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1 Relevant Legislation

1.1 This Policy, which sets principles regarding the activities that the Jersey Financial Services Commission (the JFSC) considers sensitive, is issued as a result of the following legislative requirements placed on the JFSC:

1.1.1 The requirement in Article 2(3) of the Control of Borrowing (Jersey) Law 1947 that the JFSC, when discharging the functions assigned to it by the Control of Borrowing (Jersey) Order 1958 (COBO), have regard to the need to protect the integrity of Jersey in commercial and financial matters and the best economic interests of Jersey.

1.1.2 The function of administering the Control of Borrowing (Jersey) Law 1947 rests with the JFSC by virtue of Article 6(b)(i) of the Financial Services Commission (Jersey) Law 1998 (the Commission Law). Consequently, the JFSC’s guiding principles (Article 7 of the Commission Law) are relevant and, in discharging its functions, the JFSC may take into account any matter which it considers appropriate, but shall in particular have regard to:

1.1.2.1 The reduction of the risk to the public of financial loss due to dishonesty, incompetence, malpractice or the financial unsoundness of financial service providers

1.1.2.2 The protection and enhancement of the reputation and integrity of Jersey in commercial and financial matters

1.1.2.3 The best economic interests of Jersey

1.1.2.4 The need to counter financial crime both in Jersey and elsewhere.

1.2 Legislation governing the formation of Jersey companies, partnerships and foundations requires that they are formed for a lawful purpose. The activities described in Tables 1 and 2 of this Policy should not be construed as unlawful; rather they are indicative of activities that the JFSC considers potentially pose reputational risks to Jersey.

2 Background

2.1 In order to form an opinion on whether to issue consent under COBO, for one of the activities set out in paragraph 3.1, the JFSC requires an applicant to complete a published application form.

2.2 The completed application form provides information to the JFSC on a range of matters, for example authorised share capital, partnership holdings, ultimate beneficial ownership and the proposed activities of the applicant. The application form includes a declaration which an applicant is required to sign stating that the information provided to the JFSC is accurate and complete.

2.3 The provision of information, combined with the declaration, is essential in enabling the JFSC to meet its legislative requirements detailed above and issue consent.

3 Scope of Application

3.1 This Policy applies to applications made to the JFSC in respect of consent under the following Articles of COBO on an initial and on-going basis:
3.1.1 Article 1 (external body corporate raising money in Jersey by issue of shares)
3.1.2 Article 2 (admission to membership of a Jersey body corporate)
3.1.3 Article 3 (external body corporate having shares registered in Jersey)
3.1.4 Article 4 (issue of securities other than shares)
3.1.5 Article 4A (Issue of securities other than LLC interests)
3.1.6 Article 5 (continuance of an external body corporate in Jersey)
3.1.7 Article 5A (continuance of external limited liability company in Jersey)
3.1.8 Article 7 (issue of government securities)
3.1.9 Article 8 (circulation of prospectuses)
3.1.10 Article 9 (raising money for the purpose of a unit trust or issuing units under a unit trust scheme)
3.1.11 Articles 10 and 11 (creation of partnership interests) and the circulation of an offer document.
3.1.12 Article 11A (creation of LLC interests) and the circulation of an offer document.

3.2 This Policy also applies to applications made to the JFSC for approval for the transfer of a Reserved Company.

3.3 Additionally, the Codes of Practice for fund services business, investment business and trust company business, issued by the JFSC in accordance with Article 19 of the Financial Services (Jersey) Law 1998 and the Code of Practice for certified funds issued by the JFSC in accordance with Article 15 of the Collective Investment Funds (Jersey) Law 1988, require that due regard is to be had by registered persons to the principles of this sound business practice policy document, issued by the JFSC. Alternative investment funds and AIF services businesses are also covered by this policy through the relevant COBO consent and/or through the Code of Practice for fund services business or the Code of Practice for certified funds. This requirement, on the registered person, applies irrespective of the incorporation/registration jurisdiction of the entity to which the registered person is providing services.

3.4 Applicants should also look to ensure that any application is in line with the Government statement on abusive tax schemes issued on 29 July 2014 and any guidance notes issued by Jersey Finance expanding on the principles advocated in the Government statement. The JFSC will have regard to the Government statement and guidance notes when considering any application.

3.5 Applicants should also look to ensure that any application to carry on activity related to cryptocurrencies or Initial Coin Offerings (ICOs) is in line with the Government statement on ICOs issued on 13 December 2017 and any guidance notes expanding on the principles advocated in the Government statement. The JFSC will have regard to the Government statement and guidance notes when considering any such application.

4 The Policy

4.1 Attached as Appendices to this Policy are two tables. The tables set out those activities which, as a matter of policy, the JFSC has determined potentially pose reputational risks to Jersey.

4.1.1 Table 1 sets out those activities that are subject to oversight by the JFSC for one or more of supervision of financial soundness, conduct of business and compliance with
requirements relating to anti-money laundering and countering the financing of terrorism, and as a result fall within the scope of this Policy.

4.1.2 Table 2 sets out those activities not within the regulatory oversight of the JFSC but are considered to likely pose a potential reputational risk to Jersey.

4.2 For the avoidance of doubt, the tables apply:

4.2.1 To e-commerce related activities

4.2.2 Whether the activity is to be carried out in Jersey or elsewhere by a Jersey incorporated/registered person, or by a person that is administered by a Jersey registered person.

4.3 Where an application for consent is being made to the JFSC for one of the activities set out in paragraph 3.1, the applicant must indicate on the relevant application form and provide additional information, if the activity of the entity or of any subsidiary, affiliate or associated entity is listed in Table 1 or 2.

4.4 Where a Jersey entity, or its subsidiary, affiliate or associated entity, directly or indirectly, proposes to carry out an activity listed in Table 1 or 2, it is likely that this may result in a delay in the processing of that application in accordance with the Registry Processing Statement, published by the Companies Registry and available from the Companies Registry Website. The delay may be incurred whilst the additional information is reviewed and checked, including verification with third parties as necessary.

4.5 There may well be activities which are not listed in the Tables but which may, if conducted by a Jersey entity, or its subsidiary, affiliate or associated entity damage Jersey’s reputation. The JFSC reserves the right to deem activities that do not appear in the Tables as potentially posing a risk to the reputation of Jersey. Where an activity is deemed to pose a risk, the consequence will most likely be as set out at 4.4 above.
## Table 1 – Registered, Authorised and/or Supervised Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
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| 1. | Any financial service business as defined in Article 2(1) of the Financial Services (Jersey) Law 1998, namely:  
(a) AIF services business  
(b) fund services business  
(c) general insurance mediation business  
(d) investment business  
(e) money service business  
(f) trust company business. |
| 2. | Any of the following within the meaning of the Collective Investment Funds (Jersey) Law 1988:  
(a) the business of being a functionary  
(b) the business of a recognized fund  
(c) the business of an unclassified fund. |
| 5. | Any of the following within the meaning of the Alternative investment Funds (Jersey) Regulations 2012:  
(a) the business of an alternative investment fund  
(b) the business of being an AIF prescribed service provider. |
| 6. | Any activity outlined in Schedule 2 of the Proceeds of Crime (Jersey) Law 1999 - including lawyers, accountants, casinos (including internet and ship-based casinos), unregulated funds, lending, financial leasing, financial guarantees and commitments, trading, and virtual asset service providers. |
| 7. | Any non-profit organization as defined in Article 1 and which is obliged to register in accordance with Article 4 of the Non-Profit Organizations (Jersey) Law 2008. |
## Table 2 – Activities that pose a potential risk to the reputation of the Island and are not within the scope of Table 1

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
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</table>
| 1. | Trading activities which include the provision of goods or services that require payment in advance, where such goods or services are not subject to consumer protection or pose a risk of fraud. Examples include, but are not limited to:  
  (a) travel agents which are not ‘bonded’  
  (b) container leasing  
  (c) sale or leasing of overseas property development  
  (d) time share activities.  
  (e) carbon credits (a carbon credit is a certificate or permit representing the holder’s right to emit one tonne of carbon dioxide or other greenhouse gases).  

The JFSC recognises the legitimate role carbon credits can play in tackling climate change and therefore will permit activities where clear and appropriate steps have been taken to minimise the risk of consumer detriment.  

Such steps would include (but not necessarily be limited to):  

  › Eligibility for participation in a nationally or internationally regulated emissions trading scheme; or certification by a reputable third-party service;  
  › The offering of carbon credits to financially sophisticated investors only.  

Where the majority ultimate beneficial owner is not resident in Jersey, the entity will be required to appoint a Jersey Trust Company Business to administer the scheme. |
| 2. | In respect of arms, weapons, ammunitions, countermeasures or other military or defence equipment, goods, technology, and personnel (as applicable) involvement, directly or indirectly, in one or more of the following:  
  (a) manufacture  
  (b) maintenance  
  (c) sale  
  (d) supply  
  (e) delivery  
  (f) transfer  
  (g) purchase  
  (h) importation  
  (i) exportation  
  (j) transportation  
  (k) financing or financial assistance |
<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
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<tbody>
<tr>
<td>(l)</td>
<td>use of</td>
</tr>
<tr>
<td>(m)</td>
<td>provision of brokering services</td>
</tr>
<tr>
<td>(n)</td>
<td>training or technical assistance.</td>
</tr>
</tbody>
</table>

3. Manufacture, marketing or sale of pharmaceutical goods or devices which are not licensed or have not received marketing authorisation in the jurisdiction where they are manufactured, marketed, sold or supplied.

4. Conduct of scientific research.

5. Involvement, directly or indirectly, in the exportation or importation of goods or technology, which would require an authorisation or licence under Jersey ‘dual-use’ legislation.

6. Investment in or purchase of ‘qualifying debt’ as defined in the Debt Relief (Developing Countries) (Jersey) Law 2013

7. Involvement, directly or indirectly, in mining, drilling or quarrying for natural resources.

8. Involvement, directly or indirectly, in initial coin offerings or providing other services relating to virtual assets where not an activity under paragraph 24 of Schedule 2 of the Proceeds of Crime (Jersey) Law 1999

9. The sale or facilitation of sale of citizenship/ citizenship by investment (which includes the administration associated with citizenship and/ or arranging for citizenship).

10. **Where an activity is regulated in Jersey and not in the target market:**

Where an activity is regulated in Jersey and not in the ‘target market’, the JFSC has the right to decline the incorporation/establishment. In addition, the JFSC has the right to decline an incorporation/establishment if, in particular, the jurisdiction appears on the JFSC’s published list of countries, and the country in which the business is being carried out has an indicator against it ([Appendix D2 - countries and territories identified as presenting higher risk](#)), unless the applicant can show that the indicator overstates the risk profile, in which case the JFSC will be willing to consider the incorporation/establishment designation as ‘high risk activity’.

For example:

Where an application for a COBO consent is being made to the JFSC by a Jersey Trust Company Business (TCB) to set up a Jersey Holding Company (JHC) to hold shares in a separate company incorporated in another jurisdiction, and the separate company engages in activity that is not subject to regulation in that jurisdiction, but would be regulated if it were carried out from or within Jersey (e.g. Trust Company Business), the starting point is that the JFSC will decline the incorporation, even though that activity is not being conducted in Jersey itself.

- The JFSC has identified a reputational risk with the above type of incorporation
- The JFSC is concerned primarily about incorporations of this type involving jurisdictions which do not have a trust company services law or jurisdictions which do have a trust company services law, but do not have a trust company services regulatory regime.

**Possible mitigation of risk**
<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
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<tbody>
<tr>
<td>1.</td>
<td>Requiring a director from the JHC to be placed on the board of the separate company incorporated</td>
</tr>
<tr>
<td>2.</td>
<td>Identify if the separate company has been incorporated in a higher or lower risk jurisdiction: <a href="#">Appendix D2 - countries and territories identified as presenting higher risk</a></td>
</tr>
<tr>
<td>3.</td>
<td>If the ultimate beneficial owner (UBO) is well regarded international financial institution/ other institution</td>
</tr>
<tr>
<td>4.</td>
<td>If the UBO is itself a TCB operating in a regulated environment.</td>
</tr>
</tbody>
</table>

If the above mitigation is present, the JFSC will designate the activity as a ‘high risk activity’ thus increasing the obligations of the Jersey TCB.

11. The cultivation, production, supply, use, export or import of cannabis or any of its derivatives.

The cultivation, production, supply, use, export or import of cannabis in Jersey will be lawful if licensed under the Misuse of Drugs (Jersey) Law 1978. Where a licence has been granted by the Minister for Health under the Misuse of Drugs (Jersey) Law 1978, and an application for consent is being made to the JFSC that is restricted to Jersey, consent under COBO is likely to be given.

The production, supply, use, export or import of cannabis elsewhere in the world would, even if it otherwise falls into the definition of criminal conduct under the Proceeds of Crime (Jersey) Law 1999, be removed from that definition if the activity –

(i) is lawful where and when it occurs, and

(ii) occurs in a jurisdiction outside Jersey that the Minister for External Relations and Financial Services has specified by Order under the Proceeds of Crime (Jersey) Law 1999.

Where an application for consent is being made to the JFSC and the activity falls outside of the definition of criminal conduct in the Proceeds of Crime (Jersey) Law 1999, consent under COBO is likely to be given.

Among the factors underpinning this approach are:

› Focus on securing the reputation of the island as a well-regulated centre which does not support illegal activity
› Difficulty with funds derived from businesses investing in cannabis and its derivatives where legality is uncertain
› Dealing with jurisdictions where cannabis production may be legal but not regulated

This is a developing industry and as regulations develop internationally the approach may be subject to review in the future.