Jersey Financial Services Commission
Annual Report
2020

R.80/2021

› Our priority from the start was to keep our people, Industry and our Registry customers safe, while staying ‘open’ for business.

Jersey Financial Services Commission

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Annual Report 2020

2020:
At a glance

Moved all our services people online to work from home for the year in response to Covid-19

Kept the Registry fully operational when other jurisdictions did not, contributing in large part to an influx of new business to the Island

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Supported Industry with flexibility on deadlines and business continuity plans

One of very few jurisdictions to move to remote examinations

58 › 100+

58 examinations on 100+ businesses

myRegistry

Completed the initial build work for the new digital Registry and myRegistry and went live early in 2021

More than doubled our engagement and outreach with website updates, webinars and virtual meetings

Launched our first programme of webinars

KYC

Published our report on a shared KYC utility

Worked with the Government of Jersey to finalise the Island's first National Risk Assessment for anti-money laundering

Published more than 20 consultation and feedback papers

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Started to upgrade the core systems used by our supervisors

Launched new regulatory platform - myProfile - for stakeholders to update and manage their information

Undertook a full review of our authorisations framework to make improvements to how we process licences

Reviewed our financial resilience

FEES

Discussed revised fee structures with Industry and Registry customers

Enabled new businesses to come to Jersey by introducing new fees for businesses applying for eligible foreign limited partnerships to continue as limited partnerships in Jersey

Continued our policy work on sustainable investments

01.

Vision from the top: Chair's statement

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Vision from the top: Chair's statement

2020 has been an extraordinary year. The Island, its people and its businesses have been deeply affected by Covid-19. The pandemic has impacted each one of us and, whilst restrictions are being eased, the clock cannot be turned back: our lives have been indelibly marked by the events of the last year.

I am very grateful to the team at the JFSC, ably led by our Director General, for their work maintaining the continuity of our operations, our engagement with businesses and our support to the local community. It is much appreciated.

One of the JFSC's guiding principles is to contribute to the long-term economic wellbeing of the Island. For me, this means we need to understand the technological, business and regulatory changes that will shape the Island's future: balancing facilitating change with maintaining high but proportionate regulatory and supervisory standards. Whilst Covid-19 dominated 2020 and will cast a long shadow, we know that the pace of change in financial services is accelerating and we need to respond.

Our seamless move

As with the firms we regulate, we found that previous investment in technology facilitated a high degree of operational resilience during the pandemic. Our seamless move from our offices to our homes ensured that users continued to access the Registry and its services, and this was seen as an asset by Island businesses.

Whilst the pandemic might have given us cause to pause our IT development, we decided to continue our planned investment in technology to improve the resilience and functionality of our systems. Firms need to be able to set up new schemes and structures efficiently to compete with other jurisdictions. Our multi-million pound investment into myRegistry and myJSFC support this. We believe that the modernisation of the Registry will help users update their own systems and processes. Our investment in technology removes barriers to change and can catalyse new investment by users. If it is easier for you to do business with us, then it is easier for you to do business with your clients.

The adoption of remote working not only creates new opportunities for business, but also presents regulatory challenges. Increased flexible working in the Island will change how business is done.

So how do you demonstrate that controls continue to work effectively, regardless of whether people are in the office or at home? The operational resilience of firms across multiple geographies will increase the opportunity for the centralisation of functions, increasing specialisation and decreasing costs. The JFSC will work with businesses to understand the governance and risk management of new material outsourcing arrangements and the growing use of the Cloud.

Of course, technological disruption is not just about changes to existing businesses. We work closely with Digital Jersey and Jersey Finance to support innovative new businesses. In fact, in 2020 our innovation hub helped 74 businesses with their queries about how to develop innovation in financial services and how regulation applies to them. This was almost a quarter more enquiries than we received in 2019 and mainly related to RegTech.

As another part of our contribution to the economic wellbeing of the Island, we need to demonstrate that, through proportionate and effective regulation and supervision, financial services firms and their customers can be confident about doing business in Jersey.

Supervision, remediation and enforcement action can be challenging for businesses, but they are necessary. Whilst Covid-19 reduced the number of examinations we undertook in 2020, our investment in risk-based assessment to underpin the deployment of resources ensured our visits were carefully targeted. We expect to increase the number of examinations in 2021, reflecting the investment we have made in our Supervision team.

Where we identify failings that put customers at risk or create opportunities for financial crime, we will take action. It is not in the interest of those who abide by the rules for Jersey to be seen as a soft touch by those who do not. One of my reflections on the outcome of our work this year is the pivotal role of Boards. Responsibility for compliance failings and poor systems and controls sit with Boards. We will continue to highlight examples of good and poor governance in our work.

"Deeper engagement with Industry will help us to better understand the challenges businesses face and how we adapt to them"

It is inevitable that any review of 2020 must include reference to the Island's preparations for MONEYVAL. Whilst Covid-19 has delayed our assessment, that is no reason for complacency. We continue to invest in people and processes, as well as working with the Government on the National Risk Assessment and legislative changes to ensure we have the most effective regime possible. 2021 will see this work continue and, to assess our own readiness, we have commissioned an external review of our work. We see a good outcome from the MONEYVAL assessment as pivotal to the Island's wellbeing.

The accelerated adoption of technology through the crisis has changed how we interact with firms. My own Industry engagement with trade associations and firms has been by Zoom. We have held a number of webinars to flag issues to firms and the launch of our business plan for 2021 was virtual, dramatically increasing the numbers who were able to attend. We will continue this approach. Deeper engagement with Industry will help us to better understand the challenges businesses face and how we adapt to them, and at the same time be clear on our expectations about the behaviour of firms and their people. Outreach is also one of the tools we will use to raise the standard of compliance on the Island.

I can summarise these strands as building Jersey's reputation. Robust and resilient operations, facilitation of technological evolution, proportionate and effective supervision, and strong Industry engagement all help to build our reputation as a jurisdiction. The stronger our reputation, the better the prospects for the Island's economic wellbeing. The JFSC can play its part in this, but the responsibility is shared. Government, business and regulator all have a role to play. Ill-judged business choices can unravel hard-won gains. The chase for short-term profits can hamper long-term interests. Let us work together in 2021 to continue to build our reputation.

Invaluable oversight

To close, I would like to thank my fellow Commissioners for their unyielding support and commitment during my first year as Chair. In particular, 2020 was the last full year of Commissioner Wright's tenure; his retirement in April 2021 marks the end of nine years' service for the JFSC and the Island. His contribution as Commissioner and Deputy Chair are to be commended. We also said farewell to Commissioners Ruetimann and Whelan respectively, who had both completed two terms in office and offered invaluable oversight and insight during those years.

I must end by honouring the phenomenal efforts demonstrated by our people during 2020. They successfully adopted new ways of working by staying home or respecting public health measures in the workplace so the JFSC could remain open for business. What you have achieved during unquestionably demanding times is testament to your resilience and determination in the face of adversity. My thanks go to Martin Moloney and his Executive team for navigating these unknown waters and achieving so much on the journey. We find ourselves in a strong position to exit these turbulent times and support the Island and its financial services industry as we build back better.

Mark Hoban
Chair

02.

Being resilient in 2020: Director General's statement

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02.

Being resilient in 2020: Director General's statement

We began 2020 with an ambitious plan for capital investment and a demanding programme of supervisory engagement. We did not anticipate the events to come, although in our 2020-2023 strategy we did identify the importance of both our own resilience and the resilience of the Jersey financial services sector in the face of unidentified threats.

When the Covid-19 pandemic became evident in early March, we were deeply engaged in our challenging work programme to deliver our 2020 business plan. The pandemic added two new demanding tasks:

- protecting our staff and their families by moving to remote working; and
- supporting Government to oversee the compliance of the finance industry with the various public health requirements, which were essential to shield the Island.

Aiming to turn a challenge into an opportunity, we added a third important task. We launched an extended series of webinars to boost our communication with Industry, not only about Covid-19 but also on our various regulatory initiatives.

We committed as much as possible to delivering on the objectives we set out in our 2020 business plan. To this end, we devised a new way of conducting examinations: remotely. It might have seemed like a contradiction in terms but, with Industry's cooperation, we made it work. It meant that we did not conduct quite as many examinations in 2020 as we would have wished, but we did achieve a very substantial portion of our targets. Equally, we did not quite accomplish all our capital programme goals, but we pushed most of them close to the year-end target.

Registry

We remained operational throughout the pandemic. Our Registry never closed its (virtual) doors. Our team worked remotely throughout the year and, as a result, large parts of Jersey's finance industry, which rely on our services, were able to work from home. The benefits to the Island, both in terms of its international reputation for reliability and the income generated for local businesses and families, were enormous.

The plan for a new Registry system had been in development for many years. The ambition was to have a new online customer account and workflow management system for staff to increase efficiency, provide new ways to bolster the accuracy of data, and a better user experience for our many Registry users. Once we committed ourselves to the build, we were determined to deliver in 2020, despite the pandemic.

As it happened, at the last minute we had to let the delivery date slip into early 2021. But the system is now launched; all the work has been worth it. The opportunities for trust companies to build out their digital systems are enhanced. The accuracy of the data we hold will be enhanced. Our agility and capacity to deal with future market and regulatory developments are greatly strengthened.

> "In my opinion, our staff deserve all our gratitude for the way in which they supported each other and delivered for Jersey in 2020"

Regulator

For some time the regulatory side of our work has been made less efficient than it should be by having an inflexible platform for communications with Industry. We have listened to concerns that, in particular, the filling out of personal questionnaires was too time-consuming. This is, in practical terms, a critical process both for us and Industry. In 2020, we launched and did much of the work on building a new regulatory portal. We prioritised the user experience in relation to personal questionnaires. We also wanted to lay the groundwork for improving other aspects of our interaction with industry. Once again, we got most of what we wanted to do done in 2020 and the launch of the much-improved portal in early 2021 has illustrated, if it were needed, how inadequate the earlier portal had been. It was our ongoing engagement with industry and listening to their experiences which led us to prioritise this work and I'm very pleased that we did.

At the same time, we engaged in a fundamental restructuring of parts of our IT architecture to prepare for more detailed workflow management development work in 2021. That work is essential for us to be able to, in future, test and assess the effectiveness of the supervisory work that we do. Unfortunately, such workflow management systems can't be bought off the shelf by regulators; we need to build our own. That is a daunting task, but as I write we are deeply engaged, building on the work we completed in 2020.

2020 was also the year in which our supervisors benefitted from having a well-developed, automated risk assessment system to collate and assess the data we hold. Once again, this is something we have had to build ourselves. Our work to design and develop this system continues. We move onto the next phase of this work in 2021. As it develops, it makes us an increasingly sophisticated supervisor - it is the sophistication of our supervisory approach which is the essential bulwark of Jersey's reputation.

Regulation has become an increasingly challenging activity. The degree of challenge reflects the intensifying complexity of the financial sector. Market fragmentation, political change, financial sector innovation and the changing face of financial crime all contribute to that challenge. At the JFSC, we have a skilled and ambitious team who have worked incredibly hard in 2020 to deliver the kind of development, supervisory and registry work that fulfil Jersey's unique ambitions to be among the most responsible international finance centres in the world.

In my opinion, our staff deserve all our gratitude for the way in which they supported each other and delivered for Jersey in 2020. We continue in 2021 to build on what was achieved in 2020.

Martin Moloney
Director General

03.

› Guilding principles and key deliverables

03.

Guilding principles and key deliverables

Our guiding principles are **set out in law** and drive our work. The following tables summarise each of the four principles, the main risks and uncertainties that threaten our work, what we do to mitigate those challenges, and the progress made during 2020 to show that these guiding principles are central to all we do.

Guiding principle: Defend Jersey's reputation

Explanation	Principal risks and uncertainties	Key risk mitigants and controls	Success measures
We protect Jersey's reputation and integrity by making sure our rules meet global standards and are understood by local businesses and international standard-setting organisations.	The standards within our regime need to stay fit for purpose. Jersey being greylisted or blacklisted as a result of poor Island assessment. Negative media coverage connected to financial services in Jersey.	Timely preparation for MONEYVAL assessment in 2023 and ongoing work on the FATF Recommendations. Work to support Jersey's National Risk Assessment (NRA). International engagement with supervisors and standard setters.	Dedicated webinars for specific sectors on outcomes of NRA. Developing an approach to sustainability reporting fit for Jersey.

These guiding principles are central to all we do...

Guiding principle: Protect the public from conduct risk

Explanation	Principal risks and uncertainties	Key risk mitigants and controls	Success measures
We reduce risk to the public by only allowing businesses that meet high standards to operate In the Island.	The pace of change and innovation in the financial services sector may outpace our capacity and capabilities as an effective gatekeeper.	Resource and capability in the JFSC Supervision team. Collaboration internally and externally to share information. Timely engagement with Government and Industry on our regulations.	Comprehensive review of our authorisations processes. 862 regulator-to-regulator information exchanges.
We step in when businesses do not meet those high standards.	Covid constraints have made it harder to identify bad actors and the economic impact of Covid has increased prudential and conduct risk.	Optimisation of our risk model. Formalised collaboration and information sharing with other agencies on enforcement matters.	One of few jurisdictions to move to remote examinations. Conducted 58 examinations across 100 businesses.
We work to enhance public knowledge of financial products to strengthen their decisions and ability to spot scams.	Dishonesty, incompetence and malpractice persist in a minority of businesses, particularly at the perimeter of our regulatory remit.	Reaching the right audiences with the right materials. Issuing regular warnings about scams and unauthorised businesses.	Feedback from investors on changed behaviour. Producing campaign and associated material for World Investor Week 2020.

Guiding principle: Facilitate business for Jersey

Explanation	Principal risks and uncertainties	Key risk mitigants and controls	Success measures
We safeguard the best economic interests of Jersey by supporting access to markets through our policy, registry and supervisory work. We provide quality information to support Government policy decisions.	Hardening attitude to International Finance Centres within the EU. Additional reporting requirements stretch the limits of the data we collect.	Resource and capability in JFSC Policy and Risk team. Timely engagement with Government on existing and new regimes.	Rapid introduction of continuance provisions for LPs. Achieving regular reporting commitments to key partners. Successful continuation of Registry operations throughout the pandemic.

Guiding principle: Fight financial crime

Explanation	Principal risks and uncertainties	Key risk mitigants and controls	Success measures
We counter financial crime through leadership in local and international efforts to develop AML/CFT/CPF standards and by taking robust action against businesses that fail to comply with our rules.	The growing diversity of products and activities in Jersey. The international client base of many Jersey businesses. The evolving typologies of criminal activity.	Acting as first line of defence through the Registry and second line for regulated businesses. Additional scrutiny for new kinds of business.	98 businesses examined specifically for AML/CFT compliance. Co-authoring FATF guidance on risk-based supervision and participating in mutual evaluations/assessments of other jurisdictions.

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Principal risks and uncertainties

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Principal risks and uncertainties

The Covid-19 pandemic that unfolded across the globe in 2020 is one of the most extreme macro-environmental risk events this planet has seen for decades. It has dominated the risk landscape, throwing governments, economies and healthcare systems into crisis. With more than 130 million cases worldwide to date and almost 3 million deaths, the negative impacts are obvious.

However, there have been positive outcomes as well: the international collaboration and scientific innovation needed to deliver new vaccines at record speed, the wholescale evaluation of the way people work and, perhaps most importantly, our level of preparedness for another pandemic.

At the JFSC, we too can draw positives from the way we have responded to Covid-19 and other risks we faced during 2020, as we acknowledge our ability to adapt and succeed in the face of risk and uncertainty.

Covid-19

The pandemic perfectly demonstrates the potential for an event to cut across all types of risk and require a coordinated response on a number of fronts. On a macro-environmental level, we have had to deal with the closure of borders, periods of lockdown and Jersey's political response to the crisis.

At an operational level, we needed to manage the risks the virus presented to our organisation, while maintaining and prioritising the safety and wellbeing of our staff, staying open for business, and supporting and monitoring the impact on the regulated community.

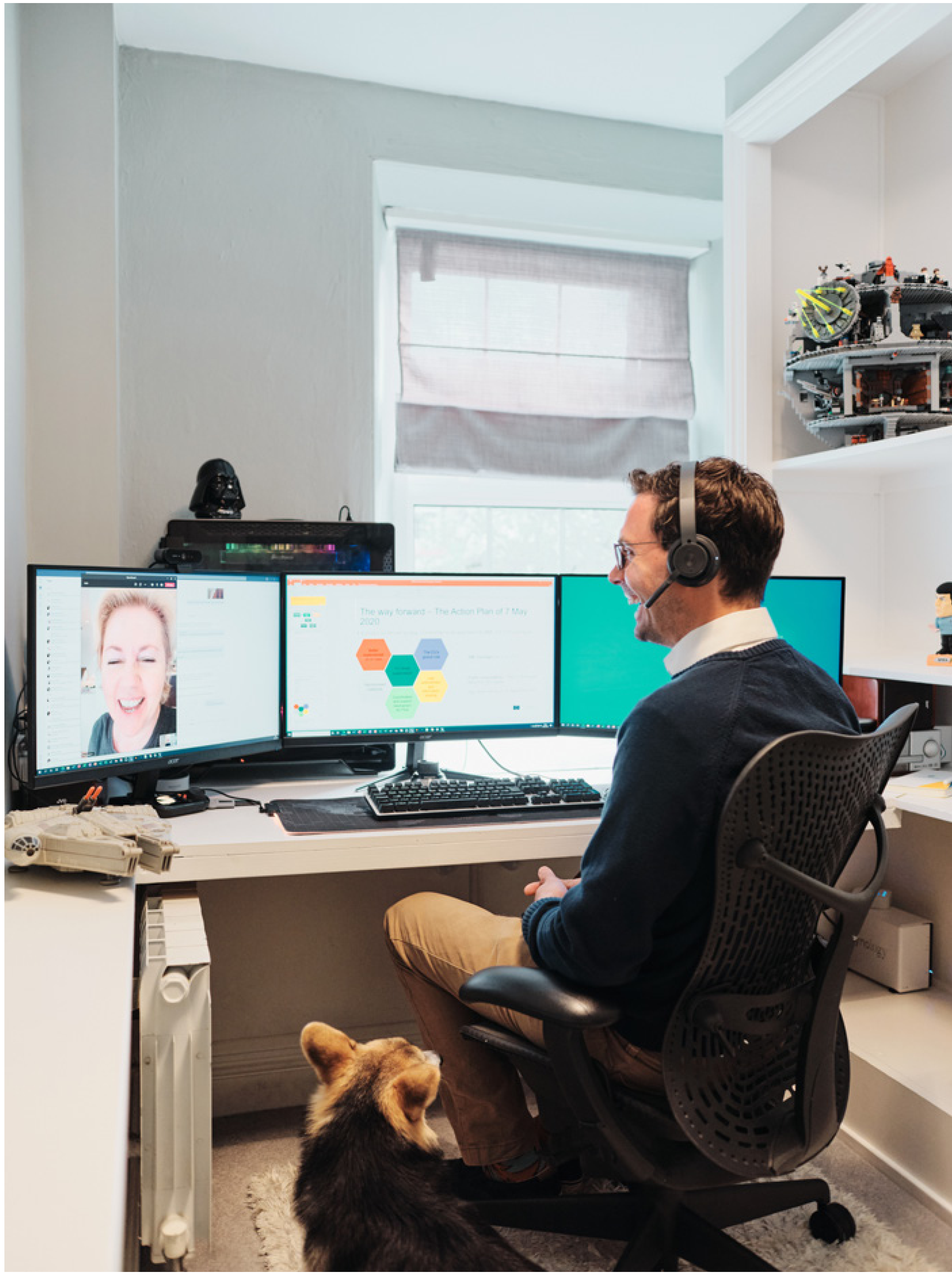
Read more about our response to the pandemic on page 32.

Brexit

After undertaking a good deal of preparatory work during 2019, Brexit continued to be a source of risk and uncertainty for the Island, and consequently the JFSC, in 2020. When the UK left the European Union on 31 January 2020 and entered the transitional period, there was little indication of what the outcome of negotiations would be.

In October 2020, we issued a joint statement with the Government of Jersey to highlight the need for robust business continuity planning in the event of either a deal or no-deal Brexit, and to provide sector- specific guidance for each scenario. In December 2020, we published a position paper outlining changes from 1 January 2021 for the Alternative Investment Fund, Funds Services Business and Certified Funds Codes. Twice during the year, our Director General attended meetings with HM Treasury about Brexit, also attended by officials from the Guernsey Financial Services Commission, and Guernsey and Jersey Governments.

Beyond 2020, an ever-evolving risk for Jersey is whether the relationship between the Island and the UK will change as a consequence of the new relationship between the EU and the UK.



External landscape for International Finance Centres

One of the ongoing battles that Jersey faces is to maintain its reputation as a transparent and well-regulated International Finance Centre (IFC). Increasing scrutiny of tax arrangements, a drive for transparency around beneficial ownership with calls for public registers, and compliance with international standards - particularly around fighting financial crime - mean we need to continuously demonstrate the effectiveness of our regulation. This is one of our biggest challenges; the risk of Jersey being black or greylisted by any international standard setter, such as the Council of Europe or the Financial Action Task Force, would be catastrophically damaging for the jurisdiction's viability.

Although Jersey received an outstanding result in its last MONEYVAL assessment in 2015/16, many jurisdictions are now struggling to meet the new standards in recent assessments. This could, in part, be due to the shift in emphasis from technical compliance to demonstrating effective arrangements for fighting financial crime. If Jersey cannot meet the new standards, it would mean significant damage to its reputation. In 2020, we began an extensive programme of work to strengthen our capability for fighting financial crime. For us, our work in this area will be a permanent focus for our activities and crucial for maintaining Jersey's international reputation for the long term. (See page 38 for more details.)

Jersey's National Risk Assessment for money laundering published in 2020 was the first step in demonstrating that the Island is effective at fighting financial crime. We played a leading role in collecting data for the assessment and also led or participated in the working groups. The assessment now forms a baseline for our understanding of money-laundering risk in the Island; it will be a foundation for our ongoing efforts to fight financial crime.

Technology and innovation in financial services

Whether FinTech, RegTech, or SupTech, the role of technology in financial services globally is rapidly expanding, with the pandemic only accelerating the drive for innovative solutions.

Jersey's financial services sector is no different, as we see from the growing number and variety of technology-based registrations, enquiries and services that we process. For us, the key challenge is keeping up with these innovations and understanding the risks they present. In particular, we need to ensure that businesses delivering these new tech products and services, and the customers using them, also understand the risks and can mitigate them effectively. These new technologies may require new regimes, which we will work with Government to determine. For example, in 2020 we started an initial review for a potential licensing framework for virtual assets and their service providers.

Sandboxes have been another regulatory response to innovation, providing a safe testing environment for businesses and regulators. In response to this fast-changing landscape, we continue to be part of the Global Financial Innovation Network (GFIN), a network of more than 60 international organisations that work together and share experiences of financial innovation. In 2020, we took part in GFIN's cross-border testing initiative for businesses to test their financial products, services, models and regulatory technology in multiple jurisdictions.

Cyber and information security

The risk we face, as an organisation that holds sensitive and commercially valuable data, will always remain high. There is a huge threat of reputational damage to both the JFSC and the Island if we, or indeed a business we regulate, experiences any significant information security event.

The pandemic created an even greater security threat to us and local businesses when we moved our operations to remote working for a significant proportion of the year. To raise awareness, we issued a number of warnings during 2020 about impersonation and phishing attacks targeting Industry and Islanders by using our regulatory communication channels and our membership of the Jersey Fraud Prevention Forum. Equally, we continued our programme of regular training and testing, with controlled phishing exercises on all our employees including our Board members.

One of the more troubling risks in 2020 was the dramatic increase in attempts to defraud consumers through scam telephone calls, emails and fake websites. Lockdown only exacerbated the problem, with more people at home looking for new investments and better rates of return. Jersey was not immune to these scams and we proactively issued warnings about clone websites, unauthorised businesses, phishing emails, and cryptocurrency scams.

Operational improvement and resource challenges

There are significant demands on the JFSC to be an effective, competitive, leading regulator and Registry. The pressures and costs associated with achieving and maintaining this international reputation continually evolve.

We always seek to deliver efficiencies in the way we operate and, in 2020, we began our largest capital expenditure programme to date to modernise our processes and make it easier for our many stakeholders to interact with us. Delivering such an ambitious programme in a pandemic presented unique challenges for our staff, particularly when we were working from home and experienced periods of the year when we were operating at under capacity - slower recruitment being yet another consequence of the pandemic.

05.

› 2020 in detail

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05.1

Delivering against our strategic roadmap

At the start of 2020, we set out of strategic priorities for the subsequent four years, focusing on three core areas to:

- **Build even more effective supervision**
- **Embed risk-focused choices in our work**
- **Strengthen our organisational resilience**

While the year was dominated by the Covid-19 pandemic and our ongoing response to it, we still managed to progress our work in these areas, successfully delivering against most of the projects we set ourselves in our business plan for 2020.

Key projects for 2020	Goal	Build even more effective supervision	Embed risk-focused choices throughout our work	Strengthen our organisational resilience	Progress in 2020
Strengthening our effectiveness at fighting the financial crime threat.	Implement FATF Recommendations and deliver effective AML/CFT supervision.	✓	✓		Collated statistical evidence to show our effectiveness in fighting financial crime ahead of MONEYVAL assessment. Carried out an ambitious programme of financial crime compliance-focused examinations on 98 businesses. Finalised our contribution to Jersey's first National Risk Assessment for money laundering and delivered subsequent sector-specific webinar series. Conducted independent review of our authorisations framework and made initial improvements to the way we grant and revoke licences.
Ensuring the continuous improvement of our workflow management system and digital platforms.	Enhance the core platform used by our Supervision team to secure more efficient and effective operations.	✓		✓	Started work to upgrade platform used by our Supervision team to prepare for recalibration of our supervisory workflows in 2021.
Implementing and refining our risk model.	Enable our Supervision team to focus on the top priorities.	✓	✓		Rolled out the next phase of our risk model so all our supervisors can now capture and monitor risk more effectively.
Updating our Registry.	Establish fully digital registry systems to simplify interactions for all customers while delivering enhanced intelligence, vetting and compliance.		✓	✓	Implemented new Registry Law and completed work to deliver first phase of fully digital Registry and new customer account platform – myRegistry.
Implementing a new digital experience platform/online account for regulated persons.	Deploy a refreshed single regulatory engagement platform/portal for interactions and submissions between individuals, Industry and the JFSC.			✓	Delivered myProfile – the first phase of upgrading myJFSC. This allows key and principal persons to apply for a no objection online and replaces the PQ portal.

05.2

Responding to the pandemic

From January 2020, we monitored the spread of Covid-19. We formed a dedicated crisis management team to track outbreak developments closely and implement the guidance issued by both Jersey and UK Governments. Our priority from the start was to keep our people, Industry stakeholders and our Registry customers safe, while continuing with our operations and staying 'open' for business.

Having comprehensively reviewed and amplified our business continuity plans - and asked Industry to do the same - we moved to full remote working on 23 March, one week ahead of the Government of Jersey enforcing home working. We secured enough equipment for staff to access systems and opened up new communication avenues for team collaboration, which allowed us to stay connected over the coming year. We reviewed, adapted and implemented new working practices so we could continue working as normal, while supporting colleague wellbeing.

As the regulator

As the prospect of the first lockdown loomed, we proactively engaged with the regulated community around their business continuity arrangements. With more than 800 financial services firms looking to us for guidance on how to steer their businesses and employees through the pandemic, we moved fast.

From the outset, we engaged with the Government, Jersey Finance and local trade bodies to understand their concerns, and issued guidance. We swiftly supported Government with the Business Disruption Scheme and issued prompt communications to Industry. We also took responsibility for administering the Essential Worker Scheme for the Island's financial services industry.

Throughout the pandemic, we continued to deliver on our regulatory remit. Mindful of the disruption and extreme pressures on businesses transitioning to remote working, we immediately offered Industry a level of flexibility with deadlines for their business continuity plans, and regulatory and financial submissions. We also issued guidance on customer identification, Board resilience and compliance monitoring.

We were one of very few regulators globally to continue our examinations programme, moving to a virtual process within four weeks of lockdown. This enabled us to continue delivering a key component of our supervisory approach. By the end of year, we had conducted 58 examinations on more than 100 businesses.

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58/100

58 examinations on more than 100 businesses

Over the course of the year, we assisted Government with understanding the impact of the pandemic on lending in Jersey, conducting a review on the banking sector's health in Jersey in terms of liquidity and capital. During the pandemic, we also supported the establishment of Jersey's first loan guarantee scheme. After rollout in Jersey, it was then adopted in Guernsey, the Isle of Man and Gibraltar.

As the Registry

A key priority for us was to maintain service levels for our significant and diverse Registry customer base.

Recognising the huge pressures on local companies, we endeavoured to help by waiving late payment fees, extending deadlines and bringing forward a reduction in our annual confirmation fee, which was due in 2022.

The volumes that our small Registry team processed for the first month of lockdown were staggering, given the upheaval of moving to remote working. Between March and April alone, they dealt with more than 25,000 updates to our central registers and a significant number of paper annual returns. We received feedback from Registry users, the Government and Industry about the team's resilience to provide continued unbroken service during an extraordinary time.

That resilience was unwavering throughout the year as the team kept meticulously balancing day-to-day operations with the delivery of the JFSC's largest capital expenditure project to date – a fully digital Registry by the end of 2020. This involved migrating our multiple registers to a new system and moving customers and all their data onto myRegistry, our new customer account platform. Not only was this operationally and technically an extremely demanding programme of work, but the team also had to ensure Registry customers came on the journey. This meant executing an extensive engagement and outreach programme of emails, webinars, digital updates, user group meetings and online training - all while working from home.

Deadlines for the programme were pushed into 2021 to help businesses prepare and to accommodate Government's change to the effective date for the new Registry Law. While the team undertook final preparation work on the new systems at the end of 2020, they dealt with an 80% increase in service requests and volumes – unprecedented levels which continued into early 2021.

Despite the substantial challenges presented by the pandemic, we continued to deliver our usual day-to-day regulatory and registry work and made substantial progress with our strategic projects, which are covered later in this annual report.

05.3

Engaging more effectively with our stakeholders

Engagement and outreach with our stakeholders was more crucial than ever in 2020.

Making the switch

Once we had moved to home working, we swiftly adapted to our new online environment and rolled out an extensive webinar programme of live and pre-recorded material. From not having used this communications channel previously, between April and December we hosted in excess of 15 webinars. These spanned technical regulatory sessions, updates on the findings of our virtual examinations, training on our new customer account platforms, and a tailored series of sector-specific webinars focusing on the outcomes of Jersey's first National Risk Assessment for Money Laundering.

Our first foray into live webinars – Working in the pandemic with our Director General - attracted more than 500 viewers, and a further 700 have subsequently watched the recording. An initial session on customer due diligence was viewed more than 1,800 times and, due to Industry demand, we have since hosted a second webinar in early 2021. Our NRA series has been viewed live or on demand more than 2,000 times. These are just three examples of the far greater audience numbers we have achieved compared to our in-person events. Webinars are now a firm fixture in our engagement.

As well as our own online events, JFSC staff also took part in a number of speaking engagements organised by Jersey Finance, local trade bodies and associations, and international groups, including the Toronto Centre.

Over the course of the year, we more than doubled our communications output on our website and social media channels, ensuring our stakeholders were regularly updated. Our dedicated Covid-19 web pages have been visited more than 23,000 times by Industry and the public.

Working the Industry, trade bodies and user groups

With a dedicated International and Industry Engagement Coordinator in post from early 2020, our engagement with Industry trade bodies and Jersey Finance has become more focused, with regular participation at meetings, a detailed calendar of activities, website updates, and email exchanges.

For our extensive project work, we set up working groups with both our Registry customers and the regulated community to get their feedback about our online service platforms. This engagement was fundamental to the decisions we made on the development of the new myRegistry and myProfile systems and also allowed us to bring our stakeholders on the journey with us.

Keeping our Registry customers informed

With the closure of our offices from March and our customer service team working from home, it was a challenge, that we overcame, to maintain our usual levels of communication with Registry users. This was particularly the case with the unprecedented volumes of requests and correspondence we received during certain periods of the year and ahead of the move to the new digital Registry.

The team undertook extensive outreach during 2020 to keep customers informed about the impacts of and our response to Covid-19, as well as our targeted engagement campaigns for local companies, and trust company and fund service providers about our new Registry. This involved daily correspondence, calls, digital updates, webinars, and training videos.

05.3

Connecting with our people

2020 allowed us to change the way we interact with our staff. By using a collaboration platform, regular video messaging, virtual conferencing, and moving all our training online, we have become better connected to our colleagues than ever before.

Registry outreach activity

- Met with more than 100 trust company business/fund service business service providers in 30+ dedicated sessions
- Released our Zoho collaboration tool, now with 355 registered active users
- Published guidance and FAQs on Zoho. Fielded a significant volume of information requests on a daily basis
- Facilitated webinars, produced informational animations, dedicated web pages for industry and the public
- Hosted webinars with technology service providers where we promoted the API channel
- Further outreach activity planned throughout first half of 2021

05.4

Supervising with a focus on fighting financial crime

Tackling the financial crime threat

One of our core focuses in 2020 was to strengthen our effectiveness at fighting financial crime and play our part in securing the best MONEYVAL assessment possible for Jersey, now scheduled for the first half of 2023.

To fulfil our commitment, 2020 marked the cementing of a major programme of work - the Financial Crime Prevention Capability Programme. Designed to review and improve every aspect of our work to fight financial crime, it covers the skills of our people, the legislation and arrangements we have in place, and the systems to collate data on how effectively we respond. It has the single aim of making us a valuable part of Jersey's fight against financial crime so we maintain the Island's reputation as an IFC.

During 2020, we restructured this programme around three key areas: preparing for our MONEYVAL inspection, ensuring we remain technically compliant, and demonstrating we are an effective regulator. In pursuit of the latter, in 2020 we undertook a detailed review of our current supervisory effectiveness, which resulted in some recommendations that we will implement in 2021. To supplement this work, we made improvements to the way we collect and report on data. We also upgraded the work management system used by our Enforcement team to ensure that they can capture elements of financial crime data more efficiently.

Towards the end of the year, we engaged with the Government and other local agencies on the new framework for Jersey's Financial Crime Strategy, coordinating our approach to financial crime at an island-wide level. We also worked closely with the Government on a number of legislative amendments which include the Money Laundering Order and virtual asset service providers.

We engaged regulatory consultant Helen Hatton to lead Industry working groups to assess the risks of current exemptions, which will likely result in changes to existing legislation and our regulatory framework in 2022. We also asked Industry for feedback on proposed changes to the AML/CFT Handbooks so we can align our regime with the FATF Recommendations. These changes come into effect in 2021.

To ensure key members of staff are appropriately trained in financial crime matters, we developed an e-learning module for all staff and an intermediate level in-house training programme covering topics including sanctions, bribery and corruption, KYC and customer due diligence.

We started a targeted and extensive programme of Industry engagement focusing on financial crime and specific areas of risk. We set up dedicated pages on our website to upskill Industry and make them aware of what they need to be focusing on to ensure they are compliant.

National Risk Assessment

A significant element of our work to fight financial crime over the past few years has been our contribution to Jersey's first National Risk Assessment (NRA) for money laundering. This work culminated at the end of September when the Government of Jersey published the assessment. It documented what we already recognised to be the potential risks, threats and vulnerabilities facing the Island, and we were already focusing our resources in these areas.

Following the publication, we hosted a series of webinars, led by our International and Industry Engagement Coordinator, to cover the findings and recommendations of the Government's report. During the year, we also supported Government to finalise the NRA on terrorist financing to be published in early 2021.

Adapting to virtual examinations

As part of our programme to become even more effective supervisors and to improve our regulatory framework, we committed to undertaking an increasing number of examinations.

In 2020, our main, and not insignificant, hurdle was not being able to visit businesses to conduct the on-site element of our reviews. However, we overcame this by being one of very few jurisdictions to move to remote examinations. This meant a comprehensive revision of our processes and timetable, as well as issuing interim guidance to Industry.

During the year, we carried out a total of 58 different examinations on 100 businesses, including an ambitious programme of financial crime compliance-focused reviews. 75% of these examinations were conducted remotely.

To explain our new approach to Industry, and also to share our programme findings, we delivered a number of webinars and published feedback on our website. We did identify a trend of repeat findings so will keep this under review as part of our ongoing examination programmes for 2021.

Authorisations in 2020

› 01

Compliance Monitoring Procedures Thematic

11

› 02

Jersey Private Fund Thematic

22 were sent questionnaires of which 6 were Subject to examinations

› 03

Entity Specific

11

› 04

Financial Crime

30

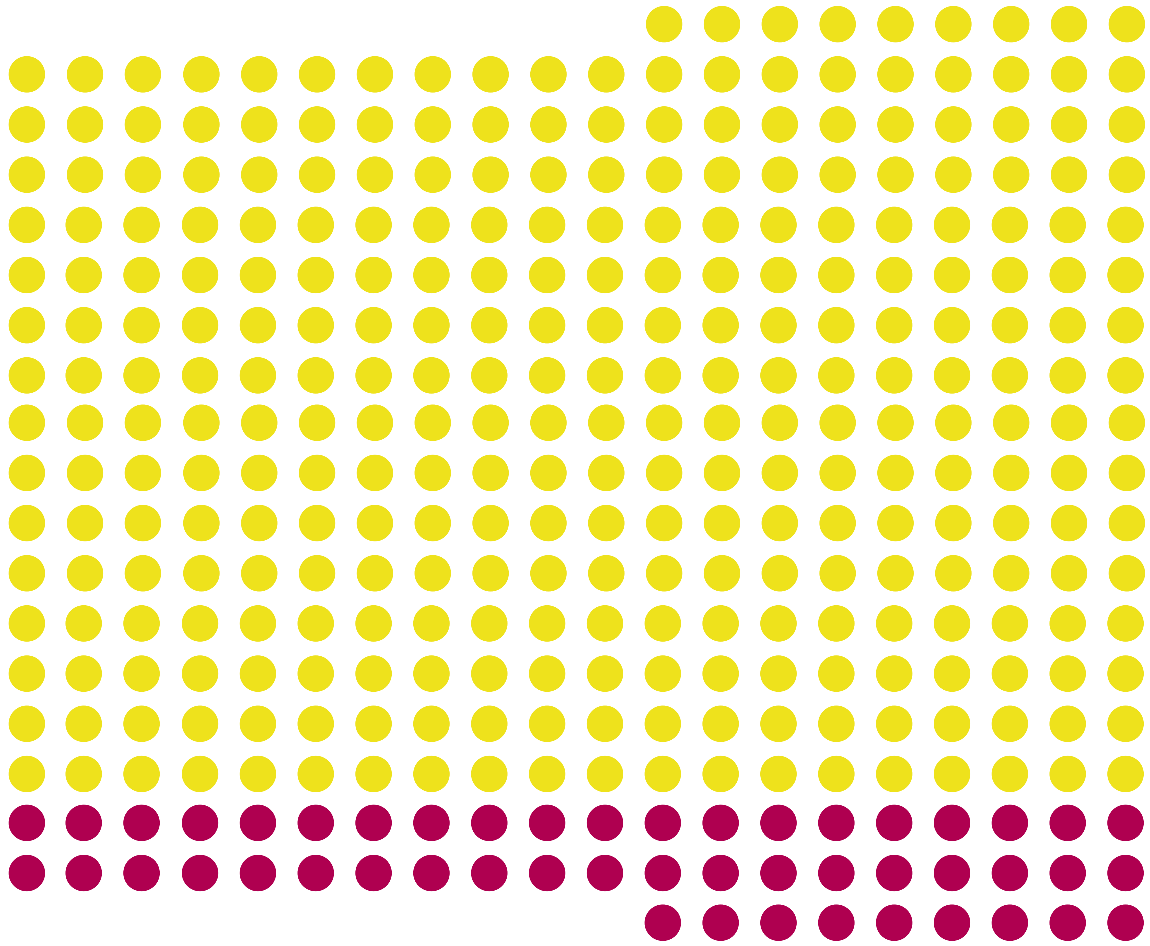
Improving how we licence businesses

During the year, we commissioned an independent review of our authorisations framework – the way we grant and revoke licences for businesses and individuals. Our decision to do this was driven by our commitment to continually improve how we operate. We recognise the need to adapt our approach to keep up with the changes we are making to how we supervise, and the changes we are seeing in innovation in the finance industry. These improvements form part of our wider programme of organisational improvements set out in our four-year strategic roadmap. The review made some positive recommendations, which we have already started to action and will continue to do throughout 2021 to bring us in line with best international practices.

Authorisations in 2020

Applications successfully processed 309

Applications still pending at end of 2020 49



05.5

Taking action to protect the public

Reducing the risk to local investors is one of our key responsibilities and we care very much that the Jersey public understands the potential risks, as well as the opportunities, involved in making investment decisions.

Our work to educate the public and enforce compliance with our regulatory regime increased in 2020 as we handled the most enforcement cases in our 22-year history.

Raising awareness during uncertainty

In times of economic uncertainty, such as Covid-19 or the financial crash of 2007/8, we do unfortunately see trends of increases in fraud, scams and poor professional conduct within the finance industry. By regularly raising awareness, we endeavour to make sure members of the public are fully informed before they part with their money. It is impossible for any regulator to prevent every single case of investors losing their savings, but we can and do regularly highlight the risks.

Throughout 2020, we shared warnings about Covid-19-related scams through our work as a member of the Jersey Fraud Prevention Forum. Collaborating with other local agencies, we delivered two targeted public awareness campaigns with newsletters sent to all Island homes, radio commercials, webinars and social media video messages specifically focusing on what residents should do to stay alert and protect themselves while at home during lockdown. As a result, we witnessed a 144% spike in visits to the Forum's website during the year.

We also took part in the fourth World Investor Week, a global public awareness initiative supported by more than 90 jurisdictions, which promotes investor education and protection. Tailoring our campaign to warn Islanders to be cautious when considering making or changing investments during the uncertain economic climate, we shared educational videos and information on our website, social media channels and in the local media. All our activities were designed to re-emphasise the basics of investing and to educate Islanders about mis-selling, financial grooming and virtual currencies.

Taking action against misconduct

During 2020, we identified several instances of scam activity and unauthorised businesses operating in the Island. We issued various warnings to the public.

The number of suspicious activity reports we handled during the year increased by a quarter, compared to 2019. This crucial intelligence received mainly from the States of Jersey Police's Joint Financial Crimes Unit helps us to take action against compliance failings in our regulated community and therefore protect the public.

In June, we imposed our second civil financial penalty. The £115,575 fine was for local trust company business Equity Trust Limited, which negligently breached our Codes. The business agreed to settle with us, consequently qualifying for a reduced penalty.

In September, we published the conclusions of our investigation into Lumiere Wealth Limited, the Jersey-based financial services business that went into liquidation in October 2016 with millions of pounds of investor losses. Our investigation was put on hold while the criminal investigation and subsequent trial of the business' former managing director were concluded. We assisted Jersey law enforcement agencies with the criminal case and engaged with investors about the findings of our own case.

Enforcement activity during 2020

	2017	2018	2019	2020
› Live cases	106	134	97	158
› Cases carried over from previous year	42	57	65	61
› New cases during the year	64	77	83	97
› Cases closed during the year	49	69	97	119
› Cases carried over to following year	57	65	51	39
› Requests for assistance from overseas regulators	3	9	5	12
› Formal notices	105	131	129	80
- Compelling individuals to attend an interview	14	26	18	13
› Public statements	9	9	5	10
- Restricting individuals from working in finance industry	3	4	1	2
› Calls to whistleblowing line	28	33	26	36
- Led to active investigations	8	18	16	18
› Suspicious activity reports*	192	160	372	472
› Increase in suspicious activity reports	21	-17%	233%	127%

* We continued to see an increase in suspicious activity reports in 2020. We can attribute this rise to the revamped triage process that was introduced in 2018 between the States of Jersey Police's Financial Intelligence Unit, the Economic Crime and Confiscation Unit and the JFSC. We now have access to all SARs which puts our Supervision and Enforcement teams in a more informed position.

05.6

Building our understanding of risk

Embedding risk-based choices in our work is one of the three strategic priorities we set ourselves to achieve by 2023. 2020 was about driving this work forward so we capture and monitor risk more effectively.

Regulators around the world are using risk to prioritise their work and to demonstrate their effectiveness. We are no exception.

Having successfully developed and launched a new risk model in 2019, we continue to progress our approach to risk-based supervision. This tool informs how we allocate our finite supervisory resources to supervise the Island's financial services industry.

Honing our risk model

Throughout 2020, we continued to develop the sophistication of our risk model, building on its initial functionality. By the end of the year, our supervisors had used the model to complete almost **800 individual risk assessments** on businesses, negative and positive, cementing its place as a key tool for building our understanding of risk.

Thanks to supervisors now having wider access to the model from all areas of our supervisory case management system, they can input greater and richer data. This is producing not only a more detailed picture of the risks our regulated businesses present, but also of the success level of their remediation plans to reduce risk. On a wider note, the data we have so far captured in our risk assessments can be aggregated to build our understanding of risk across Industry sectors. All this data will be critical for telling a positive story internationally about Jersey's finance industry and how effectively we are supervising it.

In the latter half of 2020, we started the next phase of work on the model to introduce automated and data-led risk assessments. This will help us identify risks that we may not previously have done.

Using data to fight financial crime

A focus for our work on understanding risk has been how we assess financial crime risk, in particular the need for us to develop a model that produces results that will pass scrutiny by MONEYVAL.

Since its publication in September 2020, we have used the National Risk Assessment's island-wide view of financial crime risk to help refine our own assessment of risk, using the data captured in our model. The results are comparable, indicating that our methodologies are on track.

In 2020, we continued to collect supervisory risk data from Industry, as we did for the two previous years. 2019's data is already being used by our supervisors to determine and tailor their oversight activities.

05.7

Helping to build regulatory and registry standards

Contributing internationally

Although a significant proportion of our international engagement was curtailed by the pandemic, JFSC staff still represented the organisation and the Island on the global stage, albeit virtually.

Our Director General, Martin Moloney, continued his work with the International Organisation of Securities Commissions on exchange traded funds and took part in numerous international webinars, discussing the risks arising from Covid-19.

Our Chief Adviser of Financial Crime, Hamish Armstrong, co-led a FATF project to develop a global approach to risk-based supervision. This entailed working with supervisors from around the world to understand their requirements and formulate guidance to support them. Despite the pandemic, this guidance was still published on time in March 2021. As part of this work with FATF, Hamish Armstrong also co-chaired an online forum attended by more than 700 supervisors in May and provided content for their online training initiative, launched in 2020.

On another note, we were delighted that two further members of our staff completed their FATF training and are now qualified FATF assessors. Our three assessors will participate respectively in the 2021 evaluations of Liechtenstein, France and Croatia.

On behalf of the JFSC, Hamish Armstrong also continued to actively engage with MONEYVAL, by virtually attending working group meetings and plenaries, providing comments, on behalf of Jersey, on evaluations of Georgia and Slovakia, acting as independent reviewer of the Croatia assessment and technical adviser on the follow-up report for Malta.

A critical component of our enforcement work and investigations is collaborating effectively with regulators and law enforcement agencies in other jurisdictions. In 2020, we received double the number of requests from overseas counterparts for assistance with their investigations, compared to the previous year. We also attended two Crown Dependencies enforcement meetings.

Registry
Neither our international Registry engagement nor our ambitious digital programme stopped because of Covid-19. Registrar Julian Lamb upheld his commitments virtually as a member of various Boards, including the International Association of Commercial Administrators (IACA) and the European Business Registry Association (EBRA). In particular, he had responsibility for leading the beneficial ownership and control working group for Europe.

Closer to home, we again achieved a positive review of our central registers by the UK and Jersey Governments. This recognises that our registers are accurate, timely and adequate, which satisfies the Exchange of Notes signed in 2016 (the Notes). By complying with the requirements of the Notes we are upholding our exemplary standards on corporate transparency.

In July, we supported the Government to introduce a statutory regime to allow non-Jersey limited partnerships to migrate into Jersey.

Evolving our regulatory framework for sustainable finance

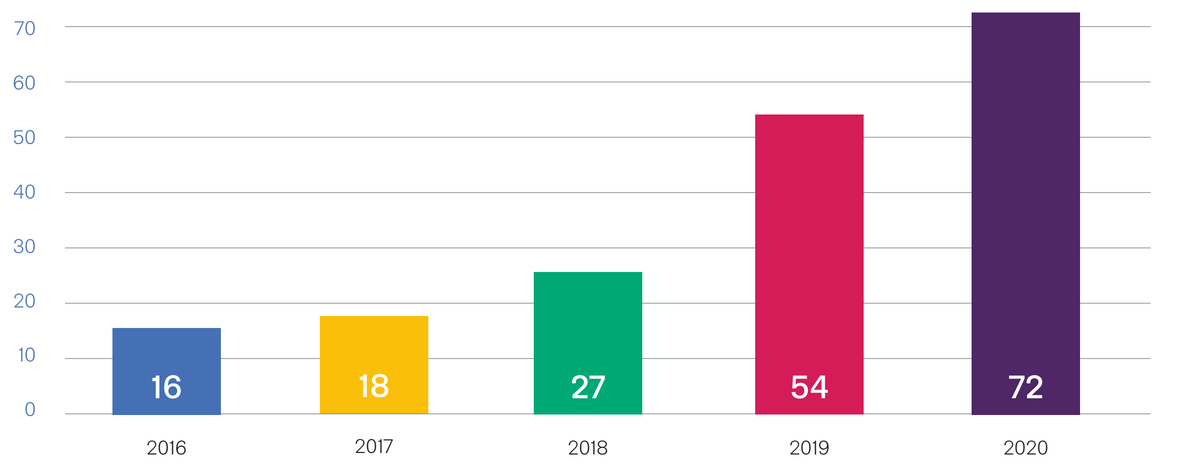
We are committed to maintaining high regulatory standards and constantly monitor domestic and international developments. Over recent years, we have seen a number of ambitious changes to sustainable finance regulation globally, and in particular across the European Union. In June, we began consulting with Industry on our proposals to enhance various codes of practice and the Jersey Private Fund Guide to make it clear what requirements there are for sustainable finance In the Island and to improve consumer protection. This work is in response to growing international concern about businesses marketing investments that appear more environmentally and socially focused than they really are, and changes to international regulation. We will continue with this work in 2021.

Collaborating on innovation

Scanning the digital horizon
As a result of international developments relating to virtual assets and their service providers, we reviewed the regulatory landscape in 2020 to enable us to produce and develop a concise regime for these activities. In September, we were engaged by the Government of Jersey to join a working group to consider next steps in this space, which will come to fruition in 2021.

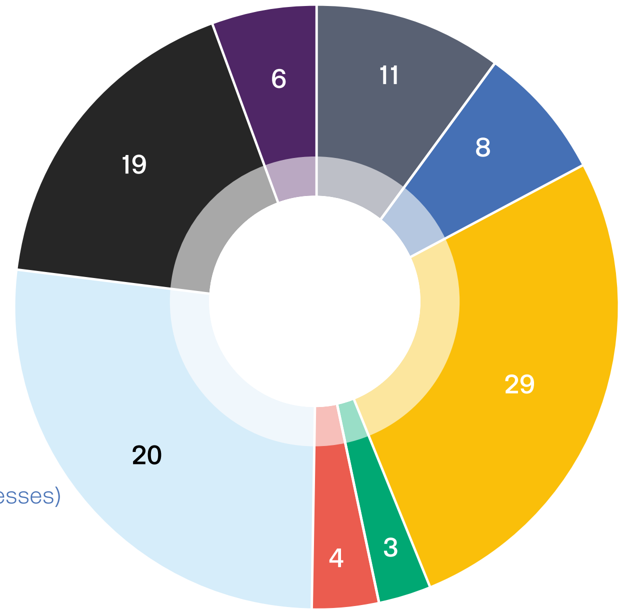
In July, we published our report into the viability of a shared 'know your customer' utility and indicated our support to the financial services industry in the development of such a tool in the Island. We were hugely grateful to the broad range of Industry representatives who gave their time and ideas to contribute to this work and we are enthusiastic about working with Industry to help them develop any potential utility in the future, while remaining committed to high standards of compliance outcomes to maintain Jersey's strong international reputation.

JFSC Innovation Hub unique enquiries



With businesses working from home in 2020, we saw a distinct move towards increased digitisation and automation

Proposed types of activity by enquiry



RegTech / SupTech
Crypto and token issues
Alternative banking services and payments
Pandemic management
Other
Regulated business (funds and investment businesses)
Crowdfunding
Research

Supporting businesses with FinTech
With businesses working from home in 2020, we saw a distinct move towards increased digitisation and automation. FinTech enquiries to our Innovation Hub increased by nearly a quarter, with us helping 74 businesses with their queries about developing innovation, navigating Jersey's regulatory regime, and leveraging technology to meet their regulatory obligations.

Domestically, even though we could not uphold our commitment to attend Digital Jersey's Hub in person on a monthly basis due to Covid-19 restrictions, we remained committed to supporting members via video calls and taking part in the first virtual Tech Week.

Internationally, we remained a committed member of the Global Financial Innovation Network and supported the launch of the 2020 cross-border application process. This created an environment for businesses to trial their innovative products and services in multiple jurisdictions. We did this alongside more than 20 other regulators across five continents.

05.8

Building better processes

Moving to a fully digital Registry

Our work in 2020 radically transformed the Registry, turning it into a modern, fully digital and customer-centric service environment. Using best-in-class registry technology, we streamlined and moved all of our services online, making it simpler and more efficient for our customers to interact and share information with us. At the same time, this allowed us to enhance our capabilities to combat financial crime and therefore maintain Jersey's leading reputation for its registers.

One of the biggest projects we have ever delivered, this programme of work was in response to a new law, which requires us to collect more information for our central registers to meet international standards. To achieve this, we overhauled and futureproofed our systems, and replaced our online platform, Easy Company Registry, with myRegistry - a new state-of-the-art online account where customers to manage their own information.

A key digital enabler was the delivery of an application programming interface (API) channel. This allows high-volume filing trust company and fund services businesses to integrate seamlessly with our systems, streamlining processes with direct information updates. Behind the scenes, we are also delivering enhanced vetting and compliance functions to further develop our capabilities to combat financial crime.

This was the first phase of the programme, with the rest being delivered throughout 2021.

Redesigning our approach to day-to-day supervision

To achieve our aim of becoming even more effective supervisors, we have looked closely at the way we supervise, particularly the processes and technology that we use.

2020 was the start of this journey, which will culminate in 2023 with completely re-structured work management systems. This is no small project but it will lead to us having a more consistent approach to the way we supervise and how supervisors engage with the businesses they oversee.

Over the 12 months, we undertook preparatory work to upgrade the core platform that our Supervision team uses day to day. We started making incremental changes to streamline systems so we reduce administrative tasks for supervisors. While strong foundations were laid in 2020, more detailed and expansive work will begin in 2021 to enable more services to move to our upgraded myJFSC platform.

Another significant step during the year was the further development of our risk model, which we initially deployed for supervisors in 2019. You can read more about this work on page 44.

To support the upgrade of our systems and digital platforms, we have put a number of our staff through LEAN process improvement training. This will help us to continually streamline processes and achieve efficiencies for both us and businesses.

Upgrading our online regulatory services

myProfile
In our 2020 business plan, we committed to automating more of our processes to make it easier for Industry to interact with us and provide information. The primary driver was, and continues to be, to make our dealings with Industry more efficient so we can improve our management of data and our engagement with regulated stakeholders.

By the end of the year, we successfully completed the first phase of upgrading myJFSC – our existing regulatory portal. This involved updating the old platform that key and principal persons used to manage and update their personal information with us via a personal questionnaire (PQ). We launched myProfile in November, the new online self-service account which replaced the PQ portal and allows individuals to apply for a 'no objection' to their role in financial services.

In 2021, we will expand the online services we offer and modify how Industry submits data to us. So far, this initial upgrade has halved the time it takes for applications to be processed.

We will continue to work with Industry to review our online services, making improvements to user experience with the end goal of having one platform for our regulatory interactions.

Digital outsourcing notifications
In June, we rolled out an online platform for businesses to submit their outsourcing notifications to us. The move to digital has made it easier for firms to provide this information and supporting documents.

This will be one of the services that we will review, improve and move to the new myJFSC in 2021.

Assessing our financial resilience

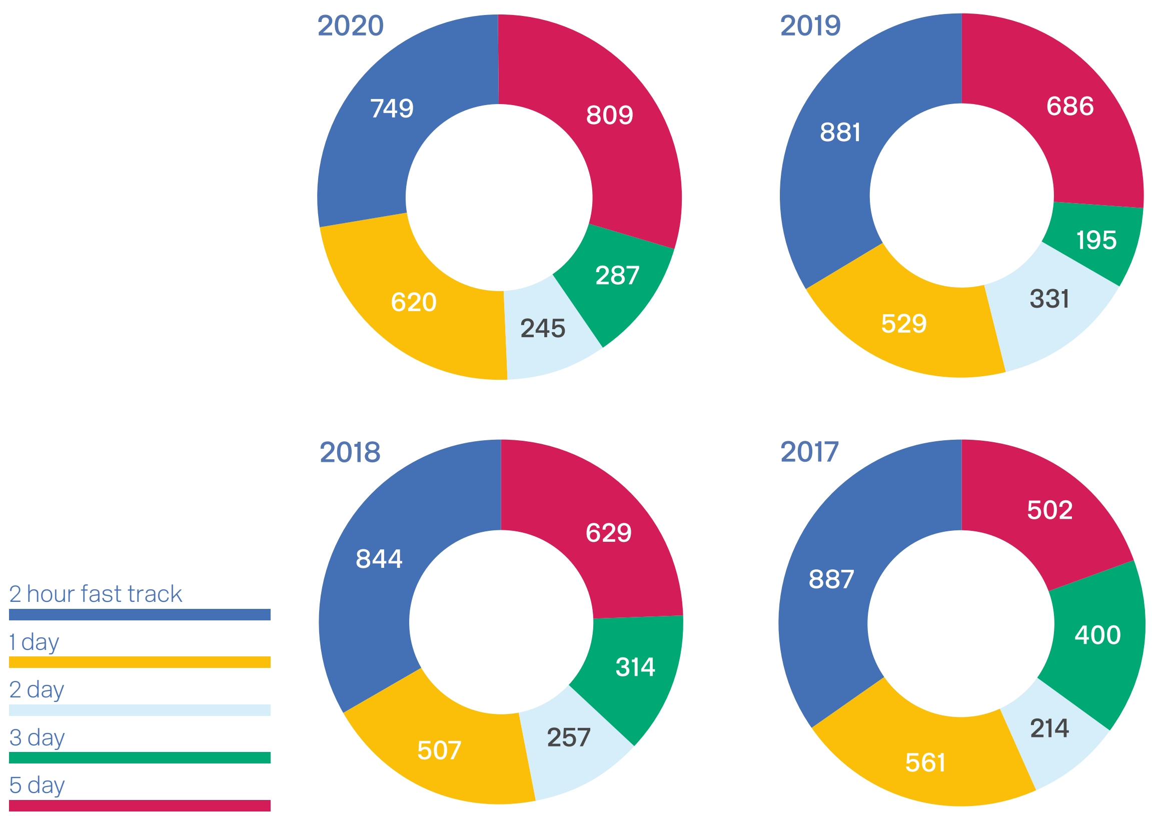
Ensuring our finances are stable and sustainable is a priority for us. We made a commitment to review how we control our costs and manage our finances and we started this work during 2020. Part of this review involved discussing our fee structures with Industry and Registry customers. We engaged with both audiences through open consultation and user group discussions. We will publish the findings of this review in 2021.

Improving our website

When we launched our new website in December 2019, we made a commitment to make regular improvements to its functionality and usability. In late 2020, we redesigned the news and events pages of the site and began development work to hone the search function. These changes will be delivered in the first half of 2021 with the sole aim of making it easier for users to find the information they are looking for.

05.8

Companies incorporated



Types of actions

Period	2019	2020
› Companies incorporated	2,622	2,710
› Companies dissolved	2,370	1,615
› Total live entities	57,062	58,819
› Total registrations	3,508	3,606
› Total dissolutions	2,617	1,835
› Changes to beneficial owners/controllers	47,819	44,121
› Beneficial owners/controllers records	410,930	455,051
› Total actions	407,298	438,073

05.9

Developing our people

We continually seek to improve what we offer our people and the investment we make in them. We know how important employee engagement is to the JFSC's success and we work hard to ensure that it is an inspiring and inclusive place to work, where staff are recognised and valued for their contributions. For this reason, in 2021 we will focus on delivering a new, all-encompassing people strategy for the organisation.

Adapting to home working

Looking back at 2020, we thank everyone at the JFSC for the resilience, commitment and perseverance that they demonstrated during an extremely challenging period for all, both professionally and personally.

For the majority of the year, almost our entire workforce was based at home. This not only posed unique challenges but also presented opportunities for our people. Thanks to technology and the support we gave one another, we were able to adapt and overcome adversity. The experience has changed the way we work for the better and for the future.

New joiners	Long service milestones (15-25+ Years)	Internal moves and promotions	Achieved qualifications
50	5	27	18

Recruiting in a pandemic

Like most activities, our approach to recruitment had to completely change in 2020, as we trialed new ways of attracting and onboarding new talent. Our recruitment campaigns incorporated video clips of our people working from home to show the human side of the organisation. We hosted virtual coffee mornings with recruiting teams and webinars with line managers and members of HR so candidates could get a flavour of what it is like to work at the JFSC before applying. All interviews were conducted over Zoom and we adapted every aspect of our onboarding procedures, including digitising our induction programme, to successfully get 50 new joiners up to speed over the course of the year.

Average headcount across divisions

Supervision	60
Enforcement	16
Registry	15
Policy	18
Operations	43
Total average	151

Focusing on learning and development

As we were based from home for the majority of the year, we had to completely redesign our training programmes for staff. This involved delivering everything online via live webinars and pre-recorded video content. In total, we provided more than 50 in-house training sessions, ranging from specific technical learning to our bespoke toolkit for managers.

To facilitate our online programme, we rolled out a tailored learning management system, which includes a foundation level AML course which everyone on our workforce must complete. In April, we launched our intermediate level and advanced financial crime prevention training framework. Thanks to this digital approach to learning, we now have a comprehensive library of workshops, briefings and modules for staff to access as and when they need to.

We know that our success relies on continually investing in our people and we are passionate about supporting their development, at every stage of their careers. Over the course of the year, we celebrated 27 colleagues as they moved internally to new roles or secured promotions. A further 18 achieved qualification success, including one staff member qualifying as an FATF assessor.

Coaching remains a hugely important element of our organisational culture. We were therefore delighted to retain our status as an approved ILM Centre following an assessment by the Institute of Leadership and Management in June.

Career development

2020 was the first year we put our accelerated career development framework into practice, with a cohort of five successful candidates starting on their journeys to develop their skills, which aim to complement our organisational needs for the future. On successful completion of their respective programmes in the coming years, we will have grown our own subject matter experts and developed further expertise in Fintech, financial crime, compliance, and FATF assessments.


On-the-job training with an assigned buddy


E-learning sessions


Financial crime training framework


Job shadowing


Financial support when studying for professional qualifications


In-house ILM-approved courses


Manager toolkit sessions


Development days

JFSC Academy

The pandemic did not prevent us from progressing with our ambition of launching the JFSC Academy, which we fulfilled at the end of 2020.

We have a blended approach to learning because we understand that one size does not fit all. The Academy encompasses all of the learning and development opportunities we offer; it allows us to prioritise our staff's development needs while helping them to achieve their full potential through on-the-job training, relevant courses and qualifications, and internal and external secondments.

In 2020, we also reinstated our graduate programme with the recruitment of four successful applicants.

Celebrating success

In March, we were delighted to scoop two awards at the Citywealth Powerwomen Awards for 2020. Our Director of Supervision, Jill Britton, was named Woman of the Year for Government, Regulatory and Non-Profit Organisations and the JFSC picked up silver for Company of the Year in the same category.

Prioritising health and wellbeing

Never was it more important to focus on the mental health and wellbeing of our people than in 2020. The challenges faced by our workforce due to the pandemic were not unique to us but we wanted our response to be.

As our usual engagement activities were not possible, we had to get more creative and thoughtful with the way we motivated colleagues and showed our appreciation for their efforts and sacrifices. Faced with countless logistical hurdles, we managed to ensure that staff had all the resources they needed to work from home, by delivering computing and desk equipment and surprise gifts as tokens of our thanks. We set up dedicated channels on Microsoft Teams to support colleagues and share ideas for managing workload and professional/personal boundaries.

Like other organisations, we were unable to see colleagues in person, so we hosted weekly online get-togethers, including a virtual pizza-making night for our Christmas social. Conscious of the pressures staff were facing, we organised online mindfulness, yoga, Pilates and fitness sessions, as well as physio webinars to remind everyone about good desk-based posture. We also offered annual memberships to the wellbeing app Headspace and Jersey Zoo, which was a JFSC chosen charity for 2020.

79% of staff surveyed said they received quality and timely communications during the pandemic, with the regular videos, briefings and updates we shared. Their feedback supports this: "JFSC supportive in the crisis", "That staff wellbeing is very important" and "the JFSC prioritises the wellbeing of its staff while carrying on business as usual very effectively".

05.10

Committing to environmental, social and governance principles (ESG)

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

Already mentioned in this annual report is the work we are doing, as a regulator, to evolve our regulatory framework for sustainable investments (see page 47). Below we show our strong commitment, as an employer, to environmental and social issues. The separate section dedicated to Governance on page 64 is a clear articulation of the importance we place on the strength of our governance framework.

Becoming a more sustainable organisation

Reducing the JFSC's environmental impact
We are committed to becoming a more sustainable organisation and minimising our environmental impact. The pandemic has accelerated this in many respects, but we recognise that some of our impacts have shifted from the office to people's homes, for example energy and waste.

In 2020, we reduced our carbon footprint by operating a zero printing policy while working from home and, of course, we completely stopped business travel. When we do print, 10p from every ream used goes to support Jersey Zoo and, in future, we will continue to hold and attend virtual meetings where appropriate instead of travelling, so we keep reducing our emissions.

For many years, the JFSC has made environmental issues a priority. We have made small but important changes in the office, such as switching to light-saving LED bulbs, ensuring lights and equipment are turned off at the end of the day, and using recycled paper for printing and recycling bins for waste.

After more than a year of remote working, we are looking to change our office environment so that staff have more flexibility. Sustainability and energy efficiency will be central to our plans for this refurbishment work.

Encouraging our people to live sustainably
Even though we were not working together in the office during 2020, colleagues still kept green initiatives high on their agenda. Despite activities being limited due to the Covid-19 restrictions, we arranged socially distanced beach cleans and held a vegetable growing competition to encourage staff to live more sustainably.

We continue to give every member of staff a refillable water bottle to cut back on plastic use and we have introduced a Bicycle Employee Benefit Scheme to support and encourage staff to buy a bike, so they travel by two wheels rather than four.

Promoting diversity and inclusion

We approach recruitment through a diverse lens. Our aim is to create an environment for our people that is fair and free from discrimination. We demonstrate this through various staff activities, forums and proactive policies, and by supporting initiatives such as Government's Back to Work and Advance Plus schemes, which help people with different employment needs to find work.

In 2020, with the appointment of Diane Maxwell as Director of Policy, we are proud that the female-to-male ratio of our Executive team reached 50:50. 57% of our workforce and 30% of our non-executive Commission Board is female. During the year, our female leaders gave talks and shared blogs with our staff, made editorial contributions for local publications, and took part in public speaking engagements to open debate about diversity and inclusion (D&I) in financial services.

In September, we organised our first dedicated month of activities to celebrate D&I at the JFSC. Events included live webinars with high-profile local journalist and D&I campaigner Gary Burgess and JFSC Commissioner Tracy Garrad, who is an active D&I sponsor in her role as CEO of AXA Health.

Educating young islanders about financial literacy

An often unsung area of our work is our education programme. Our Policy team has devised and delivers annually courses in financial literacy to meet the Jersey PSHE Curriculum for students aged between 11 and 18 years across the majority of local secondary schools.

In 2020, as we were not able to go into schools, we adapted the programme and provided digital content to teachers so they can deliver classes at their convenience.

Making a difference

2020 was an incredibly difficult year for so many. Irrespective of their own challenges, our staff made it a priority to continue to support local charities and initiatives. While fundraising efforts were definitely not straightforward, we still managed to raise much-needed funds for the four local causes we chose to help in 2020. Through online giving, colleagues donated in excess of £8,000 to Jersey Alzheimer's Association, Jersey Hospice Care, Jersey Zoo and Macmillan Jersey.

Thanks to our corporate social responsibility policy, staff can dedicate up to two days every year to volunteer for their chosen charitable causes or environmental projects.

£8K
Raised for charity

06.

› Finance and resources

_06

06.

Finance and resources

In 2020, we recorded a surplus of £2.4m (2019: £0.3m). Our surplus was £2.1m higher than 2019 due to a £3.4m increase in total income, which followed regulatory fee increases and a change in our retained portion of the annual return fee (refer to Note 5 of our accounts). This was partially offset by a £1.3m increase in operating expenses, principally due to higher utilisation of professional services (£0.8m) and an increase in staff costs (£0.5m).

We had budgeted to break even in 2020 but lower than planned expenditure in a number of areas – partly due to Covid-19 – and the unbudgeted changes in the annual return fee gave rise to the £2.4m surplus. As a result, our reserves increased to £9.1m, although this remains below our current target of £10m.

Income

Total income in the year reached £22.8m (2019: £19.4m) following increases in both regulatory and registry fee income.

Regulatory fee income rose by £1.4m as a result of fee increases to fund our largest ever capital investment programme and further develop our capability to combat the threat of financial crime. Registry fee income increased by £1.7m following (i) an underlying increase in the annual return fee and (ii) a one-off increase in the proportion of the fees retained by us, following changes to the capital funding agreement with Government. The volume of annual returns received was broadly consistent with the prior year.

Operating costs

Total operating expenditure increased by £1.3m (7%) to £20.4m.

Staff costs are the most significant item of expenditure, representing two-thirds of our cost base. Costs increased by £0.5m (4%) compared to 2019, driven by a 5% increase in the average number of full-time employees to 151. Our 2020 plans targeted a larger increase in headcount, however this was not fully achieved as a result of a period of slower recruitment during the initial stages of Covid-19 lockdown restrictions. Despite inflationary pressures, average costs per head continue to reduce year on year.

Professional services costs principally comprised IT technical specialists and were largely temporary in nature. Associated costs saw a marked increase of £0.8 million in the year as a result of the ongoing design and development of our core systems, including the new Registry system to deliver the Island's commitment to increased public access to registry data. Capital investments in prior years continued to drive increases in the annual depreciation charge, which rose by £0.3m to £1.6m in 2020.

As in 2019, investigation and litigation costs were below the historical average, as appeals remained at a low level and current cases did not require significant third-party costs. Associated costs reduced by £0.2m compared to the prior year.

As many organisations will have experienced, operating costs in 2020 were strongly influenced by Covid-19 and a number of initiatives proved considerably more challenging to deliver than initially scheduled in the 2020 business plan. As a consequence, operating costs were £2.0m lower than budget, mainly as a result of lower staff costs through slower recruitment and a temporary slow-down of project work in the first half of the year.

Capital expenditure

Our review and enhancement of project governance at the start of 2020 provided a solid foundation to launch our significant capital investment programme, but compressed the time frames for completing the associated work.

Our focus on these strategically important initiatives also resulted in a slower rate of expenditure on other, lower priority investments. As a result, the total capital investment of £3.1m was lower than originally planned, although £0.2m higher than 2019.

The net book value of fixed assets increased to £8.5m by the end of the year (2019: £6.9 million) with annual depreciation and amortisation increasing to £1.6m (2019: £1.4m).

Financial position and forward look

Our financial reserves improved during 2020 to £9.1 million (2019: £6.7 million). However, they remain below our current target level of £10 million, which equates to six months' operating expenses and one year of average litigation costs.

One of our strategic priorities is to strengthen our organisational resilience. During the course of 2020, we started work on our financial resilience review to ensure that our finances remain stable and sustainable in the future. The scope of this work includes a full review of our cost controls and approach to financial management, and further consideration of our reserves policy.

A key objective of the review is to deliver a balance sheet that will enable us to:

- operate without loss of quality through an adverse event; and
- continue to provide regulatory and registry services that make Jersey globally competitive, while affording a good level of protection for Islanders.

The review will be finalised in 2021 and published to Industry, providing the context for our future fee basis discussions.

07.

› Governance

–07

07.

Governance

Constitution

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

Accountability arrangements

We are an independent body, accountable to the public through the Island's elected representatives, namely the Chief Minister and the States of Jersey. The relationship with ministers is set out in a Memorandum of Understanding to ensure our independence, whilst facilitating effective dialogue and working practices. Article 12 of the Commission Law provides that the Chief Minister may give the JFSC general directions, subject to significant safeguards.

In 2017, an Article 12 Direction was issued in order for the Exchange of Information on Beneficial Ownership (BO) agreement with the UK to be implemented to allow the Island's Joint Financial Crimes Unit (JFCU) to access to the JFSC's relevant information and databases on Beneficial Ownership.

We produce an annual business plan and separately an annual report to inform members of the States Assembly and other stakeholders. We consult extensively on all proposals to create or amend laws and regulations, and provide feedback to explain how we have taken responses into account.

Governance arrangements

Our Board believes that high-quality, effective governance arrangements are essential for well-run organisations. As there are no comprehensive codes or standards for the governance of a financial services regulator, our Board believes that the UK Corporate Governance Code (Code) is an appropriate benchmark.

We comply with the vast majority of the high-level principles in the Code, where they can be applied to the JFSC. For example, there is a clear division of responsibility between the Chair and the Director General, no individual has unfettered power of decision-making, and there are transparent procedures for the appointment and re-appointment of Commissioners.

Delegation of powers

Our Board delegates its powers to the Director General and the Executive team, where possible, to ensure that the JFSC can act and respond without undue delay. However, in some areas the power of the Commissioners to delegate is restricted by legislation. For example, the Board acts in a similar manner to a tribunal in relation to contested enforcement cases. Consequently, our Board is more involved in some areas of detail than the Board of a listed or private company. We have published a full explanation about the 'Delegation of Powers' on our website jerseyfsc.org

Composition of the board and appointment of Commissioners

Our Board currently consists of the Chair, Deputy Chair and seven other Commissioners, including the Director General. A third of the Commission Board is female. All of the Commissioners are considered to be independent, with the exception of the Director General.

07.

Board members as at 31 December 2020

Mark Hoban Chair and Chair of the Nominations Committee

Mark Hoban was appointed Chair of the JFSC in April 2020, after joining the Board of Commissioners in December 2018. Mark is also the Chair of Flood Re, a specialist reinsurer, and Pay.UK, which manages the UK's retail inter-bank payment infrastructure. He is also on the Bank of England's Enforcement Decision Making Committee. Mark was an MP from 2001-2015, during which time he was a UK Government Minister. He is a fellow of the Chartered Institute of Accountants.

Ian Wright Deputy Chair

Ian Wright joined the Board in 2012 and was reappointed for a further four-year term in 2017. He assumed the role of Deputy Chair in November 2018.

Ian is a Member of the Institute of Chartered Accountants in England and Wales (ICAEW), a Director and Chairman of the Audit Committee of Henderson Diversified Income Trust plc, a member of the Audit Committee of the Government of Jersey and a Police Officer in the parish of St Brelade, Jersey. He retired as Senior Partner at PricewaterhouseCoopers (PWC) in 2007.

Tracy Garrad Chair of the Risk Committee

Tracy Garrad has been a Commissioner since February 2019. Currently the CEO of AXA Health, she was formerly CEO of HSBC Channel Islands and Isle of Man and the first female CEO to lead First Direct. Her career spans nearly 35 years in banking and non-financial services. She has experience across a broad spectrum of international markets and regulatory regimes, spanning the Channel Islands, the UK, Europe and the Middle East.

Annamaria Koerling Chair of the Remuneration Committee

A Commissioner since September 2017, Annamaria Koerling has a career in wealth management spanning more than 25 years. Annamaria is a Chartered Wealth Manager and a Fellow of the Securities Institute. She has held senior roles at Cazenove, Merrill Lynch, C Hoare & Co and Schroders. She is Chair of Praesdium, a Luxembourg private equity manager, and is on the oversight board of Hymans Robertson, a UK-based pension fund consultant. She is a Fellow Commoner of Queens' College Cambridge.

Simon Morris

Simon Morris joined the Board of Commissioners in 2015 and was reappointed for a second term in January 2020. Simon has been a partner of London law firm CMS since 1988 during which time he has represented firms in over 400 regulatory and disciplinary proceedings brought by UK and overseas regulators. He is author of *Financial Services: Regulating Investment Business* (Oxford UP), and is a member of the City of London Law Society Regulatory Committee.

Monique O'Keefe

A member of the Board since December 2018, Monique O'Keefe was appointed as Deputy Chair in April 2021 and is one of our on-island Commissioners. With 20 years' experience in finance and law, Monique is co-founder of investment consultancy business, Kairos Wealth Limited. She is also a non-executive director of a private equity fund, a London-listed property fund and a hedge fund. Prior to moving to Jersey, she worked for Goldman Sachs and Merrill Lynch. She began her career as a lawyer in Australia, before moving to London to work for Clifford Chance.

Matt Palmer Chair of the Audit Committee

Matt Palmer joined the Board of Commissioners in 2020. An experienced audit committee chair and former auditor, he brings more than 20 years of experience in financial services both in Jersey and internationally. Matt is a specialist in quantitative risk management, with a particular focus on operations, technology and cyber-security risk. A director of boutique risk advisory firm Cyberclaria and adviser to start-ups across risk and capital markets, he is involved in the UK Fintech sector and Jersey's digital economy.

Peter Pichler

Peter Pichler is serving his second term as a Commissioner, after joining the Board in 2015. Peter has had an international career in financial services with experience of a wide range of jurisdictions, both onshore and offshore. His most recent role was as Chief Operating Officer and Finance Director of Mourant Ozannes, one of the largest offshore law firms. Previously he was CEO of Deutsche Bank Offshore. He has been a director and chairman of the audit committee of a FTSE-350 company and he is a Chartered Accountant.

Board changes in 2020

Lord Eatwell retired as Chair of the JFSC in April 2020 and was succeeded by Mark Hoban.

Commissioners Whelan and Ruetimann retired in June and September, respectively having completed two terms of service.

Mindful that Commissioner Wright was due to retire in April 2021, the Board ran a recruitment campaign in 2020 for a Commissioner with the appropriate degree of knowledge and experience to chair the Audit Committee. The Board then worked within the Jersey Appointments Commission guidelines to progress the search. Matt Palmer was appointed as a Commissioner in September 2020.

07.

Board meetings and attendance

Our Board met seven times during 2020 to consider strategy, risk and regular business. From April 2020, in light of the pandemic, the Board met virtually. Our Board also met several times to review and consider enforcement settlement cases and contested matters.

In addition, Commissioners and the Executive team met for a virtual strategy day and participated in virtual events with fellow regulators, Industry representatives and Government ministers.

Regular discussions took place over the year with Government on significant financial services matters, the NRA, planning for the MONEYVAL assessment and Brexit preparations.

Board members always carefully consider the potential for conflicts of interest to arise and excuse themselves if any perceived or actual conflicts are identified.

The table shows the number of meetings attended by Commissioners against the number of meetings they were eligible to attend:

Board meetings and attendance

Commissioners	Board	Audit	Remuneration	Risk	LPC
› Lord Eatwell (Chair) - retired April 2020	2/2				1/1
› Mark Hoban (Chair)	7/7		1/1*	2/2*	
› Ian Wright (Deputy Chair)	7/7	3/3			
› Monique O'Keefe	7/7		4/4		
› Simon Morris	7/7	2/2**			
› Tracy Garrad	7/7			4/4	
› Annamaria Koerling	7/7		4/4		
› Peter Pichler	7/7	5/5		4/4	
› Matt Palmer	3/3	2/2		2/2	
› Cyril Whelan - retired April 2020	2/2	2/2			1/1
› Markus Ruetimann	4/4		2/2		
› Martin Moloney (Director General)	7/7	5/5	4/4	4/4	1/1

* Note – Mark Hoban left the Risk Committee on his appointment as Chair in April 2020 and joined the Remuneration Committee in September 2020
** Simon Morris joined the Audit Committee in September 2020

Covid-19

Commissioners closely supported the Director General to keep the JFSC operating as usual during the pandemic. They attended catch-up meetings and provided advice to assist the Director General in navigating the unprecedented situation in which the world found itself.

Commissioners continued to remain engaged in JFSC matters and attended all meetings virtually as they would have done under usual circumstances, despite the impact of the pandemic.

Conscious of the need for Jersey to provide a united response to Covid-19, the Chair and Director General engaged with the Government and Jersey Finance during 2020 to ensure that the Island remained resilient throughout.

Board activity

Our Board maintains overall responsibility for the JFSC's governance, setting its strategic aims and supporting their implementation by the Executive leadership team, and holding the Executive accountable, within the scope of the FSC(J)L, for the powers granted to the JFSC under that Law. The Board also oversees the running of the Board Committees.

Our Board plays a key role in listening to Industry to understand current trends and international developments. An independent stakeholder engagement survey was conducted in 2020 to inform the Board of improvements that could be made to our interaction with Industry. The Board fully supports strategic engagement with Industry bodies.

A number of presentations were made to the Board by the Executive during 2020 about how we supervise businesses, in particular the various financial sectors we oversee, policy development, and Registry matters. The Board has particular responsibility for the use of the JFSC's enforcement powers.

The Board worked closely with the Executive Board during 2020 in order to progress the JFSC's Strategic Roadmap. This required a number of detailed Project Initiation documents being carefully considered and approved by the Board before any major projects and capex spend could progress, including the Registry Programme, Risk Model Phase II, Portal Project and Supervision Business Transformation project.

The Board monitored the JFSC's preparations for the forthcoming MONEYVAL assessment by means of regular updates from the Executive regarding the JFSC's Financial Crime Prevention Capability Programme.

Enforcement matters

The Board spent significant time on a number of enforcement matters that arose through the application of the JFSC's decision-making process and civil financial penalty cases. Such cases tend to be highly complex and involve the actions of regulated persons over a considerable period of time.

Board effectiveness review

An external Board evaluation, undertaken independently by Satori, helped the new Chair to assess what improvements could be made to Commission Board activity, effectiveness and composition.

The terms of reference for all Board Committees were revised during 2020 to ensure that they fell in line, where appropriate, with guidance issued by the Chartered Governance Institute.

Nomination Committee

The Nomination Committee was formed in September 2020. Its first task was to review the composition of skills on the Commission Board and succession planning, for both the Board and the Executive team. This includes maintaining an appropriate balance of on- and off-Island Commissioners.

The Nomination Committee reviews the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board. It makes recommendations to the Board for any changes. Creating an inclusive environment where all types of diversity are valued is important to the JFSC.

The Nomination Committee oversees the recruitment process for Commissioners and the appointment of the Director General's direct reports to ensure it is in accordance with the Jersey Appointments Commission's guidelines.

Audit Committee

The Audit Committee's principal activities are to monitor internal financial control systems and to work with the Executive and the external auditors to ensure the quality of the management financial reports and the annual accounts.

The Committee reviewed the management accounts, annual capital and revenue budgets, and the draft annual reports and accounts. It recommended the annual report and accounts and the auditor's letter of representation to the Board for its approval. It reconsidered the appointment and independence of the auditors and reviewed their reports at the completion of their audit work. The Committee discussed in detail a number of accounting issues, including sums retained from the annual return fees not claimed by Government.

Legal Proceedings Committee

The Legal Proceedings Committee's terms of reference are set out on the website. Its role is to bring skills and experience to legal matters and potential litigation arising from enforcement cases.

The Committee considers whether the JFSC will initiate or defend any legal proceedings arising from any law under which the JFSC has statutory powers. The Committee takes into account potential legal costs when making decisions. The Committee met once during 2020.

Remuneration Committee

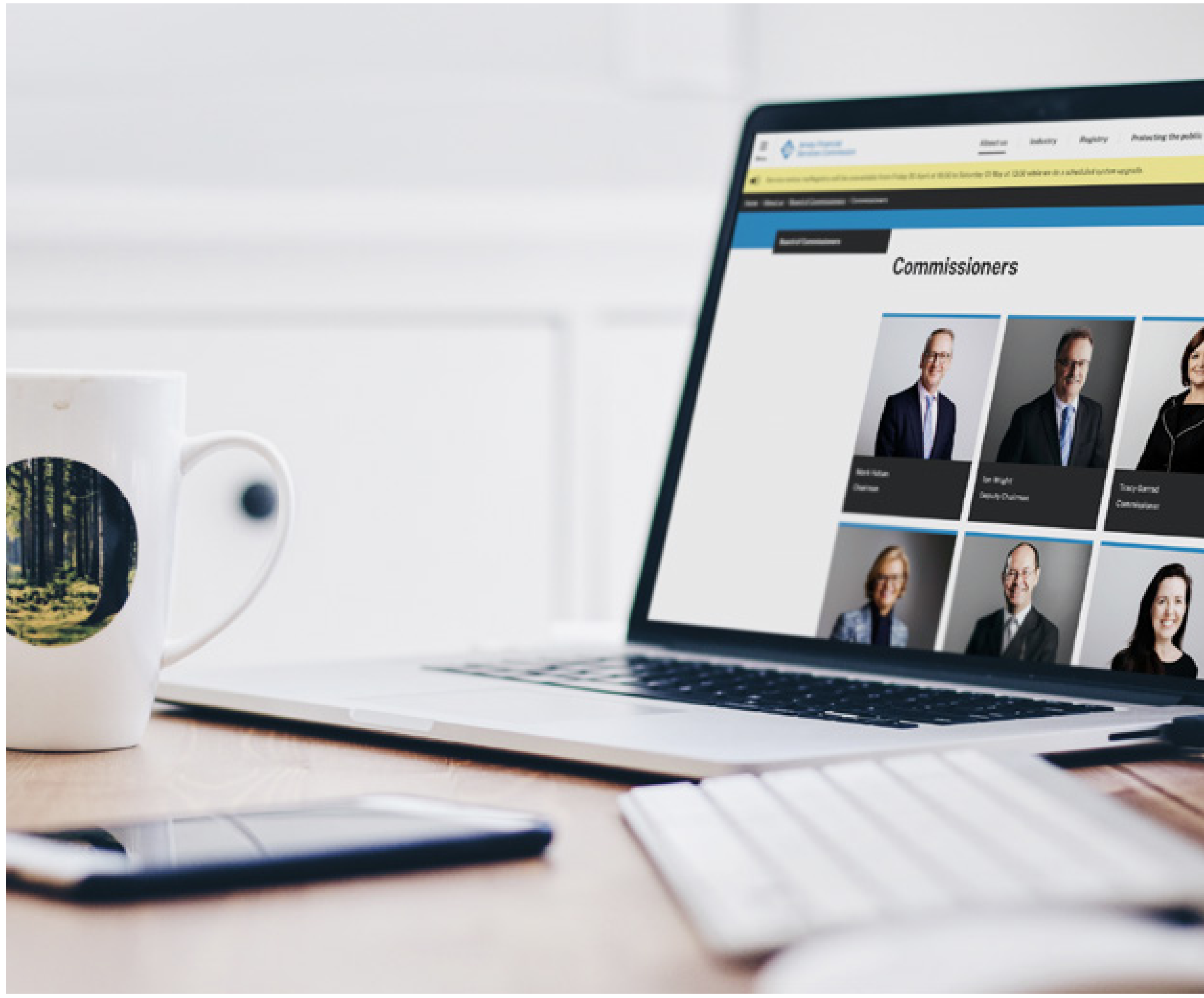
The Remuneration Committee is responsible for keeping under review the fees paid to the Chair and other Commissioners and the pay and bonus arrangements for the Director General and JFSC staff. The Committee oversees the bonus structure and its alignment to the JFSC's performance management framework.

The Committee paid close attention to staff working conditions and welfare during 2020, in response to the Covid-19 pandemic.

Risk Committee

While responsibility for risk and risk management remains with the full Board, the Risk Committee oversees and guides the Executive Risk Committee as the JFSC further develops its risk-based supervision strategy (and its management of operational risk). The Risk Committee advises and partners with the Executive in fulfilling the Executive's accountability to the Board regarding risk management.

The main focus of the Risk Committee's work in 2020 was the launch of the JFSC's risk model and governance; developing the format for operational risk reporting; and considering the development of risk appetite statements.



07.

Commissioner remuneration

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

Fees paid to Commissioners were not increased in 2020.

Fees paid to Commissioners during the year

	2020	2019
	£	£
Mark Hoban (Chair - Appointed April 2020)	115,269	36,500
Lord Eatwell of Stratton St. Margaret (Retired as Chair 22 April 2020)	45,962	150,000
Martin Maloney (Appointed 28 February 2019) - see below		
Cyril Whelan (Retired June 2020)	13,000	26,000
Ian Wright (Deputy Chair)	33,350	33,350
Peter Pichler	26,000	26,000
Simon Morris	36,500	36,500
Markus Ruetimann (Retired September 2020)	25,597	36,500
Annamaria Koerling	36,500	36,500
Monique O'Keefe	26,000	26,000
Tracy Garrad	36,500	33,458
Matt Palmer	8,667	-
	403,345	440,808

Director General remuneration

Martin Moloney was not paid any fees in his capacity as a Commissioner but rather was paid as an Executive Director in his capacity as Director General. For 2020, he received £300,958 (2019: £241,324 pro rata) which comprises fixed remuneration: £261,362 (2019: £257,500) and variable remuneration: £39,596 (2019: £23,185).

Auditors

BDO LLP (Auditors) undertook the annual audit as approved by the Audit Committee in November 2019.

Responsibility for annual report and accounts

This annual report and accounts comply with the requirement in the FSC(J)L 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 are prepared in accordance with generally accepted accounting principles and show a true and fair view of the surplus or deficit for the period and state of affairs at the period end. The Commissioners have elected to prepare the financial statements in accordance with Financial Reporting Standard 102 (FRS102), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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

- keeping adequate accounting records sufficient to show the financial position within a reasonable period of time;
- safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities;
- preparing the financial statements in accordance with applicable laws and regulations;
- selecting suitable accounting policies and applying them consistently;
- making judgments and accounting estimates that are reasonable and prudent;
- preparing the accounts on a going concern basis unless it is inappropriate to presume that the JFSC will continue in business.

The Commissioners have considered the financial statements on pages 85-88 and are satisfied that they show a true and fair view of the deficit for the year and the JFSC's financial position at 31 December 2020.

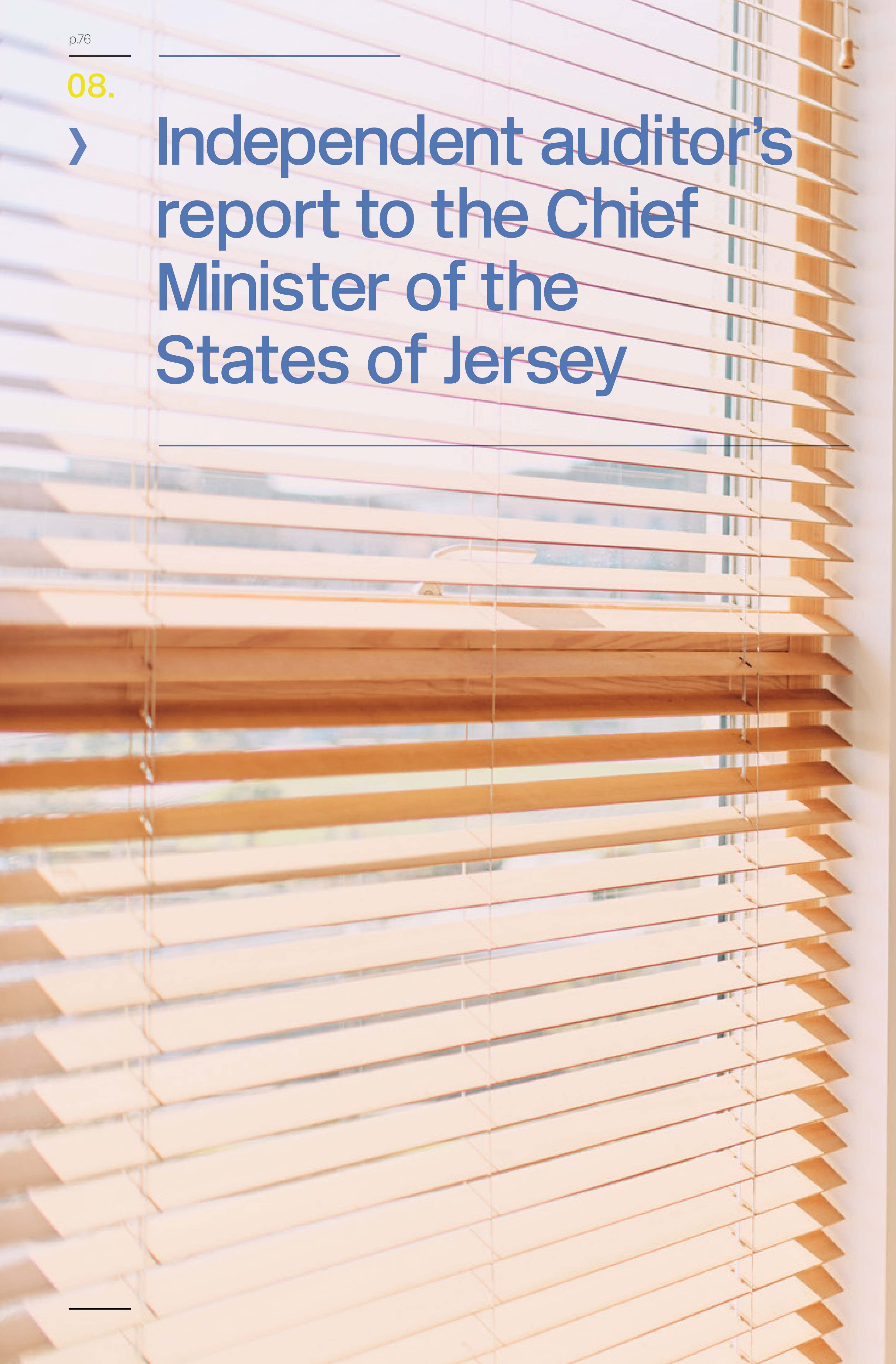
The Commissioners have considered the annual report and, taken as a whole, confirm that they believe the it is fair, balanced and understandable.

For and on behalf of the Board of Commissioners

L Roe
Commission Secretary
6 May 2021

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

Our Board reaffirmed its commitment to being 'best in class'...



08.

Independent auditor's report to the Chief Minister of the States of Jersey

08.

Independent auditor's report to the Chief Minister of the States of Jersey

Opinion

We have audited the financial statements of the JFSC for the year ended 31 December 2020 which comprise the income and expenditure account, the statement of financial position, the statement of changes in accumulated reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Jersey Financial Services Commission (the JFSC) as at 31 December 2020 and surplus 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence
Following the recommendation of the audit committee, we were appointed by the JFSC in 2007 to audit the financial statements for the year ending 31 December 2007 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 14 years, covering the years ending 31 December 2007 to 31 December 2020. We remain independent of the JFSC in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the JFSC.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Commissioners' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Commissioners' assessment of the JFSC's ability to continue to adopt the going concern basis of accounting included:

- Review and challenge of management's going concern assessment through evaluation of management's methods to assess going concern, evaluating the reliability of underlying data, challenging of key management assumptions and consideration of management's plans for future action;
- Review and challenge of management's forecasts (including stress-tested forecasts) through assessment of key assumptions used including implied revenue growth rates and forecasted operational costs and testing the reasonableness of stress tested scenarios used by management; and
- Review of disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the JFSC's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities, and the responsibilities of the Commissioners with respect to going concern, are described in the relevant sections of this report.

Overview

Key audit matters		2020	2019
	Income recognition – existence including cut-off	✓	✓
	Completeness of income	✓	✓
	Annual return fee surplus	✗	✓

Annual return fee surplus is no longer considered to be a KAM due to it not representing a heightened audit risk. This is a result of changes in the agreement with the States of Jersey in relation to Annual Return Fee Surplus eliminating the need for management judgment and estimates that underpinned this risk in the prior year.

Materiality

Financial statements as a whole

£348,700 (2019: £315,000) based on 1.75% (2019: 1.75%) of average income over a three-year period.

08.

An overview of the scope of our audit

Our audit was scoped 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 in the financial statements and designed and performed audit procedures in response to that assessed risk. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Commissioners that may have represented a risk of material misstatement.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Income recognition – existence including cut-off Revenue consists of regulatory and registry fees, for which annual fees run from different dates throughout the year depending on the specific fee. Because there is a judgement involved in the timing of recognition and the amount to recognise, there is a risk that revenue recognition policies are not appropriate, revenues do not exist, or that revenue may be incorrectly recorded in the wrong year, resulting in a misstatement of revenue. Details of the accounting policies applied during the year are given in note 1 to the financial statements and details of regulatory and registry fee income are given in notes 4 and 5 to the financial statements respectively.	For regulatory fees, we reconciled the revenue in the financial statements to system-generated reports containing details of the licences held. We tested these reports through performing walkthroughs of the relevant systems and performing sample testing of line items within the reports. We also tested on a sample basis that regulatory fees had been calculated in accordance with fee notices published by the JFSC, agreed to payment received, and recognised in the appropriate period. We recalculated deferred income to check it had been correctly accounted for in accordance with the JFSC's accounting policies, and that the appropriate proportion of fees had been deferred in accordance with those policies. For registry fees, we tested on a sample basis that fees had been calculated in accordance with fee notices published by the JFSC and agreed to payment received. We recalculated annual return income based on the number of registered companies, by reference to published annual return rates and the number of registered entities. We tested a sample of registry fee invoices and receipts processed specifically around year-end to check the related income had been recognised in the appropriate period. **Key observation:** Based on the work performed, nothing has come to our attention which would suggest that revenue has been recognised inappropriately or that it has not been presented in accordance with the JFSC's revenue recognition accounting policy and the accounting standards.
Completeness of income Given the number of income streams and the ad-hoc nature of some of these fees, there is a risk that certain fees had not been billed to the customer, or that the income had been recognised in the incorrect period due to billing taking place significantly later than it should have. Details of the accounting policies applied during the year are given in note 1 to the financial statements and details of regulatory and registry fee income are given in notes 4 and 5 to the financial statements respectively.	We tested the completeness of regulatory and registry income throughout the year by selecting a sample of businesses from the regulatory and registry department systems, independent of the finance function, and agreeing these to supporting fee income, checking that the fees had been recognised in the appropriate period. We checked for any gaps in the Financing Statement numbers, which are expected to be sequential. We reviewed a sample of post year-end receipts and invoices to check that the related income had been recognised in the appropriate period. **Key observation:** Based on the work performed, nothing has come to our attention which would suggest that revenue has been recognised inappropriately or that it has not been presented in accordance with the JFSC's revenue recognition accounting policy and the accounting standards.

Our application of materiality

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 as a whole.

	2020 £	2019 £
Materiality	348,700	315,000
Basis for determining materiality	1.75% of average income over a three-year period.	
Rationale for the benchmark applied	We used income as a benchmark as this is the primary Key Performance Indicator used to address the performance of the business by the Commissioners.	
Performance materiality	254,500	230,000
Basis for determining performance materiality	73% of materiality has been applied for determining performance materiality.	

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £17,400 (2019:£16,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

08.

Other information

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

We have nothing to report in this regard.

Responsibilities of Commissioners

As explained more fully in the annual report, the Commissioners of the JFSC are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the JFSC. These include but are not limited to compliance with the Financial Services Commission (Jersey) Law 1998.

We assessed compliance with the these laws and regulations through enquiry with management and the Audit Committee and review of board meeting minutes.

We assessed the susceptibility of the JFSC's financial statements to material misstatement, including how fraud might occur. In addressing the risk of fraud, including management override of controls, we have performed journals testing based on a set of fraud risk criteria and verifying the business rationale. Fraud risk in revenue was tested substantively involving sample testing of transactions both throughout the year and at year-end to verify both existence of the transactions recognised and completeness of amounts reported.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Chief Minister of the States of Jersey in accordance with Article 21(3) of the Financial Services Commission (Jersey) Law 1998. Our audit work has been undertaken so that we might state to the Chief Minister those matters we are required to state to 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, the JSFC and the Commissioners of the JFSC as a body for our audit work, for this report, or for the opinions we have formed.

Neil Dimes (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Bristol
7 May 2021

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

09.

› Financial statements

09.

Financial statements

Income and expenditure account
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Regulatory income			
Regulatory fee income	4	15,866	14,428
Registry fee income	5	6,130	4,429
Total regulatory income		21,996	18,857
Other income	6	738	447
Interest income		24	60
Total income		22,758	19,364
Expenses			
Staff costs	7	(13,343)	(12,811)
Computer systems		(1,530)	(1,498)
Premises costs		(895)	(869)
Professional services		(1,701)	(937)
Investigation and litigation		(54)	(215)
Other operating costs		(1,000)	(822)
Depreciation, amortisation and impairments		(1,617)	(1,356)
Staff learning and development		(182)	(275)
Travel costs		(33)	(243)
Total expenses		(20,355)	(19,026)
Surplus for the year	8	2,403	338

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

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

The notes on pages 89 to 101 form an integral part of the financial statements.

Statement of financial position as at 31 December 2019

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Intangible assets	9	7,770		6,086	
Tangible fixed assets	10	689		844	
			8,459		6,930
Current assets					
Trade receivables		614		417	
Sundry debtors		165		52	
Prepayments		1,097		1,128	
Cash and bank balances	11	12,136		11,404	
			14,012		13,001
Total assets			22,471		19,931
Creditors - amounts falling due within one year					
Fee income received in advance		6,943		6,583	
Creditors	12	3,745		6,133	
Provisions	13	48		157	
			10,736		12,873
Total assets less current liabilities			11,735		7,058
Creditors - amounts falling due after more than one year					
Fee income received in advance		188		-	
Creditors	12	2,004		-	
Provisions	13	448		366	
			2,640		366
Net assets			9,095		6,692
Represented by					
Accumulated reserves			9,095		6,692

The notes on pages 89 to 101 form an integral part of the financial statements.

The financial statements on pages 86 to 101 were approved by the Board of Commissioners on 6 May 2021 and signed on its behalf by:

Mark Hoban
Chair

Martin Moloney
Director General

09.

Statement of changes in accumulated reserves

	Accumulated reserves £'000
Balance at 1 January 2019	6,354
Surplus for the year	338
Balance at 31 December 2019	6,692
Balance at 1 January 2020	6,692
Surplus for the year	2,403
Balance at 31 December 2020	9,095

Statement of cash flows
For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Surplus for the year		2,403	338
Interest receivable		(24)	(60)
Depreciation, amortisation and impairment charges	9,10	1,617	1,356
Utilisation of provision		(110)	(62)
Movements in provisions		83	75
Deferred rental incentive		(26)	(26)
(Increase)/decrease in debtors and prepayments		(279)	(7)
Increase/(decrease) in income received in advance		548	680
Increase/(decrease) in creditors		(358)	2,503
Net cash generated from operating activities		3,854	4,797
Cash flows from investing activities			
Interest received		24	60
Purchases of tangible and intangible fixed assets	9,10	(3,146)	(2,968)
Net cash used in investing activities		(3,122)	(2,908)
Net increase in cash and cash equivalents		732	1,889
Cash and cash equivalents at 1 January		11,404	9,515
Cash and cash equivalents at 31 December	11	12,136	11,404
Cash and cash equivalents consist of:			
Cash at bank and in hand		132	297
Short-term deposits		12,004	11,107
Cash and cash equivalents	11	12,136	11,404

The notes on pages 89 to 101 form an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 December 2020

01. Significant accounting policies

Basis of preparation

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

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

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

The JFSC is a statutory body established under Article 2 of the Financial Services Commission (Jersey) Law 1998. The JFSC's registered address is Jersey Financial Services Commission, PO Box 267, 14-18 Castle Street, JE4 8TP.

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

Annual return fees are deferred in the first instance and released to income in the period in which the related costs are incurred.

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

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

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

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

09.

Expenses

All expenses are accounted for on an accruals basis.

Foreign currency

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

Investigation and litigation costs

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

Cash and bank balances

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

Government registers

An intangible asset is recognised in relation to the cost of design, development and operation of Government registers on an accruals basis, provided such costs are contractually recoverable.

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

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

The estimated useful lives used for this purpose are:

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

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

Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation and any impairment losses. Historical cost includes expenditure that is directly attributable to the development of the intangible asset. Subsequent maintenance and support costs are charged to the income and expenditure account during the period in which they are incurred.

Amortisation of intangible assets is calculated so as to write off their cost on a straight-line basis over their expected useful lives.

The estimated useful lives used for this purpose are:

› Computer software	Up to 7 years

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

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

In the requirements gathering phase of an internal systems development project, it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure is recognised as an expense when incurred. Systems 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

Assets that are subject to depreciation and amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is an indication that an asset may be impaired, 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. Cash flows from registry and supervisory income are separately identifiable and assets are allocated between these cash flows based on their operational application.

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

Leases

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

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 full term of the lease.

09.

Pension costs

The costs of defined contribution pension schemes are accounted for on an accruals basis. The costs of annual contributions payable to defined benefit schemes operated by the Government of Jersey are accounted for on an accruals basis because the JFSC is unable to obtain the information necessary to apply defined benefit scheme accounting (see note 16).

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.

Provision for premises reinstatement

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

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

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

Key accounting estimates and assumptions

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

Provision for long leave entitlements

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

Provision for premises reinstatement

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

Useful lives and residual values

Fixed assets are depreciated over their expected useful lives, taking into account residual values where appropriate. The actual lives and residual values are assessed annually and may vary depending on a number of factors. In reassessing 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.

b) Going concern

Governments and corporates have been taking extraordinary measures to deal with the threat to life posed by Covid-19. Governments have found it necessary to provide finance for a wide range of businesses that have ceased trading or had their trading prospects significantly impaired. Many businesses have closed and may not be capable of being restarted, leading to impairments and write offs. The JFSC has to keep operating, subject to constraints, including staff working from home.

The Board reviews in detail plans put into place by the executive to manage current operations together with revised cash flow and net income forecasts. The Board notes that its 2021 income may be reduced due to lower levels of transaction fees from Jersey financial services business and that in the medium term it may be exposed to reduced annual fees from companies and regulated entities should such businesses be forced to close permanently. However, it believes that any such reductions will be manageable by reducing activity levels or deferring expenditure.

The Board has therefore concluded that there are no material uncertainties that may cast significant doubt on the ability of the JFSC to continue as a going concern.

03. Taxation

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

04. Regulatory fee income

	2020	2019
	£'000	£'000
Banking	2,098	1,817
Funds	6,974	6,499
Insurance business	956	863
General insurance mediation	173	149
Investment business	1,416	1,404
Trust companies	3,418	2,935
Designated non-financial businesses and professions	776	711
Recognised auditors	29	30
Money service business	26	20
	15,866	14,428

09.

› 05. 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 fees payable to the Registry includes amounts collected on behalf of and remitted to the Government of Jersey.

In 2020 the annual return fees increased from £200 to £225. The portion of the total annual return fee retained and recognised by the JFSC was £110, and the remaining £115 collected on behalf of the Government of Jersey. The increase in the annual return fee resulted in an increase in fees attributable to the JFSC of £0.8m in 2020.

In previous years, a portion of registry fees received was segregated and used for certain current and future enhancements to the Registry and its systems. This capital funding mechanism came to an end in 2020, resulting in a temporary increase in fees attributable to the JFSC of £1.1m in 2020.

From 1 January 2021, the annual return fee remains at £225, with the Government portion increasing to £145 following introduction of the Financial Services (Disclosure and Provision of Information) (Jersey) Law 2020. As a result, the JFSC has decided to temporarily reduce its portion of these fees to £80 of the total £225 for 2021.

	2020	2019
	£'000	£'000
Total annual fees collected	7,873	7,004
This is apportioned as follows:		
Collected on behalf of Government of Jersey	3,925	3,889
Collected by the JFSC	3,948	2,011
Segregated portion as agreed with the Government of Jersey*	-	1,104
	7,873	7,004
Annual return fee income collected by the JFSC	3,948	2,011
Other Registry income	2,182	2,418
Total Registry income	6,130	4,429

* See note 12 for further information.

	2020	2019
The number of annual returns received during the year was:		
Annual returns received	34,130	33,818

› 06. Other income

	2020	2019
	£'000	£'000
Investigation and litigation recoveries	10	240
Financial contribution income*	702	195
Sundry income	26	12
	738	447

* See note 12 for further information.

› 07. Staff costs

	2020	2019
	£'000	£'000
Staff salaries	10,920	10,453
Commissioners' fees	403	404
Social security contributions	550	503
Pension contributions	826	837
Permanent health and medical insurance	435	422
Other staff costs	144	152
Long leave provision	19	32
Annual leave pay accrual	46	8
	13,343	12,811

The average number of staff employed during the year was 151 (2019: 144).

› 08. Surplus for the year

Surplus for the year is stated after including the below:

	2020	2019
	£'000	£'000
Amortisation of intangible assets (note 9)	(1,272)	(1,083)
Depreciation of tangible fixed assets (note 10)	(345)	(272)
Research and development costs not capitalised	(36)	-
Foreign exchange differences	(10)	15
Operating lease expenditure	(578)	(566)
Contributions to employee pension schemes (note 16)	(826)	(837)
Audit fees	(53)	(45)
Non-audit services	(3)	(4)

09.

› 09. Intangible assets

	Computer systems under development	Computer systems	Total
	£'000	£'000	£'000
Cost			
Balance at 1 January 2020	1,950	9,139	11,089
Additions	2,973	5	2,978
Completed computer systems	(795)	795	-
Transfer to tangible fixed assets	(22)	-	(22)
At 31 December 2020	4,106	9,939	14,045
Amortisation			
Balance at 1 January 2020	-	(5,003)	(5,003)
Charge for the year	-	(1,272)	(1,272)
At 31 December 2020	-	(6,275)	(6,275)
Net book value at 31 December 2020	4,106	3,664	7,770
Net book value at 31 December 2019	1,950	4,136	6,086

The principal expenditure during the year related to investment in our enhanced Registry systems (£1,447,400), implementing other key strategic workstreams (£1,322,720), and other operational initiatives (£208,106).

› 10. Tangible fixed assets

	Office furniture, fittings & equipment	Leasehold improvements	Computer equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 2020	640	311	1,838	13	2,802
Additions	1	-	167	-	168
Transfer from intangible assets	-	-	22	-	22
At 31 December 2020	641	311	2,027	13	2,992
Accumulated depreciation					
Balance at 1 January 2020	(581)	(163)	(1,203)	(11)	(1,958)
Charge for the year	(23)	(60)	(260)	(2)	(345)
At 31 December 2020	(604)	(223)	(1,463)	(13)	(2,303)
Net book value at 31 December 2020	37	88	564	-	689
Net book value at 31 December 2019	59	148	635	2	844

› 11. Cash and bank balances

	2020	2019
	£'000	£'000
Current accounts	131	296
Deposit accounts	12,004	11,107
Petty cash	1	1
Cash and cash equivalents at bank	12,136	11,404

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

› 12. Creditors

	2020	2019
	£'000	£'000
Trade creditors	2,024	1,640
Accruals	1,010	787
Deferred rental incentive	36	62
Deferred Industry fees*	126	381
Deferred Beneficial Ownership contribution	-	162
Deferred Registry fees**	2,283	2,823
Sundry creditors	270	278
	5,749	6,133
Falling due within one year	3,745	6,133
Falling due after more than one year	2,004	-
	5,749	**6,133**

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

**It was agreed with the Government of Jersey that a portion of the additional registry fees charged from 2017 to 2019 be segregated and used for certain current and future enhancements to the Registry and its systems. In 2020 it was confirmed the segregated amount should be utilised for 2020 Registry projects and for start-up costs of the MONEYVAL AML inspection unit. As a result, £540,000 has been recognised as financial construction income in 2020 as an offset to the charges associated with running the unit, and £2,282,665 is carried forward to be released over the useful life of the Registry system, in line with amortisation charges. No further unallocated segregated funds under this arrangement remain.

09.

› 13. Provisions for liabilities

	Provision for long leave	Reinstatement provision	Total
	£'000	£'000	£'000
Balance at 1 January 2019	229	281	510
Amounts provided for during the year	51	44	95
Reversal of unused provision	(20)	-	(20)
Utilised during the year	(62)	-	(62)
Balance at 31 December 2019	198	325	523
Amounts provided for during the year	20	81	101
Reversal of unused provision	(18)	-	(18)
Utilised during the year	(110)	-	(110)
Balance at 31 December 2020	90	406	496
Falling due within one year	48	-	48
Falling due after more than one year	42	406	448
	90	406	496

Provision for long leave

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

Provision for premises reinstatement

The provision relates to the expected costs of reinstatement of office premises to their original condition on termination of premises leases. The balance at year-end has been determined based on a guideline rate of £20 per square foot (2019: £16 per square foot) as determined by the Royal Institute of Chartered Surveyors. The provision is adjusted annually based on movements in the guideline rate.

› 14. Commitments under operating leases

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

	2020	2019
	£'000	£'000
Not later than one year	601	592
Later than one year but not later than five years	248	834
	849	1,426

Rentals payable under this operating lease are subject to periodic review and are based on market rates. The most recent rent review was agreed during 2020 and the resulting rental increase was effective from May 2019. The next rent review is due to commence in 2022.

› 15. Financial instruments

Our financial instruments are analysed as follows:

	2020	2019
	£'000	£'000
Financial assets		
Financial assets measured at amortised cost	12,915	11,873
Financial liabilities		
Financial liabilities measured at amortised cost	(2,294)	(2,080)

Financial assets measured at amortised cost comprise cash and bank balances, trade receivables and sundry debtors.

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

09.

16. Pension costs

JFSC 2012 Staff Pension Scheme

In 2012, the JFSC closed the JFSC's 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 previous 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 £796,433 (2019: £809,501). Contribution rates have remained unchanged. Aggregate contributions decreased due to changes in membership numbers and ages.

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 Government 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.

Pension contributions for staff to this scheme amounted to £29,341 (2019: £27,054). The average contribution rate paid by the JFSC during the year was 14.0% (2019: 14.4%) of salary. The contribution rate has not been changed following the actuarial valuation because the valuation is within the funding parameters specified in the related regulations.

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

The most recent published actuarial valuation being as at 31 December 2018, which reported a deficit of £1.1 million. No account has been taken of the JFSC's potential share of this deficit because the scheme is accounted for as if it is a defined contribution scheme.

Copies of the latest annual accounts for the scheme, and for the Government of Jersey, may be obtained from the Treasury and Exchequer, 19-21 Broad Street, St Helier, JE2 3RR.

17. Related party transactions

Transactions and balances arising in the normal course of operations

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

Remuneration of key management personnel

Key management personnel includes the Commissioners, the Director General and Executive Directors who together have authority and responsibility for planning, directing and controlling the activities of the JFSC. Total remuneration paid to members of key management personnel during the year was £1.5 million (2019: £1.9 million).

Remuneration of Commissioners

Remuneration of the Commissioners and the Director General is set out on page 74 of this annual report. There were no other transactions with key management personnel other than reimbursement of expenses incurred for JFSC purposes.

18. Subsidiary undertakings

At 31 December 2020, the JFSC had an interest in one wholly owned subsidiary company. Further details are outlined below:

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

JFSC Property Holdings No.1 Limited 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.

10.

› Appendix

10.

Appendix
Senior leadership

As at 30 April 2021

Martin Moloney
Director General

Jill Britton
Director of Supervision

Diane Maxwell
Director of Policy

Kerry Petulla
Acting Director of Enforcement

John Gavey
Chief Operating Officer

Julian Lamb
Director of Registry

Sarah Kittleson
Director of Supervisory Engagement

David Porter
Chief Adviser, Conduct and Prudential

Hamish Armstrong
Chief Adviser, Financial Crime

Lizzy Roe
Commission Secretary

Dennis Dixon
General Counsel

Daniel Wilson
Director of Finance and Operational Improvement

11.

Notes

International regulatory bodies with which the JFSC is either associated or an active member:

1. Full member of:

- International Organization of Securities Commission (IOSCO)
- Group of International Finance Centre Supervisors (GIFCS)
- International Association of Insurance Supervisors (IAIS)
- Global Financial Innovation Network (GFiN)

2. Participates fully in the processes, and is 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 membership of GIFCS:

- Basel Committee on Banking Supervision (BCBS)
- Financial Action Task Force (FATF).

We find ourselves in a strong position to exit these turbulent times and support the Island and Industry as we build back better

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