

Public Statement

Sanne Fiduciary Services Limited (SFSL)

17 July 2019

Financial Services (Jersey) Law 1998, as amended (the **FS(J)L**)

Code of Practice for Fund Services Business and Code of Practice for Trust Company Business
(together, the Codes)

1 Action

- 1.1 The Jersey Financial Services Commission (**JFSC**) issues this public statement pursuant to Article 25(ba) of the FS(J)L.
- 1.2 The JFSC's actions support its objectives of enhancing the reputation and integrity of Jersey in commercial and financial matters.
- 1.3 Following an investigation into SFSL, the JFSC has concluded that:
 - 1.3.1 SFSL failed to remediate certain issues fully, to the satisfaction of the JFSC within an agreed time frame, a contravention of Principle 3 of the Codes. Principle 3 provides: A registered person must organise and control its affairs effectively for the proper performance of its business activities.

2 Background

- 2.1 Following the identification of a number of material issues in need of remediation from separate reviews undertaken in October 2014 and September 2015, the Board of SFSL presented, in October 2015, the JFSC with a comprehensive remediation plan. The plan, agreed with the JFSC, detailed a body of work designed to fully remediate the issues over the course of 2016.
- 2.2 Following periodic status updates, the Board of SFSL confirmed to the JFSC, on 1 March 2017, that the remediation plan and associated actions had been completed.
- 2.3 It was agreed with the JFSC, that SFSL's internal audit function should conduct a review of the remediation work undertaken. The resulting report, dated 31 July 2017, identified a number of issues that the JFSC considered material in relation to conflicts of interest, compliance monitoring and planning, timely risk escalation, and staff training particularly in relation to anti money laundering, greater awareness of risk and the importance of record keeping.
- 2.4 In September 2017, SFSL's compliance function filed quarterly reports with SFSL's board of directors which corroborated some of the points identified in the internal audit report and identified that the compliance function had been under resourced.
- 2.5 In response, the Board of SFSL promptly instigated a thorough review, the result of which was the identification of a number of issues in need of further remediation.
- 2.6 The JFSC has conducted its own regulatory investigation and largely corroborated the findings in the audit and compliance reports together with the conclusions of SFSL's Board.
- 2.7 In response, and without delay, SFSL engaged openly and co-operatively with the JFSC and instigated a comprehensive internal review to set out detailed plans to deliver these identified improvements.

2.8 SFSL has now addressed those points identified as in need of remediation and the JFSC will continue to be actively engaged in verifying the effectiveness of the remediation undertaken.

3 Mitigating Factors

3.1 Upon discovery SFSL promptly, and voluntarily, informed the JFSC of its failure to fully implement the 2015 plan and engaged co-operatively with the JFSC in a constructive and positive way, acknowledging the issue from the outset and securing necessary resources to undertake a comprehensive assessment of its entire business.

3.2 The Board of SFSL responded quickly to the points identified by its internal audit and compliance functions and secured the services of third party subject matter experts, including a regulatory consulting firm to assist in its assessment and support in addressing the findings.

3.3 The assessment was fully supported by Sanne Group PLC (the **Group**). The Group decided that a period of consolidation was required for the effective and efficient achievement of its longer term strategic goals.

3.4 No party has suffered losses arising from the failure to remediate.

3.5 A comprehensive review of corporate governance has been undertaken. The Board of SFSL has been further strengthened and has embraced change.

3.6 The Board of SFSL made changes to its business and significant investment has been made to further develop and strengthen the control environment.

3.7 A comprehensive learning and development strategy has been put in place and a training program commenced which includes training for staff on both their regulatory and AML responsibilities.

4 Key learning points for Industry

4.1 When undertaking remediation exercises, the JFSC expects the board of registered persons to ensure:

4.1.1 tasks are completed and verified to ensure they meet requisite standards;

4.1.2 the governance structure results in clear accountability and also provides transparency in respect of those areas of the business which require investment;

4.1.3 the operational structure is organised in such a way to enable it to imbed procedures and assess compliance therewith;

4.1.4 risk and compliance functions are adequately funded and resourced. The effectiveness of these functions should be closely monitored;

4.1.5 adequate systems and controls are in place to identify and report risks;

4.1.6 staff receive relevant training and promote a culture of compliance within the business;

4.1.7 control functions remain appropriate for the scale and nature of the business.

5 Sanction

5.1 The Board of Commissioners of the JFSC has, therefore, concluded it is necessary and proportionate to impose a financial penalty of £381,010 pursuant to the Financial Services Commission (Financial Penalties) (Jersey) Order 2015.

For further enquiries, please contact Barry Faudemer.