Jersey Financial Services Commission

Examination feedback – outsourcing

2025 thematic examination programme

Issued: 30 July 2026

Executive summary

Firms may outsource regulated and non-regulated activities to improve operational efficiency, access specialist expertise, or enhance business resilience. Where an arrangement is within the scope of the outsourcing policy, firms must comply with the applicable codes of practice and the seven core principles of the outsourcing policy, taking account of the supporting guidance. This thematic examination assessed whether firms had adequate systems and controls, including policies and procedures to meet those requirements.

To test this, we conducted a desk-based review of firms' policies, procedures and supporting documentation, followed by onsite examinations involving interviews with key persons, board members and staff. All eight firms received direct feedback, and where deficiencies were identified, they were required to submit formal remediation plans outlining how issues would be addressed.

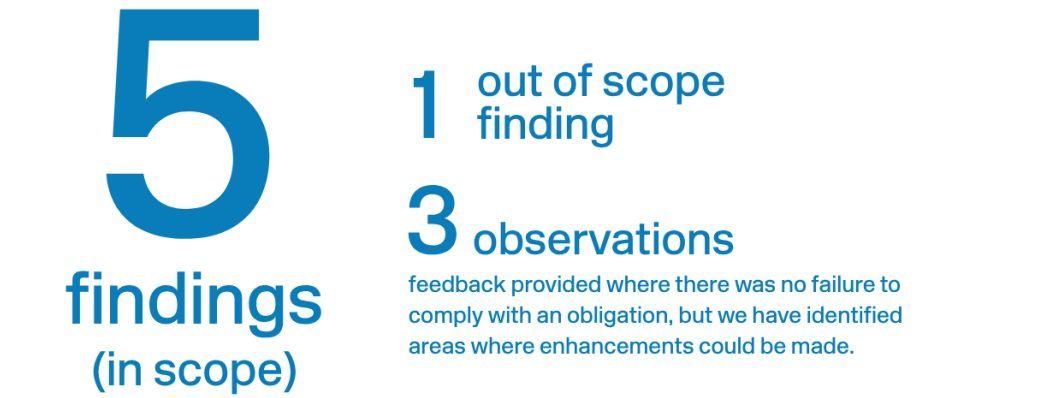
Key findings

Overall, our thematic examination highlighted a generally acceptable level of compliance with the applicable obligations. This is a summary of the key findings under the following categories:

- **identification of activities caught by the outsourcing policy:** instances of activities caught by the outsourcing policy but not notified to us
- **contingency plans:** instances where contingency plans were inadequate or lacked evidence of periodic testing
- **policies and procedures:** instances where reliance was placed on group outsourcing procedures with no tailoring to the specific requirements of the outsourcing policy
- **awareness of suspicious activity reporting (SAR) obligations:** instances where firms could not evidence that SAR reporting obligations were communicated to the outsourced service providers
- **material change to outsourcing notification:** instances where a material change to an outsourcing arrangement notification was not submitted to us

The thematic examination at-a-glance

This thematic examination tested firms' compliance with the outsourcing requirements.



Outsourcing requirements

Compliance with the outsourcing policy is required under the applicable codes of practice for registered and supervised persons.

Registered persons

Registered persons must comply with the outsourcing policy under their relevant sector code of practice. For the firms included in this thematic examination, this requirement is outlined in principle 3 of the codes of practice for deposit-taking business, fund services business, investment business and trust company business.

All supervised persons

The AML/CFT/CPF codes of practice set out in the handbook require supervised persons[1] to comply with the outsourcing policy in respect of outsourced activity arising from their AML/CFT/CPF obligations and to:

- assess the impact of outsourcing on financial crime risk, particularly where the money laundering compliance officer (**MLCO**) or money laundering reporting officer (**MLRO**) receives support from group entities or external parties
- ensure any provider carrying out outsourced supervised business activities has policies and procedures consistent with the Money Laundering Order and the handbook
- identify, document and monitor on an ongoing basis the money laundering, terrorist financing and proliferation financing risks arising from outsourced functions
- ensure outsourced service providers report any knowledge or suspicion of money laundering, terrorist financing or proliferation financing to the supervised person's MLRO or deputy MLRO

The outsourcing policy

A firm must comply with the seven core principles of the outsourcing policy where a service provider performs an in-scope outsourced activity on its behalf. These seven principles are supported by interpretive guidance set out in the outsourcing policy:

- **principle 1**: firms are responsible for, and accountable to, us for all outsourced activity
- **principle 2**: firms must ensure that any service provider performing outsourced activity is fit and proper
- **principle 3**: firms must put in place an outsourcing agreement with the service provider before the start of the outsourced activity
- **principle 4**: firms must maintain adequate capacity and resources to implement all necessary policies and procedures to ensure that a service provider continues to be fit and proper
- **principle 5**: firms must maintain suitable contingency plans in case a service provider's performance suffers a material disruption, or ends unexpectedly, for any reason
- **principle 6**: except for where the outsourcing policy specifically provides otherwise, firms must complete and upload an outsourcing notification before appointing a service provider; the service provider must not start performing the outsourced activity until a no objection has been received, and we must be notified of any subsequent material change to the outsourced activity as soon as the firm becomes aware

[1] Except where an anti-money laundering service provider (**AMLSP)** performs AMLSP services on behalf of an AMLSP direct customer and such AMLSP services are consistent with the Money Laundering Order and the standards set out in the Handbook.

› **principle 7**: firms must ensure that there is nothing in the service provider's performance of the outsourced activity that would prevent or restrict our regulatory responsibility in respect of the firm's business, or the outsourced activity

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Findings and examples of what has worked well

Our examinations identified a generally acceptable level of compliance across firms. Whilst there were findings in five of eight exams, all but one of these were minor findings.

We set out below findings from the examinations and examples of how other firms approached the relevant issues. The practices of firms observed during the examination and do not prescribe a particular method of compliance. Firms should determine the arrangements appropriate to the nature, scale, complexity and risks of their outsourced activities, having regard to the applicable requirements and supporting guidance.

Area	Findings	Practices observed during the examination
Identification of activities caught by the outsourcing policy	Failure to identify certain activities (including cloud and cyber security services) caught by the outsourcing policy resulting in failure to comply with the notification requirement for in-scope outsourced arrangements.	Firms maintained: › assessment checklists to determine whether an arrangement was caught or not by the outsourcing policy › a centralised register of outsourced arrangements, maintained so that it remained current › proportionate governance and review arrangements for proposed outsourcing, which in some firms included compliance sign-off
Contingency plans	Failure to put in place suitable contingency plans in the event of material service disruption or termination evidenced by: › a lack of documented contingency plans coupled with an inability to articulate what the firm would do in the event of a failure of	Practices observed included: › documented contingency plans proportionate to the nature and materiality of the outsourced activity, setting out how services could be continued or restored following a material disruption or unexpected termination

	its service provider to deliver the outsourced activities › a failure to tailor group contingency plans to the specific regulatory requirements and operational needs of the Jersey business or the specific outsourced activities › failure to document or be able to articulate detailed transition and recovery processes for services that would be moved to another group company Failure to undertake periodic testing to confirm suitability and effectiveness of the contingency plans as part of its ongoing monitoring arrangements.	› plans tailored to the Jersey business and the specific outsourced activity, with clear responsibilities and workable transition or recovery arrangements › arrangements for periodically reviewing and, where appropriate, testing the continuing suitability of contingency plans, including obtaining relevant assurance over providers' contingency arrangements
Policies and procedures	Inadequate policies and procedures relating to outsourcing because of a failure to tailor group policies and procedures to Jersey-specific outsourcing requirements resulting in identified gaps.	Firms evidenced maintaining adequate policies and procedures by: › tailoring group policies and procedures to meet the specific requirements of the outsourcing policy as it applied to specific services that firm had outsourced › evidencing review and enhancement to the policies and procedures following the update to the outsourcing policy which came into force on 1 January 2024
Awareness of SAR reporting obligations	Some firms could not evidence communication to outsourced service providers of the requirement to report knowledge, suspicion or reasonable grounds for knowledge or suspicion of money laundering, terrorist financing or proliferation financing to the firm's MLRO or deputy MLRO.	Practices observed included: › providing relevant training to service-provider personnel undertaking the outsourced activity, including on when and how to report knowledge or suspicion to the firm's MLRO or deputy MLRO › documenting the provider's relevant AML/CFT/CPF responsibilities and reporting

		arrangements in service-level agreements or other operational arrangements
Material change to outsourcing notification	Failure to notify us of a material change following the end of an outsourcing arrangement.	Practices observed included maintaining policies and procedures that set out clear exit arrangements and identified when to notify us of the termination of an in-scope outsourcing arrangement, or another material change.

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Looking forward

All supervised persons are encouraged to review this feedback paper and consider relevant enhancements to their own systems and controls in relation to arrangements that fall within the scope of the outsourcing policy. Any review should be undertaken by reference to the applicable regulatory requirements and supporting guidance. In future engagements with us, you may be asked to demonstrate the steps taken to address any deficiencies identified through your review of this and other feedback materials.

Key questions to consider are:

1. Have you identified all outsourced activity within the scope of the outsourcing policy?

2. Can you demonstrate that you remain responsible and accountable for outsourced activity, including where services are sub-outsourced, and that appropriate arrangements for overseeing it?

3. Have you satisfied yourself that appropriate due diligence has been conducted and maintained, and that outsourced service providers continue to be fit and proper, adequately resourced, compliant with applicable regulatory and AML/CFT/CPF requirements, and capable of managing the risks associated with the outsourced activity?

4. Can you evidence that outsourcing arrangements are supported by appropriate contractual agreements, documented before services commence, and that our notification and no-objection requirements have been met where applicable?

5. Have you established proportionate contingency and exit arrangements, and tested them where appropriate, to support continuity, recovery or orderly transfer of outsourced services in the event of provider failure, disruption or termination?

Any remediation should not be approached in isolation. Firms are expected to consider the broader implications of findings or self-identified gaps and ensure that remediation is proportionate to the risks identified. Effective remediation requires that remediation efforts are not only implemented but are also sustainable and capable of ensuring ongoing compliance with statutory and regulatory obligations. Read our remediation action plan guidance to see how supervised persons should approach remediation action plans.

We may revisit this theme in future supervisory work to assess compliance with the applicable regulatory requirements.

If you have any questions about this thematic examination or the feedback provided, please contact us at FSCSEU@jerseyfsc.org.