



Jersey Financial Services Commission

Chief Executive (or equivalent)
of Trust Company Businesses

From the Office of the Director General

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Our Ref.: TCB/Dear CEO letter

6 June 2011

Dear Chief Executive

Company formations

The Commission has recently noted an increase in applications submitted to the Companies Registry for the incorporation of Jersey companies in circumstances where the accompanying information has been considered materially deficient. Not only does this reflect a lax attitude in respect of the trust company responsible for submitting the respective company formation documentation, but it also represents considerable risk to the Commission, in terms of its guiding principles¹ that include the need to protect the reputation and integrity of Jersey in commercial and financial matters, and the need to counter financial crime in Jersey and elsewhere.

Whilst the Commission would not ordinarily consider it necessary to notify Industry of these concerns, preferring to take the matter up with the trust company that submitted the company formation documentation, given the apparent trend towards a small, but not insignificant, number of trust companies attempting to form Jersey companies:

- (i) without carrying out a meaningful due diligence exercise in respect of the underlying customers and the respective business in which they are involved; and
- (ii) without properly documenting all of the risks associated with their customers and the activities of the prospective new company, and how these risks may impact on the trust company's own business,

it is considered important that Industry be advised of the need to exercise due skill, care and diligence in the discharge of their regulatory and legal obligations.

¹ The Commission's guiding principles are set out in [Article 7 of the Financial Services Commission \(Jersey\) Law 1998](#)



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By way of example, the Commission would expect particular care to be exercised where the proposed new company is involved in any activity associated with a higher risk jurisdiction or any activity that may, itself, be regarded as high risk. Similarly, the Commission would expect a trust company to have documented all risks connected to the proposed new company, inclusive of any risks that may be associated with the underlying customers, and source of capital for the new structure. Indeed, in some instances, it appears that trust companies have sought to use the Companies Registry and the Commission as a quasi "vetting office", without first undertaking a substantive risk assessment for themselves. Such an approach to company formations is unacceptable. In saying this however, the Commission would wish to retain an effective dialogue with Industry in terms of risk management.

Where trust companies continue to submit company formation documentation that is considered materially deficient, the Commission is likely to undertake a course of action that may include any, or all, of the following:

- (i) the trust company being placed on an enhanced supervisory programme;
- (ii) the risk rating of the trust company being re-assessed; and, in the most serious of cases
- (iii) the trust company being investigated using regulatory powers under the Financial Services (Jersey) Law 1998 (the "Law").

This letter should be considered relevant only to those businesses that hold a Class F registration under the Law, i.e. acting as a company formation agent, a partnership formation agent or a foundation formation agent.

Should you have any queries regarding this letter please do not hesitate to contact either myself or your supervision manager at the Commission.

Yours sincerely

A handwritten signature in blue ink that reads "John Harris" with a long, sweeping flourish at the end.

John Harris
Director General