



Corporate Services Scrutiny Panel
Deputy Sam Mezec, Chair
FAO – Monique Magalhaes / Email: M.Magalhaes@gov.je
States Greffe: Scrutiny
Morier House
St. Helier

31 October 2023

Dear Deputy Mezec,

**Proposed Government Plan 2024-2027 Review
Corporate Services Scrutiny Panel
Jersey Financial Services Commission (JFSC)**

I refer to your letter dated the 13th October 2023 seeking the JFSC's comments in respect to the above, and in particular the Regulatory Technology (RegTech) Super-Deduction.

I can confirm the team from Treasury consulted with the JFSC on three occasions to assist with identifying uses of Regtech that support compliance with current Anti Money Laundering (AML) / Countering Terrorist Financing (CFT) regulations. We were asked to review the eligibility criteria for participants and were able to provide suggestions of an appropriate taxonomy of eligible Regtech categories that matched their intentions.

Widespread adoption of Regtech by the financial services industry in Jersey will help with the Islands' resource capacity issues through automation and the subsequent efficiency gains, but what is sometimes underestimated is the impact that regulatory technology can have in reducing risk of money laundering and terrorist financing. Investment in and the effective use of Regtech and associated data analysis in AML/CFT processes is critical to continuing to protect our reputation and our global standing.

The Super-Deduction aligns with the JFSC's own initiatives to help drive investment into RegTech which were prompted by Industry research. The 2021 'Regtech in Jersey' report commissioned by the JFSC, showed that RegTech had reached only modest levels of adoption even in areas that respondents categorised as high priority. In the highest priority category of Financial Crime just 17% of respondents had implemented an enterprise-wide solution, with 45% of respondents stating they had adopted solutions to address only elements of the issue. The report also reported on

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the barriers to adoption with 33% referencing the prohibitive cost of Regtech solutions and 27% referencing a lack of available budget. In 2021, 28% of respondents stated they had implemented an enterprise-wide solution for cyber, identity and privacy.

In June 2023, the JFSC commissioned a follow up survey on the adoption of Digital Identity (a subset of the former category) and found little change in the rates of adoption with only 26% of respondents stating they had implemented a Digital Identity solution, with 46% exploring the possibility.

Although adoption of RegTech is seen by the finance industry as a priority, there are several barriers to adoption, including financial. The JFSC is supportive of any initiatives that seek to remove these barriers.

I trust that the above provides useful in your review. Please reach out should you wish to discuss further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Britton'.

Jill Britton

Director General, Jersey Financial Services Commission

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