engagements, stakeholder newsletters, Industry-wide events, and sector and community outreach programmes, plus managing the communications for the Jersey Fraud Prevention Forum.

› Systems

During 2015, the JFSC agreed the requirements for the initial release of the Customer Relationship Management (CRM) tool and external portal for Industry. The portal will enable on-line fee calculation and collection, and provide Industry with a secure portal for providing information to the JFSC.

The portal will gradually be rolled out to different sectors of Industry, a process which began in early 2016. This work will enhance the JFSC's capacity to gather, store, analyse and re-use information and is designed to improve the way we operate and interact with our stakeholders.

› Finance

The Finance team completed a new finance system implementation during 2015. The core objectives of the system included integration with CRM, the portal and the Registry systems. The implemented system provides an increased capability and facilitates several organisational objectives such as the reduction of

cheque receipts, centralisation of fee collection, centralisation of financial control functions and related efficiencies. The underlying system capabilities will be developed throughout 2016 in line with the Change Programme to deliver further future benefits.

› Information Technology

The Information Technology team has continued to drive and support the JFSC's line of business systems and support requirements while providing the infrastructure and development resource to support the JFSC's Change Programme.

The JFSC's public facing infrastructure was replaced in line with existing plans.

New mobile and remote access solutions were put in place supporting 'availability anywhere' for a more mobile Commission workforce.

The JFSC approved a revised internal cyber-security strategy in response to changing risks and extended its external security engagement activity in line with the increasing global cyber threats.

04.6

› Registry

› The JFSC operates Jersey’s Companies Registry, which registers Jersey companies, partnerships, foundations and business names. The Registry aims to maintain a service that is able to supply its users with a customer-centric approach enabling users to have access to accurate and reliable information. In addition, the Registry operates the Register of Beneficial Ownership, Security Interests Register (SIR) and the Trademarks Register.

The Registry activities include:

- › Jersey’s second line of defence on AML/CFT compliance where an overseas person incorporates a company through a TCB (the first line of defence being the TCB)
- › Monitoring and vetting adherence to the Sound Business Practice Policy (SBPP)
- › Assessing and recording details of beneficial ownership
- › Assessing applications from Jersey companies that wish to circulate a prospectus

The Registry continued to focus on automation and e-enablement throughout 2015, whilst also embedding significant changes to Registry practices arising from the introduction of the SBPP and the SIR.

Key Achievements for 2015

- › The Registry actively contributed to the MONEYVAL assessment, particularly with regard to the transparency of legal persons and arrangements (Financial Action Task Force Recommendations 33 and 34). Significant changes to Registry policies and processes during 2015 helped to achieve the positive MONEYVAL assessment
- › Registry operations continued to perform in accordance with expectations. Business volumes increased slightly in 2015 and all Registry service targets were met
- › The Registry Change Programme remained on target. The process of e-enablement continued with the launch of an on-line incorporation service in November 2015. The specification for the automated Jersey Aircraft Register (JAR) was agreed with Government in December 2015
- › The Registry is well respected internationally, winning a Merit Award from the International Association of Commercial Administrators in 2015. This award relates to the “Transparency for Registry” project implemented in 2014. The project included the introduction of the SBPP and Registry dashboard system in order to balance the Registry regulatory burden with the ease of doing business.
- › The Registry is an active participant in European Business Register network, enhancing Jersey’s reputation internationally, and providing a forum in which to learn and contribute to international best practice.

	2014 ↓ ↓ ↓ ↓ ↓ ↓ ↓	2015 ↓ ↓ ↓ ↓ ↓ ↓ ↓
Applications processed (approx.)	200,000	240,000
Of these, number of company incorporations	2,771 1,386 fast-tracked, 1,385 standard 2-day incorporations	2,939 1,558 fast-tracked, 1,381 standard 2-day incorporations
Dissolutions	2,430	2,640
Name applications	7,926	7,992
Certificate of good standing	2,818	3,494



04.7

› Finance and Resources

- › A budgeted net deficit of £427k was expected in 2015 due to non-recurring costs associated with the Change Programme. The actual result for the year was a deficit of £644k. The variance from budget is primarily due to unanticipated staff costs. Total income exceeded budgeted income by £157k. The first-time application of the new accounting framework applicable in the UK (FRS 102) resulted in downward reserves adjustments totalling £622k. These adjustments related to provisions for paid leave entitlements of staff. The combined effect of the net deficit and prior year adjustments is a fall in the JFSC's reserves to £6,261k as at 31 December 2015.



› Bearing down on costs

The JFSC has maintained an ongoing review of costs which proved effective in controlling overall costs during 2015. Cost control remains a core objective for the Finance team and the JFSC as a whole.

Improvements in reporting, departmental budget monitoring and procurement control are central to this objective. As such, these will continue to be key focus areas for the team.

› Regulatory fees

Total fee income increased to £14,643k from £13,756k in 2014. This rise was due to increases in income from registers

maintained by the Registry and increases in fees from the Banking and Funds sectors.

› Operating costs

Operating expenditure (which does not include investigation and litigation costs) for the year was £14,823k against a budget of £14,387k. The variance is primarily due to unanticipated staff costs. Once the above mentioned non-recurring costs are taken into account, operating expenditure was broadly in line with budget. Lower than expected costs associated with recruitment, insurance and travel costs have been offset by higher than expected general operating expenses, learning and development costs, and the impact of earlier than expected completion of capital projects which resulted in increased depreciation charges during the year.

Staff costs remain the JFSC's most significant item of expenditure. The average number of staff employed increased marginally from 125 full-time employees (FTEs) in 2014 to 127 FTEs by 31 December 2015.

Learning and development costs increased during the year in line with the JFSC's people development objectives. The JFSC recognises that staff development is critical to achieving its objectives. 2015 costs included both organisational training and support for certain staff studying for relevant professional qualifications.

Investigation and litigation costs incurred during the year decreased to £591k following the conclusion of two significant enforcement cases during 2015. These costs are expected to remain at this level during 2016.

Costs associated with computer systems increased to £873k during 2015. Expenditure on cyber defences increased in line with the increasing trend in the frequency of cyber-crime and attempts to gain unauthorised access to the JFSC's information systems and data. Other computer systems costs have increased due to the effects of the Change Programme as licence, support and maintenance costs are incurred on newly implemented systems during the run-off period of outgoing systems that are still within their licence periods.

As a direct consequence of the FRS 102 adjustments and the net deficit, the JFSC's reserves have decreased below the reserve threshold outlined in the current reserves policy. The 2016 Budget assumes that fees for certain regulated activities will be increased marginally in order to limit future decreases in reserves. However the JFSC will be continuing its strategic review of current funding arrangements and reserves levels during 2016 to ensure that appropriate reserves levels can be maintained.

The significant increase in professional service costs arose from professional services engaged during the requirements gathering phases and project management of systems developments related to the Change Programme. These costs will decrease progressively as the Change Programme nears completion.



04.8

› Principal Risks and Uncertainties

- › The Board discusses the risks and uncertainties facing the JFSC. The Board's agenda is influenced by global political, economic, legal and regulatory factors, as well as local considerations such as the risks presented by regulated firms and the operation of the JFSC itself.

Of the risks identified, the JFSC currently considers the following to be its principal risks and has allocated significant resources to managing them:

› Market access

This is the risk that the reputation of Jersey's Finance Industry suffers significantly because of unfounded but sustained criticism of its business or regulations from within the global political, fiscal and regulatory environments in which we operate. We consider this risk to be increasing.

In mitigation, we work closely with international standard setters in the UK, Europe and elsewhere to ensure that we factor into our risk modelling the latest thinking and likely developments.

This in turn helps us influence both Jersey's legislative priorities for Industry and the work of external policy makers in developing the regulatory framework that we are guided by.

To assist in this, we have considerably strengthened our Policy function, worked closely with Government to implement recommendations for agreed reform, and devoted considerable resources to important international and European initiatives such as MONEYVAL and AIFMD.

› Information security

The wide use of internet technology and mobile/remote working, coupled with the increasing frequency and sophistication of cyber-attacks, poses a persistent, significant risk to data and information.

We hold extensive confidential information about individuals and businesses in order to perform our regulatory and Registry obligations, and would be exposed to

reputational and/or financial damage should that information be compromised. Accordingly, we make every effort to maintain strong defences and create a safe, reliable operating environment. In 2015, we continued to invest in effective technologies, systems and controls to manage this threat. We also began to develop information to help regulated firms understand this risk better.

04.8

› Money laundering and terrorist financing

Jersey has a good track record in preventing and deterring money laundering and terrorist financing. However, there is a risk that Jersey could be linked with money laundering or terrorist financing to such an extent that it would damage the Island's reputation and lead to loss of confidence in doing business in the Island.

We consider this risk to be increasing as a result of heightened terrorist threats, the increase in cyber-crime and the emergence of payment systems that avoid the use of bank accounts. There is also potential for threats to emerge from new markets that Jersey firms are developing.

We seek to mitigate this risk by setting high regulatory standards, focussing our supervisory activities accordingly and taking a strong stance where firms do not comply with our regulations and the law. We also ensure that there are effective working relationships between the relevant agencies (The JFSC, States of Jersey Police, and prosecuting authorities) so that effective action is taken when a suspicious transaction is reported. Jersey's membership of MONEYVAL, which entails formal evaluations of the adequacy and effectiveness of Jersey's legal and regulatory regime, and the effectiveness of the JFSC's AML/CFT supervisory activities, contributes to the management of this risk.

› Financial resources

After a period of forbearance on fee increases and limited internal investment, the JFSC has begun to invest in a three year Change Programme to meet the increasing demands of international regulators, satisfy rising stakeholder expectations and protect itself against cyber-attacks. This has contributed to an income deficit in 2015 and a forecast deficit in 2016 together with a reduction in our reserves.

It is essential that the JFSC maintains sufficient reserves to enable future investment in its people, infrastructure and systems to engage with Industry in an efficient and cost-effective manner.

Our reserves are also used to meet any unexpected or exceptional costs that arise from our enforcement activities.

During 2015, the JFSC made some immediate cost savings in a number of areas and began to re-engineer some of its core processes to improve efficiency and cost-effectiveness. It also consulted with Industry in October on some proposals for the JFSC's funding model. In 2016, we will be reviewing feedback from our consultation and this area of risk will continue to be given a high priority.

› Human Resources

In an increasingly challenging regulatory environment, the JFSC must be able to attract, develop and retain the right number of high calibre staff to achieve our goals. The nature of our work means that we need people with technical expertise and the ability to build strong, collaborative relationships with their colleagues and our stakeholders. We achieve this by recruiting the best people we can and investing in their ongoing training and development. During 2015, increasing Industry demand for good quality risk and compliance staff led to higher staff attrition, particularly in Supervision, where firms were able to offer a significant premium over our benefits packages.

We built greater resilience to this persistent threat by reviewing our structure and our resource requirements to ensure that we

have the right people in the right roles and to reflect the critical importance of suitable succession plans. A new competency framework and an improved performance management system helped us develop our people further and reward performance more effectively. We also had success with new recruitment channels such as Facebook, LinkedIn and our first Careers Fair. We will continue to monitor this area of risk but were buoyed by our ability to recruit some excellent new staff in a challenging marketplace.

During the latter part of 2015, the Board considered the structure of the Executive, and agreed a restructuring that took effect in December 2015. Consequent to that decision, John Everett was appointed as Deputy Director General and Mike Jones was appointed Director of Policy.

› Market developments

In common with all finance centres, Jersey's Financial Services Industry is exposed to risks arising from geopolitical and macro-economic developments, as well as changes in extra-territorial legislation and regulation. In the post-crisis environment,

the JFSC perceives these risks to be increasing and therefore monitors market developments to understand how they may affect Industry so that we can develop the most appropriate regulatory approach.

› **During 2015, the JFSC continued developing its enterprise risk management approach. A Risk Committee was created to help the Executive and the Board gain a more holistic understanding of the JFSC's key risks and the effectiveness with which they are being managed. Further work to develop and embed a consistent, effective risk management framework across the JFSC will continue during 2016.**

05

› Governance



› Governance

› Constitution of the JFSC

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

Where a vacancy arises, the Board identifies the skills and experience that will best develop and balance the contribution of the existing

Commissioners and takes soundings of Ministers, Government and Industry.

The Board then seeks and evaluates candidates in a manner approved by the Jersey Appointments Commission and makes a proposal to the Chief Minister and, with his support, a recommendation is placed before Members of the States of Jersey. Appointments to the Board are made following a vote of the Members of the States of Jersey.

› Accountability arrangements

The JFSC is an independent regulatory body but is accountable to the public of Jersey through their elected representatives, specifically the Chief Minister and the States of Jersey. The relationship with Ministers is set out in a Memorandum of Understanding so as to ensure the independence of the JFSC, whilst facilitating effective dialogue and working practices. In addition, under Article 12 of the Law, the Chief Minister may give the JFSC

general directions, subject to significant safeguards. No such general directions were given in 2015.

The JFSC produces an Annual Report which is presented to the Members of the States. In addition, the JFSC produces an annual Business Plan which is presented to the Chief Minister, to the financial services, and the wider community in an open meeting.

› Governance arrangements

The Board believes that high quality governance arrangements are essential for well-run organisations. There are no comprehensive Codes or Standards for the governance of a financial services regulator, but the JFSC believes that the UK Corporate Governance Code (Code) is a useful benchmark. The Code requires Boards to comply with its high level principles or explain how those high level principles have been met through other arrangements.

The structure and arrangements of the JFSC are consistent with the vast majority of the

principles in the Code. For example, there is a clear division of responsibility between the Chairman and Director General, no individual has unfettered powers of decision, and there is a formal, rigorous and transparent procedure for the appointment of new Commissioners.

Additional explanations are set out on the following pages where the Board has organised itself to meet the underlying objectives behind a principle in the Code, such as explaining our dialogue with stakeholders in the absence of shareholders.

› Delegation of powers

The Board is permitted to delegate any of its powers to one or more Commissioners or to an officer of the JFSC. However, the Board has decided to retain certain powers which could have a highly significant effect on the the JFSC's finances or reputation, including:

- › The authorisation of new banks;
- › The refusal of an application or the revocation of a permit or registration;

- › The final stage in the decision-making process involving an enforcement action, where there is no settlement previously agreed by the Executive; and
- › The determination of the amount of a civil penalty.

› Composition of the Board of Commissioners

The Board currently consists of the Chairman, Deputy Chairman and eight other Commissioners. All of the Commissioners are considered to be independent with the exception of the Director General. A chart of the Board members at the date of this report is set out on page 73, further information is available on the JFSC's website www.jerseyfsc.org.

The Board is conscious that there is high diversity of skills and experience amongst the existing Board members but would be keen to improve Board diversity as and when possible.

Commissioners are appointed for one initial term of five years and are eligible for one further term of five years.

› Board meetings and attendance

The Board met 10 times to consider regular business during 2015. All Board members attended all 10 meetings with the exception of Mr Harris, Mrs Prosser and Mr Wilcke who were each unavailable for one Board meeting.

The Board also met a number of times to consider enforcement cases that had been referred to the Board for decision in accordance with the decision-making process. These included applications to vary decisions made in historical enforcement cases where the applicant's

circumstances had changed and the Board was asked to consider whether the grounds for the initial decision remained.

In addition to formal Board meetings the Commissioners met for a strategy day and participated in events with fellow regulators, Industry and Ministers.

Board members and the Board consider carefully the potential for conflicts of interest to arise and Board members excuse themselves should any perceived or actual conflict be identified.

05



Board activities

The Board had a busy year with a focus on continuing to ensure access to markets for Jersey businesses, supporting and monitoring the internal Change Programme and considering the allocation of our scarce resources given intense competing demands on our time.

A number of issues demanded the Board's attention as we progressed from success with the work on AIFMD to the challenge of supporting the Executive as they and other parts of the Island's community responded to the MONEYVAL assessment and subsequent drafts of its report. In recent months consideration has also had to be given to our research into the appetite of Jersey businesses for us to seek equivalence in relation to the EU MiFID II proposals.

The Board increased its monitoring of the progress of the Change Programme and supported proposals from the Executive to make significant reallocation of resources so that we can be sure that the Change Programme will keep to its schedule. Progress so far has seen some small areas of slippage but the amounts are not significant.

The Board has been particularly keen to understand what difference will be seen by the regulated community and is strongly supportive of the move to entity supervision and the single web portal so that we can receive substantially all regulated data in an e-enabled form.

Allocating scarce resources to support significant changes in our supervisory approach, as well as our Accounting, Human Resources and Relationship Management Systems, has been particularly difficult. The Board has been very keen to support the development of our talented team and the opportunities afforded to those willing to apply for new roles in our revised risk management and other structures.

The Board has devoted increased time to our cost base, recognising the pressure from investment in systems and particularly cyber and other information theft defences. The Board has had to make proposals for increases in fees to all Industry sectors to counter running at a deficit as it has done

this year. The Board remains concerned particularly by the level of legal fees it incurs and is seeking ways to manage and mitigate these amounts which are to some degree out of our control.

The Board monitored the performance against the JFSC's 2014-2016 Business Plan, challenging and supporting throughout the year as necessary. Significant progress was made as explained in this report. There were no items in the Business Plan which were deferred or not progressed.

During the year a sub-group of the Board, comprising three Commissioners together with members of the Executive, reviewed the opportunities and challenges facing the trust company business sector by talking to practitioners both on the Island and in London. The Board considered a report from the sub-group and agreed certain action points relevant to the regulation of this important sector and these action points are being progressed.

The Board has undertaken an annual internally facilitated board effectiveness review for a number of years but concluded that it would be appropriate on this occasion to obtain some external perspectives. As a result, it appointed the Global Governance Group to carry out the work comparing us against best practice consistent with the principles in the Code. The review commenced in early 2016 and interviews and meetings were held with Commissioners, the Executive and externally with stakeholders including Ministers and Industry.

At the time of publication of this Report, a number of areas for improvement in our efficiency and effectiveness have been identified in the first draft report, including potential changes to Board papers and more regular reporting on business as usual issues.

During the year, the Board considered enforcement cases against three individuals, of which one remains outstanding.





Commissioners remuneration

Commissioners are paid a fixed amount annually and receive no extra amounts for chairing or participating as members of the Remuneration Committee, Audit Committee or sitting on sub-groups to hear individual enforcement cases or attend to other matters.

Fees paid to Commissioners had not been increased since 1 January 2013. The Board considered evidence of market rates for directors of substantial entities based in the Island, took soundings of Ministers and concluded the annual amount should be increased by £5,000 for both on Island and off Island Commissioners, but that such amounts should be fixed until 2018.

During the year the Board considered, in his absence, the performance and remuneration of the Chairman. Whilst noting that the Chairman had delivered on a substantial time commitment and led a step change in our dialogue with Government and Industry, the Board concluded that the Chairman's remuneration should remain unchanged for 2015 and 2016. The apparent increase compared to 2014 arises from being appointed as Chairman during that year.

Fees paid to Commissioners during the year were as follows:

	2015	2014
	£	£
John Averty (Deputy Chairman)	33,350	28,350
Lord Eatwell of Stratton St. Margaret (Chairman)	150,000	96,519
John Harris	-	-
John Mills (Retired 22 October 2014)	-	17,500
Peter Pichler (Appointed 21 January 2015)	23,833	-
Simon Morris (Appointed 21 January 2015)	33,458	-
Deborah Prosser	26,000	21,000
Markus Ruetimann	36,500	31,500
Cyril Whelan	26,000	21,000
Stephan Wilcke	36,500	31,500
Ian Wright	26,000	21,000
	391,641	268,369

John Harris is not paid any fees in his capacity as a Commissioner but rather is paid in his capacity as Director General of the JFSC (Refer to Remuneration Committee report on page 45 for further details).



Nomination Committee report

The Board acts as its own Nomination Committee as all but one Commissioner is considered to be independent and generally there is insufficient nomination activity to justify a separate committee arrangement. Where the requirement to consider nominations arises, the Board follows a fully inclusive approach in identifying potential candidates.

During the year, Crown Advocate Whelan and Mr Ruetimann reached the end of their first term in office. The Chairman took soundings of other Commissioners of their performance and contribution and, with the support of all Board members, asked Crown Advocate Whelan and Mr Ruetimann if they would put themselves forward for re-election. Their appointments for a further term of five years were subsequently approved by the Members of the States.

Mr Averty retired on 21 January 2016 after 10 years' service as a Commissioner and Deputy Chairman. During 2015, the Board reviewed its strengths and weaknesses given the loss of Mr Averty and decided to seek an individual with a strong knowledge and understanding of social issues in the Island and detailed knowledge of the operation and organisation of Government.

Working in partnership with the Jersey Appointments Commission and Hassell Blampied Associates, a search process was carried out for the role of Commissioner. Other than the engagement to perform recruitment services, there were no other connections between the JFSC and Hassell Blampied Associates. The role was advertised in Jersey media and on the JFSC's website.

A number of applicants were interviewed by a panel acting as a sub-committee of the Board. Mr de la Haye was recommended for appointment to the Board and, with the support of the Chief Minister, was duly appointed by the Members of the States with effect from 1 January 2016.

The Board also considered the impending vacancy for Deputy Chairman of the JFSC and recommended Commissioner Deborah Prosser to the Chief Minister for appointment. The Chief Minister made the ministerial decision to appoint Mrs Prosser as Deputy Chairman with effect from 21 January 2016.



Remuneration Committee report

The Remuneration Committee is chaired by Mrs Prosser and the current members are Mr Ruetimann and Mr de la Haye (appointed to Committee on 26 January 2016) following the retirement of Mr Averty (retired from the Committee on 20 January 2016). There were six meetings during 2015 which were attended by all eligible members. The terms of reference are available on the JFSC's website, several amendments having been made following the Remuneration Committee's annual review of its terms of reference.

It was an exceptionally active year, principally in support of the strategic decisions being taken as part of the JFSC's Change Programme. Significant time was spent on proposals for linking pay with performance and the development of new Human Resources policies and practices, including a competency framework.

The Committee supported the objectives of the Human Resources team to become an employer of choice and reports on changes to Human Resources policies and proposed new initiatives were received and considered by the Remuneration Committee throughout the year.

The Remuneration Committee assisted the Executive in determining a Pay for Performance strategy for remuneration, with emphasis on rewarding Executive Directors and employees, both in terms of remuneration and bonus, by reference to the performance of objectives and competencies. Objectives and competencies are monitored throughout the year, culminating in an annual process of assessment of remuneration levels and bonus payments, which were determined within budget. Due to the change in remuneration policy, the payment of the annual bonus for eligible staff was delayed until the first quarter of 2016.

The Remuneration Committee made recommendations to the Board for the remuneration of the Director General which were considered in conjunction with the Director General's annual performance review. The Committee resolved to increase the remuneration of the Director General for 2015. During the year, he received total remuneration of £325,000 (2014: £314,188).





Audit Committee report

The Audit Committee is constituted of Commissioners with relevant knowledge, experience and qualifications to carry out an effective Audit Committee function. The Committee is chaired by Mr Wright and its members during the year included Crown Advocate Whelan, Mr Pichler (appointed during the year) and Mr Wilcke (retired during the year). All eligible members attended all three meetings. The terms of reference for the Audit Committee are available on the JFSC's website www.jerseyfsc.org

Details of the Committee Members' qualifications and experience are summarised below:

- › **Ian Wright:**
Qualified accountant (ACA), former Senior Partner of the Pricewaterhouse Coopers Global Corporate Reporting Group. Mr Wright is currently a member of the Audit Committee of the States of Jersey.
- › **Stephan Wilcke:**
Graduate of Oxford University with a Masters in Politics, Philosophy and Economics, Chairman of OneSavings Bank PLC and Audit Committee Chairman of Milvik (Bima). Mr Wilcke was formerly the Chief Executive Officer of the UK Asset Protection Agency.
- › **Crown Advocate Cyril Whelan:**
Senior Crown Advocate of the Island of Jersey. Currently a Senior Consultant at Baker & Partners and former senior legal adviser in the Law Officers' Department in Jersey.
- › **Peter Pichler:**
Qualified accountant (ACA) and member of the Canadian Institute of Chartered Accountants. Mr Pichler has extensive international experience in onshore and offshore financial services. Former Chief Operating Officer and Finance Director of Maurant Ozannes and former CEO of Deutsche Bank Offshore (based in Jersey). Mr Pichler has been a director of a FTSE 350 company and Chairman of its Audit Committee.

The Committee had an active year with significant time spent on the adoption of new accounting standards and the new accounting system, the development of our response to cyber risks and the further development of our risk framework.

New accounting standards have been issued by the UK Financial Reporting Council (FRC) which became mandatory for December 2015 accounts and the old standards used by the JFSC were withdrawn. Consideration was given to whether to adopt International Financial Reporting Standards (IFRS) or new Financial Reporting Standard (FRS 102) issued by the FRC and the latter was chosen as the IFRS disclosure requirements were perceived as excessive given the relatively simple structure of the JFSC. The Audit Committee carefully monitored the development of the prior year adjustment on transition to the new standards and carefully considered the judgements involved in estimating the provision for long leave and the fixed asset depreciation period.

Information security is essential for entities with highly confidential data. The Audit Committee addressed internal and external events and developments at every meeting and monitored significant enhancements to the JFSC's defences. The Audit Committee analysed and supported a proposal from the Executive to create an Executive Risk Committee, taking into account how the new committee would fit into the Board and Executive structures.

The Audit Committee completed other aspects of more routine work including considering the independence of the external auditors and reviewing plans and results of internal audit work.



Auditors

The auditors are BDO LLP and were appointed for a three year term which ends with the audit of these financial statements. The States of Jersey Comptroller and Auditor General is now responsible for

making the appointment of auditors to the JFSC. The Comptroller and Auditor General has requested that the Board issue a tender for the audit for the December 2016 annual accounts.



Responsibility for Annual Report and accounts

This Annual Report and accounts comply with the requirement in Commission Law to produce an Annual Report to the Chief Minister and to be presented 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 FRS 102, 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 judgements and accounting estimates that are reasonable and prudent; and
- › Preparing the accounts on a going concern basis unless it is inappropriate to presume that the JFSC will continue in business.

The Board has reviewed the effectiveness of the principal financial controls over its financial accounting systems with the internal and external auditors and did not identify any material deficiencies.

The Commissioners have considered the financial position as shown by these financial statements, the latest management accounts and recent projections of the JFSC's income and costs for the period ended December 2015. As a consequence the Board believes it appropriate to prepare the accounts on a going concern basis and is satisfied that there are no significant threats to the viability of the JFSC within the period of the projections.

The Commissioners have considered the financial statements on pages 57 to 70 and are satisfied that they show a true and fair view of the deficit for the year and the financial position of the JFSC at 31 December 2015.

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

C F Renault
Commission Secretary
29 April 2016

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

› **Working closely with fellow regulators and law-makers to ensure access to efficient and effective markets for financial services**

› Independent Auditor’s Report to the Chief Minister of the States of Jersey

› Opinion on the financial statements of Jersey Financial Services Commission (JFSC)

In our opinion the financial statements:

- › Give a true and fair view of the state of the JFSC's affairs as at 31 December 2015 and of its deficit for the year then ended;
- › Have been properly prepared 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.

The financial statements comprise the income and expenditure account, the balance sheet, the statement of changes in accumulated reserves, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is the Financial Services Commission (Jersey) Law 1998 and United Kingdom Generally Accepted Accounting Practice.

› Our assessment of risks of material misstatement and our audit approach to these risks

The following risks had the greatest impact on our audit strategy and scope:

Revenue consists of regulatory and Registry fees. Revenue recognition is a presumed risk under International Standards on Auditing (UK & Ireland). In the case of the JFSC, this risk relates primarily to the completeness of income and recognition in the correct accounting period.

For regulatory fees, we performed analytical reviews on the various income streams, developing expectations based on the movement in the number of regulated entities together with any fee changes. We also tested on a sample basis that fees for regulated entities had been calculated in accordance with fee notices published by the JFSC. We also recalculated deferred income to ensure it had been correctly accounted for in accordance with the JFSC's accounting policies.

For Registry fees, we performed analytical reviews on the various income streams, developing expectations based on fee changes and any other relevant changes, such as movements in the number of searches and incorporations. We also tested on a sample basis that fees had been calculated in accordance with fee notices published by the JFSC. We recalculated annual return income based on the number of returns submitted to the Registry.



› Our application of materiality and an overview of the scope of our audit

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.

We determined planning and final materiality for the financial statements as a whole to be £209,000. In determining this, we based our assessment on a level of 1.5% of average income over a three year period.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Our audit of the JFSC was undertaken to the materiality level specified above and was performed at the JFSC's office in Jersey.

Our audit approach was developed by obtaining an understanding of the JFSC's activities and the overall control environment. Based on this understanding, we assessed those aspects of the JFSC's transactions and balances which were most likely to give rise to a material misstatement.

› Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the JFSC's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commissioners; and the

overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

› Respective responsibilities of Commissioners and auditors

As explained more fully in the statement of Commissioners' responsibilities, the Commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

This report is made solely to the Chief Minister 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 the Chief Minister 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 for our audit work, for this report, or for the opinions we have formed.

› Statement regarding the Commissioners assessment of principal risks, going concern and longer term viability of the company

We have nothing material to add or to draw attention to in relation to:

- › The Commissioners' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- › The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- › The Commissioners' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so

over a period of at least 12 months from the date of approval of the financial statements; or

- › The Commissioners' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so, why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

› Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- › Materially inconsistent with the information in the audited financial statements; or
- › Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the JFSC acquired during the course of performing our audit; or

- › Is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Commissioners statement that they consider the Annual Report to be fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

›

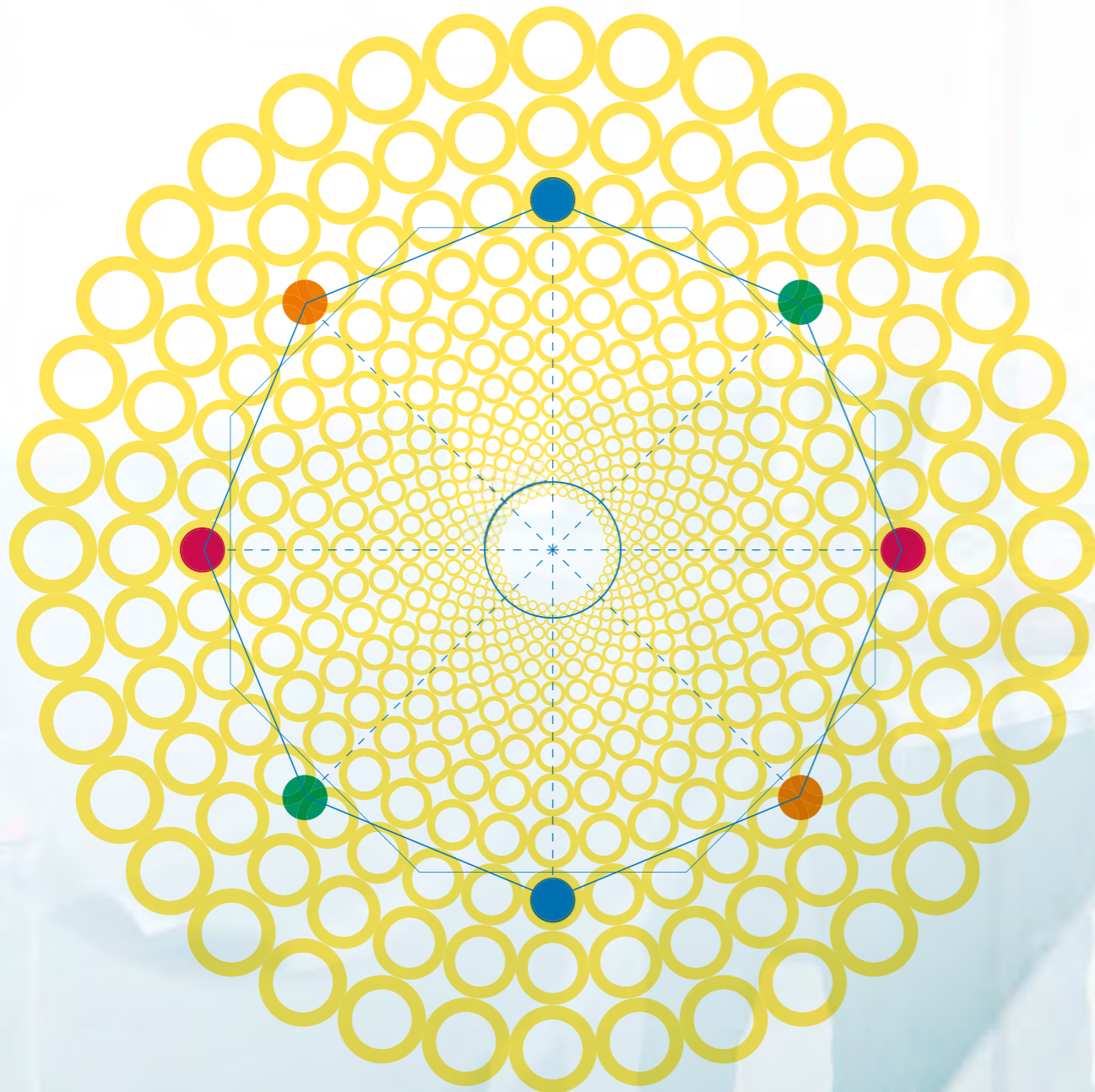
BDO LLP
Chartered Accountants

Bristol
United Kingdom
Date: 3 June 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

07

› Financial Statements



Financial Statements

Income and expenditure account For the year ended 31 December 2015

		2015	Restated*
	Note	£'000	2014 £'000
Regulatory income			
Regulatory fee income	4	11,281	10,717
Registry fee income	5	3,362	3,039
Total regulatory income		14,643	13,756
Other income	6	69	1,036
Interest income		58	59
Total income		14,770	14,851
Expenses			
Staff costs	7	(11,007)	(10,454)
Computer Systems		(873)	(832)
Premises costs		(741)	(811)
Professional services		(739)	(400)
Investigation & Litigation		(591)	(855)
Other operating costs		(494)	(485)
Depreciation of tangible fixed assets		(437)	(487)
Staff learning and development		(313)	(244)
Travel costs		(219)	(251)
Total expenses		(15,414)	(14,819)
(Deficit)/surplus for the year	8	(644)	33

All the items dealt with in arriving at the net (deficit)/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 (deficit)/surplus above, therefore no separate statement of other comprehensive income and expenditure has been presented.

The notes on pages 60 to 70 form an integral part of the financial statements.

*Prior year restatement arises from the first time adoption of FRS 102. Further details are disclosed in note 17.

Balance sheet as at 31 December 2015

		2015	Restated*
	Note	£'000	2014 £'000
Fixed Assets			
Tangible fixed assets	9	2,019	816
Current Assets			
Sundry debtors		251	1,133
Prepayments		627	370
Cash and bank balances	10	9,958	10,978
		10,836	12,481
Total Assets		12,855	13,297
Creditors - Amounts falling due within one year			
Fee income received in advance		4,624	4,636
Creditors	11	1,515	1,268
Provisions	12	197	97
		6,336	6,001
Total Assets less Current Liabilities		6,519	7,296
Creditors - Amounts falling due after one year			
Provisions	12	258	391
Total Assets less Total Liabilities		6,261	6,905
Represented by			
Accumulated reserves		6,261	6,905

The notes on pages 60 to 70 form an integral part of the financial statements.

The financial statements on pages 57 to 70 were approved by the Board of Commissioners on 29 April 2016, and signed on its behalf by:

- › Lord Eatwell Chairman
- › John Harris Director General

*Prior year restatement arises from the first time adoption of FRS 102. Further details are disclosed in note 17.

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Statement of changes in accumulated reserves

For the year ended 31 December 2014

	Accumulated reserves
	£'000
Balance at 1 January 2014	6,872
Surplus for the year	33
Balance at 31 December 2014	6,905
Balance at 1 January 2015	6,905
Deficit for the year	(644)
Balance at 31 December 2015	6,261

The notes on pages 60 to 70 form an integral part of the financial statements.

Statement of Cashflows

For the year ended 31 December 2015

	2015	Restated* 2014
	£'000	£'000
Cash flows from operating activities		
Net (deficit)/surplus for the year	(644)	33
Interest receivable	(58)	(59)
Depreciation charges	437	487
(Decrease)/Increase in provisions	(33)	89
Deferred rental incentive	(15)	(16)
Decrease/(Increase) in debtors and prepayments	625	(835)
Increase in creditors	146	341
Net cash generated from operating activities	458	40
Cash flow from investing activities		
Interest received	53	59
Purchases of tangible fixed assets	(1,531)	(451)
Net cash used in investing activities	(1,478)	(392)
Net decrease in cash and bank balances	(1,020)	(352)
Cash and bank balances at 1 January	10,978	11,330
Cash and bank balances at 31 December	9,958	10,978
Cash and bank balances consists of:		
Cash at bank and in hand	157	135
Short term deposits	9,801	10,843
Cash and bank balances	9,958	10,978

The notes on pages 60 to 70 form an integral part of the financial statements.

*Prior year restatement arises from the first time adoption of FRS 102. Further details are disclosed in note 17.

Notes to the Financial Statements

For the year ended 31 December 2015

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.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015.

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

The principal accounting policies applied in preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the first time adoption of FRS 102 are disclosed in note 17. Comparative figures have been restated where applicable to reflect the financial position, performance and cashflows as would have been reported under FRS 102.

The financial statements contain information about the JFSC as an individual entity, and do not include consolidated financial information as the parent of a group. The JFSC is exempt from the requirement to prepare consolidated financial statements because the inclusion of its subsidiary is not material for the purpose of giving a true and fair view.

Income

Income is accounted for on an accruals basis. Regulatory and Registry annual fees received in advance are recognised as income on a straight-line basis over the relevant period. Annual Registry fees include only the share of annual fees attributable to the JFSC.

Recoveries of enforcement costs are accounted for only when they have been awarded 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 as this approximates the timing of the services provided.

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.

07

› 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 and are subject to an insignificant risk of changes in value.

› 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 years
› Computer software	3 to 7 years

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

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.

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 incurred is recognised as an expense when incurred. Systems developments 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 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 of tangible fixed assets

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset 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. 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.

› Government grants

Grants are accounted under the accrual model. Grants relating to expenditure on fixed assets are initially recognised as deferred income and are recognised in income and expenditure account on a systematic basis over the expected useful life of the related asset. The deferred income element of Government grants is included in other creditors.

› Leases

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

The JFSC has 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 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 States of Jersey, are accounted for on an accruals basis because the JFSC is unable to obtain the information necessary to apply defined benefit scheme accounting (see note 14).

› 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 the employment of the JFSC. The provision is discounted if the effect would be material.

2 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 are 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 the next financial year are outlined opposite.

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. The balance of the provision represents management's best estimate, regarding the expected future cash flows related to long leave entitlements.

Useful lives and residual values

Tangible fixed assets are depreciated over their 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.

3 Taxation

The JFSC is exempt from the provisions of the Income Tax (Jersey) Law 1961, as amended.

4 Regulatory fee income

	2015	2014
	£'000	£'000
Banking	1,467	1,205
Funds	4,850	4,601
Insurance companies	707	728
General insurance mediation	108	101
Investment business	1,174	1,141
Trust companies	2,399	2,393
Designated non-financial businesses & professions	545	514
Recognised auditors	18	22
Money services business	13	12
	11,281	10,717

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 and the Security Interests Register.

Registry fees include annual return fees. The amount of the annual return fee payable to the Registry includes amounts collected on behalf of and remitted to the States of Jersey.

The number of annual returns received during the year was:

	2015	2014
	33,533	33,043
Annual returns received		
	2015	2014
	£'000	£'000
Total annual return fee income	5,030	4,956
Less: collected on behalf of the States of Jersey	(3,856)	(3,800)
Retained by the Registry	1,174	1,156
Other Registry income	2,188	1,883
Total Registry income	3,362	3,039

6 Other income

	2015	Restated / 2014
	£'000	£'000
Income from hosted events	16	23
Investigation and litigation recoveries*	40	1,000
Sundry income	13	13
	69	1,036

*As part of its regulatory responsibilities, the JFSC carries out investigations and enters into legal actions from time to time, the costs of which may be significant. In a few cases, some or all of the Commission's costs may be recoverable.

07

7 Staff costs

	2015	2014
	£'000	£'000
Staff salaries	9,109	8,543
Commissioners' fees	392	269
Social security contributions	412	404
Pension contributions	743	725
Permanent health and medical insurance	267	242
Other staff costs	132	117
Long leave provision	(33)	89
Annual leave pay accrual	(15)	65
	11,007	10,454

Contributions to staff pension schemes are payable monthly to pension scheme administrators. Contributions amounting to £NIL (2014: £100,001) were payable to the schemes at year end.

The average number of staff employed during the year was 127 (2014: 125).

8 (Deficit) / Surplus for the year

For the year is stated after including the below:

	2015	2014
	£'000	£'000
Depreciation of tangible fixed assets	437	487
Foreign exchange differences	4	4
Contributions to employee pension schemes (refer to note 15)	743	725
Operating lease expenditure	477	475
Audit fees	31	18

9 Tangible fixed assets

	Office furniture, fittings & equipment	Computer systems under development	Computer systems & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2015	742	19	3,622	10	4,393
Additions	14	1,479	147	-	1,640
Completed computer systems	10	(385)	375	-	-
At 31 December 2015	766	1,113	4,144	10	6,033
Accumulated depreciation					
At 1 January 2015	(628)	-	(2,945)	(4)	(3,577)
Charge for the year	(38)	-	(396)	(3)	(437)
At 31 December 2015	(666)	-	(3,341)	(7)	(4,014)
Net book value at 31 December 2015	100	1,113	803	3	2,019
Net book value at 31 December 2014	114	19	677	6	816

The principal expenditure during the year related to the Change Programme and included systems development of the

Registry platform, the Relationship Management System and the Finance System.

10 Cash and bank balances

	2015	2014
	£'000	£'000
Current accounts	154	133
Deposit accounts	9,801	10,843
Petty cash	3	2
	9,958	10,978

The JFSC's accumulated financial reserves, less the funds invested in fixed assets and working capital, are invested in bank deposit

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

› 11 Creditors

	2015	2014
	£'000	£'000
Trade creditors	464	537
Accruals	552	274
Deferred rental incentive	91	106
Sundry creditors	408	351
	1,515	1,268

› 12 Provision for long leave

	2015	2014
	£'000	£'000
At 1 January	488	-
First time adoption of FRS 102	-	399
Additions to provision during the year	-	117
Reversal of provision during the year	(18)	-
Utilised in the year	(15)	(28)
Charged to income statement	(33)	89
At 31 December	455	488
Falling due within one year	197	97
Falling due after one year	258	391
	455	488

› 13 Commitments under operating leases

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

	2015	2014
	£'000	£'000
Not later than one year	490	490
Later than one year but not later than five years	1,960	1,960
Later than five years	490	980
	2,940	3,430

Rentals payable under this operating lease are subject to periodic review and are based on market rates.

› 14 Financial instruments

The JFSC's financial instruments are analysed as follows:

	2015	2014
	£'000	£'000
Financial assets		
Financial assets measured at amortised cost	10,170	12,072
Financial liabilities		
Financial liabilities measured at amortised cost	(638)	(739)

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.

› 15 Pension costs

The JFSC 2012 Staff Pension Scheme

In 2012, the JFSC closed the Jersey Financial Services Commission Staff Pension Scheme and replaced it with a new defined contribution scheme, the JFSC 2012 Staff Pension Scheme. The new Scheme is open to staff whose initial employment by the JFSC occurred after 1 January 1999. Members' interests in the old scheme were automatically transferred to the JFSC 2012 Staff Pension Scheme. All transfers of interests were completed in 2013.

The JFSC 2012 Staff Pension Scheme's assets are held separately from those of the JFSC, under the care of an independent trustee.

Salaries and emoluments include pension contributions for staff to the schemes of £721,137 (2014: £692,464). Contribution rates have remained unchanged. Aggregate contributions increased due to changes in membership numbers, ages and employment grades.

› Public Employees Contributory Retirement Scheme

Staff employed by the JFSC before 1 January 1999 are members of the Public Employees Contributory Retirement Scheme (PECRS) which is a final salary scheme. The assets are held separately from those of the States of Jersey. Contribution rates are determined by an independent qualified actuary so as to spread the costs of providing benefits over the members' expected service lives.

Salaries and emoluments include pension contributions for staff to this scheme amounted to £22,025 (2014: £32,777). The decrease is due to staff retirement. The average contribution rate paid by the JFSC during the year was 13.6% (2014: 13.1%) of salary. The contribution rate is unlikely to be adjusted following the results of the 31 December 2013 actuarial valuation.

The JFSC is unable to identify its share of the underlying assets and liabilities of PECRS in accordance with Financial Reporting Standard 102 (Section 28) and accordingly accounts for contributions to the scheme as contributions to a defined contribution scheme.

Actuarial valuations are performed on a triennial basis, the most recent published valuation being as at 31 December 2013 which reported a surplus of £92.7 million. No account has been taken of the JFSC's potential share of this surplus because the scheme is accounted for as if it is a defined contribution scheme.

Copies of the latest Annual Accounts of the scheme, and of the States of Jersey, may be obtained from the States Treasury, Cyril Le Marquand House, The Parade, St Helier JE4 8UL.

› 16 Related party transactions

The JFSC has been established in Law as an independent financial services regulator and as such the States of Jersey is not a related party.

Key management personnel include the Commissioners, the Director General and Executive Directors who together have authority and responsibility for planning, directing and controlling the activities of the JFSC. Total compensation paid to members of key management personnel during the year was £2.17 million (2014: £1.98 million).

Remuneration of Commissioners and the Director General are set out on pages 43 and 45 of this Annual Report. There were no other transactions with key management personnel other than reimbursement of expenses incurred for Commission purposes.

› 17 First time adoption of Financial Reporting Standard 102

These financial statements represent the JFSC's first time adoption of FRS 102. The last financial statements prepared in accordance with UK GAAP were the financial statements for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Comparatives have been restated where applicable to reflect the financial position, results and changes in accumulated reserves in accordance with FRS 102.

The only material change to comparative figures reported in the prior year financial statements are to accrue for accumulated annual leave pay and make provision for accumulated long leave. This has resulted in a prior year adjustment to opening reserves of £467,767 and an additional charge of £153,700 against staff costs in 2014.

Adjustments to prior year comparatives due to the first time adoption of FRS 102 are detailed below:

	Accumulated reserves
	£'000
Balance at 1 January 2014 - as previously stated under UK GAAP	7,340
Opening balance adjustments on first time adoption of FRS 102	(468)
Restated balance at 1 January 2014 in accordance with FRS 102	6,872
Surplus for the year - as previously stated under UK GAAP	187
Opening balance adjustments on first time adoption of FRS 102	(154)
Balance at 31 December 2014 in accordance with FRS 102	6,905

› 18 Subsidiary undertakings

At 31 December 2015, the JFSC had an interest in one wholly owned subsidiary company (2014 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

The JFSC Property Holdings No.1 Limited entered into an agreement on behalf of the JFSC to lease the JFSC's office premises. All expenditure incurred by the Company is borne by the JFSC. The Company has no assets or liabilities and therefore has not been consolidated in the financial statements.

- › **More efficient, effective and better able to manage the evolving regulatory and business environment**



> Appendices

> 01 Commissioners 2015



Lord Eatwell
Chairman



John Averty
Deputy Chairman



John Harris
Director General



Debbie Prosser



Markus Ruetimann



Cyril Whelan



Stephan Wilcke



Ian Wright



Simon Morris



Peter Pichler



Michael de le Haye



02 Executives & Heads of Unit 2015



John Harris
Director General



John Everett
Deputy Director General



Mark Sumner
Director of Supervision and Risk



Mike Jones
Director of Policy



Darren Boschat
Head of Banking



Sam Davison
Head of Supervision Examination Unit



Roy Geddes
Head of Unit, Supervision



Anita Matthews
Head of Unit, Supervision



David Porter
Head of Unit, Policy



Francis Katamba
Head of Central Support



Tony Shiplee
Head of Unit, Supervision



Steve Gardener
Head of Risk and Assurance



Barry Faudemer
Director of Enforcement



Andrew Le Brun*
Director of Financial Crime Policy



Mike Jeacock
Chief Operating Officer



Julian Lamb
Director of Registry



Jason Carpenter
Head of Unit, Enforcement



Matt Ebbrell
Head of Human Resources



Stuart Keir
Head of Finance



Sarah Kittleson
Head of Programme Management Office



Wanda Adam
Head of Unit, Registry



Emma Martin
Head of Communications



Denis Philippe
Head of ICT



Mark Syvret
Head of Facilities



Dawn Kennedy
Head of Unit, Registry

*Secondment to MONEYVAL

- › International regulatory bodies of which the JFSC is either a member or associated with:
 - › 1 Full member of:
 - › International Organization of Securities Commissions (IOSCO)
 - › Group of International Finance Centre Supervisors (GIFCS)
 - › International Association of Insurance Supervisors (IAIS)
 - › Group of International Insurance Centre Supervisors (GIICS)
 - › International Federation of Independent Audit Regulators (IFIAR)
 - › 2 Participate fully in the processes, and subject to the procedures, of:
 - › Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)
 - › 3 Participates in the work of the following through its membership of GIFCS:
 - › Basel Committee on Banking Supervision (BCBS)
 - › Financial Action Task Force (FATF)

› Protecting consumers, the reputation of Jersey's finance industry, and deterring and preventing financial crime



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

Telephone: +44 (0)1534 822000

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www.jerseyfsc.org

