



Jersey Financial
Services Commission

Supervision Examination Guide

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1 Background

The Jersey Financial Services Commission's (JFSC) regulatory functions are set out in the Financial Services Commission (Jersey) Law 1998, as amended and the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008. In support of its functions, the JFSC requires to have particular regard to its Guiding Principles:

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

Supervisory Examinations (Examinations) are a key tool of the JFSC in the execution of its functions that assist in identifying and deterring breaches of regulatory standards as well as improving compliance.

2 Purpose of this Examination Guide

This Examination Guide sets out the key steps in the JFSC's Examination process and aims to clarify expectations, both from the perspective of the JFSC and of the entity.

3 How are entities selected for an Examination?

There are three broad categories of Examination:

- › **Entity Risk Examinations** which are conducted in response to a known or perceived risk within a particular entity.
- › **Thematic Examinations** which are conducted in response to a perceived current or emerging regulatory risk. Thematic Examinations may be conducted through various means, including by way of a questionnaire, an Examination, or a combination of both. Dependent upon the perceived risk, Thematic Examinations typically cover a range of entities within the same industry sector or a cross section of sectors.
- › **Event Driven Examinations** which are those driven by external events which occur outside of a known or perceived risk within a particular entity.

For more information on the JFSC's approach to risk-based supervision please see the publication - '[JFSC Risk Overview: Our approach to Risk-Based Supervision](#)' (June 2016) at www.jerseyfsc.org.

4 Who undertakes Examinations?

Examinations are primarily undertaken by the JFSC's Supervision Examination Unit (SEU), a specialist team of staff who are trained and experienced in the planning and execution of Examinations.

The core Examination team will typically comprise of a Lead Examiner (a member of SEU staff), and the relevant entity's Supervision Manager.

Where considered appropriate, based on the scope of a particular Examination, the core Examination team will be supplemented by additional resource of particular expertise or experience from within SEU and/or the Supervisory teams.

The JFSC's Supervisory teams may also conduct Examinations outside of those undertaken by the SEU. This Examination Guide also applies to those Examinations.

5 How is an entity notified of an Examination?

The entity will initially be contacted by its Supervision Manager, who will notify the entity of the proposed Examination and its high level scope, and will explore suitable dates.

When dates have been agreed, the entity will receive formal notification from the SEU of the Examination by way of email or letter. The formal notification will confirm:

- › the Examination dates, its duration and its scope; and
- › the JFSC Examination team members.

The formal notification will also request that a preliminary meeting be convened. Further details regarding the preliminary meeting are set out in Section 6.1 below.

A bespoke Information Request (IR) will be sent with the formal notification of the Examination. The IR is a document which sets out details of the information and documents the Examination team require the entity to provide in advance of the Examination.

The IR will typically be provided to the entity six to eight weeks before the Examination start date to allow the entity sufficient time to comply with its requirements. The information and documents requested will require to be submitted to the JFSC at least two weeks before the on-site Examination date.

6 What is the Examination process?

6.1 Preliminary meeting

In advance of the Examination, the Examination team will seek to have a face-to-face meeting with relevant entity representatives. The purpose of the preliminary meeting is to:

- › Clarify any questions regarding the scope and purpose of the Examination;
- › Explain the Examination process in more detail; and
- › Ensure the requirements of the IR are clearly understood.

Unless otherwise agreed, the preliminary meeting negates the need for a lengthy opening meeting on the first day of the Examination.

6.2 Desk based review

When the IR submissions are received from the entity, the Examination team will review these in detail in advance of the on-site fieldwork and will finalise the Examination plan. The Examination plan is an internal JFSC document used to focus and guide on-site fieldwork.

Further information may be requested at this stage from the entity, either to be provided in advance of the Examination, or on the first day of on-site fieldwork. The Examination team may also request meetings be pre-arranged with appropriate persons within the entity.

However, the Examination team is mindful that an Examination results in an increased workload for an entity before, during and after the Examination, hence will seek to minimise disruption to the entity by ensuring its requests are as focused and narrow as possible.

6.3 On-site fieldwork

As previously stated, when the Examination team arrives on-site, unless otherwise requested, no opening meeting or presentation is required.

It is critical that Examinations are properly targeted and conducted to a consistently high standard to be effective in their outcome. Accordingly, while conducting the on-site fieldwork, the Examination team will focus on executing the examination plan, which is drafted on the basis of the Examination scope and from review of the information and documents submitted by the entity in response to the IR.

In executing the Examination plan, the Examination team will typically discuss matters relevant to the examination scope with key members of entity staff and review customer files where conduct of business or customer due diligence are areas to be considered.

The Examination team operates a “*no surprises*” policy in relation to Examination findings. During the course of on-site fieldwork, all potential concerns will be discussed with entity staff, of appropriate seniority, who have relevant knowledge of the matter. This gives the entity the opportunity to consider the potential issue(s) and provide any additional information or documents to the Examination team for consideration prior to a final conclusion being reached.

While Examinations are planned and executed based on a narrowly defined scope, the Examination team may, in certain circumstances, conclude that the Examination scope requires to change in some way. For example, issues may be identified which lead the team to determine that there is a need to widen the scope of the examination, or, less commonly, serious failures may be identified that warrant urgent action to be taken by the JFSC. Should this be the case, the entity will be notified of the change in scope at the relevant time.

6.4 Debrief meeting

When the onsite fieldwork has been completed, the Examination team will work together off-site to make an initial determination as to the Examination findings and will compile a first draft of the Examination Report.

Prior to issue of the draft Examination Report, the Examination team will normally hold an Examination debrief meeting with the entity within 27 working days of the on-site fieldwork concluding, during which the Examination findings will be discussed in a more formal manner. The Examination debrief meeting is not compulsory for the entity, but experience has shown it to be useful in terms of giving context to the findings in the draft Examination Report.

Findings will not be limited to definitive breaches of regulatory requirements, but will extend to best practice guidance and observations of where an entity, or its customers, may be exposed to increased risk as a result of the way the entity conducts its business.

6.5 Reporting

The draft Examination Report will be issued to the entity by the Examination team within ten working days of the Examination debrief meeting to allow the entity to make any observations as to its factual accuracy.

The entity has 20 working days in which to provide the Examination team with any written comments as to the factual accuracy of the draft Examination Report. The Examination team will consider the entity’s comments and, where relevant, amend the report accordingly. Where any aspect of the entity’s submission requires further clarification the Examination team may seek to convene a meeting with the entity to further discuss.

Having reached the position where the factual accuracy of the draft Examination Report is agreed, the Examination team will issue the Final Report (in PDF format) to the entity.

6.6 Remediation process

Where the Examination has resulted in findings, the entity has 20 working days from the date of receipt of the Final Report to respond to its Supervision Manager setting out an ‘action plan’ detailing how, and by when, any findings will be remedied.

Upon receipt, the Supervision Manager will consider the appropriateness of the entity's 'action plan' and confirm its acceptability or otherwise within ten working days.

The JFSC no longer issues 'Recommendations' and 'Timescales for Completion' as part of its Examination Reports.