



Jersey Financial Services Commission

Chief Executive (or equivalent)
Of Trust Company Businesses

Our Ref.: TCB Gen

22 October 2010

Dear Chief Executive

Conflicts of Interest

One of the topics we presented on at our seminar at the Hotel de France in July was dedicated to “conflicts of interest”. This was prompted, largely, by a number of significant failings at a small number of trust companies, which, in some cases, precipitated their demise.

I think everyone would acknowledge that the effective management of conflicts is essential for anyone who is involved in the provision of financial services. Moreover, our experience is that trust companies often afford too narrow an interpretation of what represents a conflict, thereby exposing the business to a variety of unnecessary risks which, if not appropriately managed, could have serious consequences.

In light of the above, and bearing in mind the diversity of conflicts, we are writing to all trust company businesses asking that they undertake a review of their internal controls in respect of conflicts. Such a review should encompass, but not be limited to, ensuring that your policies and procedures are sufficiently robust so as to capture the following types of conflicts:

- Acceptance of a gift from a client structure, or from a client, by an employee of the trust company (or, a relative of the employee);
- Retrocession fee arrangements (including shared fee/commission arrangements) entered into by the trust company;
- Acting as director/trustee of two or more structures in circumstances where a dispute arises between clients;
- An employee of the trust company (or, relative of the employee) securing a personal loan, or financing of any description, from a client structure, or, from a client;
- A trust company, or an employee of the trust company (or, relative of the employee) arranging to make a loan, or to arrange financing of any description, to a client structure, or, to a client;
- An employee of the trust company (or, relative of the employee) co-investing with a client structure, or, with a client; or



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- An employee of the trust company providing a service to a client structure, or, to a client, in a private capacity that is not associated with, or, connected to, the trust company.

With the exception of gifts offered to trust company employees that have a relatively small value, the Commission would expect the Board and senior management of the trust company to implement adequate controls so as to:

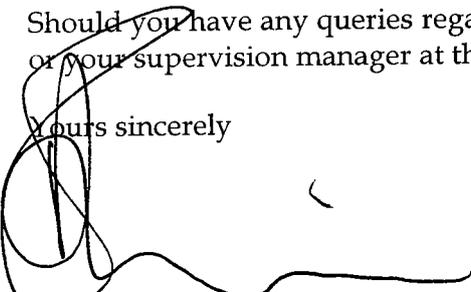
- Be made aware of, and to authorise, all arrangements or transactions that may be regarded as representing a conflict;
- Ensure the conflict is adequately recorded and minuted;
- Ensure the conflict is managed appropriately in accordance with the trust company's policies and procedures;
- Ensure that the Compliance Officer is made aware of the conflicts;
- Where appropriate, introduce bespoke measures to mitigate risks represented by the conflict; and
- Ensure adequate training is given to all staff for the purpose of identifying and managing the conflicts.

As a result of your review, in the event that any deficiencies and/or omissions are identified, your Board should take immediate steps to remedy the shortcomings.

Whilst we are not seeking trust companies to respond or report directly to the Commission as a result of receiving this letter, I can advise that the management of conflicts will become a routine topic that we will examine during our on-site examination programme.

Should you have any queries regarding this letter please do not hesitate to contact either myself or your supervision manager at the Commission.

Yours sincerely



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Director - Trust Company Business

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