



Jersey
Financial
Services
Commission

› **A Changing Commission: How it affects you - Issue 2**

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› What is this paper about?

This paper provides an update on how the Jersey Financial Services Commission (JFSC) is beginning to implement the change to the way in which it will supervise and interact with firms in the future.

There will be further updates over the coming months detailing how our Change Programme will affect you and your business.

› Overview

Changing how we regulate and engage

In our first newsletter we identified the following areas that we need to adapt, to change the way that we operate and engage with firms:

- › The need to simplify, speed up and consolidate interactions with the Commission, meaning efficiency gains for industry
- › The need for better and more prompt communication with industry, relating to supervision findings, concerns, risk assessments and good practice points
- › The ongoing requirement for alignment with international standards
- › The ability to obtain, understand and respond to information on emerging risks
- › Greater assurance that intelligence and heightened risk situations are raised promptly and consistently

In order to address these areas, we have begun by changing the way in which our Supervisory functions are structured and organised. These changes are shown in the structure chart at Appendix A and are explained further below:

Supervisory Units

Our Supervisory teams were previously organised around individual licence types which meant that entities holding multiple licences were supervised by multiple teams. We want to simplify and improve our interaction with firms.

In order to achieve this, we have re-organised ourselves into four new Supervisory Units based broadly around the business models of the firms that we supervise.

- › Banking firms – responsible for entities which hold (at least) a banking licence
- › Fund and Trust Company Business (TCB) firms – responsible for entities holding both fund and trust company licences (funds authorisation also sits in this unit)
- › Investment and Insurance firms – responsible for investment advisers, investment managers (including those acting for funds), insurers and general insurance mediation businesses
- › TCB and Designated Non-Financial Businesses and Professions (DNFBP) firms – responsible for firms holding a sole TCB licence, money services businesses and DNFBPs

Entities will be allocated to a single Supervision Unit and will have an appointed Supervisor contact within that team¹. Your Supervisor will be your principal point of contact at the JFSC and will be responsible for co-ordinating our interactions with you, drawing upon technical support from specialist colleagues where required.

We believe that this will simplify your interaction with us. It will also help us to form a consolidated view of your business and the associated risks and to identify the issues that we wish to prioritise.

Central Support Unit

A new Central Support Unit has been formed which will provide administrative support to the Supervisory Units and assist in the development of new supervisory processes, such as the recently overhauled fees submission. These improvements will be introduced incrementally and are intended to simplify and speed up the processing of supervisory approvals releasing valuable time for both firms and supervisory staff.

Supervisory Examinations Unit

On-site examinations are a key part of our engagement with firms and it is therefore critical that they are properly targeted, conducted to a consistently high standard and effective in their outcome. We have formed a dedicated team who will support Supervisors in planning and delivering on-site examinations.

This team will be comprised of staff with specialist training in conducting on-site assessments and will be engaged in both thematic and entity specific examinations.

Risk Unit

A new risk unit has been formed within Supervision which will have responsibility for identifying emerging threats and patterns of risk that require intervention. The Risk Unit will develop a new supervisory risk model harnessing industry data which will be used to prioritise supervisory resource toward those risks that exceed our risk tolerances.

› What happens next?

The new Supervisory Units are in the process of taking on the entities that have been allocated to them. This will involve producing consolidated risk assessments and determining our supervisory approach and plan for the year ahead.

Our supervisory approach will be based on an entity's capacity to impact our supervisory objectives.

- › Enhanced supervision – entities that have the individual capacity to significantly impact our objectives will be subject to enhanced supervision. What this means in practice is that we will seek to maintain a close awareness of the entity's risk profile through a combination of regular update meetings, periodic reporting, engaging with key assurance providers (such as internal and external audit) and on-site examinations.

¹ Entities that are subject to Reactive supervision will be allocated to a single Supervisory Unit but may not have a dedicated supervisor, in all cases.

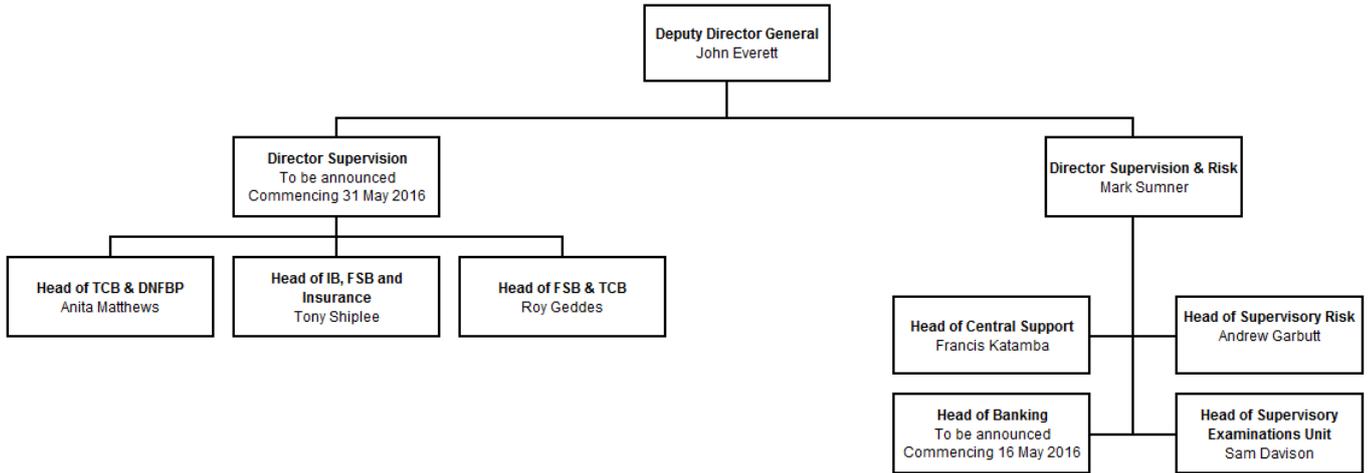
- › Proactive supervision – entities with the individual capacity to materially impact our objectives will be subject to proactive supervision. We will maintain an ongoing awareness of the entity’s risk profile through a combination of update meetings, periodic reporting and on-site examinations
- › Reactive supervision – entities that do not have the individual capacity to materially impact our objectives will be subject to reactive supervision. Our engagement with these entities will be primarily through outreach initiatives and thematic examinations.

Once we have completed this process you can expect to be contacted by us advising you of:

- › The Supervisory Unit responsible for your firm
- › Your Supervisor
- › The level of engagement that you can expect from us
- › Any priority areas that we will be pursuing with you
- › Thematic work that we are planning

Appendix A

› Supervision



Key

TCB – Trust Company Business

DNFBP - Designated Non-Financial Businesses and Professions

IB – Investment Business

FSB – Fund Services Business