Jersey Financial Services Commission

Business Plan 2012 - 2014

Published March 2012

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BUSINESS PLAN 2012 - 2014

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SECTION 1: INTRODUCTION

The 2012 – 2014 Business Plan sets out the Commission's objectives together with an explanation of how they will be met. Included in the Business Plan are all known objectives at the time of writing. While many of these are likely to be completed during 2012, some will continue into 2013 and beyond. The Business Plan has been formulated to take account of the Commission's Key Purpose and Aims. These are set out below.

Key Purpose

The Commission's key purpose is to maintain the Island's position as an international finance centre with high regulatory standards by:

- reducing 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.

Aims

In support of its key purpose, the Commission aims to:

- ensure that all entities that are authorised meet fit and proper criteria;
- ensure that all regulated entities are operating within accepted standards of good regulatory practice;
- match international standards in respect of banking, securities, trust company business and insurance regulation, and anti-money laundering and terrorist financing defences;
- identify and deter abuses and breaches of regulatory standards; and
- ensure that the Commission and the Registry operate effectively and efficiently.

SECTION 2: ACHIEVEMENTS IN 2011

Overview

As anticipated in the 2011 - 2013 Business Plan, the Commission was able to consolidate and further enhance the effectiveness of the regulatory approach, primarily through the continued effort and focus on the closer supervision of the Industry by carrying out on-site examination programmes across all regulated sectors. The findings of the examinations have been discussed with the businesses concerned and, where necessary, remedial plans have been put in place. General issues arising from such examinations have been published on the Commission's Website and are further explained in the specific Divisional sections in this Business Plan.

The Commission also aimed to balance market orientated initiatives, as Industry seeks to take advantage of business from new and emerging markets, with the Commission's key purpose and aims.

Contingency was necessarily built into the Commission's resource planning to facilitate the ability to react quickly to new developments, particularly in the area of investigations and litigation where there continue to be some challenging cases. The development and use of settlement agreements during 2011, whereby an early conclusion to an enforcement case can be achieved, has resulted in the substantial saving of investigatory time, thereby allowing resources to be diverted to other cases and increasing the overall through-put of cases.

Corporate Governance

During 2011, the States of Jersey (the "**States**") agreed to extend the term of appointment for Commissioners from three to five years, to bring the Commission into line with other similar bodies in Jersey. In addition, the States agreed to extend the current terms of the five Commissioners who are in their first term of office from three to five years to give effect to the extension.

The Commission has continued to monitor its standards of corporate governance to ensure that it meets, so far as is applicable, the standards that are applied to commercial organisations. The model used for monitoring and mitigating risks is the "UK Corporate Governance Code" issued by the Financial Reporting Council in the United Kingdom (the "**UK**").

SUMMARY PROGRESS AGAINST KEY PRIORITIES SET OUT IN THE PUBLISHED BUSINESS PLAN AND ANNUAL REPORT

A summary of the key areas of progress against the main priorities of the 2011 Business Plan is set out below.

The Commission has continued its focus on close supervision through on-site examinations and following up with any necessary action arising out of those examinations. The examination results have also been fed back to Industry in various ways – through seminars, presentations, dialogue with Industry associations, "Dear CEO" letters, the Quarterly eNewsletter, and the Commission's Website. The Commission completed 208 on-site examinations during 2011 against a budget of 226. There were 248 examinations during 2010.

International & Policy ("I&P")

The Division has continued to promote, and assist other Divisions with, the development of the regulatory and supervisory framework in which the Commission functions. It has also continued to consider the scope of the Commission's current regulatory activities in light of developments in the European Union (the **"EU"**).

Law drafting on a number of "maintenance" amendments to the Collective Investment Funds (Jersey) Law 1988, the Banking Business (Jersey) Law 1991, the Insurance Business (Jersey) Law 1996, the Financial Services (Jersey) Law 1998, and secondary legislation made under these laws (collectively referred to here as the "**Regulatory Laws**") and also the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008 (the "**Supervisory Bodies Law**"), has now progressed well, and public consultation on those amendments will start in the first quarter of 2012.

The legislation changes proposed in this consultation comprise a miscellany of items that have emerged over the past two or three years. Whilst some amendments affect only one particular item of legislation, a secondary objective has been to enhance the level of consistency across the Regulatory Laws. Consequently, the opportunity has often been taken to consider and amend as appropriate the corresponding provisions in the relevant Regulatory Laws.

In line with Government policy, work is now in hand to draft legislation to implement relevant parts of the EU Payment Services Directive - in order to support a future application by Jersey's government for the Island to join the Single Euro Payments Area (the "**SEPA**"). The effect of this legislation would be to regulate payments made in euro using the SEPA's payment instruments. The Bailiwick of Guernsey ("**Guernsey**") and the Isle of Man are also likely to apply to join the SEPA, but are at different stages to Jersey in their preparatory work.

Prompted in part by an International Monetary Fund (the "**IMF**") recommendation, the States adopted an amendment to the Financial Services Commission (Jersey) Law 1998 in July 2011. As a result of the amendment, if the Minister for Economic Development decides to terminate the appointment of a Commissioner, there must now be a degree of public disclosure of the reasons. In line with the practice of the Jersey Appointments Commission, the amendment also extends the maximum period for which a person may be appointed as a Commissioner, from three years to five years.

In 2010, work started on drafting amending legislation to provide for the Commission to be able to recover some or all of its costs and disbursements due to enforcement action and investigations leading to such action. Conclusion of this work was subsequently put on hold pending separate discussions on whether the Commission should have a power to impose civil penalties where a regulated business has failed to comply with a principle or rule that is set in the Codes that are issued by the Commission. Those discussions supported the introduction of a power to impose penalties, and, accordingly, the Division has assisted the Enforcement Division with the development of such a penalties regime. The principles behind such a regime will be the subject of consultation in 2012.

Work also continued on revising the Commission's sensitive activities policy for applications that are made under the Control of Borrowing (Jersey) Order 1958 ("**COBO**"). A draft of the policy is shortly to be discussed with the Companies Registry Users Group.

A significant amount of time has been spent in 2011 co-ordinating changes that are proposed to the Codes of Practice (the "**Codes**"). Changes are proposed to bring the wording of the seven sets of Codes closer together and also to deal with matters that are specific to a particular set of Codes. Consultation on amendments to the Codes closed in August 2011 and it is intended to publish a feedback paper and seven sets of amended Codes by the end of March 2012.

Assistance was also provided to the Enforcement Division on redrafting the Guidance Note on the Decision-making Process. The Division also supported preparation by the Securities Division of a consultation paper on proposed changes to fees paid under the Collective Investment Funds (Jersey) Law 1988 and Financial Services (Jersey) Law 1998.

The Division has continued to develop and contribute to the development of legislation that sets out how companies and other legal persons are to be constituted, administered and audited. The Companies (Jersey) Law 1991 (the **"Companies Law**") was amended in 2010 to introduce a mechanism for registering and overseeing the work of auditors of market traded companies (referred to as "**Recognized Auditors**"). At the start of 2011, agreement was reached on the fees to be charged under the regulatory regime, and oversight of Recognized Auditors started in April 2011.

Meanwhile, Jersey (along with Guernsey and the Isle of Man) has been included in extended transitional provisions that will allow auditors of Jersey companies to continue to perform audit activities in the EU, pending an assessment of the regime for Recognized Auditors by the European Commission (the "**EC**"). The intention of such an assessment is that it should be possible for a Member State in which a Jersey company's securities are traded to place reliance on the regime that has been introduced in Jersey (without duplication of registration and oversight). In support of this application, a detailed description of Jersey's regime for Recognized Auditors was provided to the EC in December 2011 and it is hoped that this submission will enable a formal "equivalence assessment" to be undertaken before the end of 2012.

The Division has also contributed to discussions on Government proposals to amend the Limited Liability Partnerships (Jersey) Law 1997 and also the Companies Law. In addition, the Division provided input to a Government Policy Group which is considering how Jersey might support international initiatives on debt relief for countries that are in receipt of international aid.

The Division has continued to be active in countering money laundering and terrorist financing and promoting the understanding of sanctions legislation within the Island. Throughout the year, support was provided to the Anti-Money Laundering Unit ("**AML Unit**") on the introduction of fees to be paid by persons carrying on business activities that are listed in Schedule 2 of the Proceeds of Crime (Jersey) Law 1999. This included the preparation of material to be considered by a Panel of three Jurats appointed by the Bailiff to consider whether the fees proposed by the Commission were unreasonable, having regard to all the circumstances of the case. The Panel concluded that the fees proposed for 2011 were not unreasonable having regard to the relevant statutory criteria.

The Division devoted a substantial amount of time to assisting the Island's authorities with the development of two separate pieces of legislation which now allow the Chief Minister to:

- Freeze the property of persons who are suspected of being connected to terrorism; and
- Apply countermeasures to a person who is suspected of money laundering, terrorist financing or assisting with the proliferation of weapons.

The Terrorist Asset Freezing (Jersey) Law 2010 came into force on 1 April 2011 and the Money Laundering and Weapons Development (Directions) (Jersey) Law 2012 on 13 January 2012.

Guidance for Industry on sanctions was published in January 2011 and on proliferation and proliferation financing in October 2011.

Ahead of a wider review of the application of simplified and enhanced customer due diligence measures ("**CDD measures**") in Jersey, a consultation paper was published in November 2011 proposing a number of discrete (but important) amendments to CDD measures. The consultation period closes on 29 February 2012.

The Division also prepared much of the material to support an application by the UK for Jersey to be added to a list of "equivalent" third countries that is maintained under the EU Third Money Laundering Directive – such application to proceed on the basis of assessment criteria agreed and published in 2011. This application is likely to be considered early in 2012 and further work can be expected.

The Division has also continued to support the Commission in its representation at meetings of international standard setters. In particular, the Division has participated in the work of:

- The Implementation Task Force of the International Organisation of Securities Commissions ("**IOSCO**").
- The Group of International Finance Centre Supervisors through attendance of a number of meetings of the Financial Action Task Force (the "**FATF**").

IOSCO's Methodology was published in September 2011 and it is expected that the revised FATF Recommendations will be published in February 2012.

The Division has also worked with regulators in Guernsey and the Isle of Man in support of a proposed application by the UK for the Crown Dependencies to participate in the mutual evaluation processes and procedures of MONEYVAL (a body of the Council of Europe). The principal purpose of the application will be to make compliance with the FATF Recommendations subject to ongoing review by an FATF Style Regional Body (something that is now required by the FATF).

The Division is also responsible for co-ordinating and assisting with the agreement of memoranda of understanding ("**MoU**") with domestic and overseas agencies and promoting cooperation more generally.

A MoU was signed with France's Autorité de Contrôle Prudentiel in July 2011. Discussions are ongoing with the German regulator – BaFin - on the content of a new MoU to replace the two currently in place with BaFin's predecessor organisations.

At home, support was provided to the Enforcement Division with the drafting of a MoU with the States of Jersey Police on information exchange and mutual assistance. The MoU was signed in October 2011.

More generally, cooperation with Francophone regulators should be assisted by the publication in 2011 of a French language version of the Commission's Handbook on International Co-operation and Information Exchange.

The Division has also actively followed a number of developments in the domestic environment in which the Commission functions.

The Division closely followed various drafts of the Freedom of Information (Jersey) Law 200- (the "**FOI Law**"). Whilst adopted by the States, no date has been set for the FOI Law (which will not initially extend to the Commission) to come into force.

The Division discussed a number of practical concerns that it had surrounding a proposal for the Jersey Vetting Bureau to check the credentials of persons employed in the finance sector. As a result, it has been agreed that the proposed system should not be introduced and, instead, that enhancements should be made to the system that is currently used (through the States of Jersey Police).

The Division also provided assistance to Economic Development with the development of proposals to introduce an Ombudsman scheme.

Banking

The business plan was largely achieved, particularly in addressing all IMF recommendations as far as possible and despite reducing the Division headcount. All minimum standards for off-site supervision were met.

The critical issues affecting the finance industry worldwide had considerable local impact. All emerging problems have been identified and appropriately addressed, with successful outcomes whilst maintaining working relationships. The consequent need for a heightened supervisory approach has absorbed a significantly greater part of the Division's efforts since the global financial crisis commenced in 2007, such required effort having increased year-on-year since then.

Supervising local entities to the required level has become significantly more complex and challenging in recent years and also involves looking beyond the immediate Jersey entity to a far greater extent than historically. The Division has responded and coped well with the greater demands now seen. These have included more regular and extensive dialogue and co-ordination with overseas regulators, another trend that will continue upwards, given developing international practice and needs in this respect.

The Division played a key part in supporting the hosting by Papua New Guinea, a member of the Commonwealth, of the annual plenary of SEANZA (South East Asia, New Zealand & Australia central banking forum), which focused on implications of Basel III for developing countries.

A consultation was issued and largely finalised on the introduction of a "Concession Limit" approach towards Large Exposures to banks and sovereigns. This will require Jersey incorporated banks to fully consider and document what are typically their biggest credit risk counterparties and, in turn, enable the Commission to better understand these.

The Division has worked with Industry in considering and addressing emergent issues affecting it, such as UK adoption of the recommendations of the Independent Commission on Banking ("**ICB**") report and the FSA's revised liquidity requirements.

The Division met its targeted level of on-site examinations, these largely spanning themed programmes on controls over IT security and prudential reporting. The latter programme has proven to be particularly productive and will be extended to all Jersey incorporated banks and significant branches.

A revision of the Bank Licensing Policy was completed and published.

The General Provisions Order was amended to establish a legal requirement for all banks advertising in the Island to disclose the applicability of depositor compensations schemes.

The Division was pleased to be able to extend bank registration fees at their present level for a further 12 months, given the saving in headcount achieved.

Insurance

The Insurance Division continued with its on-site programme and conducted 16 examinations during 2011. These identified a number of common findings within some of the companies assessed during the year, including a failure to implement an adequate, structured compliance monitoring plan and several instances where registered persons had failed to adequately manage the potential for conflicts of interests arising where the compliance officer retains a client-facing role. In addition, a number of registered persons had failed to adequately monitor relevant employees' continuing professional development. The division has been working with entities to remedy identified shortcomings.

Monitoring of the development of international regulatory standards continued throughout 2011, partly through the division's active involvement in the Offshore Group of Insurance Supervisors ("**OGIS**") and the International Association of Insurance Supervisors ("**IAIS**"). In addition, Jersey, as a signatory to the IAIS multilateral memorandum of understanding, participates in meetings of the Signatories Working Group and Supervisory Co-operation Subcommittee of that organisation thereby developing the Island's reputation within the international insurance industry.

Revisions to the Insurance Core Principles were adopted by the IAIS in October and work has commenced locally on a self assessment against these in order to identify whether any amendments are required to the island's regulatory regime to ensure compliance with international standards.

Developments in respect of Solvency II have been monitored closely and in 2011 the Insurance division invited input from members of the Jersey insurance sector to assess the potential impact on the local market. A press release was issued in July to confirm that the dialogue with industry had not identified any regulatory or other reason to adopt Solvency II and that consideration will instead be given to the revised IAIS standards, which include provisions for risk-based solvency.

Funds

The Funds Supervision Unit undertook 34 on-site examinations during 2011, including 21 examinations of top-level operating entities known as Risk Leaders.

Common themes coming out of 2011's examination programme included: a lack of appropriate due diligence on promoters and other parties in relation to new funds; a failure to demonstrate proper oversight by the board; and a failure to comply with all the requirements of the Island's AML regime.

The Funds Team continued to manage a number of forensic investigations in conjunction with the Enforcement Division.

The Division has continued to be actively involved in international and domestic regulatory liaison. On the international front, there has been active participation in IOSCO and in particular the proposed changes to the seminal core principles of securities regulation and related methodology. The Commission is represented on the Implementation Task Force considering the changes and has attended a number of key meetings.

Close liaison has been maintained with Jersey Finance Limited and the Jersey Funds Association on a number of initiatives, including the EU's Directive on Alternative Investment Fund Managers (the "**AIFM Directive**"). The Fund Authorisation User Group also met during the year.

A number of policy developments were progressed during the year. Changes to the Outsourcing Policy have been agreed with Industry in respect of funds and was approved by the Board for approval in Q1 of 2011. Work continued throughout the year on the revised Certified Funds Prospectuses Order and the introduction of Codes of Practice for Certified Funds (the "**Codes for Funds**"), although implementation has been held back until 2012. Work has been ongoing during the second half of 2011 with Industry to develop a new COBO-only Fund product called the Private Placement Fund.

Investment Business

The key policy initiative for the Investment Business Team (the "**IB Team**") in 2011 was the publication of a position paper on the Review of Financial Advice (the "**RFA**"). This was launched in response to the FSA's Retail Distribution Review ("**RDR**"). The aim of the RFA is to raise the professional standards of investment advisors and eradicate possible conflicts of interest that can be caused by commission based remuneration arrangements. A number of presentations were given to local trade and professional bodies outlining the Commission's position. A large number of responses were received to the position paper and the Commission continues to work with Industry in order to achieve the desired aims of the RFA and make the necessary changes to our regulatory framework.

The IB Team also completed a significant number of on-site examinations of investment business firms in 2011, including a themed programme of examinations which focussed on Class E[1] investment business licence holders. The key result was the determination that, in most cases, a Class E was no longer the most appropriate registration and three out of the four entities examined will be revoking their registrations in due course.

The IB Team also liaised closely with colleagues in the Commission's Enforcement Division in relation to a number of enforcement cases involving investment business licence holders.

[1] Investment business carried on only with respect to funds that would be funds within the meaning of the Collective Investment Funds (Jersey) Law 1988 but for the fact that they do not, and do not intend to, acquire capital by means of an offer to the public of units for subscription, sale or exchange, as described in that Law.

A summary report was published sharing the conclusions of our second mystery shopping exercise[2], which targeted independent financial advisors ("**IFAs**") and retail banks.

Two Dear CEO letters were issued, one highlighting key findings from our examinations, the second explaining the Commission's view on providing advice on investments within pension schemes.

The IB Team contributed to the Commission wide project to review and revise the Investment Business Codes of Practice within the wider project to revise all of the Codes across activities regulated by the Commission.

The Team also continued work on the investor education initiative with the launch of the Protect Your Money website in Q1 of 2011 and provided input on the proposal to establish a Financial Services Ombudsman.

Trust Company Business ("TCB")

Good examination momentum was maintained during 2011 with 47 registered persons assessed across a broad spectrum of areas ranging from top level corporate governance through to reviewing underlying customer files. Whilst many businesses were found to be in good order, examiners identified a small but not insignificant number of businesses where a poor corporate governance and control environment had led to potentially serious issues. The team reacted swiftly to these situations, with appropriate safeguarding directions put in place or in some cases requiring reporting professionals to be appointed to fully assess the extent of the issues. This, coupled with the continued heightened supervision of registered persons already under remediation, or, in a small number of cases, those selling their business, took up most of the focus during 2011.

In order to share newly identified issues with industry ahead of the annual examination feedback, two Dear CEO letters were issued during the year. One letter identified to Industry the concerns regarding applications to incorporate Jersey companies and an increasing trend towards an apparent insufficiency of due diligence and documentation of associated risks being undertaken by trust companies. The second letter shared with Industry some examples of issues identified concerning "COBO only" and private fund structures, namely conflict of interest issues, investor suitability and an absence of disclosures.

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2 The Market Research Society defines "mystery shopping" or "mystery customer research" as: "The use of individuals trained to experience and measure any customer service process, by acting as potential customers and in some way reporting back on their experience in a detailed and objective way."

AML Unit

The AML Unit has responsibility for the regulation and supervision of Money Service Business ("**MSB**") in the Island. Such business has become increasingly complex, perhaps more so than envisaged when the relevant legislation was introduced in 2007, and has required close scrutiny by the Unit.

The AML Unit largely completed the initial exercise of conducting on-site examinations of all Designated Non-Financial Businesses and Professions ("**DNFBPs**"). Since regulation was first extended to DNFBPs in September 2008, 192 businesses have registered. In addition, 59 financial services businesses that were already regulated have notified the Commission that they are carrying on Schedule 2 business. Generic and sector-specific examination findings have been published and circulated to DNFBP representative groups in order to share both the good and not so good practices observed.

The AML Unit continues to "police the perimeter" of the DNFBP sectors and, for example, served a number of notices and directions when it suspected persons were conducting unauthorised activities.

2011 saw the culmination of the protracted first annual fees consultation process for Schedule 2 businesses. In response to challenge from some DNFBPs, a Panel of Jurats was formed to consider the fee proposals. The Panel issued its conclusions on 31 May 2011, which supported the methodology applied by the Commission in allocating costs to the AML Unit (which then need to be recovered through levying annual fees). A small number of firms continued to publicly resist through delaying the payment of fees but this has now been largely resolved.

The AML Unit has continued with its diverse "outreach activities", liaising with representative bodies and presenting at seminars and conferences. The intention is to raise awareness of AML/CFT matters generally and highlight areas where familiarity tends to be low, such as sanctions legislation. Such awareness training has not been exclusively external and, during the year, the AML Unit conducted a number of breakfast briefings and training sessions for Commission staff. International fora attendance included the Wolfsberg Forum and the Interpol Working Group on Money-Laundering and Terrorist Financing.

Enforcement

In 2011, Enforcement continued to develop the use of settlement agreements, which released essential resources to deal with a series of complex and challenging cases. In doing so, Enforcement worked in conjunction with the relevant Supervision Divisions by pooling resources and experience so as to achieve significant success.

During the year, the revised Guidance on the Decision-making Process was subject to a detailed review in conjunction with I&P and agreement by the Board of Commissioners. The revised Decision-making Process was published on the Commission's Website during August 2011, and offers guidance on the process that is likely to be adopted following an enforcement investigation requiring the exercise of the Commission's powers. In November 2011, the Division held a seminar on "Trends and Developments in the World of Enforcement", which included the Decision-making Process and the use of settlement agreements, and the top ten recent enforcement issues that had resulted in regulatory sanctions.

In 2011, Enforcement brought forward proposals outlining a civil penalties regime and secured agreement from the Executive and the Board of Commissioners to take forward proposals in the form of a consultation paper, which will be released to Industry for comment in 2012.

In 2011, the Enforcement Division continued to pursue and successfully achieved several courses of study at degree and diploma level.

The number of enforcement cases and requests for assistance has remained fairly static when compared to 2010, but the complexity of some cases has proved particularly challenging.

Registry

The Registry's primary objective is to maintain an efficient and effective service to its users. During 2011, self-imposed targets continued to be met. New online and improved internal workflow systems were bedded in. Time in 2011 was also allocated to ensure that the online annual return process for 2012 will be improved. An out-reach programme targeted at institutional Registry Users was commenced in the latter part of 2011. During the year the Registry was visited by members of the New Zealand Registry and their visit, apart from helping with the development of the Security Interests Register, gave an insight into the growing use of social media applications. There is now a more rapidly changing environment in which the Registry has to operate - as with other registries around the world. Registry Users now show a preference to using online search facilities and there is also an expectation that services should be provided via mobile phone applications. In 2011, work began on exploring the possibility of delivering such services.

During 2011 a significant amount of work was undertaken in preparing and developing new registers pursuant to new legislation which came into force during 2011. Such developments included: legislation for the Incorporated Limited Partnerships (Jersey) Law 2011, Separate Limited Partnership (Jersey) Law 2011 and the Companies (Amendment No. 5) (Jersey) Regulations 2011. Development of a register pursuant to the Security Interests (Jersey) Law 201- was significantly advanced during 2011. A number of fee consultations were conducted during the year.

The Director, Registry, continued to promote and enhance links with other international registries and international bodies associated with registry work. This was achieved through presentations to fora such as the European Commerce Registers' Forum (**"ECRF"**), the European Business Register (**"EBR"**) and the International Association of Commercial Administrators ("**IACA**"). In the early part of 2011 the Director signed an MOU with North Rhine Westphalia (representing the registries of Germany).

Information and Communication Technology ("ICT")

During 2011, the ICT Division continued to work closely on delivering high availability services to the organisation and its external users. ICT has continued to use Microsoft SharePoint to deliver flexible low cost systems for the Commission. Notable additions in 2011 include a new project management system (**"PMS"**) for controlling major projects and a new AML Risk Monitoring System to replace a legacy application. ICT has designed a new SharePoint based Supervision Platform which will be used to deliver a series of projects for the Supervisory Operations Team.

Following changes in the Divisional structure, support and development resources have been recruited to support ICT's new service focused approach as well as to increase the Commission's internal systems development capabilities. ICT concluded the year with an extensive network and governance audit carried out by a team of external auditors.

Human Resources ("HR")

The HR Division has delivered the Advanced Management Development Masterclass and tendered for and delivered the first Management Development Masterclass. The Commission has successfully become an Approved Development Provider by the Institute of Leadership and Management for both of these in-house programmes. HR has continued with its extensive development programme for all staff in accordance with the Commission's needs and individual personal development plans. For the first time the Commission has successfully facilitated both a TCB and a Funds Seminar to Industry with 400 participants at each event. HR has kept up to date with all the new employment legislation, including the new redundancy requirements, and has continued to participate in the consultations for new legislation. In addition, HR has successfully dealt with all arising employee relation matters by assisting Executive Directors in this regard.

HR has identified a provider to review the Commission's Staff Handbook in detail, having submitted a tender process to local law firms. The completion date for this work is anticipated to be the first quarter of 2012 at which time all staff will be advised of any and all changes.

HR has continued to promote regulation as a career. The HR Division has successfully commenced its Awards Scheme with some local secondary schools and has developed the Commission's relationship with those schools by providing career and CV guidance.

Key Statistics for 2011

Total Examinations 2011

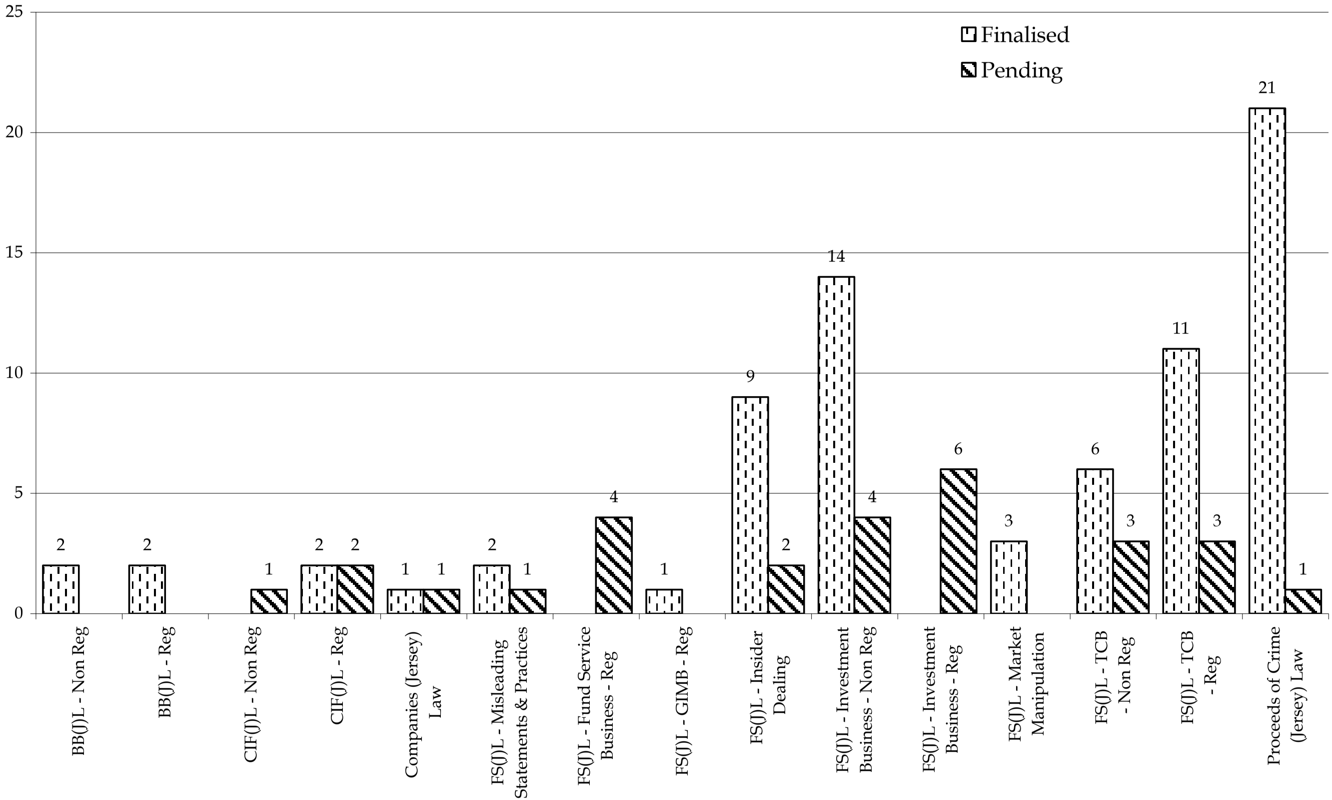
Division	Themed	Focused	Discovery	Other	Total
TCB	27	6	14	0	47
Funds	12	18	4	0	34
IB	6	1	16	0	23
Banking	14	3	5	0	22
Insurance	0	13	3	0	16
AML Unit	40	5	0	21	66
Total	**99**	**46**	**42**	**21**	**208**

Enforcement Statistics

Requests received from other regulators actioned during 2011

Requesting organisation	No of Requests	Law used or relevant Law
AFM Netherlands	2	Financial Services (Jersey) Law 1998
Austrian Financial Market Authority	1	Financial Services (Jersey) Law 1998
Helenic Capital Market Commission	2	Financial Services (Jersey) Law 1998
Securities and Exchange Surveillance Commission of Japan	1	Financial Services (Jersey) Law 1998
UK Financial Services Authority	4	Financial Services (Jersey) Law 1998
US Securities & Exchange Commission	4	Financial Services (Jersey) Law 1998
TOTAL	**14**	

NEW ENFORCEMENT CASES DURING THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011



Funds Authorisation Statistics

Category	2005	2006	2007	2008	2009	2010	2011
Jersey Funds							
- Jersey CIFs	60	21	20	15	10	57	38
- Expert Funds	105	149	108	74	40	44	60
- Jersey Listed	-	-	11	6	3	1	2
- *Total CIF*	165	170	139	95	53	102	100
- VPUTs	397	311	66	54	33	64	55
- Other COBO only	10	20	11	16	5	7	6
- Total COBO	407	331	77	70	38	71	61
Total Jersey Funds	**572**	**501**	**216**	**165**	**91**	**173**	**161**
Non Jersey Funds							
- CIFs	20	37	29	71	52	57	34
- Expert Fund equivalent	21	28	35	103	20	43	65
- *Total Non Jersey CIFs*	42	65	64	174	72	100	99
- COBO	8	170	128	66	34	25	40
Total Non-Jersey Funds	**49**	**235**	**192**	**240**	**106**	**125**	**139**
Total New Funds	**621**	**736**	**408**	**405**	**197**	**298**	**300**

Fund Services Business ("FSB") (since 14 November 2007)	**2007**	**2008**	**2009**	**2010**	**2011**
New application (full FSB)	7	44	16	20	4
New application (managed entity acting in respect of expert or expert equivalent fund)	12	63	19	32	32
Total New FSB authorisations	**19**	**107**	**35**	**52**	**36**
Of which: new classes of business only	-	17	7	20	3

Registry Statistics

Company incorporation and limited partnership set-ups (comparative figures relate to identical period in previous years).

Period / Activity	**Year ended 31 December 2008**		**Year ended 31 December 2009**		**Year ended 31 December 2010**		**Forecast year ended 31 December 2011**	
Total company formations	2,758	-31.9%	**2,329**	-15.6%	2,484	-20.2%	2,520	1.4%
Dissolutions	3,046	17.5%	**2,650**	-13.0%	2,836	7.0%	2,563	-9.6%
Limited Partnerships	125	4.2%	**94**	-24.8%	102	8.5%	122	19.6%

Self imposed targets and achievements for the year ended 31 December 2011.

	All Companies %	**Partnerships** %	**Searches** %	**Certification** %	**Business Names** %
Achieved	98.2	96.6	100.0	100.0	99.9
Target	95 achieved within 2 days	95 achieved within 2 days	95 achieved within 2 days	95 achieved within 2 days	90 achieved within 2 days

SECTION 3: PRIORITIES FOR 2012 - 2014

Overview

In deciding on the Commission's main priorities for 2012 to 2014, the Commission has taken into account the outcome of its annual strategic Away Day held in September 2011. The Board of Commissioners and the Commission's Executive focused on identifying those essential projects which would need to continue into 2012 and beyond, and any new essential projects. The overall message from the Away Day held for Commissioners and Directors was that, for 2012, the Commission would continue to consolidate the significant progress made in recent years and ensure an effective and proportionate response to international calls for additional regulatory and supervisory measures in the aftermath of the financial crisis.

The Commission will continue to co-ordinate and assist in future assessments of Jersey's compliance with international standards, which will include the Commission's assessment of the compliance of its regulatory and supervisory framework for securities with international standards - using an updated assessment methodology to be published in 2012 by IOSCO. The Commission will also continue to monitor changes in the EU and, where appropriate, will develop compatible regimes so as to seek to achieve continued access to EU markets by firms regulated in the Island.

Summary of Key Priorities for 2012

These can essentially be grouped into four thematic areas, reflecting the discussions referenced above and taking into account the Commission's key purpose and aims. These are:

- reducing the risk to the public, characterised by the supervision of the activities of regulated entities in accordance with the Commission's risk model, developing initiatives on consumer education and a closer focus on the quality of investment advice offered by Island providers;
- protecting and enhancing the Island's reputation and integrity in commercial and financial matters, reflected in the outcomes and follow-up to independent evaluations of the Island's financial supervision capabilities and continuing engagement with the international community;
- safeguarding the Island's best economic interests through effective engagement and consultation with Government and Industry to identify suitable opportunities for innovation and development, potential regulatory reform consistent with international standards

and securing necessary resources for legislative change where appropriate; and

- countering financial crime, primarily through further development of the Island's AML/CFT regime, particularly with the benefit of the conclusions of the 2008 IMF Review.

In this regard, the essential activities contained in the Business Plan include:

- The AIFM Directive;
- IOSCO self-assessment;
- Civil Penalties regime;
- ICB recommendations ("Vickers" Report);
- Macro oversight of risks, including the Commission's Entity Collapse Plan;
- Participation in MONEYVAL;
- Personal Questionnaire (PQ) project – electronic interface with Industry;
- IMF preparation – continuing response to 2009 evaluation findings and early preparation for next assessment (expected 2015);
- Companies Law and COBO changes; and
- Development of a competency framework for internal staff appraisal purposes.

Divisional Priorities for 2012

Office of the Director General

The International & Policy Division has been folded into the Office of the Director General at the start of 2012 and it is intended that the Office of the Director General, incorporating the former International & Policy Division, will have a more tightly defined set of organisational responsibilities.

The focus of the Division will be on:

- Managing high level relations with other regulators and regulatory authorities, including cooperation through MoU.
- Setting policy and requirements for countering illicit financing: i.e. money laundering, terrorist financing, and the financing of the proliferation of weapons; and guiding industry on the application of financial sanctions.

- Coordinating changes to the regulatory laws and other legislation that is administered by the Commission.
- Controlling the quality of content and presentation of the Commission's external output e.g. policy documents, Codes, and consultation papers.
- Introducing an effective records management system.

Under "transitional" arrangements, the Division will finish work that it has started to support Jersey's intention to apply for membership of the SEPA, and on the application for Jersey's regime for Recognized Auditors to be assessed as equivalent by the EC. The Division will also continue to support the Enforcement Division's proposals to introduce a regime for imposing civil penalties.

In addition, the Division will continue to follow and respond to developments in the domestic legislative environment in which the Commission functions.

Prompted in part by recommendations made by the IMF, the Division will prepare instructions to update and amalgamate the Drug Trafficking Offences (Jersey) Law 1988, the Proceeds of Crime (Jersey) Law 1999, and the Terrorism (Jersey) Law 2002. The Division will also review the application of simplified and enhanced CDD measures in Jersey, address other outstanding recommendations made by the IMF, and consider the changes that will be required to Jersey's framework for tackling illicit financing in order to accommodate proposed revisions to the FATF Recommendations.

In line with long-standing commitments, a funds sector specific section for the AML/CFT Handbook will be published along with updated versions of handbooks for the legal and accounting sectors.

The Division will continue to provide support for applications made by the UK for Jersey to be added to a list of "equivalent" third countries that is maintained under the EU Third Money Laundering Directive and to participate in the mutual evaluation processes and procedures of MONEYVAL.

As part of its function to coordinate changes to legislation, amongst other things, the Division will:

- Present to the Minister for Economic Development draft legislation to generally "maintain" the Regulatory Laws and the Supervisory Bodies Law.
- Review the adequacy of enforcement tools in the Companies Law.

- Promote amendments to accounting and record-keeping requirements in the Companies Law and similar legislation in order to address recommendations made by the Global Forum on Transparency and Exchange of Information for Tax Purposes.
- Consider how the current definition of "principal person" may be revised to reflect the introduction into Jersey legislation of new forms of legal person.
- Consult on proposals to introduce a consistent regime that will allow the Commission to object to the appointment (and continued appointment) of auditors of persons that are supervised under the regulatory laws, if it is not satisfied that the (proposed) auditor has the requisite qualifications, skill, resources or experience for a particular audit, or if it would not be in the best interests of clients/customers of a registered person.

Following on from consultation started in 2011 on proposals to revise the Codes, the Division will also publish a feedback paper and seven sets of amended Codes by the end of March 2012.

The Division will continue to support the Commission in its representation at meetings of international standard setters and consider the status of preparations for the next assessment of Jersey's compliance with international standards, including identification of standards against which the Island might be assessed.

Supervision Divisions

The Supervision Divisions comprise the Banking, Insurance and Investment Business, Securities, and the TCB Divisions and the AML Unit.

The majority of the work undertaken by the Supervision Divisions falls within the category of business as usual, which comprises the on-site supervision of regulated entities, off-site supervision (including the review of audited accounts and other reports), and the authorisation of applications, revocations, amendments and renewals to registrations.

There will be a continued focus on conducting on-site examinations in 2012 across all Industry sectors. The types of examinations conducted going forward will be either themed or termed a 'supervision examination'. A themed examination will continue to explore a defined topic across a range of registered persons. A supervision examination will effectively be a blend of the previously described focus or discovery examinations and will be tailored to the specific aspects of the registered person, depending on its risk profile, that the Commission wishes to examine.

The Supervision Divisions will be undergoing significant operational change over the next two to three years. Many of the hitherto manual processes will be re-engineered to decrease the amount of physical paper flow and increase information coming to the Commission from Industry electronically, with tasks being managed through system work flow capability. The effect of this is intended to be to increase efficiency and effectiveness as well as providing an improved environment within which to manage regulatory risk.

On-site examinations for 2012 are scheduled as follows:

Division	2012	2011 comparison
TCB	53	47
Funds	28	34
IB	25	23
Banking	15	22
Insurance	16	16
AML Unit	53	66
Total	**190**	**208**

Banking

Focus areas for Banking in 2012 will be as follows:

- Continue heightened oversight of the banking sector, including implications of international/overseas developments.
- Maintenance of off-site process standards.
- Completion of the on-site examination plan and publication of related Industry guidance.
- Review of Basel III and consideration of local application issues, working in co-ordination with the two other Crown Dependencies.
- Completion and adoption of the planned revised Banking Codes of Practice.
- Completion and adoption of the proposed Concession Limit approach to Large Exposures.
- Monitoring of changing international standards and consideration of impact on Jersey and applicability here.

- Support to Government in its review of financial system stability issues and oversight.
- Continued work with all stakeholders on addressing implications of UK adoption of the ICB recommendations.

Insurance

The Insurance Division will complete a self assessment against the revised Insurance Core Principles of the IAIS in order to identify any revisions required to the Island's related regulatory requirements necessary to continue to meet international standards.

The Insurance Division will continue to monitor developments in respect of Solvency II.

The Division will continue to support the efforts of the IAIS and OGIS to promote and develop international regulatory standards.

The EU Insurance Mediation Directive is under review by the EU Commission. The Division will monitor this and assess any possible impact on the Island's regulatory requirements for general insurance mediation business.

Funds

The Funds Supervision Unit intends to maintain the level of examinations conducted in 2012 and ensure the reports and post examination matters are issued in a timely manner. The examinations are to focus on client suitability, corporate governance and AML obligations, amongst other topics.

From a policy perspective, as well as launching the Codes for Funds and the Prospectuses Order, there are a number of other initiatives planned. Discussions will continue on changes to the Collective Investment Funds (Recognized Funds) Rules 2003. The Funds Team will look at revising the Guide to open-ended unclassified collective investment funds offered to the general public (the OCIF Guide), and producing a similar document for closed-ended funds. A consultation is planned on a Client Assets Order for fund services business and work will be undertaken with I&P on a funds sector specific section of the AML/CFT Handbook. The Private Placement Fund Guide will be launched in January 2012.

The Commission is also likely to continue to spend a significant portion of time working with Industry on responding to the AIFM Directive.

A consultation paper seeking an increase in fees for both CIF and FSB will be issued to Industry in Q1 of 2012. The base line fees have not been increased in some cases for over 10 years.

Investment Business

The IB Team plans to undertake 25 on-site examinations of investment businesses in 2012. Thought had been given to making investment platforms the subject of a themed examination programme but this will now be deferred pending the impact of RFA on platforms becoming clearer. Appropriate alternative risk areas will be considered for targeting by way of thematic examinations.

The Commission intends to enhance and expand the work it undertakes in relation to consumer education over the next few years. The Protect Your Money website was launched in 2011 and this will be one aspect of a continuing consumer education drive, in line with an IOSCO requirement for regulators to play an active role in the education of investors. In this respect the Commission will also engage internationally with the International Forum for Investor Education.

The IB Team will continue to help develop the RFA project throughout 2012 and 2013. Working party meetings will be held with Industry to review responses received to the related position paper, and consideration will be given to issuing a feedback paper. Once agreement is reached, Industry will be further consulted on related changes to the Investment Business Codes of Practice and other relevant guidance.

The IB Team will continue to engage internally in relation to supervisory operational process improvements, including the aim to allow Industry quarterly statistics returns and the bi-annual investment business employee information to be submitted electronically.

Guidance on the Overseas Persons Exemption Order is to be produced for non-Jersey investment businesses and will be made available on the Commission's website.

Research will be undertaken on paraplanning activity in the Island. This will include seeking responses from investment business firms who employ paraplanners. The project will seek to arrive at a conclusion as to whether the Commission needs to widen the definition of an "investment employee" to include paraplanners.

The IB Team proposes once again to undertake a mystery shopping exercise, most probably in 2013, with the exact subject area yet to be determined.

Trust Company Business ("TCB")

The focus for 2012 will be to maintain a high degree of onsite examination activity, using the new supervision examination methodology to tailor examinations to explore and test specific risk areas identified in respect of the firms selected. In addition to these supervision examinations there will be themed examinations conducted, with the 2012 theme being conduct of business. This will involve examiners selecting a sample of customer files and reviewing those files in detail in order to test compliance with the registered persons' policies and procedures and indeed the regulatory and AML requirements. This particular theme has been used in previous years and has been very effective in highlighting problem areas within businesses, hence its continued application.

In the event that significant issues are identified at a particular registered person as a result of an examination, the Commission will consider whether there is a need for a wider review to be conducted to ascertain whether identified issues are endemic within the business. If such wider reviews are necessary the Commission will continue to consider requiring the registered person to pay for a reporting professional to conduct the review at their own expense, rather than the burden of cost being placed on the wider Industry, through recourse to licence fee income.

Coupled with the onsite examination activity, the Commission will be focussing on managing a number of existing situations where registered persons have been unable to meet the required standards and are either undergoing extensive remediation and investment or where the business is being sold. Both situations require detailed oversight by the Commission in order to manage the resultant risks.

On the policy front, the revised TCB Codes of Practice will be issued during the year, following the usual publication of the feedback paper on the consultation.

Finally, the three year fee cycle for TCB expires at the end of 2012. Accordingly, the Commission will be analysing the income and expenditure relating to this sector during the course of the year, to determine the level of increase required. A consultation document will be issued in the usual manner, likely in the third quarter of 2012.

AML Unit

The AML Unit will continue with its core function of supervising DNFBPs and maintaining regulatory oversight of MSBs; and will continue to monitor any terrorist financing vulnerabilities associated with local NPOs.

In recognising the dynamic nature of money laundering and terrorist financing, the Unit will continue to closely monitor trends and typologies in these areas internationally, to ensure that the Island is able to recognise and effectively deal with emerging issues. The Unit will continue its outreach activities to raise and maintain awareness of money laundering and of terrorist financing amongst all sectors of financial services business in the Island. It will continue to provide internal training within the Commission and contribute to international fora.

The Unit will continue to support the Island's Strategy Group in maintaining the Island's AML/CFT strategy. In particular, it will highlight the risks and vulnerabilities - and appropriate mitigation measures - in conducting higher risk business. Building on the experience it has gained since its formation, the Unit will explore the possibilities of hosting a workshop in 2012 for UK and the Crown Dependency agencies charged with the supervision and regulation of DNFBPs, with a view to spreading knowledge and identifying areas of difference.

Along with the Office of the Director General, the AML Unit will review the current legislation and regulatory requirements for MSB, noting that such business has grown increasingly complex since the legislation was introduced in 2007.

In the event that the Law Society for Jersey and/or the Jersey Society for Chartered and Certified Accountants submit proposals for self-regulation, the Unit will advise Government on the proposals' compatibility with international standards. The current designation of the Commission being the Jersey Supervisory Body for lawyers and accountants expires in March 2013.

The AML Unit will review Money Service Business fees, determine any appropriate increase, and consult with Industry prior to any change.

The AML Unit will explore the benefits and methods of supporting the AML efforts of other supervisory divisions during their examination visits.

Enforcement

Enforcement will continue to progress the introduction of a civil penalty regime in 2012 with the production of a consultation paper and ultimately law drafting instructions. In preparation for the introduction of a civil penalty regime, Enforcement will review and develop the necessary internal procedures.

The Division will continue to develop the use of its ICT systems such as "CRIMS" to maximise the use of ICT and assist supervisory operations to fully integrate "CRIMS" into the forthcoming Supervisory Platform.

Where appropriate, joint working with the Supervision Divisions will continue to be pursued to develop the most effective enforcement response to deal with complex and demanding cases.

The Division will seek to turn around international requests for assistance in a timely manner and issue warnings of scams targeting local residents within 24 hours of the receipt of information suggesting that local residents are being targeted.

In Q4 of 2012, the Division will undertake a further seminar examining trends and developments observed from cases dealt with by Enforcement. The seminar aims to provide practical advice to regulated service providers and builds on a similar seminar conducted in 2011 and, subject to satisfactory feedback, will be repeated annually.

Registry

As previously stated, the key priority of the Registry is to ensure that it offers a high quality of service to its users, by managing its workflows as efficiently and effectively as possible. The Registry will, in partnership with the ICT Division, continue its range of automation and e-commerce projects, which will carry on through 2012 and 2013. In addition during 2012 the Registry will progress a "root and branch" review of legislation relating to the use of the registers, Registry systems and processes, Registry policies and Registry User needs, particularly the ability to provide services by the use of social media and mobile applications.

Finally, the Registry will contribute to consultations on enacted and draft legislation that affect it, such as new intellectual property laws, amendments to the Companies Law and COBO. In addition to participating in the ECRF, CRF and EBR (as board member and Vice Chairman), the Director, Registry, has been appointed as Vice Chair of the International Section of IACA.

Information and Communication Technology ("ICT")

During 2012, ICT will continue with its service delivery improvements including a new consolidated helpdesk and change management system. The Division will also complete a programme of changes related to the 2011 security and governance audit.

The Division will continue to work closely with the Commission's Operations Teams to deliver business led systems and services using the new Supervisory Platform which will be completed in the first half of 2012. The new platform represents a significant investment in the Commission's SharePoint systems and creating a workflow based system to improve internal processes and provide Industry with a portal with which to interact with the Commission online. ICT will be supporting the Registry with the expansion of its "Easy Company Registry" online system as well as providing support for the Registry systems review due to commence in 2012.

ICT will be delivering a new resilient infrastructure on which the Commission can expand its online services and improve its business to business (B2B) services. These services will increase the ability for the Commission's systems to interact directly with other external systems.

The Division will also be carrying out a number of major upgrades including Microsoft Office 2010.

Research will continue to ensure that the Commission is utilising the most cost-effective and efficient technology for servicing the needs of its staff and industry users.

Human Resources ("HR")

HR will focus on the following areas during 2012:

- HR & Resource Strategic review.
- Recruitment and selection strategic review.
- International secondment policy.
- Developing relationships with the FSA and international bodies.
- Development of in-house tutors.
- Implementation of absence management intranet (subject to ICT availability).
- Further develop the on-line PDR system.
- Roll out new staff handbook including a full review of contracts of employment.

SECTION 4: BUDGET 2012 – 2014

Policy

The Commission's policy with respect to the Budget is to:

- Set fees at such a level as to cover the costs of regulating the finance industry and administering the Companies Registry, and to make an appropriate contribution to reserves.
- Keep regulatory fees to a minimum by maintaining strict control of costs.
- Build up an accumulated reserve equal to six months' operating expenditure plus the average of the last five years' cost of investigations and litigation, in order to meet contingencies.

Summary

As shown by the Income and Expenditure Account, the outcome for 2011 was an operating surplus of income over expenditure of £1,035,000 before accounting for investigation and litigation costs, compared with a budget surplus of £665,000. For 2012, the equivalent budget surplus is £521,000.

After accounting for investigation and litigation costs, 2011 showed a surplus of £637,000 compared with a budget surplus of £65,000. However, there is a budget deficit for 2012 of £479,000, largely as a result of the anticipated level of expenditure on investigations.

Income

Fee income in 2011 was £12,450,000, £175,000 above budget. The increase came primarily from banking and funds fees, (£117,000), which did not decrease as much as had been expected when the budget was prepared a year ago.

Total fee income in 2012 from most sectors is anticipated to be similar to the 2011 level. The exceptions are funds fees, which are forecast to increase from £3,428,000 to £3,970,000 as a result of the first review since 2002, partly offset by income from trust company business which is likely to be lower because of mergers and closures. The overall forecast is a budget income of £12,796,000, an increase of £346,000 over the 2011 level.

Bank deposit interest received in 2011 was £63,000, which was £27,000 higher than budget. This was due to the conversion of some deposits to longer fixed terms, attracting higher interest rates.

Interest for 2012 has been estimated at £50,000, because the Commission's cash position will be depleted by the level of expenditure on computer systems.

Expenditure

Operating expenditure in 2011 was £11,478,000 against a budget of £11,646,000. The reduced spend of £168,000 has arisen largely from premises costs (under spends on building maintenance), professional services (not utilised as much as anticipated), training costs (fewer courses) and depreciation of fixed assets due to the amount and timing of their acquisition. These savings were partly offset by staff costs, which were £35,000 above budget, although this total was inflated by the one-off additional contribution to the staff pension scheme of £95,000. Computer system costs also exceeded budget (by £89,000) because expenditure was incurred on reviews, technical assessments and support rather than on new systems.

In 2012, the budget shows an increase in costs over 2011 of £847,000 to £12,325,000, of which the overall increase in staff costs is £654,000. The causes of this increase are an overall 3% salary increase plus associated pension costs, the 2% additional social security charge on employers and an increase in total headcount.

Other increases in costs are forecast for premises primarily to carry out the maintenance that did not take place in 2011, and for training and conferences which show an increase from £199,000 to £282,000, mainly because of the specific training for directors and deputy directors in the management of change that has been scheduled for the coming year. Expenditure on legal and regulatory support includes 50% of the cost of one law draftsman with effect from April 2012 which will hopefully provide an improved service for the Commission.

The gross cost of investigations and litigation in 2011 was £477,000, reduced by recoveries of £79,000 to a net expense of £398,000. The budget for the year was £600,000, £1,000,000 has been included, reflecting the anticipated level of work required in this area during the next year.

Results for the years 2011 and 2012

2011 produced an excess of income over expenditure of £637,000, compared with an original budget surplus of £65,000. The Commission's reserves at the end of the year amounted to £7,133,000.

For 2012, the budget shows a deficit of £479,000, with the forecast level of reserves at the end of that year reducing to £6,654,000.

The Commission's reserves are maintained to be available to fund the costs associated with any major investigations or litigation cases that may arise in the future.

INCOME AND EXPENDITURE FOR THE YEARS 2010 TO 2014

	2010 £ooo Actual	*2011* *£ooo* *Budget*	2011 £ooo Actual	**2012** **£ooo** **Budget**
Income				
a) Fee Income				
Registry	2,487	*2,454*	2,497	**2,494**
Banking	1,351	*1,264*	1,303	**1,250**
Insurance	744	*738*	784	**760**
General Insurance Mediation	106	*106*	95	**88**
Funds	3,511	*3,350*	3,428	**3,970**
Investment Business	1,301	*1,300*	1,288	**1,300**
Trust Company Business	2,552	*2,540*	2,528	**2,410**
Recognised Auditors	19	*14*	20	**15**
Money Services Business	11	*11*	10	**11**
AML Unit	249	*498*	497	**498**
	12,331	*12,275*	12,450	**12,796**
b) Other Income				
Bank Interest	37	*36*	63	**50**
Other	100	-	-	-
Total Income	12,468	*12,311*	12,513	**12,846**
Operating Expenditure				
Staff	8,273	*8,577*	8,612	**9,266**
Other operating expenditure	3,063	*3,069*	2,866	**3,059**
Total Operating Expenditure	11,336	*11,646*	11,478	**12,325**
Operational surplus/(deficit)	1,132	*665*	1,035	**521**
Investigations/regulatory /intervention/litigation	522	*600*	398	**1,000**
Surplus/(deficit) for the year	610	*65*	637	**(479)**
Accumulated Fund at beginning of year	5,886	*6,496*	6,496	**7,133**
Accumulated Fund at end of year	6,496	*6,561*	7,133	**6,654**

PROJECTED BALANCE SHEET AS AT 31/12/2011 AND 31/12/2012

		Actual 2011		Budget 2012
	£000	£000	£000	£000
Fixed Assets		542		1,350
Current Assets				
Sundry debtors	114		120	
Prepayments	317		350	
Bank balances	10,897		9,603	
		11,328		10,073
Total Assets		11,870		11,423
Current Liabilities				
Fee income received in advance	3,825		4,052	
Sundry creditors and provisions	912		717	
		4,737		4,769
Total Assets less Current Liabilities		7,133		6,654
Accumulated Reserve		7,133		6,654