

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

**THE GUERNSEY FINANCIAL SERVICES COMMISSION: 2020 ANNUAL REPORT AND
ACCOUNTS**

The States are asked to decide:-

Whether, after consideration of the Policy Letter dated 11th May, 2021 of the Policy & Resources Committee, they are of the opinion:-

1. To note the annual report and accounts of the Guernsey Financial Services Commission for the year ended 31st December, 2020.

The above Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

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THE GUERNSEY FINANCIAL SERVICES COMMISSION: 2020 ANNUAL REPORT AND
ACCOUNTS

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

11th May, 2021

Dear Sir

1 Executive Summary

1.1 The 2020 annual report and accounts of the Guernsey Financial Services Commission are hereby presented to the States in accordance with the Financial Services Commission (Bailiwick of Guernsey) Law, 1987, as amended.

2 Recommendation

2.1 The States are asked to decide whether they are of the opinion:-

To note the annual report and accounts of the Guernsey Financial Services Commission for the year ended 31st December, 2020.

3 Compliance with Rule 4

3.1 In accordance with Rule 4(1), the Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

3.2 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the proposition accompanying this policy letter is supported unanimously by the Policy & Resources Committee.

Yours faithfully

P T R Ferbrache
President

H J Soulsby
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney

2020



Guernsey Financial
Services Commission

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2020

"Confidence in the Bailiwick: securing good regulatory outcomes with integrity, proportionality and professional excellence."



Guernsey Financial Services Commission

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This report, including the financial statements as required by section 18 of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 as amended (the Commission Law), is made in pursuance of section 6 of the Commission Law to the States Policy and Resources Committee and submitted for consideration by the States of Guernsey.

Note: Throughout this report the Guernsey Financial Services Commission is referred to as "the Commission". The Chairman and other members are referred to collectively as "the Commissioners".

CHAIRMAN'S STATEMENT

Guernsey – a good place to do business

Last year, in the first draft of my annual statement, I was optimistically looking forward to the year ahead. Within the space of a few weeks, I had to rewrite my overview as the Covid pandemic had arrived on these isles. I have therefore decided to 'hedge my bets' in this year's statement and reduce the risk of having to undertake a complete rewrite by looking back and reviewing what Commissioners set out to achieve nine years ago when I first became Chairman and to examine what we have been able to achieve. I approached this task by rereading my last nine Chairman's statements contained in our annual reports and having done so, there is one overwhelming conclusion that I have reached: "Plus ça change, plus c'est la même chose".

One thing that firmly remains at the forefront of the Commission's thinking is the need to maintain, and where possible enhance, the reputation of the Bailiwick as a good place to do business. A good business climate requires the close cooperation of all parties involved working together towards achieving the same objective albeit from oft-required different perspectives. Much of this falls on the States with the need for effective policies covering areas as diverse as external transport links, population growth and the funding of Law Enforcement. For the Commission, tasked with the execution of proportionate regulation of the financial services sector of the economy, effective working relationships with the Government and the various organisations representing the licensees is essential.

I would venture that 'sluggishness' has unfortunately been the hallmark of the Bailiwick's economic growth over the last nine years, with those involved in helping drive this growth having to work much harder to achieve satisfactory results. Comments about limited growth opportunities have been frequent and were partly behind my aim to help reduce barriers to growth in the Bailiwick through a rewrite and simplification of the existing laws governing financial services in the Bailiwick, utilising the concept of the 'Rule of Law' to keep the Bailiwick as an attractive place to do business. After seven years, that project has now been completed and is in its final stage awaiting enactment. As those of you who attended the Commission's annual conference when I first became Chairman will probably recall, I took the opportunity to demonstrate through the choice of music accompanying my speech that the "status quo" is rarely acceptable in a business context. Things must constantly evolve to enable jurisdictions such as the Bailiwick to remain competitive and thrive. That inevitably involves new thinking and the development of new

initiatives and products within financial services as well as having to respond, in a proportionate manner, to the incessant increase in international standards.

International regulators have continued to produce large volumes of new regulations, with Basel III and Solvency II regulations dominating the scene. The States, with advice from the Commission, seek to adopt and apply appropriate international standards and tasks the Commission with implementing these in a proportionate manner whilst bearing in mind the importance of the financial services sector to Guernsey. We need to be able to ensure that the Bailiwick is considered a 'good international citizen' through applying appropriate international standards that facilitate good financial services business without the regulatory framework becoming overly bureaucratic. The Commission approaches this requirement of getting the balance right by using a risk-based approach to its supervision of over 2,200 entities in the industry. The Commission's resources are necessarily limited and we need to make sure they are deployed in a manner that is the most beneficial to the Bailiwick. That is where risk-based supervision, supported by good technology, comes in. At the same time, the Commission has exercised strict control of its budgets over the past nine years and whilst this approach will be maintained, it is becoming increasingly clear to Commissioners that the Commission requires some additional resources in the near future if we are to remain on top of the ever-increasing regulatory demands, respond appropriately to new challenges and opportunities as they arise and continue to assist the States with policy development initiatives which help to protect and maintain the Bailiwick's financial services sector.

Guernsey has always prided itself on its fleetness of foot in dealing with new challenges and a clear demonstration of this was shown during the Covid pandemic. However, in other areas, such as law-making, progress appears now to be much less timely than it once was. That is not intended as a criticism of anyone but merely an observation that in some areas, Guernsey appears to have become less fleet of foot. That may be as a result of overly bureaucratic processes or possibly a shortage of resources in some areas. Nevertheless, to keep ahead in financial services, the Bailiwick needs to up its game in terms of its processes whilst fully embracing new challenges and opportunities to innovate. In this respect, the Funds, Fiduciary and Insurance sectors cannot rest on their laurels. The recent announcement that Lloyd's of London has adopted the Bailiwick's invention of the PCC structure is a clear case in point.

Chairman's Statement *(continued)*

Having good, effective and proportionate financial services regulation is in itself insufficient; there is also a responsibility to ensure that the regulations and rules are followed. The vast majority of financial services firms in the Bailiwick do just that but, regrettably, there are always the few who do not. The processes for dealing with those few firms and individuals who fail to comply and risk bringing the Bailiwick's good reputation into disrepute, were designed over 30 years ago under the umbrella of "The Financial Services Commission (Bailiwick of Guernsey) Law, 1987". Around seven years ago, the Commission identified those processes as no longer fit for purpose, particularly in an island environment where conflicts of interest are never far away. Good cooperation between the Commission and the Law Officers of the Crown led to the creation of a new framework that enabled the Commission to introduce a new construct that involved recruiting a team of highly qualified Queen's Counsel to adjudicate on the Commission's most serious enforcement cases (rather than have these cases determined by Commissioners). This Panel of Senior Decision Makers (SDMs) has greatly assisted the Commission in removing the enforcement backlogs, bringing an extra degree of independence to the decision-making whilst enabling Commissioners to focus upon their primary governance role and responsibilities. In addition, the Royal Court has indicated its support for this new approach and the manner in which the Commission has conducted its most difficult enforcement cases with a number of appeals against the Commission's findings being rejected. I would like to take this opportunity to thank Michael Blair QC, who retired at the end of last year as President of the Panel, for all of the essential work he has undertaken in helping to make the SDM process a success. I would also like to welcome Leigh-Ann Mulcahy QC who has taken over the presidency of the Panel from 1 January 2021.

Communicating effectively with the States of Guernsey, industry bodies and our licensees has also been high on the list of the Commission's priorities over the past nine years and over that time the Commission has developed various methods for engaging with our stakeholders, whether it is to seek their input, provide them with information or simply keep the channels of communication open.

It is difficult for a small jurisdiction to get its voice heard and it has been the Commission's aim to get the Bailiwick to punch well above its weight. We seek to do this in a number of ways including attending meetings of international bodies, volunteering to draft regulatory papers and taking on senior roles in the supra-national

bodies that oversee the development of regulatory policy such as the International Association of Insurance Supervisors (IAIS). Much of that engagement necessarily moved to Zoom-type platforms in 2020 and, of course, this additional work involves a considerable investment of time and money but Commissioners consider this to be a wise investment which enables the Bailiwick's profile to be raised at key international regulatory events. Those opportunities are also key in ensuring that the requirements of smaller jurisdictions that provide financial services are heard and taken into consideration when these international bodies are developing their latest initiatives.

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) remains high on the international agenda and the Bailiwick's performance in this area will be subject to a review by the Council of Europe's MONEYVAL in two years' time. Standards judged to be effective continue to increase and the Bailiwick therefore needs to stay on the top of its game. It should therefore have been no surprise that the Financial Crime Division was one of the first newly established divisions which was introduced early in my tenure as Chairman.

On a few occasions in the past, I have talked about the low investment return environment and the risks consumers are taking when they try to use novel opportunities to enhance these returns, requiring regulators to be alert to these types of schemes some of which are scams. This issue of low returns has not gone away and if anything the ultra-low bond rates suggest this will be an ongoing risk.

The judgement by the outside world on the effectiveness of the Commission in delivering its tasks, has three main aspects: compliance with international standards, the effectiveness of its supervision and enforcement activities and the level of its independence. On this last point the Commission lost its financial independence in 2014, when the States decided to remove the Commission's powers to set its own fees. Over the last nine years the Commission has continued to demonstrate a responsible approach to budgetary management with average annual fee increases over the period 2012 – 2020 being just above 1% compared to inflation over that period averaging above 2%. At the same time, the Commission has taken difficult decisions over that same period, for example, removing the defined benefit pension scheme for its staff in favour of a money purchase scheme, performance related pay increases for its staff (with no increases in two of those years) and keeping a strict control on

the number of permanent staff employed. It would be good for the international standing of the Bailiwick if the Commission's fee making powers were to be returned to the Commission as has been recommended by a former IMF Assessor, Ian Towers in his report to government in 2017 and again, more recently in 2019, by the Assessor appointed by the International Association of Insurance Supervisors.

The professionalism of the Commission's management has substantially improved over the years with targeted recruitment and continuous training. This clearly is a requirement in an ever more complex society. The effort required from directors and staff is substantial and I thank them, as well as my fellow Commissioners for their wise counsel. Exactly nine years ago I welcomed Richard Hobbs and Bob Moore as new Commissioners; they have now retired after serving nine years respectively as Commissioners and also as Chairman of the Audit Committee (Commissioner Hobbs) and Vice-Chairman of the Commission (Commissioner Moore). I wish them well in their new endeavours.

Cees Schrauwens
Chairman



DIRECTOR GENERAL'S STATEMENT

The Macro Economic Climate

2020 was obviously not the year any of us were expecting. For almost everyone it was a year which disappointed on the downside for obvious reasons. That said, thanks to the precautionary regulations imposed by public health officials and the resilience of the Bailiwick's financial services sector, **our economy was less badly affected than many others in the world**. Coming out of lockdown in late June, having effectively banished Covid from our shores, made 2020 far more normal for the Bailiwick residents than for the vast majority of others. Moreover, given the lack of travel to the UK and further afield, many people spent far more time enjoyably exploring the Bailiwick than they might otherwise have done.

In terms of the financial services sector, we saw some containable issues in the travel insurance market with claims for cancellations rising beyond the level which most reasonable actuarial models would have allowed for. Elsewhere, the impact was far less pronounced. There were a modest number of job losses in the banking sector but only indirectly and in part because of Covid countermeasures, which should be set against a long-term trend with the number of banking licences reducing from c.50 in 2006 to c.20 now. The reasons for this are complex but the international Basel III standards now widely adopted throughout the developed world have made upstreaming of deposits from one jurisdiction to another to provide liquidity, far less valuable than it was previously. Further, the extent of quantitative easing with many major central banks now willing to discount, without appreciable penalty, assets which they would previously have questioned, has made deposit gathering much less valuable than was once the case. In essence, if you can simply take your loan book to your friendly central bank and sell or lend it to them in return for cash on good terms, as a banker you need to worry far less about gathering deposits to fund the loans you make. The vast amount of quantitative easing we have seen since the start of the pandemic¹, dwarfing the quantitative easing after the Global Financial Crisis, has compounded this longer-term trend and made the business of gathering deposits in the Channel Islands much less valuable than it was historically. It is difficult to see this secular trend reversing in the near future. A generalised economic recovery may moderate the quantitative easing practised by major central banks but it is hard to see the quantitative easing which has happened being unwound to any significant degree.

The funds sector, at one level, has not been severely affected, (at least at this stage) by the pandemic. The quantitative easing combined with the extraordinary fiscal measures taken by many

major governments have kept the valuations of many asset classes high, despite the underlying businesses of many real economy companies clearly suffering immense damage. Most Guernsey funds are not heavily geared and whilst working out accurate valuations for some assets at various points in 2020 was remarkably difficult, most Guernsey funds held up well with new funds being planned and launched throughout the year.

The fiduciary sector has once again proven that it is a long-term business. The lack of travel has clearly had an adverse impact on the ability of sales teams to develop new overseas clients but, conversely, some potential clients have reportedly become more conscious of their own mortality and decided to progress business with Guernsey fiduciaries which may have been under discussion for a number of years previously. A number of fiduciaries secured sales using video conference facilities which they would have previously expected to only be able to do on a face-to-face basis. Some firms have coped better than others but, on an average basis, fiduciary turnover was flat for 2020.

In summary, **the Bailiwick's financial services sector's initial response to Covid restrictions has been to exhibit its resilience**. We hope that that resilience can be sustained through 2021.

Looking ahead to 2021, after so many months of lockdown and damaged economic activity in most countries, the fabled V-shaped recovery appears unlikely to materialise as the trough has been too great for many businesses and workers. What is clear is that many real economy firms are likely to require capital injections as the economy reopens and we may hope that Guernsey funds and other structures will find themselves well placed to offer such investment, thus aiding the global recovery.

What is unclear at present is what effect the unprecedented quantitative easing will have over the medium-term. With it apparent that emergency fiscal support cannot now end in much of the developed world until some point in Q2, the sheer volume of monetary expansion is stark. Hopefully policymakers in major jurisdictions will be mindful of the mistaken British monetary policy imposed in the wake of the Great War. Then, industry and labour were crippled by attempts to induce deflation to enable Sterling to peg itself to gold again after the vast quantitative easing which took place to fund the war. This 1920s policy was implemented in an understandable but ultimately self-defeating attempt to restore British commerce to its pre-war strength. It will be necessary for modern policy makers around the world to face the post Covid world as it is rather than trying to recreate exactly what went before.

¹ As at the end of 2020 we had seen: (i) the UK undertake an additional £450bn of QE in response to Covid compared with the £200bn undertaken in the immediate aftermath of the Global Finance Crisis (2009); (ii) the US has seen an additional \$3 trillion of QE for Covid compared with \$2.1 trillion between November 2008 and June 2010; and (iii) the Euro area has seen €1,850 billion compared with just €60bn during its first round of QE in 2009/2010.

Short of an improbably vast increase in economic activity, it would seem likely that the great Covid monetary easing will be inflationary in some form. We have probably already seen de facto asset price inflation as investors have used near zero cost money to pile into asset classes where valuations would otherwise have decreased and this price inflation is highly likely to feed into other parts of the economy in some way over time – maybe firstly into holidays in summer 2021 if people are free to travel again by then.

Further to the inflationary spectre, the degree of state spending undertaken to prop up incomes through the shutdowns has been so high in many jurisdictions for it to be questionable whether it could ever be repaid through increased taxes or spending cuts without wearing out the fabric of a market-based economy which relies on people having appropriate incentives to work hard, save and be entrepreneurial. Contemplating the political damage that tax increases or spending cuts on the scale required would cause to politicians in major jurisdictions attempting them, one is inevitably drawn towards the conclusion that major countries which have their own currencies will simply monetise the Covid debt so it never has to be repaid in a meaningful way. That approach is not currently open to the member states of the Euro area who will continue, without treaty change, to face increasing public debt mountains with all the issues that creates for sub-sovereign entities.

Amid this high probability of meaningful economic change as a consequence of Covid, we do now finally know what Brexit means with the future relationship between the UK (and the Bailiwick) and the EU agreed. For the Bailiwick this means our terms of trade with the UK for financial services improve relative to other financial services hubs in the EU. The playing field, given embedded structures, is still not exactly level, but it is certainly much more level for us than it was when both the UK and EU were in the European Economic Area whilst the Bailiwick sat outside it. We will look to work with the States to ensure the Bailiwick continues to enjoy fair terms of trade for its financial services sector.

Finally, but certainly not least, with the election of Mr Biden as US President it appears almost certain that **environmentally friendly finance will become even more economically important** than it already is. Firms will therefore wish to understand their green investment options and their customers' preferences with regard to green investment going forwards.

We think firms should be thinking about the likely impact of these seismic economic events on their customers' portfolios and their own business models as we emerge from the Covid fog.

International Standards

The Bailiwick, as an international financial services centre, is dependent on overseas clients being able and willing to do business here. The acceptability to those clients and the governments of the countries in which they live, of using the Bailiwick is dependent to a large degree on how we apply international standards. In the context of financial services, international standards relate to the standards advanced by:-

- the Financial Action Task Force on money laundering and terrorist financing;
- the Basel Committee on banking;
- the International Association of Insurance Supervisors on insurance;
- the International Organisation of Securities Commissions on investment matters; and
- the Group of International Financial Centre Supervisors on fiduciaries².

Whilst some standards are open to degrees of interpretation dependent on the level of sophistication of a country's financial services sector, they require a necessary level of understanding, resources and resolve to successfully (and proportionately) implement them and to demonstrate how they have been implemented. The standards are not immutably fixed like the Ten Commandments. Rather they evolve over time and continual effort is required to ensure that the Bailiwick continues to comply with them to an acceptable degree. We, as a jurisdiction, are also assessed on our implementation of them as we were by the International Monetary Fund (IMF) in 2011, MONEYVAL on behalf of the Financial Action Task Force (FATF) in 2016 and the International Association of Insurance Supervisors (IAIS) in 2019 and as we will be again by MONEYVAL in 2023/2024.

We are sometimes asked what guides our work as a regulator. The answer is, to some degree, the policy direction handed down by the three democratically elected legislative assemblies of the Bailiwick. Nevertheless, to the extent that the Bailiwick wishes to remain a respectable and thus viable international financial services centre, the practical answer has to be an acceptance that the **international standards, which set the soft law, are those to which we must work if the Bailiwick businesses are to retain and enhance their access to the clients in other jurisdictions on whom they depend.**

Treading the right path, in balancing the overarching requirement to ensure the Bailiwick and its financial services sector prospers whilst implementing in a proportionate manner those standards

² In total, the Commission observes 40 recommendations and 117 principles drawn from 655 pages of standards. In addition to this, and indeed essential for the consideration and implementation of the principles and recommendations, is over 4,000 pages of guidance, framework and application advice which detail how effective supervision can be delivered.

Director General's Statement *(continued)*

handed down by international regulatory standard setters, is an extremely difficult task. I have become increasingly concerned that there is a presumption in some quarters that no matter how much criticism is directed at the Commission, nor how tight our resourcing is, the Bailiwick will always sail through the various assessments undertaken by international inspectors with our financial services sector consequently prospering. If there is one message I would like readers of this part of our annual report to take away, it is that **meeting international standards is not easy. It requires a sufficient quantity of very capable and motivated Commission officers with sufficient resources at their disposal to regulate our large, prosperous and diffuse financial services sector.** In 2020, we explored the limits of what we could do within our current resourcing envelope in terms of continuing to deliver good quality, proportionate regulation to international standards throughout the Bailiwick.

Policy Developments

Policy development continued throughout 2020 and we were delighted that in August 2020 the States of Guernsey decided to pass the package of legislation designed to modernise our financial services regulatory laws and bring them broadly into compliance with international standards promulgated between 2010 and 2012. With the Privy Council having given its assent to the new primary legislation in December 2020, we will be working through much of 2021 to update the rules which sit beneath the legislation as well as updating the insurance Ordinances associated with the overall Revision of Laws package before asking the States to commence the new legislation before the end of 2021. In doing the new rule writing, we will not be seeking to change current rules where we can reasonably avoid doing so as we have no desire to place unnecessary burdens on industry. Nevertheless, in some places the rules under the current laws are no longer fit for purpose and will need to be amended. We will be consulting on the new rules through the spring and summer of 2021.

This upgrading of our laws has been a gruelling challenge for the Commission and the Law Officers' Chambers over a number of years. I hope that we will not have to repeat a policy process of this magnitude for some decades but international standards continue to evolve and we will need to work with the States in the future to adapt laws in the Bailiwick so we are able to continue to abide by international standards.

Aside from progressing the Revision of Laws with the States, we have been developing a range of policies and administrative improvements designed to help Guernsey position itself appropriately whilst remaining within international standards.

These pieces of policy work are discussed more fully in my colleagues' sectoral reports. Key administrative improvements and policies which we have introduced to help ensure that the Bailiwick remains a good place to do business include:-

- launching a fast track application regime for managers of overseas collective investment schemes. When combined with the parallel moves made by the States to reform partnership regulations to allow for the easier transfer of partnership structures into Guernsey, this created a mechanism for investment professionals seeking a secure home for established funds to redomicile into Guernsey;
- permitting a new application process for the formation of new cells within an insurance protected cell company thereby allowing trusted insurance providers the ability to form cells more quickly to meet client demand in a flexible fashion;
- introducing new rules for pension providers to improve the initial pension regulations launched in 2017. These new rules improve the assurance pension scheme members can have that they will be fairly treated by pension providers in the Bailiwick;
- publishing guidance for custodians on their duties thereby giving them assurance as to the degree of looking through structures (including detailing what they do not need to look through) which they need to do in order to be meeting their custodial obligations to investors;
- consulting on a significant piece of deregulation – removing the non-Guernsey Fund Scheme Rules thereby lightening the bureaucratic burden on fund administrators. We plan to take forward this deregulation in 2021 subject to consultation responses;
- proposing two improvements to the Private Investment Fund regime following feedback from industry and analysis of how regulatory objectives could be maintained via alternative routes. These improvements, if we advance them after the consultation process, would enhance our PIF offering for professional investors whilst also creating a regulated family office investment vehicle, which some family offices may find helpful; and
- taking forward the Bailiwick's sustainable finance agenda by being, we believe, the first regulator in the world to offer an enhanced capital regime for insurers investing in good quality green assets. By doing this, whilst retaining an appropriately sound capital regime for policyholder protection purposes, we indicate to insurers that they are welcome to invest in productive sustainable assets without capital penalties arising.

We have also continued to work with the States on proposals to implement insurance policyholder prioritisation to bring us into line with international standards whilst the new States has passed

the Credit and Finance Policy letter we spent some years preparing following extensive consultation. Once this is translated into black letter law, it will improve consumer protection for vulnerable borrowers and give us some of the tools we require to regulate, in a proportionate manner, the FinTech businesses that do not fit neatly within our current architecture of sectoral regulatory laws – laws which can act as a disincentive to new FinTech businesses looking to establish themselves within the Bailiwick.

Coping with Covid

At the beginning of the Covid measures, the Bailiwick's Civil Contingencies Authority designated key Commission officers as essential workers. This recognised the importance of both keeping the Bailiwick open for business and of having skilled prudential supervisors on hand to help deal with stresses and strains within the financial services sector as it adapted to the Covid restrictions. We adapted our processes swiftly with the authorisations team changing its practises to allow more to be done online thereby keeping the Bailiwick open for the applications which continued to come in throughout the period the Bailiwick was locked down. We also sought to be proportionate in terms of relaxing some of our requirements whilst maintaining sufficient data flows to be able to understand the financial health of the major financial services businesses in short order. Specifically we:-

- elongated the deadlines for key returns to allow firms to focus on customer facing activities as they adapted to mass home working;
- pushed back some of the deadlines for implementation of parts of the new financial crime prevention handbook;
- supported Guernsey directors endeavouring to ensure that Guernsey based subsidiaries of groups retained sufficient liquidity to be able to continue to support operations;
- postponed all supervisory visits planned during the lockdown period rather than adding to the burdens of firms by seeking to virtualise them;
- introduced a new series of prudential thematics to obtain close to real time data allowing us to monitor the health of the sectors whilst providing advice to the States on the need (or rather the lack of the need) for it to spend taxpayer's money supporting the sector; and
- assisted the States with preparation of the loan guarantee scheme it entered into with key banks to provide support to businesses outside the financial services sector.

Internally, thanks to the foresight and skills of our IT team, we were able to adapt to 90% homeworking with comparative ease compared with some other similar sized organisations and thus maintain a high level of operational capability at all times. Thankfully, the financial instability some of us feared in the early spring did not materialise in any systemic fashion as the major economies' provision of fiscal and monetary support lifted all boats that were not already badly holed. We are, though, far from complacent. Some of the damage done by the Covid restrictions will only become apparent as the tide of multi-national fiscal and monetary support ceases to flow. Nevertheless we are thankful that the vast majority of the Bailiwick firms showed themselves to be so resilient and resourceful over the last year, continuing to provide services to their customers in extremely trying circumstances.

In terms of turnover, **we have seen businesses maintain turnover at nearly 2019 levels on an average basis**, fiduciary turnover remained flat for 2020 and modest dips in banking and insurance whilst authorisations has seen throughput for new financial services ventures running at 95% of the level seen in 2019. All of this is testament to the resilience of Guernsey's main economic sector in very adverse circumstances.

Building for Beyond Covid

Operationally, the Commission took time to consider what we had learnt from the period when we were working in a locked down environment and how to best take advantage of those lessons within the constrained resource envelope available to us. These considerations led to us making the following changes to our operating practises:-

- we have permitted some extra home working, generally for specific projects which benefit from peace and quiet. Whilst some people enjoyed home working and it suited some people with large houses, it is not ideal for everyone. We were struck by how many requests we received at each stage from staff who wished to return to the office as part of our phased return programme as the States gradually removed the various restrictions. A lot of staff found home working difficult because of issues connected with sharing a limited working space and because of the demands of childcare when schools were closed. This made home life entirely relentless with work often having to proceed late into the night once children were in bed. We also noticed that, however good one's online chat facilities and video conference suites, the quality of the conversation held

Director General's Statement *(continued)*

over electronic means generally lacked the richness of a face-to-face conversation in a room with colleagues. In terms of having good discussions with more than one person, driving forward complex projects, innovating and building rapport with new colleagues, home working is markedly inferior to office working. A significant number of people compelled to work from home exhibited signs of increased strain relative to that they would normally exhibit in a busy office. We intend to remain a largely office-based employer because we think it works best for us given that one of the many blessings of Guernsey is that no-one has a long commute;

- our positive experience of prudential thematic during the lockdown led us to plan and implement the largest reforms to our PRISM system of risk-based supervision since we implemented it in 2013/2014. We have effectively reduced the number of in-depth full risk assessments experienced by major firms and reduced the scope of those visits which do take place whilst planning more thematic work spread across a number of firms to better understand certain prudential or conduct issues. These reforms have enabled us to transfer a very small number of supervisory posts to the Financial Crime Division, which should allow it to slightly increase the number of supervisory visits it undertakes whilst also reviewing and improving many of the Commission's processes to ensure they meet FATF expectations ahead of the inspection of the Bailiwick by MONEYVAL in 2023/2024. We will assess how these new changes have worked around the end of 2021 but I'm conscious that they leave us more thinly spread on conduct and prudential matters than is comfortable. For example, a problem which crystallised at a small insurer in Q4 exposed our inability to progress steady state supervision whilst also undertaking a relatively modest piece of crisis management;
- we introduced interviewing of Money Laundering Reporting Officers on a pilot basis as they leave a regulated entity and are finding this offers us helpful insights into how the Bailiwick's anti-money laundering regulations are implemented;
- we have largely modernised our online returns system, with 47 upgraded returns deployed in a fairly seamless fashion throughout 2020 on a new and markedly more robust technology platform; and
- we have continued to develop our SupTech (Supervisory Technology) deploying two internally developed tools – COMPASS and COMET prior to the end of the year whilst planning the expansion in our use of NUIX software to better analyse unstructured data submitted to our supervisors.

In summary, despite the demands of Covid and assisting the States, we have continued to deliver key parts of our internal improvement agenda which is further discussed in the three-year business plan section of this report. For us, 2020 was the core delivery year of the 2018 – 2021 three-year business plan.

Financial Crime and Enforcement

The Bailiwick has now been my home for a number of years and I'm still struck by the number of people who, whilst acknowledging the necessity of regulation in modern international financial services (and sometimes even praising our supervision and policy development efforts), still take exception to our work combatting financial crime on the basis that they perceive it to be unnecessary or unduly assertive. This is unfortunate because, whilst **the vast majority of the firms in the Bailiwick operate honestly and competently**, there are a small number who don't. These firms are sometimes described politely as "old school." We think that is a flattering description. Over the past few years our supervisory divisions have developed their technology and skills sets. They have become remarkably adept at finding the firms which are systematically ignoring their legal obligations not to aid and abet those seeking to launder money. They have referred a number of those firms (and thankfully there are not many of them) to the Enforcement Division. The Enforcement Division undertakes a thorough investigation, liaising with Law Enforcement as and when we uncover good evidence of criminal activities having taken place. We then use our administrative powers to levy sanctions including prohibiting those from the industry who are culpable of serious law breaking in this critical area.

The evidence from hearings when we are challenged in the Royal Court by parties to enforcement actions is that our system is fair and rigorous. In several judgments following an attempted human rights action in 2020, both the Royal Court and the full Guernsey Court of Appeal confirmed that our processes are lawful and proper. We do not claim that they are nice for the individuals who we suspect of law breaking but they compare well in terms of fairness with international good practice for regulatory enforcement and they help to ensure the future for the vast majority of our financial services sector which does honest and competent business, facilitating investment for the benefit of global commons.

The individuals in our enforcement team, the lawyers who support them and the Senior Decision Makers who make our administrative decisions, expect to face robust challenge from those facing them about the facts of the matters under investigation. Unfortunately, what they too often face is abuse, misrepresentation and aggressive behaviour. We also see attempts to lobby other official sector actors to influence our enforcement efforts in some way. We are concerned about the actions of some of the parties involved in the enforcement area and the "one step removed" representations Commissioners and I receive to ask the Enforcement Division to put on kid gloves and treat everyone referred to enforcement as if they were a treasured client who cannot be upset. **We don't put people into enforcement lightly.** Enforcement is a tightly controlled process and a supervisory director will have to be convinced that

a matter is pretty serious before she or he will agree to refer it to the Enforcement Division. Sometimes the initial enforcement investigation will unearth information which makes us think that the matter is less serious than we originally thought. If that turns out to be the case we are unlikely to take the case forward to public sanction because we wish to focus only on the most serious matters. Conversely, if the initial investigation confirms the suspicions of the supervisory directors that law breaking has occurred which may have led to adverse outcomes such as investor losses or a failure to combat financial crime, then the other parties can expect the enforcement team to be civil, in the same way that the police would be civil to any suspected criminal. They should not expect our colleagues to bend over backwards to help a law breaker who has damaged investors or ignored anti-money laundering laws to enrich him or herself at the expense of others conducting honest business from the Bailiwick and those overseas left poorer than they should be as a result of the law breaking.

We would love to be able to write that there is no money laundering in the Bailiwick. We are working very hard to make sure that that is as near as true as possible but we are still some way off from achieving that goal in so much that it can ever be fully achieved in a large international financial centre managing hundreds of billions of pounds, given the very finite resources at our disposal. We'd simply like to invite those reading our annual report to treat with scepticism claims that the Commission and its enforcement process is somehow unfair. If it was, our administrative sanctions wouldn't withstand the appeal processes of the Guernsey courts. **We think it is unfair for most people to obey the law whilst some others who may have wealth and influence think they can ignore it to the detriment of the common weal.** We know that taking action against white collar malefactors is always going to be difficult, but we don't think it should be as tortuous as it has proved in recent years.

Resources

In this report I have touched on how stretched my colleagues have been at a number of points because, in our principal report to our stakeholders, I think it would be wrong not to highlight how thinly spread we are. In 2020, Jersey³ and the UK put up fees by

significant amounts⁴ to fund increased budgets⁵. Bermuda is a similar sized island to Guernsey in terms of both land area and population with a financial sector employing fewer people yet its regulator has nearly a hundred more staff than the Commission to fulfil fairly similar functions⁶. **Regulatory inflation, like medical inflation, would appear to be higher than general inflation especially given endlessly evolving international standards.** We were pleased that the new States allowed us to put up fees by 2.1% for 2021 but this follows two years in which fees were frozen whilst our costs increased. **Over the past eight years we have kept our cost increases to 2.4% on average whilst putting up our fees by an average of just 1.2%.**

We have run a budget only slightly in deficit for the last two years by making serious economies in terms of our investment in new systems and not offering our staff a pay rise in 2020. We suffered a staff wastage rate of 18.5% in 2020 which was too high for comfort. We don't need to pay our staff generously but we do need to be able to offer appropriate pay and, fond though I am of the slogan "Less is More", there are natural limits in how much ground you can expect staff to cover competently without becoming burnt out. We are not a Toronto or London business consultancy which can employ bright young things for three years, work them 70 hours a week and then replace them with yet more bright young things. We are conscious that 2020 has not been a normal year and that people are more tired than would generally be the case because of the stresses and strains of Covid and the associated restrictions but, looking beyond that, we are stretched and have asked an awful lot of a significant number of staff throughout 2020 and prior years. The Commissioners and I are hugely grateful to our colleagues who have put themselves out so much this year to achieve both really stretching targets and absorb Covid induced changes. Going forwards, we have significant reservations about how sustainable the current levels of resourcing are given the demands placed upon us. **We are very lean, albeit still fit at present.**

William Mason
Director General

³ The JFSC put up fees by between 16% (investment business), 12.5% (insurance business and some funds), 10% (banking) and 2.7% (Jersey Private Funds).

⁴ The FCA put up fees by between 9.3% and 16.5% for general insurers, 14.5% for a variety of investment firms and by 3.9% for collective investment schemes. Further the Bank of England put up fees on banks by 6.2%, general insurers by between 9.1% and 19.6% and investment firms trading as principal by between 7.8% and 24.1%.

⁵ Between 2019/20 and 2020/21 the JFSC budget appears to have increased by 14%, the Isle of Man Financial Services Authority budget by 16%, the FCA budget by nearly 6% and the PRA (Bank of England) budget by nearly 9%.

⁶ The Commission had 120 staff at end 2019 compared with 215 at the Bermuda Monetary Authority. The BMA has a monetary role in relation to the local currency which the GFSC lacks however the vast majority of the extra staff the BMA employs work on regulatory authority rather than monetary tasks.

Authorisations

We would have never predicted this in March 2020, but overall 2020 achieved 95% of the level of applications received in 2019. Given the challenges faced, that is a good result for the jurisdiction. As the graph at Figure 15 shows, the Non-Regulated Financial Service Businesses (NRFSB) sector was up (albeit with much lower figures). All the other sections were down, but not as materially as we might have been justified in expecting in spring 2020. December 2020 was a particularly buoyant month, outperforming December 2019 and more surprisingly just beating December 2018, which was the year that saw the highest level of applications received over the past six years.

As reflected in the Director General's statement, our ability to quickly adapt to the lockdown on applications in the pipeline was shown and the message that Guernsey was open for business resonated from the outset and throughout the rest of the year as we emerged from lockdown. This should stand us in good stead, from a reputational perspective, for at the time of writing we have just entered another lockdown and we remain able to process new business.

Similar to previous years, the applications received had a range of complex features. We continued to adopt a risk-based approach to our assessment of applications and, in the majority of cases, this allowed for straight-through processing. Authorisation Review Panels (ARPs), now a more familiar concept to industry, continued to be used where required. Even where ARPs were held, in the vast majority of cases the applications continued on to licensing, authorisation, registration, or a no objection being issued for change of controllers. Conditions or other requirements were made of some applicants where we sought tighter controls over certain aspects of their models e.g. no change to the business plan proposed without the Commission's prior approval or restricting the volume of business to be taken on in the first year.

Of course, our assessment turnaround times are always dependent on the quality of the applications received and it is pleasing to note that once again only a small number of applications submitted did not proceed to the approval stage during 2020. In 2018, over 98% of the applications submitted were approved, in 2019 this figure

decreased – but only slightly – to 97% and in 2020 we remained static at 97%. All of the applications which did not receive approval were either withdrawn by the applicant or lapsed. In 2020 we only needed to return really poor quality applications in a couple of instances.

In the last quarter of 2020, we reinvigorated our post facta reviews of the fast track application regime and this will continue to be a theme for 2021. Our aim is to review an application from each administrator participating in the regime. We will be predominately examining the due diligence performed by the administrator in order for them to be able to sign the declarations required for an application.

Those individuals who had to submit an Online Personal Questionnaire or Online Appointment form will be aware that these are reviewed by the Authorisations and Innovation Division. The levels for Online Submissions and for Online Personal Questionnaires are detailed in Figures 16 & 17. In 2020, a total of 8,990 were received via the Online Personal Questionnaire Portal. Online Personal Questionnaires and associated Online Appointments are a key part of the gatekeeper role that the Authorisations and Innovation Division plays by being the focus of our due diligence as to whether individuals wishing to operate in the Bailiwick are fit and proper.

To ensure the submission of all the Online Submissions and Online Personal Questionnaires runs as smoothly and straightforwardly as possible for the users, the Division continued to provide an online services Helpdesk. Over 2020, 9,541 email queries relating to both the Online Submissions Portal and the Online Personal Questionnaire Portal were handled. Help was provided to, for example, new users with start-up questions to those more familiar who were experiencing technical issues. As far as possible the enquiries are handled by the Helpdesk itself and, where more technical support is required, they are passed over to the Commission's IT team. Extensive work continued over 2020 to ensure the Portals remained user friendly whilst providing the information necessary to meet our regulatory remit. During 2020, 26,520 submissions were made via the Online Submissions Portal.

Innovation

We have always said that innovation does not have to be a completely new invention, it could simply be an improvement to an existing product type. In that vein, and in response to requests from industry, we introduced four initiatives during 2020. The first introduced in May was the launch of a new application form, developed in conjunction with the Guernsey International Insurers Association (GIIA), for Managing General Agents (MGAs). Although the MGAs fall within the insurance manager licensing framework, the Commission and GIIA wished to ensure that MGAs interested in coming to the Bailiwick understood how best to apply for the relevant Bailiwick permissions required.

June saw the introduction of a new fast track application and migration regime for managers of Overseas Collective Investment Schemes to make it simpler for them to apply for a licence. The regime combines, where appropriate, the consent to migrate the manager into the Bailiwick with the licensing process within a ten-day review period or alternatively the licensing of a newly incorporated Guernsey entity also within ten days.

In October 2020, we commenced a pilot scheme for the pre-authorisation of insurance cells. The pilot scheme falls within the current legal framework and will run until the end of 2021, within a range of parameters allowing trusted insurance providers the ability to form cells within a previously regulated structure more quickly. The aim is to meet client demand in a flexible fashion and to avoid missed opportunities. An example is the renewal season for Solicitors' Professional Indemnity cover, most of which renews in October hence the starting date for the pilot. The pilot has been successful with a number of managers registered to use it.

At the same time, we also introduced an operational change to assist in shortening the total application time for an insurance licence. In the case of urgent licence applications, the Commission will consider providing approval to incorporate the entity upon receipt of the application rather than waiting until we are in a position to provide approval in principle.

All four of these changes required only operational changes and/or a new application form. There was no requirement to update rules or introduce new legislation to bring them into effect, meaning all four were innovative but straightforward.

The Commission continued to participate in the Global Financial Innovation Network (GFIN). Once remote working was firmly established across the international regulatory community, a new window for applications for cross-border trials was opened in late 2020. The lessons learnt from the initial trial in 2018/9 were applied to provide a more streamlined process for the applicants. At the close of the application window on 31 December 2020, six entities had indicated that they would like Guernsey to participate in their cross-border trial. The process of reviewing those applications is now under way.

Emma Bailey
Director



Supervision

According to the International Monetary Fund (IMF), and as at January 2021, the global economy shrank by 4.4% GDP in 2020 and the UK economy by 9.8% GDP. However, unlike in 2008, there was no global banking crisis in 2020. This was because banks were far better capitalised and more liquid than in 2008 and because governments supported the global economy with liberal monetary and fiscal policies. Banks were encouraged to maintain lending levels. Impairment levels were relatively low.

Economic conditions in the Bailiwick were largely similar to the rest of the developed world. The exception was that the position for, respectively, unemployment and public debt, remained much better due to stronger starting positions relative to other jurisdictions during the Covid crisis.

Due to Covid, the Commission intensified its supervision of the 22 banks in Guernsey, in line with other regulators. This approach

focused on capital, liquidity and asset quality and facilitated a peer analysis across bank sub-sectors. In the event, the main challenges for banks in 2020 were around conduct and operational matters rather than prudential risks. Operational challenges included working with outsourced centres, where Covid conditions might vary, and the increased cyber risks resulting from working from home. Generally, however, Guernsey banks coped well with these challenges.

As at end December 2020, total liabilities of Guernsey banks stood at £10.4bn (cf £11.3bn in December 2019). Third party deposits, that is deposits other than from banks, as at end December 2020, stood at £3.7bn (cf £3.5bn in December 2019). The number of banks in Guernsey fell by two from 22 at December 2019 to 20 at December 2020, though one of these banks retains a sister bank in Guernsey.

Policy

In 2020, the Commission discussed draft proposals around large exposures in Guernsey. A Consultative Paper is planned for 2021.

Risk Outlook

The outlook for 2021 is unclear. However, banks should:-

- treat forecasts of an economic bounce-back in 2021 with some caution;
- maintain credit standards at all times; and
- consider the impact on the bank's risk profile of medium-term volatility around interest rates.

Jeremy Quick
Director

Supervision

During 2020, we undertook 45 onsite visits to Fiduciary and Pension licensees, including four Full Risk Assessments (FRA). This compares favourably to 44 onsite visits to Fiduciary and Pension licensees in 2019.

Due to the impact of Covid and the Bailiwick's lockdown between March and June, our supervisory focus pivoted in Q2 to assessing financial stability and operational resilience. In practice, this led to a pause in onsite visits for c. five months, but an increase in other forms of engagement with licensees, regular virtual meetings and an acceleration of thematic and shorter focused engagements in the later part of the year.

A total of 131 Fiduciary Risk Mitigation Programme (RMP) actions were created during the year, this can be compared with 172 that were closed. Each RMP is tailored to the licensee and particular risk(s) it is seeking to mitigate. As in previous years, governance, operational resilience and financial crime risk continued to be the most prevalent risk types.

Our financial stability supervision highlighted that the Fiduciary sector in the Bailiwick remained stable. Due to the long-term nature of many Fiduciary relationships, this is perhaps not surprising. We observed continued growth of fewer, higher value, complex relationships; the value of assets managed by Fiduciary licensees continues to grow, turnover was flat and the number of appointments decreased. We noted a short, minor, impact in Fiduciary revenue in April, driven in part by licensees reliant on time spent adapting to working from home, but equally some of this volatility is cyclical.

For a number of years we have observed consolidation in the sector. Mergers and Acquisitions can be completed thoroughly, but all too often we observe greater focus on completing a deal and less energy spent on integrating the respective businesses or developing formalised continuity plans if outsourced arrangements fail. Operational resilience was a prevalent risk area for Fiduciary and Pension licensees throughout 2020. The consequences of poor system integration and over-reliance on outsourcing was especially visible during lockdown and is a risk area we encourage all licensees to continue to focus on.



Fiduciary and Pensions *(continued)*

Policy

“The Fiduciary Rules and Guidance, 2020” and “The Pension Scheme and Gratuity Scheme Rules and Guidance, 2020: Acting With Integrity” were issued on 18 February and came into operation on 31 December 2020.

The Fiduciary Rules replaced and strengthened existing Codes of Practice in a single rule book and brought the regime into compliance with the Group of International Finance Centre Supervisors (GIFCS) Standard. The Pension Scheme and Gratuity Scheme Rules and Guidance represented a revision of the framework based on experience and a process of ongoing

engagement with industry since the introduction of Pension Rules in 2017. The Rules also reflected the consolidation of the conduct of business elements from the former Pension Rules into the new Fiduciary Rules and removed elements of duplication.

A self-assurance training event covering the key changes that had been introduced, how certain rules came about and how responses to the consultation were taken into account is available to view on our website <https://www.gfsc.gg/events/self-assurance-event-fiduciary-rules-and-pension-rules>.

Risk Outlook

The Covid impact has clearly dominated the risk outlook for the Fiduciary and Pension sectors during 2020. The global economic impact remains uncertain as national governments face balancing public health requirements with debt management and economic recovery. Locally, the businesses of licensees have remained stable, however the longer-term impact is yet unknown. What is certain is that the pandemic has led to an increase in remote working capabilities; from a risk outlook perspective, this could promote further outsourcing and regardless of the licensees business model it exposes all to additional cyber-crime vulnerabilities.

Covid is not the only global development on the horizon or risk affecting the sector. Post Brexit international developments, continued political pressure and media scrutiny of Guernsey’s position as a tax neutral jurisdiction, substance considerations and the effects of climate change should also feature prominently on licensees’ risk outlooks.

Domestically, alongside the perennial challenge associated with the supply of competent staff, two risk areas have demanded supervisory attention. The first is the supply and affordability of Professional Indemnity Insurance which will form the basis of a 2021 thematic review. The second relates to the transfer of Pension Schemes and the apparent imposition of unreasonable barriers to exit. As a reminder, pension providers have an obligation to ensure they are acting in the best interest of members and manage any conflicts that may arise from seeking to maintain a revenue stream.

Gillian Browning
Director

Supervision

Covid posed a significant challenge to the global and local insurance industry in 2020. Insurance sub-sectors were affected in different ways by the virus. For captives, the key risk was for those firms that lent back to their parent in the event that the parent failed because of difficult business conditions created by Covid. For health insurers, Covid reduced non-Covid-related claims as a significant proportion of Covid cases were treated through public health care systems. Some insurers were affected by writing business interruption and event cancellation insurance. Vehicle and home contents insurers did well. Life insurers gave payment holidays when policyholders were financially compromised because of Covid-related issues.

2020 was a difficult year for Insurance Linked Securities (ILS). The global market showed some signs of revival although 2020 global losses were again significant. In Guernsey, the two rated suppliers of ILS both announced that they were going into solvent run-off; though the local ILS sector remains significant through the general use of PCCs and cells. The role of ILS in mitigating the impact of climate change is being highlighted in Guernsey.

Interest in Guernsey captives has recently increased as general insurance rates have hardened. The Commission has created a regime to make it easier for captive cells to be quickly opened for specific business lines.

The Commission also introduced a specific form for licence applications from Managing General Agents.

Given the importance of insurance managers in Guernsey, the Commission has continued to intensify its supervision of this sector. Two common themes are the cost-driven nature of this business in some cases, and the difficulty in attracting local staff.

As highlighted below in the Enforcement section, fines were applied in the case of a general insurer that failed to oversee its intra-group outsourcing arrangements. Though extreme in this case, this is by no means a unique failing among retail general insurers and their insurance managers. In short, this case should not be dismissed as a 'one-off'. Accordingly, the Commission highlighted this case in a letter to relevant insurance managers in 2020.

The Group of International Insurance Centre Supervisors (GIICS) came into its own in 2020 by facilitating discussion around Covid issues amongst its 19 members. This centered around, for example, working from home, non-physical onsite reviews and the impact of Covid on particular insurance sub-sectors.

At end-2020, the aggregate number of licences was 606 compared to 624 the previous year. Aggregate figures covering 2020 for Guernsey are unavailable at the time of printing because many insurers have an end-December year-end and will not report until the second quarter of 2021. Nevertheless, in 2019 gross assets stood at £31.4bn (£30.2bn in 2018), net worth at £12.93bn (£13.5bn in 2018), and premiums at £5.22bn (£5.25bn in 2018).



Insurance *(continued)*

Policy

In 2020, the Commission issued new Rules for Green life insurance. These Rules apply a green discount to certain qualifying investments, subject to specified safeguards. More generally, the Commission continued to be involved in the International

Association of Insurance Supervisors (IAIS) Policy Development Committee and at ExCo level as well as playing a significant role in developing core principle assurance initiatives within IAIS.

Risk Outlook

Key risks in 2021:-

- outsourcing within a group (the Commission highlighted this risk in a letter to relevant parties in 2020);
- Directors and Officers and Employers Liability claims resulting from Covid; and
- non-Covid health claims given the scale of treatment cancellations in 2020.

Jeremy Quick
Director

Supervision

During 2020, we undertook 34 onsite visits to Investment licensees, including four Full Risk Assessments (FRA). This compares favourably to 30 onsite visits to Investment licensees in 2019.

Due to the impact of Covid and the Bailiwick's lockdown between March and June, our supervisory focus pivoted in Q2 to assessing financial stability and operational resilience. In practice, this led to a pause in onsite visits for c. five months, but an increase in other forms of engagement with licensees, regular virtual meetings, and an acceleration of thematic and shorter focused engagements in the later part of the year.

A total of 127 Investment Risk Mitigation Programme (RMP) actions were created during the year, this can be compared with 107 that were closed. Each RMP is tailored to the licensee and particular risk/s it is seeking to mitigate. As in previous years, governance, operational resilience and financial crime risk continued to be the most prevalent risk types.

Our financial stability supervision highlighted that the Investment sector in the Bailiwick remained stable, in terms of both Investment licensees' turnover and Guernsey Funds. Due to our concentration of long-term, private equity, closed ended funds, this is perhaps not surprising. Very few licensees are sensitive to short-term capital market movements and revenues have remained stable, apart from a short, minor, impact in April, driven in part by concentration of NAV based income.

For a number of years we have observed consolidation in the sector. Mergers and Acquisitions can be completed thoroughly, but all too often we observe great focus on completing a deal and less energy spent on integrating the respective businesses or developing formalised continuity plans if outsourced arrangements fail. As with the Fiduciary sector, Operational resilience was a prevalent risk area for Investment licensees throughout 2020, indeed often the licensees have both a POI and Fiduciary licence. The consequences of poor system integration and over reliance on outsourcing was especially visible during lockdown and is a risk area we encourage all licensees to continue to focus on.

We completed a thematic review of "Custodians of Open Ended Collective Investment Schemes with Indirectly Held Assets" during the period. We did not identify any specific regulatory concerns, however, we did identify that further Commission guidance would be welcome and thus published a guidance note aimed at providing additional clarification about Designated Custodians' duties in this area in December.



Investment *(continued)*

Policy

2020 was a year of focusing on developing and enhancing Investment Policy. We balance three preoccupations: creating an enabling environment for good business (funds) growth, protection of investors and prevention of financial crime.

At the Commission, we are also mindful of the volume and value of investment structures that do not fall under the definition of a collective investment scheme, potentially because they have a single investor or single investment. The administration of these structures typically falls under a firm's fiduciary licence.

Our 2020 policy work resulted in a number of discussion and consultation papers that will develop into new, revised or rescinded Rules in 2021. Key policy priorities have related to the Private Investment Fund (PIF), Non Guernsey Schemes, General Partner treatment under the Fiduciaries law, Guernsey Green Fund criteria and the scope of Ancillary Vehicles.

Risk Outlook

The Covid impact has clearly dominated the risk outlook for the Investment sector during 2020. The global economic impact remains uncertain as national governments face balancing public health requirements with debt management and economic recovery. Locally, licensees have remained stable, however the longer-term impact is yet unknown. What is certain is that the pandemic has led to an increase in remote working capabilities; from a risk outlook perspective this could promote further outsourcing and regardless of the licensee's business model it exposes all to additional cybercrime vulnerabilities.

Covid is not the only global development on the horizon or risk affecting the sector. The longer-term impacts of Brexit are not yet known, including both the UK's recent moves to take advantage of leaving the EU for its funds sector and the EUs review of market access (including AIFMD). Substance considerations are central to Investment business decision making, the publication of LIBOR (a key reference interest rate for financial deals and instruments) will cease at the end of 2021 and climate change risk should feature prominently on licensees' risk outlooks.

Domestically, alongside the perennial challenge associated with the supply of competent staff, two risk areas have demanded supervisory attention. The first is the supply and affordability of Professional Indemnity Insurance which will form the basis of a 2021 thematic review. The second relates to the quality and accountability of fund directors; unfortunately, the Commission is observing too many examples of fund directors failing to:-

- appropriately understand the rationale for a particular structure;
- validate the nature of assets;
- take accountability (instead when a problem arises they point to another party, often the designated administrator); and
- manage conflicts of interests – for example continuing to generate fees rather than considering what is in the best interests of investors.

Gillian Browning
Director

Supervision

Although conditions within the Bailiwick eased considerably through the latter half of 2020, the second quarter of 2020 saw the Bailiwick placed under lockdown in order to contain the virus.

Local retail banks were in the immediate front-line. However, all the clearing banks succeeded in maintaining physical banking services. This included both Alderney and Sark. In line with UK practice, mortgage banks allowed payment holidays, although as the year progressed these were required less frequently. The local retail banks participated in the government-sponsored system of business loans, and indeed helped the government set up these facilities by drawing on UK experience.

Private banks had less need to provide local physical services, not least given their largely non-local customer base. These banks continued to service customers whilst mostly working from home.

Travel and holiday insurance was a source of concern for local residents in the second quarter. The type of questions asked of local insurance intermediaries included:-

- will insurance cover me if my flight or holiday is cancelled;
- does insurance coverage extend to hotel stays; and
- am I covered if the government has advised against travel, and so on?

Several Guernsey insurers were faced with questions from expats around the world who had bought life and health insurance. Much depended on whether specific insurance contracts excluded pandemic coverage. In practice, this became less of a concern as it emerged that Covid cases were primarily handled by public health authorities and that hospitalisation was only required in a minority of cases. Guernsey life insurers accepted the need to allow policyholders some leeway in missing or changing payments if their financial situation had changed because of Covid.

Business continuity insurance was a source of some frustration to several policyholders in Guernsey. This was in line with the UK where many of the insurers offering local policies are based. On the other hand and with the exception of hotels, businesses in the Bailiwick were closed for an appreciably shorter time than those in the UK. Action by the Financial Conduct Authority (FCA) and a subsequent ruling by the UK Supreme Court ensured eventual payments subject to contractual terms.

In 2020, the Bailiwick's economy contracted by an estimated 8% GDP and unemployment, although still less than 2% of the work force, rose significantly in absolute terms. Some in the Bailiwick contemplated whether to stop pension payments or to access pension pots early.

The local financial sector, and not least local intermediaries, strove to provide answers to the above questions and concerns. In this, they were helped by access to provider expertise, knowledge of Bailiwick customers and a determination to provide balanced and appropriate responses. Advice was also provided by the Citizens Advice Bureau and by the States of Guernsey, who also provided financial support in the form, for example, of furlough payments and backing for emergency business loans.

The Commission used the Consumer part of its website to respond to concerns as they developed. Twenty FAQs were produced in response to issues. These FAQs, for example, provided timely advice as necessary on travel and health insurance, mortgage holidays, insurance coverage if working from home and warned of the risks of day trading. Several FAQs formed the background for local press reporting. The Commission kept in close contact with relevant providers, including the local retail banks, to oversee the fair treatment of customers.

An increase in scams occurred during the year occasioned by the disruption in normal financial activity caused by Covid. The Commission published warnings on these. Appropriately, through the year, the Commission continued to be in close touch with the local financial industry – consulting on cyber security with a view to issuing rules and guidance early in 2021. More generally, the Commission has highlighted the need for extra caution around cyber security when people work from home; including identity theft.

Despite these responses, the year as a whole was a difficult time for consumers of financial services. Conversely, whilst many people strove to ensure that ends met, others saw their savings increase, given fewer opportunities to spend money.

Finally, Guernsey Community Savings (GCS), a charity that arranges basic banking services for Guernsey residents who have been unable to obtain accounts, opened its premises in the third quarter.

Conduct *(continued)*

Policy

The level of Professional Indemnity Insurance (PII) required by Guernsey intermediaries emerged as a significant issue in 2020. The supply of PII has fallen due to a change in strategy at Lloyds of London and due to higher fines issued in the UK. This had made it more difficult for intermediaries to buy an appropriate level of PII in the UK and the Crown Dependencies. In 2020, the Commission

issued questionnaires around PII access and spoke to a wide range of industry participants. This is a difficult topic where practical business needs have to be balanced against an appropriate level of policyholder protection. The Commission is now assessing the position.

Risk Outlook

The following are likely to need mitigation in 2021:-

- treating personal customers in financial distress because of Covid with due consideration;
- treating business customers with care as government support falls away; and
- clamping down on so-called high yield/low risk products.

Jeremy Quick
Director

Supervision

Most international Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) supervisors regard supervision to be fully effective only when it includes a credible onsite inspection programme to kick the tyres on the controls firms implement to prevent financial crime. The close attention paid to these onsite programmes by international assessment bodies such as the Financial Action Task Force tends to reinforce this view.

By the end of 2020, we knew the date for our next assessment by MONEYVAL against the Financial Action Task Force's (FATF) international standards. More of that later, but knowing that MONEYVAL will be examining the frequency, scope, findings and our risk mitigation programmes, it was a relief to find that despite the difficulties of adapting to lockdown, we had undertaken the following activities:-

- 40 onsite inspections;
- implemented an exit interview programme for Money Laundering Reporting Officers (MLROs) and Money Laundering Compliance Officers (MLCOs);
- published a thematic report on source of wealth and source of funds onsite inspections in the private wealth management sector;
- concluded the onsite element of the current thematic review on the role of the MLRO and reporting of suspicion; and
- engaged with the larger firms during lockdown to ensure their financial crime controls remained robust.

Quantity of supervision speaks for itself; assessors will draw their conclusions on quality; at the very least, there will be a considerable amount of material to show them.

We imposed risk mitigation programmes upon 11 firms during 2020 after identifying, during onsite inspections, significant concerns about their AML/CFT controls. We referred two of these firms, an investment manager and a fiduciary business, to the Enforcement Division for further investigation. Three firms were required to appoint expert third parties to review and assess AML/CFT deficiencies and the associated remediation plans. They also had conditions imposed on their licences where necessary. The number of referrals and third party reviews continues to remain relatively low compared to the total number of firms across the industry that are subject to AML/CFT supervision.

At the start of the year the Commission launched a six-month pilot scheme involving exit interviews for MLROs and MLCOs who left banks and fiduciaries – the Bailiwick's two highest risk sectors. This was extended in July for a further six-month trial and expanded to include the investment and legal sectors, which comprise the Bailiwick's next riskiest sectors.

We interviewed 31 individuals as part of this pilot in 2020. In most cases the information imparted during the interviews reinforced what we already knew about a firm. Nonetheless, on occasion, it resulted in bringing a firm forward in our onsite inspection schedule. We encountered no reticence from the individuals we wished to meet and in general, we gained the impression that most individuals welcomed the opportunity to speak to the regulator about their role, experience and the culture in a firm.

Overall, the initiative provided us with useful insights into these key roles, assisted our understanding of the challenges MLROs and MLCOs face and occasionally issues were raised that we were not fully aware of which assisted us in our supervision. The Commission decided at the start of 2021 to make the pilot scheme permanent and applicable to all sectors.

During lockdown, we joined up with the Investment, Fiduciary and Pension Division on its themed work on the resilience of larger firms during the lockdown. We were encouraged to find that that firms' monitoring controls and suspicious transactions reporting were not compromised during this time.

We published a report in July on a thematic review of source of wealth and source of fund practices in the Bailiwick's private wealth management sector, comprising of private banks, fiduciaries, investment managers and, because of their advisory role, the legal sector. We found good examples during our onsite inspections, but there were also some instances of poor practice, which led to us imposing RMPs on six of the 47 firms which had taken part. We understand that firms have found the report helpful.

Also in July, we commenced our examination of the role of the MLRO and the reporting of suspicious activities across the financial services and prescribed business sectors.

Policy

Guernsey's first comprehensive risk assessment of its money laundering and terrorist financing risks (the National Risk Assessment – NRA) was published by the States of Guernsey at the start of 2020 to which we had made a significant contribution in relation to assessing the risk within each of the financial services and prescribed business sectors. Fortuitously its publication occurred before lockdown.

It was very encouraging to find that there was considerable private sector interest in its findings with nearly 600 senior representatives from industry attending in person a series of presentations which we delivered jointly with representatives from the Policy and Resources Committee and the Financial Intelligence Service.

Its publication marked a key milestone towards preparing Guernsey for its next MONEYVAL evaluation whose onsite component is scheduled for the end of 2023/early 2024. The assessment, which will conclude at a MONEYVAL plenary in 2024, will be against the FATF's 2012 International Standards on Combatting Money Laundering and the Financing of Terrorism and Proliferation. Assessors will use an exacting methodology weighted towards assessing the effectiveness of a jurisdiction's Anti-Money Laundering and Countering of Terrorist Financing framework. It examines not only how effective the authorities are but also how effective the private sector is in applying measures to prevent money laundering and terrorist financing.

A key tenet of the FATF Recommendations is the application of a risk-based approach to combat money laundering and terrorist financing. It will be essential that we all can demonstrate we have a thorough understanding of these risks and mitigate them effectively if the Bailiwick is to do well. It was therefore very encouraging to see nearly 400 industry professionals at our sector specific workshops on the NRA in September at which we could discuss in more depth the risks in their sectors.

We will continue to run regular workshops providing feedback on supervision and highlighting important elements of firms' controls such as customer due diligence, beneficial ownership, managing high-risk relationships and reporting suspicion. We hope to see the majority of firms represented at these workshops as this will help industry prepare for 2023.

Further to the publication of the NRA, we proposed changes to the Handbook on Countering Financial Crime and Terrorist Financing to assist firms in identifying high-risk countries and jurisdictions for money laundering and terrorist financing purposes. These changes consisted of two new appendices, one listing countries or territories identified as high-risk by the FATF and the second listing countries and territories identified by reliable and credible authorities as high-risk. These authorities include the FATF, HM Treasury and the US Treasury. Alongside these sources we also identified whether there was relevant source information held by non-governmental organisations and think tanks, which may also assist firms in determining the level of country risk. I hope firms will find these appendices useful as these sources identify what particular risks are prevalent, such as drug trafficking or state sponsorship of terrorism.

These changes came into effect on 19 June and we issued a short video clip summarising the key changes.

In response to industry enquiries at the start of lockdown, in early April we issued an FAQ on how a firm's use of video calls, including software apps, to verify identity, could comply with the rules in the Handbook. We were encouraged to learn that this guidance assisted some firms in taking the decision to move away from paper-based verification to electronic processes for the identification and verification of individual persons, a move we hope more firms will consider.

Financial Crime *(continued)*

Risk Outlook

Covid presented the global criminal fraternity with a new guise to defraud individuals, business and governments or to subvert, through corruption, public funds intended to alleviate suffering during this health and economic crisis. As the world moves out of this crisis it is extremely important for the Bailiwick's financial services firms and prescribed businesses to remain vigilant over the provenance of the assets which they manage and administer or assist in that management and administration by providing professional services to ensure that they are not aiding fraudsters (including cyber-criminals), tax evaders or the corrupt.

Fiona Crocker
Director



Cases reported

2020 was a highly disruptive year for reasons which we all know and have lived with for twelve months now. The enforcement world was no different in that regard, however, we endeavoured to maintain momentum across a number of investigations. There were several completed cases across the various sectors which dealt with poor conduct and law breaking amongst a very small percentage of firms and individuals.

From a consumer perspective, one case stood out in 2020. An insurance intermediary was conducting Category 2 controlled investment business under the Protection of Investors Law, without an appropriate licence to do so. This meant that their professional indemnity insurance did not cover this business, which was to the detriment of those that had invested and lost considerable amounts of money. It was also discovered that a financial adviser who was a director of the firm, had exploited an elderly client, who happened to be their largest client, for their own financial gain. The financial adviser also sold shares in the firm to this client, with an indication that dividends would be paid, knowing the company was in poor financial health. In addition, the shares were sold at a grossly inflated price the financial adviser could not justify when compared to other shares that had been sold. There were also serious conflicts of interest surrounding this transaction which were not managed in a manner that the Commission would expect. The Commission will always seek to afford the general public protection against these types of operators. A final decision was handed down by one of the Commission's Senior Decision Makers.

In another contested case before a Senior Decision Maker, a local privately owned trust company, that held a client base of high-risk clients, some of whom were Politically Exposed Persons (PEPs), was found to have committed a wide range of serious breaches of the AML/CFT Handbook as well as Corporate Governance failings.

The firm's failings exposed the Bailiwick to the risk of financial crime. In two of the client files reviewed, there was a high possibility that structures administered by the firm may have been used for transactions involving the proceeds of crime, a matter which jeopardises the reputation of the Bailiwick as an International Finance Centre (IFC). This was particularly serious given the high proportion of clients of this firm who were classified as high risk including some with PEP status.

In another case that a Fund Administrator chose to settle, it was found necessary to appoint inspectors to look into a number of serious matters. The firm had previously been sanctioned by the Commission in 2016 and it was felt that this was a proportionate

way to proceed. The failings identified were widespread and included, inter alia, poor management of conflicts of interest, funds not being managed in accordance with the principal documents, not abiding at times with contractual and legal obligations and failure to obtain adequate client due diligence and enhanced due diligence in relation to the firm's book of business. To their credit, the directors accepted that matters had not been dealt with as they should have been and they co-operated fully throughout, but the failings were so systemic and serious in nature that sanctions were imposed for a second time on the firm and certain individuals.

A further case where a firm chose to settle involved a general insurer that provided medical health insurance cover to over 2,000 policyholders. It was found that due to corporate governance failings and lack of proper oversight of the business in the Bailiwick, there was a lack of capital and liquidity, which could have seriously put at risk the payment of claims to policyholders and therefore posed a reputational risk to the Bailiwick. Full co-operation was provided by all persons involved which was reflected in the sanctions imposed.

We embarked on split settlements with parties for the first time in 2020 i.e. where settlement was reached with some, but not all, of those who were the subject of an investigation. Those who chose not to settle preferred to have their case determined by a Senior Decision Maker. One split settlement involved a licensee although at the time of writing further details have yet to be released as matters are still ongoing in other areas of the case which will be fully reported on in due course and if appropriate to do so.

In total, across all concluded investigations last year, there were seven prohibition orders made for varying periods of time, dependant on the findings and severity of them. Further, there was also one Director Disqualification Order application brought before the Royal Court under the Companies (Guernsey) Law 2008, against a convicted money launderer. The Order was made for a period of twelve years and was brought in order to further protect the general public against those involved in the most serious of law breaking. In the judgment, the Deputy Bailiff stated that "the reputation of the Bailiwick is fundamental to the sustainability of the island's economy for the benefit of the population as a whole."

We will continue to bring these applications before the courts where there have been criminal convictions for serious economic crime and where we determine that wider protection of the public is required.

Enforcement *(continued)*

General process

At the beginning of 2020, we had thirteen active cases and at the end of the year this reduced by one to twelve. However, during a disruptive year six cases have been brought to a conclusion, with sanctions being brought in five cases and one case being referred back to the supervisory division.

Due to the necessary Covid restrictions, it remains a challenge to hold face-to-face meetings and interviews with key people who are off-island. This is something with which every enforcement agency worldwide is having to contend, however, we have completed six cases, partially completed two others with split settlements, with a further two now before a Senior Decision Maker. One further case has been with a Senior Decision Maker for more than three years.

During 2020, and as a result of previous enforcement activity, two connected parties unsuccessfully attempted to judicially review the decisions and actions taken by the Commission. After an initial hearing before the Royal Court, which found in favour of the Commission, the matter was resolved with one of the parties out of court.

A further case was brought before the courts where an individual, who had been sanctioned by the Commission, sought to claim damages of over £7 million against the Commission. The entirety of the claim was groundless and was struck out by the Royal Court. Both this ruling, and the subsequent appeal by the party to the full bench of the Guernsey Court of Appeal, provided some very helpful guidance on the Commission's enforcement process with a key finding being that it is fully compliant with the requirements of the Human Rights legislation.

The Enforcement Division also went through an internal audit last year, conducted by an international enforcement specialist. The report highlighted the Commission's enforcement process as being both very fair but also far lengthier than in other jurisdictions. This can be attributed to the fact that we allow several stages of representations to be made by parties before a matter is finalised. This provides extensive opportunities to those under scrutiny to produce all the relevant information necessary to enable the Commission to make an informed decision based upon the facts. The one key message I would give to those that find themselves being referred to enforcement, is to use the representation opportunities wisely and focus on addressing the issues at hand instead of creating a plethora of process-driven arguments that merely serve to prolong cases without changing

the outcome. The Commission has successfully defended its process time and again before the courts. On occasion, we have seen that after several months of what can only be described as 'gamesmanship', sensible discussions then often take place as those under investigation come to accept that they cannot simply deny the history of wrongdoing which we have exposed.

From an operational point of view, across all investigations there were 32 statutory notices served on individuals and licensees under the various regulatory laws. Of these, 11 were for the provision of information and the remainder related to interview requests. These Notices always provide the Enforcement Division with a large volume of material to work through, enabling us to reach an informed decision of what, if anything, has gone wrong, and then to seek to question why. This resulted in 22 interviews being conducted during the year, which was almost double that of 2019. In most cases, interviews are helpful in providing explanations relating to the material that has been gathered, which can sometimes be subject to different perspectives.

On the International stage, I continued in 2020 to represent the Commission on Committee 4 for the International Organisation of Securities Commissions (IOSCO), albeit attending meetings remotely. During this period, the Commission has acted as penholder for two jurisdictions with their application to become signatories to the Enhanced Multilateral Memorandum of Understanding and these will continue into 2021. Regulators around the world need to ensure financial markets are safe for investors and are working to improve their technological systems and tools to detect market misconduct better.

During 2019 and 2020, I was also part of an assessment team from the Group of International Finance Centre Supervisors (GIFCS) involved in an assessment of another jurisdiction against the GIFCS standards. This was completed in the spring of 2020. The Deputy Director of Enforcement is currently part of an assessment team of another IFC with the results to be concluded in 2021. Although these evaluations are intensive and involve considerable work for the assessors, they offer valuable insights for those taking part, and can in turn potentially drive improvements in our own jurisdiction.

Simon Gaudion
Director

SENIOR DECISION MAKERS

This is my sixth report as the President of the Panel of Senior Decision Makers which was established by the Commission in 2014. The Panel of available decision makers has remained during this year as it was in 2019, except for the welcome addition to the Panel, in October 2020, of Judge Russell Finch, who had retired as a Judge of the Royal Court earlier in the year.

At the year-end, the strength of the Panel accordingly was as follows:-

- Glen Davis QC (England and Wales)
- Judge Russell Finch (Guernsey)
- Catherine Gibaud QC (England and Wales)
- Kirsty Hood QC (Scotland)
- Ben Hubble QC (England and Wales)
- Richard Jones QC (England and Wales)
- Terence Mowschenson QC (England and Wales)
- Leigh-Ann Mulcahy QC (England and Wales and the Republic of Ireland), and
- Alison Potter (England and Wales).

During the year, five cases were before a Senior Decision Maker. Four of the cases were before the four new members of the panel (those appointed in 2018), and the fifth case was the very long case mentioned in my Report for 2019, which was still running at the end of 2020. All four of the 2018 intake of new Senior Decision Makers have now had a case, with two of the cases still in progress at the year-end.

Two decisions were arrived at by a Senior Decision Maker and made public in the course of the year. The first gave rise to three public documents on the Commission's website dated 4 May 2020. These were a Public Statement and two Prohibition Orders relating to two individuals involved in the case. A company licensed to act as an adviser and promoter in relation to collective investment schemes and as an insurance intermediary was found to have carried on activities outside the scope of that licence (advice and promotion of structured bonds with a derivative element) and to have done so in breach of certain conduct of business requirements, including by giving unsuitable advice.

The second also gave rise to three documents on the Commission's website, on 11 and 31 December 2020. These were two Prohibition Orders followed by a Public Statement. A company licensed as a fiduciary, with a business relating to company administration for the benefit of high net worth individuals (including politically exposed persons), was found to have committed compliance failings over a number of years particularly in the context of requirements to combat money laundering.

The Coronavirus pandemic impinged on the arrangements for decision making by Senior Decision Makers in that the question arose whether the "lockdown" in the UK, and the equivalent emergency restrictions in the Bailiwick, would make it impossible for them to continue with oral hearings during the pandemic. Fortunately, however, the Civil Contingencies Authority in the Bailiwick made some emergency provisions so as to enable remote sittings to take place. Under Regulation 19 of The Emergency Powers (Coronavirus) (General Provision) (Bailiwick of Guernsey) (No. 6) Regulations, 2020 (Guernsey Statutory Instrument 2020 No 84) a Senior Decision Maker was, with effect from 4 September 2020, enabled to undertake some or all of the work referred to in that regulation outside the Bailiwick, including the "holding of oral hearings". This provision has been relied on since September in four cases.

Another impact of the pandemic was the cancellation of the training day for the Senior Decision Makers that had been organised for the autumn of 2020.

Finally, I should mention that my own term of service as President of the Panel was extended to the end of 2020 and that I am succeeded following my retirement, with effect from 1 January 2021, by Leigh-Ann Mulcahy QC, who has served as a Member of the Panel since its inception. I offer her my warm congratulations on taking on this function and I wish her well in carrying it forward.

Michael Blair QC
President of the Panel of Senior Decision Makers

Risk

As for all organisations, 2020 brought a unique set of challenges to the Commission. Whilst initially, the Risk team operated as a strong 'second line of defence' for the Commission, providing challenge and assurance with respect to the supervisory visits carried out at the start of the year, with the move into lockdown and suspension of onsite visits, we had to quickly adjust and adapt.

For the six months from March to September, the consequences of Covid saw a repurposing of the Risk team into a support function for the supervisory divisions in terms of data capture, identification and analysis. A direct result of the uncertainties from going into lockdown for the first time was an increase in the environmental risk for all sectors and firms within financial services within the Bailiwick. Our main aim during this period was to understand what, if any, impact the pandemic and resultant lockdown would have on the risk profile of the Bailiwick's firms.

With the Commission's staff working from home during lockdown, the Commission's supervisory approach had to change to accommodate remote supervision together with assessing the specific, and sometimes unpredictable, impacts of the pandemic. The Risk team supported the supervisory divisions with this new approach, particularly with the appropriate recording of information in PRISM in a format that could be subsequently analysed in order to ascertain the various impacts of Covid. In addition, the Risk team was able to assist supervisors with data extraction and analysis so that they had access to data which was often different from that required for "normal" supervision. It also enabled supervisors to respond to specific Covid issues quickly and predict other similar possible impacts within industry. This led to guidance being issued to firms about the potential issues associated with working from home and the risks and impacts to consider if a firm decided to move permanently to a home working model.

From the work undertaken by the supervisory divisions and analysis of the data being provided to the Commission, we were reassured that financial services firms within the Bailiwick appeared not to have been significantly impacted by the lockdown. Due to the speedy and widespread actions taken by central banks and governments worldwide, we did not see a financial crisis materialise on top of the public health one being experienced. Nevertheless, there remains the risk of a longer-term impact on financial services firms as we experience further global and local disruptions. We will continue to monitor, record and analyse risks within our firms to watch for longer-term impacts of this pandemic.

Thankfully, we were able to resume our normal supervisory visits from September 2020. However, in light of the experience gained during lockdown, we have reviewed our PRISM system and re-engineered it. Our experience throughout the lockdown taught us that looking at key prudential matters such as credit risk, insurance risk and capital and liquidity at similar firms at the same time is likely to give us better quality insights rather than looking at firms individually in isolation.

From January 2021, our supervisory approach will be changing and this will be apparent to firms in a number of ways. There will be less frequent face-to-face conversations with larger firms that have what are considered to be more straightforward business models. Full Risk Assessments for all relevant firms will be less frequent and will be more narrowly focused on governance, business model/strategy, operational and conduct risks. There will be more focused thematic on key prudential risks and conduct matters. These changes will be supported by an upgrade to our PRISM system, which has been scoped, developed, tested and implemented in a very short timeframe and working almost entirely virtually with our third party developers.

Finally, we will be gathering an increased amount of financial crime data with further enhancements to the financial crime returns due in 2021. This data, and the significant investment we made in updating PRISM for financial crime supervision in 2019, will allow us to undertake high impact financial crime inspections in advance of a future MONEYVAL visit.

Despite the impact of Covid on our planned supervisory activities, we carried out 16 Firm Risk Assessment visits and over 160 further engagements with firms. Following these, the Risk team continued to act as an internal voice of challenge to our supervisors by providing an independent view on the Risk Mitigation Programmes (RMP) set. There were 90 RMP issues assigned to firms during the year, with 290 associated actions with the Risk team providing a quality assurance role to ensure that those actions were consistent, proportionate and risk focused. These actions are created where the weakness identified at a firm for a specific issue results in an increased probability of the risk crystallising. It is reassuring to note that during 2020, a further 105 RMP issues, comprising 354 actions, were closed by the Commission following confirmation that the actions had been completed.

Risk and Financial Stability *(continued)*

We continued to set RMP actions to mitigate a wide range of risk types with a significant number targeted, as in previous years, at governance, operational, financial crime and conduct risks and while some of these may be discrete in nature, there is often an interdependency between them. There were only a small number of RMP issues and associated actions with a link to risks associated specifically to Covid and we were reassured to see that the majority of these issues were rectified in 2020. It remains important for directors to ensure they are satisfied that their firm's systems and controls in each of these risk areas are sufficiently robust to mitigate the level of risk that they face, especially if the firm operates a high-risk or innovative business model, having regard to the ongoing pandemic.

Throughout 2020, we continued to receive and review a range of additional information on the firms we supervise. This information is received from a number of sources such as online returns, firm notifications, social media and our whistleblowing hotline. From these different sources, we dealt with 8,082 alerts and raised over 2,100 triages to record the actions the Commission has or, where appropriate, has not taken. These alerts and triages cover a wide range of events from breaches of legislation or rules to reporting errors or the need to follow up an RMP action that had been set.

We continue to consider the best methods to process and analyse the information that we receive by using SupTech to augment our supervisory approach. As part of this, we have written and put into production two tools that utilise statistical machine learning to perform an analysis of large data sets and documentation, with the aim of gaining a deeper insight and highlighting initial risk indicators for supervisors. This will allow our supervisory colleagues to focus on applying their knowledge and judgement in a more targeted manner. Our intention is to continue with such developments throughout 2021.

Moving into 2021, the Risk team will remain as a mainly internal facing function of the Commission, although we continue to participate in industry events and contribute to a number of global external bodies on Regtech and Suptech as appropriate. We will continue to be responsible for ensuring that PRISM remains effective in mitigating the risks of the firms authorised by the Commission through the operation of Risk Governance Panels, the provision of regular management information and specific assurance reviews on our supervisory approach. This will be particularly important considering the significant changes to the supervisory model which have been implemented.

Financial Stability

At the time of writing our 2019 annual report, we were just heading into the start of the first pandemic in over 100 years and noted that it remained to be seen how severe the economic consequences of Covid would be. Whilst we now know more about the initial impact of the pandemic, there remains a continuing question over the longer-term, both globally and within the Bailiwick.

As an international finance centre, the Bailiwick is heavily influenced by the global economy. Whether financial services across the globe withstood the pandemic in 2020 as a result of the prudential and capital measures introduced after the 2008 global recession or because of the speedy, widespread and unprecedented policy support measures put in place by central banks and governments worldwide, remains a question to which the answer may never really be known. However, one thing is true, whereas the uncertainty from novel (and opaque) investment vehicles was transmitted to the real economy through credit supply decreases in 2008, in 2020 the financial sector played a crucial role

in absorbing the financial shocks which came with the pandemic. Supported by government actions, banks and insurance providers offered payment holidays, institutional investors bought into distressed but financially sound businesses and prevented a free fall in asset prices, payment systems remained stable despite large swings in cash demand and quantitative easing kept bond prices high.

Due to all of these actions, there was no immediate global financial crisis at the same time as a public health one. There remain, however, significant concerns over the longer-term health of the financial system once the accommodating monetary policy and government support, in place for most of 2020 (and perhaps 2021), are unwound. As noted by the International Monetary Fund (IMF), in its October 2020 Global Financial Stability Report, there remains a disconnect between rising market valuations, the evolution of the economy and future growth forecasts.

The Bank of England (BoE) reduced the bank rate to 0.1% in March 2020, an historic low, and at the time intimated it might reduce the bank rate further to a negative position, posing some operational questions to the banking sector. The fact that the BoE went as far as this along with a public debt level (according to the ONS) of 101% GDP in October 2020 and an inflation rate of 0.3% – significantly out of line with its stated target – emphasises the unprecedented level of fiscal support and highly accommodating monetary policy in place in the UK.

In its December 2020 review, the BoE also stated that it saw little immediate threat to financial stability either from the pandemic or Brexit but whether this is overly optimistic in light of the above situation or an accurate portrayal of the current position remains to be seen. The global economy is expected to grow by 5.2% in 2021, up from the 4.4% contraction in 2020, according to the IMF's World Economic Outlook. However, there is significant downside risk emanating from potential renewed Covid variant outbreaks, spill-overs from weaker demand and drastic corrections in financial markets. Balanced against these is the increasing speed of the vaccination rollout within the UK and worldwide (with some notable exceptions) along with the apparent success of the various vaccines in reducing the likelihood of hospital admission for a high percentage of individuals.

With respect to the impact on the Bailiwick, whilst it has also been severe we started from a better position than that of the UK.¹ In addition, due to swift and consistent action from the States of Guernsey and its public health officials in 2020, we experienced a much shorter lockdown than elsewhere of approximately three months. The States of Guernsey predict a fall in GDP of 8% in 2020 and whilst there has been an increase in unemployment during 2020, this still only reflects 1.7% of the working population. A large proportion of the local workforce, particularly within the financial services sector, was able to work successfully from home and also spent their holiday time within the Bailiwick due to travel restrictions which benefited other areas of the Bailiwick's economy. For 2021, the States is forecasting a fiscal deficit of £23m with a forecast of 5% GDP growth, though this was before the second lockdown at the end of January 2021.

With respect to the impact on financial services within the Bailiwick, during 2020 the Commission asked for a range of additional data on capital and liquidity from some of the largest financial services organisations. An analysis of this information, alongside the regular reporting that we received, indicated that whilst there was a dip in income and liquidity at the initial point of lockdown, there was minimal impact on the end of year positions

versus previous years. In addition, the Commission continued to see a healthy flow of applications throughout 2020 resulting in a total number of applications just below the 2019 level.

Therefore, whilst the financial services sectors in the Bailiwick and the wider economy will inevitably face a number of challenges over 2021, at the end of 2020 they have appeared to have coped fairly successfully with the initial impacts of the pandemic.

Katherine Jane
Director

¹ In June 2020, S&P estimated government debt to GDP at 16% (including the new debt raised in 2020).



THE COMMISSION'S THREE-YEAR BUSINESS PLAN

In the Commission's 2018 Annual Report, we reported on the creation of our three-year business plan and provided an update on its progress in 2019. We are now coming to the end of the initial three-year period and a number of the projects have been successfully completed, despite the challenges posed due to Covid and the associated lockdown.

Policy

A significant achievement in December 2020 was the approval by the Privy Council of our updated sector-based regulatory laws (the revision of laws project); the updating of these laws was necessary in order to meet international standards. We are consulting on the final two amendment Ordinances "The Insurance Business Law" and "The Insurance Managers and Insurance Intermediaries Law".

Following Guernsey's General Election in October 2020, we worked closely with the new States of Guernsey on a Policy Letter to create a Bank Resolution Authority which is again designed to bring the Bailiwick's laws into compliance, in a proportionate manner, with international standards on how banks in crisis should be resolved. Also, at the start of 2021, the States approved a Policy Letter which we had worked on with them, to introduce Credit and Finance legislation that will cover not only consumer credit firms, but will also enable us to create an appropriate and proportionate regulatory framework to encourage new FinTech businesses to establish themselves in the island. These types of firms can sometimes struggle to fit into the existing, sectorally-based legal architecture.

After consultation during 2019, the Fiduciary Handbook and revised Pension rules were implemented on 31 December 2020. Discussion papers were also issued on a number of policy areas that will be affected by the Revision of Laws Project, such as Ancillary Vehicles and primary and secondary fiduciary licensees and also on potential changes to the Protection of Investors regulatory framework to ensure that it remains fit for purpose. The latter discussion paper was followed up with specific consultations on our Non-Guernsey schemes and our Private Investment Funds.

Other material policy developments were made in our insurance sector with a consultation paper on introducing a green investment discount for life insurers' capital requirements. This follows on from previous work undertaken on the Guernsey Green Fund and further establishes our position as an international jurisdiction with proper green credentials.

Work was also undertaken to develop the information we collect as part of our annual financial crime return. Whilst the full update to the data collection was postponed having regard to the impact of Covid on licensees, the return was instead partially expanded in 2020. The remaining information will now be collected from licensees in 2021 on an ongoing basis. This year also saw the formation of an internal project to ensure the Commission is fully prepared for the next MONEYVAL Regional Financial Action Task Force inspection. In its initial stages, this project will be considering all relevant policy areas and ensuring that we are up to date, and in line, with all relevant AML/CFT international policies.

In 2021, there will be further policy work to ensure that all relevant rules, regulations and guidance are updated to take account of the revision of the laws for each sector. This will also impact our processes and procedures especially in the area of authorisations and our Online Portal. We understand that the States will consider enacting a Commencement Ordinance for the entire suite of revised regulatory laws sometime in the autumn once we have completed and consulted on the revised rules which need to be carefully crafted to fit beneath the new laws.

Technology

The investment in technology previously highlighted in our 2018 and 2019 reports continued in 2020 with an overall investment of approximately £1m in IT software and assets over the course of the year.

Over the last two years, a major project has seen the Commission working towards replacing the technology platform upon which all of our regulatory returns rest, developing a more resilient and adaptable software solution. During 2020, 47 forms were transferred onto the new platform along with our Online Personal Questionnaire Portal with little or no impact to licensees and bringing a number of benefits including a 'Single Sign On' to both portals. With only seven forms and our Online Submissions Portal remaining to be transferred, the project is on target and will ensure the removal of unsupported software from the Commission's systems.

Another project involved improving and updating our data storage, management and retrieval systems once again, building a more resilient structure for information management. Although progress was hampered in this area due to the pandemic, we still completed a data taxonomy and developed the new technology structure. In 2021, the emphasis will shift to system and user

The Commission's Three-Year Business Plan *(continued)*

acceptance testing before implementing the new storage system. During 2020, we also successfully completed a further project that was focused on materially updating our back office systems and processes; this project had commenced in 2019 and saw our new HR system go live on 1 January 2020. This was followed later in 2020 by the changeover to a new, simplified accounting system including a new General Ledger allowing the distribution of our annual invoices electronically, for the first time ever. It also facilitated the deployment of a system-based invoice and expenses approval process within the Commission. Many of these changes required a cultural change from manual, labour intensive checks to an online electronic system.

Finally, we continued to work on our Augmented Intelligence projects in partnership with RegulAltion, a tech venture led by two professors from University College London's Financial Computing Centre. Progress was slower than we had originally anticipated due to the impact of Covid and the difficulty of having remotely-based interactive, intensive and complex conversations about AI technology and models, alongside the disruption to the universities and other educational processes. Whilst we continue to develop a tool to analyse external auditors' reports and management letters, we made greater strides on two other machine learning tools. The first tool, which has been christened "COMET", allows, through machine learning, the identification of higher risk funds based on a wide range of information already held by the Commission and takes into account key supervisory judgements. The second tool, known as "COMPASS", enables the trends analysis of data within our banking returns with respect to concentration risk and the short-term prediction of future trends and movements. Both tools have been developed, piloted and tested in-house at the Commission and in 2021 we will look to consider how they could be expanded to include further data and sectors within their analysis. The aim here is not for these tools to replace our supervisors' judgements but rather to carry out the first level, data-heavy analysis to enable our supervisors to focus their time and supervisory judgement more productively on the key risk areas. These new tools, combined with the changes made to our supervisory model discussed elsewhere in this annual report, should continue to ensure that we spend our time focusing on high-risk firms and protecting consumers and investors.

Funding and Next Steps

Our three-year business plan represented a significant investment of Commission funds into improving our systems and processes with approximately £3m invested by the end of 2020, two thirds of which represents the development of specific software assets. The aim of this investment is to ensure that the Commission remains in a robust and stable position with regard to its technology and processes, whilst at the same time being well placed to be able to take advantage of future developments.

With the three-year period due to close at the end of March 2021, the Commission will shortly be determining which projects can form part of our next three-year business plan given the financial and resource constraints we are experiencing as those staff hired on short-term contracts to support the initial three-year business plan prepare to leave the Commission. With the forthcoming MONEYVAL Regional Financial Action Task Force inspection due in the next few years, preparations for this are likely to form a key part of the next plan along with further policy and technology work to the extent it is possible to fund this.

Katherine Jane
Director



Supervision

Despite Covid, or possibly because of it, climate change has continued to feature high on the world's agenda in 2020. The United States decided to re-align itself with the Paris Accord (and formally did so in January 2021) whilst large industrial nations such as China and Japan committed themselves during 2020 to target dates for becoming carbon neutral. Many other governments continued to press forward with a green agenda. More and more businesses recognised climate change as an issue relevant to them.

In terms of financial regulation, the "Network for Greening the Financial System" and the "Sustainable Insurance Forum" (both of which include the Commission in their membership) continue to study, research and advise on climate change. Increasingly, climate change is becoming part of routine business for regulatory standard setters such as the Basel Committee and the International Association of Insurance Supervisors.

Nevertheless, there is still a long way to go. Many senior business leaders have limited understanding of climate change, expertise

outside specialist units is limited within both the public and private sectors, business plans rarely incorporate a thorough analysis of climate change and disclosure is often partial. Greenwashing is an ongoing concern. Financial regulators themselves are grappling with questions such as "should there be a different capital treatment for green/brown assets", "what form should disclosure take", "should climate change have a wider scope", and so on.

The Commission continued to build on the foundations which we started to lay in 2018. It engaged both internationally and domestically, not least with Guernsey Green Finance. It continued to push forward its internal agenda including its purchase of land for afforestation in Scotland as a method to eventually offset the Commission's carbon footprint. In terms of supervision, the Commission began an assurance thematic on green funds. It is considering adding further green taxonomies to its Guernsey Green Fund rules as additional credible taxonomies, further to the one we have already adopted, are finalised.¹

Policy

Principally in 2020, the Commission issued rules to allow a life insurer to apply a discount to rated green funds. This is subject to guardrails to protect policyholders. We believe we are the first

insurance supervisor to adopt such an approach and hope this will encourage others to think about reducing regulatory barriers to investments designed to reduce global warming.

Risk Outlook

Licensees need to consider climate change as part of their approach regarding:-

- long-term strategy;
- immediate threats and opportunities;

- non-financial disclosures; and
- their customers.

Jeremy Quick
Director

¹ The one we currently use was created by the multinational development banks.

Human Resources

The Commission employed 114 permanent staff as at 31 December 2020.

Our staff turnover increased slightly compared to 2019. We recognise that we are often unable to compete with industry in terms of remuneration but we offer an innovative employment package which includes options such as a 'nine-day fortnight' which allows us to attract and retain staff. After a successful trial during lockdown we launched a permanent virtual doctor service to ensure staff who are self-isolating have access to GP virtual consultations when needed. We also amended our pension benefit options and in addition to offering a range of investment strategies (from Defensive to Equity), we now offer pension scheme members the choice of a Green Equity investment option. This appeals to scheme members who would prefer their investments to more closely align with their own interests in sustainability and environmental impact. Following the lockdown period and in addition to our current flexible working policies, we started trialling a new working from home policy where staff can work from home up to two days per month for pre-agreed work such as policy drafting and this has been well received.

We employed six new Graduates on our Graduate Development Programme in 2020 and they commenced studying towards the Investment Management Certificate (IMC) or Chartered Financial Analyst (CFA) Level I qualifications during their first divisional rotations.

Despite lockdown and travel restrictions, we successfully delivered our core foundation training programme to over 10 new supervisors. This included training such as minute taking, interview skills and business model analysis. We also ran 90 internal training courses including reading for meaning and understanding, the impact of Covid on business models, cyber security awareness training and Microsoft training. Internal training was delivered both in person and remotely. Our series of lunch hour talks continued in 2020 and our staff attended talks by internal and external speakers on a range of topics including FATF/MONEYVAL Mutual Evaluations, the importance of digital literacy, drafting skills and an update from the Channel Island Financial Ombudsman.

Staff attended over 200 external training events in 2020 including courses on Islamic Finance, financial planning, green and sustainable finance, project management and financial analysis and reporting. In addition, 31 staff commenced a professional qualification including CFA Levels I and II, BCS Foundation Certificate in Information Security Management Principles, International Compliance Association (ICA) International Diploma in Anti-Money Laundering, Investment Management Certificate and the Chartered Institute for Securities and Investment (CISI's) Introduction to Securities and Investment.

We continue to support our staff and their wellbeing through our internal mentoring scheme, Commission Chaplain, employee assistance programme, training mental health first aiders, arranging flu vaccinations, running internal talks on wellness and organising social events to ensure staff stay connected, both virtually during lockdown, and in-person when restrictions lifted.

We launched our new HR system in January 2020 which has greatly improved our payroll, training and reporting processes as well as reducing manual input and administration requirements. An external audit was also completed on the topic of data protection for HR data which provided assurance that we continue to have appropriate and robust data protection policies and procedures in place.

Annabel Hitchon
Deputy Director



Financial Information

Throughout this Annual Report, there are numerous references to how Covid and the global pandemic has impacted the individual areas of the Commission and this is also true for our Finance team. I am extremely proud of how quickly the team reacted, developing and then moving seamlessly, to new electronic processes following our quick switch to home working. The key outcome of this was that the Commission's finance function was able to continue operating smoothly and successfully during the full year.

Due to an ongoing and significant investment in upgrading our IT systems as part of our three-year business plan, the Commission made a small loss of £124,617 for the year. This investment in our infrastructure was further reflected in the £1.3mn reduction in our cash balance during the year. But for unusually large fine income – at least triple the long run average – our cash burn could have been as high as c. £1.8mn, clearly an unsustainable position. It was comforting to see only a small reduction in fees receivable (2.34%) despite the challenges of the year. In line with 2019, we saw significant expenditure on legal and professional fees (£1,297,830) reflecting a number of long running enforcement cases, though these fees were offset to some degree in 2020 with £706,562 of financial penalties collected (of £755,750 imposed in 2020). This compares to £131,274 collected in 2019 (of £155,000 imposed) reflecting the unpredictable nature of enforcement cases. There was a material reduction in other operating expenses in 2020 reflecting reduced training and travel costs and significant control of all expenses in light of the uncertainty during the year.

A key project within our three-year business plan has been the updating of our back office systems and technology, many of which relate to finance. Under this project, one of the aims was

to move away from a manual, paper-based process to a system-based electronic invoice and expenses approval process. The timing of a move to an electronic process was, to a large extent, taken out of our hands due to the pandemic, however this also ensured that the cultural change required for any move away from a paper-based system occurred almost unnoticed.

Despite Covid during 2020, the Commission's Finance team, with the support of a small project team, implemented a new General Ledger system. This has facilitated the electronic distribution of our annual fees invoices for the first time ever. Whilst this has seen minor teething issues for some firms, i.e. confirmation of email addresses or central email addresses set up without the permission to receive external mail, overall, the project was successfully implemented. Not only does it enable the Commission to see who has received and opened their invoice but it also facilitates a much easier and cost effective distribution of any invoices between administrators and funds.

This move has also enabled the Commission to introduce the use of an electronic invoice and expenses system thereby materially reducing the use of manual controls within our internal approvals process and at the same time strengthening our controls overall. Additional benefits from this system also include the ease with which we are now able to switch to a fully online process and home working alongside a reduction in administration for all staff across the Commission.

Katherine Jane
Director

Information Technology and Support Services

At the end of 2019, the Commission's IT team was planning for a busy and challenging 2020 with two major IT projects to deliver, the departure of some longstanding team members and planned upgrades to our server and switch infrastructure. However, it was not very long before the disturbing news coming out of China started shifting our priorities.

Covid

For the first time ever, in anger, the Commission activated its disaster recovery site so that by 16 March we had enabled dual site working. This ensured that if we had an outbreak of Covid in either location, the Commission would be able to maintain key operations including supervision and authorisations. The IT Infrastructure and Helpdesk teams were instrumental in setting up and supporting both sites but it meant that they also had to be split in order to ensure we had ongoing IT support at all times.

In addition, for the last few years, the Commission has been operating a gradual process of moving our staff from desktop to laptop computers, to allow for flexibility in working practices and for disaster recovery purposes. At the beginning of 2020, we had approximately two thirds of all staff on laptops and our Infrastructure and Helpdesk teams moved rapidly in the early weeks of the year to procure and prepare additional laptops so that by the time that the Commission took the decision to move to home working on 24 March, all staff members had the necessary equipment to enable them to work effectively.

Throughout the next three months, before all Commission staff returned to the office during the week commencing 22 June, the IT infrastructure and Helpdesk teams did an outstanding job of ensuring the stability and reliability of our Virtual Private Network and other systems. This included implementing new business communication software to facilitate direct messaging, chatrooms, video conferencing and Commission-wide Town Halls. It also involved identifying unique solutions to challenges faced by our Finance and Enforcement teams due to the specialist software they use.

All of this meant that at no point during the lockdown was the Commission unable to function effectively and carry out its vital role of ensuring the financial stability of the Bailiwick. This couldn't have been achieved without the dedication and hard work of our IT Infrastructure and Helpdesk teams and I want to take this opportunity to recognise and thank them publically for this.

Projects

As noted earlier, 2020 was also a year of delivery for two major IT projects, both equally vital but posing different challenges. The first project involved updating the software and structure behind our online portals. In 2019, we had designed, piloted and implemented a new modular structure for our portal in response to our previous software becoming unsupported; by the end of 2020, we had successfully transferred 47 forms onto the new platform. This was achieved with a number of improvements for end users, such as Single Sign On to both our Online Personal Questionnaire Portal and Online Submissions Portal. This represented a significant effort by our IT Development team who were supported by a trusted third party firm. At the start of 2021, there were only seven forms as well as our Online Submissions Portal, waiting to be transferred onto the new structure, with the project on target to be completed in 2021.

The second project was required to deliver significant improvements in our document management processes and retrieval of data. Despite the challenge of lockdown, working from home, and the project requiring collaborative, cross-Commission discussions, the IT infrastructure has been built and a finalised taxonomy agreed.

With system and user acceptance testing due to take place in the first part of 2021, this project is also on target to be completed in the first half of 2021. The new system will provide a solid and robust basis for our document and data management, which will allow us in the future to use more sophisticated tools to facilitate the effective storage, retrieval and analysis of information.

Much like any other business, we have also maintained our vigilance in an increasing risk environment of cyber-attacks, investing further in preventative controls and detection systems, alongside ongoing staff training and phishing tests. We recognise that none of this provides certainty of protection so during the year we also looked at how we might recover from a significant IT issue and tested specific parts of our disaster recovery plan.

We were also conscious that during the year we had been using our IT infrastructure in a completely different manner. When we originally designed the structure for accessing our systems outside of the office, the assumption was that this would only be used by a small number of staff for short periods of time. Due to the lockdown during 2020, we had up to 95% of our staff utilising the system at any point in time. Therefore, in line with good practice we arranged for external reviews to ensure that our systems were as robust and secure as possible.

We also have a number of external systems that are used by our licensees either to submit regulatory information to the Commission (Online Submissions Portal) or to create and update their Personal Questionnaires (Online PQ Portal) and record new appointments. Both of these systems are heavily used with peak periods during the year when deadlines fall due. During 2020, excluding planned maintenance, our Online PQ Portal was available 99.99% of the time and our Online Submission Portal was available for 99.96%. As any planned maintenance is carried out over weekend periods, this demonstrates the level of accessibility of our systems during the year.

2021

Unfortunately, the start of 2021 brought the news that no one in Guernsey wanted to hear but many of us expected, with a further period of lockdown and working from home. The Commission's IT team reacted at no notice to ensure that our IT worked well on the morning of the first working day of the 2021 lockdown. The team continues to support Commission staff, systems and processes. In addition, they will be completing a number of major IT projects before the end of our first three-year business plan.

**Katherine Jane
Director**

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the financial statements of the Guernsey Financial Services Commission (the "Commission") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102: 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

In our opinion, the financial statements:

- give a true and fair view of the state of the Commission's affairs as at 31 December 2020 and of its loss for the year then ended;
- are in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102: 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"); and
- comply with the requirements of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Commissioners are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Commissioners for the financial statements

The Commissioners are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioners are responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Commissioners either intend to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report *(continued)*

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Use of our report

This report is made solely to the Commissioners. Our audit work has been undertaken so that we might state to the Commissioners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commission and the Commissioners as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited
Chartered Accountants
St Peter Port
Guernsey

6 May 2021



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020	2019
		£	£
Income			
Fees receivable		13,359,573	13,705,851
Financial penalties imposed	14	755,750	155,000
Bad debts recovered	14	3,607	32,899
Interest receivable and similar income		49,933	130,478
Net change in investments measured at fair value through profit or loss	11	152,050	225,085
		14,320,913	14,249,313
Expenses			
Salaries, pension costs, staff recruitment and training		(9,708,425)	(9,628,609)
Commissioners' fees		(268,917)	(286,700)
Legal and professional fees		(1,297,830)	(1,146,107)
Premises and equipment, including depreciation and dilapidations		(2,093,114)	(1,820,116)
Other operating expenses		(1,018,693)	(1,429,889)
Bad debt provision expense	14	(49,051)	(42,857)
Auditor's remuneration		(9,500)	(8,500)
		(14,445,530)	(14,362,778)
Total comprehensive loss for the year		(124,617)	(113,465)

The notes on pages 44 to 52 form an integral part of these financial statements.

STATEMENT OF RESERVES

For the year ended 31 December 2020

Note	2020	2019
	£	£
Opening reserves	13,512,780	13,626,245
Total comprehensive loss for the year	(124,617)	(113,465)
Balance at 31 December	13,388,163	13,512,780

The notes on pages 44 to 52 form an integral part of these financial statements.



BALANCE SHEET

As at 31 December 2020

	Note	2020	2019
		£	£
Fixed assets			
Tangible assets	4	3,664,627	3,310,480
Non-current assets			
Land Investment	13	110,440	-
Current assets			
Debtors and prepayments	5	712,653	773,819
Short-term deposits	10	7,265,518	7,000,002
Investments	11	3,576,002	3,423,952
Cash at bank and in hand	10	574,459	1,872,402
		12,128,632	13,070,175
Current liabilities			
Creditors – amounts falling due within one year	6	(2,173,004)	(2,553,819)
Net current assets			
		9,955,628	10,516,356
Non-current liabilities			
Provisions for liabilities	15	(342,532)	(314,056)
Net assets			
		13,388,163	13,512,780
Total reserves			
		13,388,163	13,512,780

The Financial Statements on pages 10 to 52 have been approved by the Commissioners and signed on their behalf on 6 May 2021 by:-

C Schrauwers
Chairman

S Howitt
Vice-Chairman

W Mason
Director General

The notes on pages 44 to 52 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020	2019
		£	£
Cash flows from operating activities			
(Loss) for the financial year		(124,617)	(113,465)
Adjustments for:			
Depreciation of tangible fixed assets	4	981,786	818,850
Loss on disposal of tangible fixed assets	4	78,188	17,341
Interest receivable		(49,933)	(130,478)
Unrealised (gain) on investment portfolio	11	(152,050)	(225,085)
(Increase)/decrease in debtors and prepayments		61,166	(52,181)
Increase/(decrease) in creditors		(380,815)	1,153,751
Increase in provisions for liabilities	15	28,476	39,600
Net cash generated from operating activities		442,201	1,508,333
Cash flows from investing activities			
Purchases of tangible fixed assets	4	(1,414,121)	(1,308,860)
Purchase of land	13	(110,440)	-
Interest received		49,933	130,478
Purchase of short-term deposits	10	(265,516)	565,892
Net cash from investing activities		(1,740,144)	(612,490)
Net (decrease)/increase in cash at bank and in hand	10	(1,297,943)	895,843
Cash at bank and in hand at the beginning of the year		1,872,402	976,559
Cash at bank and in hand at end of the year	10	574,459	1,872,402

The notes on pages 44 to 52 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

The Guernsey Financial Services Commission (“the Commission”) is a Public Benefit Entity whose primary objective is to regulate the finance industry in the Bailiwick of Guernsey. The reserves support the primary objectives of the Commission.

1. Accounting policies

The financial statements of the Commission have been prepared in accordance with FRS 102, the financial reporting standard applicable in the United Kingdom and the Republic of Ireland.

i. Presentation and functional currency

The financial statements are presented in pounds sterling. The Commission’s functional currency is also pounds sterling.

ii. Legal status

The Commission is a body corporate established under The Financial Services Commission (Bailiwick of Guernsey) Law, 1987. The Commission’s operations are conducted from offices at Glatigny Court in Guernsey.

iii. Preparation

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. These financial statements have been prepared on a going concern basis. The principal accounting policies which the Commissioners have adopted within that convention are set out below. They have been applied consistently in dealing with items which are considered material to the financial statements of the Commission.

iv. Going concern

The Commission continues to meet its day-to-day working capital requirements through its bank balances and short-term deposits. In line with guidance issued by the UK Financial Reporting Council in 2020 the Commission has reviewed going concern in light of Covid. The Commissioners having considered the Commission’s available resources along with its projected income and expenditure, are satisfied that the Commission has adequate resources to continue in operational existence for the foreseeable future.

The following significant accounting policies have been consistently applied:

(a) Fees receivable

Fees are a combination of annual licence fees, application fees and late filing fees. Fees payable by licensees and registrants are enshrined in law and set out on the Commission’s website, split by sector. Annual licence fees receivable are accounted for on an accruals basis. Income received prior to the 1 January invoice date for annual licence fees are treated as Fees in Advance, as part of creditors. A breakdown is shown in note 6.

(b) Financial penalties imposed

The Commission imposed financial penalties during the year under Section 11D (1) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 as amended. Financial penalties are recognised as income receivable when the decision is made and the public statement is placed on the Commission’s website. When the circumstances of a debtor give rise to concerns over settlement, and/or payment is not made within 7 days of the financial penalty being imposed, consideration is given to raising a provision.

(c) Interest receivable

Bank interest is accounted for on an accruals basis. Interest income received from fixed and notice deposits are also accounted for on an accruals basis.

(d) Investigation and litigation

Costs arising from investigation and litigation are accounted for as expenditure as incurred, whether or not it had been billed at the balance sheet date. Such costs recovered from third parties are recognised in the year in which they are received. No provision is made for expenditure or recoveries which may arise in future years.

(e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition for it to be capable of operating in the manner intended by management. Depreciation on tangible fixed assets is calculated, using the straight-line method to allocate the cost of assets, less their residual value, over their estimated useful economic lives, at the following annual rates:

Leasehold improvements	over the shorter of the term of the lease and the estimated useful economic life of the assets
Office equipment	25% straight-line
Furniture and fittings	over the shorter of 10 years and the estimated useful economic life of the assets
Computer equipment:	
Hardware	33 $\frac{1}{3}$ % straight-line
Software	over the shorter of 7 years and the estimated useful economic life of the assets

(f) Financial instruments (financial assets and financial liabilities)

i. Recognition

All financial assets and financial liabilities are recognised when the Commission becomes party to the contractual provisions of the instrument. The financial assets and financial liabilities comprise of the following basic financial instruments: cash at bank; short-term deposits, including fixed maturity deposits, accounts where notice of withdrawal is required and liquidity funds; current asset investments in a portfolio of equities, bonds and funds; other debtors and expense creditors.

ii. Initial measurement and subsequent measurement

All financial assets and liabilities are initially measured at transaction price. Financial assets subsequently measured at fair value through profit or loss comprise the current asset investments in a portfolio of equities, bonds and funds and an investment in land. Financial assets subsequently measured at amortised cost comprise cash at bank, short-term deposits and other debtors. Financial liabilities measured at amortised cost comprise expense creditors.

iii. De-recognition

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset are settled. Financial liabilities are de-recognised only when the obligation specified in the contract is discharged, cancelled or expires.

(g) Cash at bank and in hand

Cash at bank and in hand includes cash, deposits held on call with banks, with a maturity date of less than three months.

(h) Short-term deposits

Fixed and notice deposits, with original maturities of up to three months, and liquidity funds, are included as current assets.

(i) Investments

i. A portfolio comprising equities, bonds and funds, held in listed companies, which are traded on a regular basis, is managed by an investment manager. Investments are accounted for at fair value and gains or losses on fair value are included in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

- ii. The Commission purchased forested land in Scotland to a value of £110,440 in June 2020 for the purpose of offsetting the carbon emissions resulting from its activities.

(j) Leases

Rental payments made in relation to office accommodation are treated as operating leases and are charged to the Statement of Comprehensive Income account on a straight-line basis over the lease term. Provisions are maintained for dilapidations, including redecoration, to cover future liabilities under the terms of the lease.

(k) Employee benefits

i. Short-term benefits

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement and accrued at the balance sheet date.

ii. Defined contribution schemes

Employees who joined the Commission after 31 December 2007 up until 30 June 2014 were generally eligible to be members of the Island Trust Plan ("the DC Plan"). With effect from 1 July 2014, members of the DC Plan, deferred members of the defined benefit scheme and new employees were offered a choice of pension offerings. The options consist of the DC plan, a multi-member Group RATs scheme or a personal approved pension plan. Contributions by employees are no longer a mandatory requirement.

The contributions are recognised as an expense when they are due.

2. Judgements in applying significant accounting policies and key sources of estimation uncertainty

i. Tangible fixed assets (see note 4)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives and residual value, factors such as technical innovation, product life cycles and the remaining life of the asset are taken into account.

ii. Lease classification (see note 8)

The Commission established a lease with the landlord of its Gategny Court office accommodation in September 2010. This is classed as a non-cancellable operating lease.

iii. Investments (see note 11)

The most critical estimates, assumptions and judgements relate to the determination of the carrying value of investments measured at fair value through profit or loss. In determining this amount, the Commission has applied the concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. Investments, comprising equities, bonds, funds are valued at the reporting date at the quoted bid price.

iv. Bad debt provision (see note 14)

The recoverability of debts is assessed and where appropriate a provision is raised in line with the approved internal policies. Debtors comprise entities or individuals who, given their circumstances, are unlikely to be able to settle the debt, in part or in full. The majority of the debt arises as a result of the imposition of a financial penalty under Section 11D (1) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 as amended.

The debts, for which a provision has been raised, are reviewed regularly to ensure that all avenues are explored to obtain recovery.

v. Dilapidations (see note 15)

Provisions are maintained for dilapidations, including redecoration, to cover future liabilities under the terms of the Gategny Court lease. A professional review of the future dilapidations liability provided an initial estimate of the level of provision to be applied on an annual incremental basis. The original amount is increased annually at the Guernsey rate of inflation as measured by RPIX.

3. Taxation

The Commission is exempt from the provisions of the Income Tax (Guernsey) Law, 1975 as amended.

4. Tangible assets

	Leasehold improvements	Office equipment furniture and fittings	Computer hardware	Computer software	Total
	£	£	£	£	£
Cost					
At 1 January 2020	1,446,221	527,861	809,725	5,179,307	7,963,114
Additions	-	20,457	122,616	1,271,048	1,414,121
Disposals	-	(4,338)	(35,374)	(346,726)	(386,438)
At 31 December 2020	1,446,221	543,980	896,967	6,103,629	8,990,797
Depreciation					
At 1 January 2020	571,713	356,426	459,090	3,265,405	4,652,634
Charge for the year	77,887	35,167	178,291	690,441	981,786
On disposals	-	(4,230)	(35,374)	(268,646)	(308,250)
At 31 December 2020	649,600	387,363	602,007	3,687,200	5,326,170
Net book value at 31 December 2019	874,508	171,435	350,635	1,913,902	3,310,480
Net book value at 31 December 2020	796,621	156,617	294,960	2,416,429	3,664,627

A loss on disposal of tangible fixed assets of £78,188 was recorded in 2020 (2019: £17,341).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Debtors and prepayments

	2020	2019
	£	£
Prepayments	600,567	648,585
Provision for bad debts (see note 14)	(54,186)	(81,797)
Other debtors	166,272	207,031
	712,653	773,819

Included in the total are prepayments of £102,209 (2019: £80,164) which relate to periods longer than 12 months.

6. Creditors - amounts falling due within one year

	2020	2019
	£	£
Creditors and accruals	947,378	922,411
Fees received in advance	1,225,626	1,631,408
	2,173,004	2,553,819

7. Post-employment benefits

Disclosure for defined contribution schemes

i) Defined Contribution Scheme

The amount recognised in the profit and loss account as an expense in relation to the Commission's defined contribution scheme, for the year ended 31 December 2020, was £118,454 (2019: £105,713). No contributions were outstanding as at 31 December 2020 or 2019. Employer contributions are calculated at 12% of pensionable salary and mandatory employee contributions were at a rate of 5% of pensionable salary up until 30 June 2014. Subsequent to this date, employee contributions are entirely voluntary.

ii) Multi-member RATs scheme ("GFSC Group Pension Scheme")

The net expense of employer contributions to the GFSC Group Pension Scheme for the year ended 31 December 2020 was £500,968 (2019: £517,454). No contributions were outstanding as at 31 December 2020 or 2019 and no contributions were prepaid as at 31 December 2020 or 2019. Employer contributions are calculated at 12% of pensionable salary and employee contributions are entirely voluntary.

8. Operating lease commitments

The Commission had minimum lease payments under non-cancellable operating leases as set out below:

	£
Lease payments up to 1 year after balance sheet date	683,297
Lease payments between 1 and 5 years after balance sheet date	2,733,188
Lease payments more than 5 years after balance sheet date	5,951,236
Total future minimum lease payments	9,367,721

The Commission leased office accommodation at Gategny Court during the year. The lease for Gategny Court is non-cancellable and expires on 16 September 2034.

9. Controlling party

In the opinion of the Commissioners there is no controlling party of the Commission, as defined by FRS 102 (Section 33.5), as no party has the ability to direct the financial and operating policies of the Commission with a view to gaining economic benefits from their direction.

10. Cash at bank and in hand and short-term deposits

	At 1 January 2020	Cash flow	At 31 December 2020
	£	£	£
Call account balances	27,283	(16,351)	10,932
Cash at bank and in hand	1,845,119	(1,281,592)	563,527
Total cash at bank and in hand	1,872,402	(1,297,943)	574,459
Fixed deposits and notice accounts	7,000,002	265,516	7,265,518
Total short-term deposits	7,000,002	265,516	7,265,518

The fixed deposits have original maturity dates of up to three months, whilst other deposits require notice of withdrawal of a maximum of three months.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

II. Current asset investments

	2020	2019
	£	£
Opening fair value	3,423,952	3,198,867
Net movement in fair value through profit or loss	152,050	225,085
Market value	3,576,002	3,423,952

A cautious strategy for these current asset investments is employed, and the portfolio comprises shares, bonds and funds, held in listed companies and gilts, which are traded on a regular basis. The portfolio was first established in February 2015.

12. Financial instruments

The Commission's financial instruments may be analysed as follows:

	2020	2019
	£	£
Financial assets		
Financial assets measured at fair value through profit or loss	3,576,002	3,423,952
Financial assets measured at amortised cost	7,952,063	8,997,639
Financial liabilities		
Financial liabilities measured at amortised cost	2,515,536	2,867,875

Financial assets measured at fair value through profit or loss comprise a portfolio of equities, bonds and funds, which are valued at the reporting date at the quoted bid price.

Financial assets measured at amortised cost comprise cash at bank and in hand, short-term deposits, liquidity funds and other debtors.

Financial liabilities measured at amortised cost comprise creditors.

13. Investment property

The Commission's investments in property may be analysed as follows:

	At 1 January 2020	Additions	At 31 December 2020
	£	£	£
Investment in land measured at fair value through profit or loss	-	110,440	110,440

The Commission acquired land in June 2020 for the purpose of offsetting the carbon emissions resulting from its activities. The initial investment is measured at cost and subsequent measurements at fair value. In 2020 fair value was determined to have not changed from the original purchase price resulting in no adjustment to profit or loss.

14. Financial penalties and provisions for bad debts

During the year the Commission imposed financial penalties under section 11D (1) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 as amended, amounting to £755,750 (2019: £155,000). The amounts written off or provided for by the Commission during the year amounted to £49,051 (2019: £42,857).

The total of provisions relating to financial penalties as at 31 December 2020 were £45,712 (2019: £48,064). Provisions relating to other fees outstanding at 31 December 2020 total £8,474 (2019: £33,733). 2020 debts totalling £28,231 (2019: £28,886), written off during the year, are also reflected under bad debt expense. Recoveries of previously disclosed doubtful debts, reflected under bad debts recovered, amounted to £3,607 (2019: £32,899).

15. Provision for liabilities

A provision is maintained for dilapidations, including redecoration, to cover future liabilities under the terms of the Glatigny Court operating lease. Over the course of the 24 year lease the dilapidation provision is planned to increase to £700,000, subject to annual inflationary increases. Provision for re-decoration of the office is also included which needs to be undertaken on a 5 yearly cycle.

	2020	2019
	£	£
Provision brought forward from previous year	314,056	274,456
Dilapidations charged to Statement of Comprehensive Income	28,476	39,600
Total provision at year-end	342,532	314,056

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. Related party

Key management personnel compensation

Key management comprises the Commissioners and members of the Executive Committee. The compensation paid to key management for employee services in 2020, including pension and social insurance, amounted to £2,017,081 (2019: £1,947,636).

Related-party transactions

Commissioner Dorey, in her capacity as a Non-Executive Director of Schroders (C.I.) Limited, is not present at discussions with Commissioners relating to any business involving this firm, which provides investment and deposit administration services for the Commission.

17. Subsequent Events

There are no adjusting or non-adjusting subsequent events to report.

COMMISSIONERS

Drs. Cees Schrauwers **Chairman of the Commission**

Drs. Schrauwers is a Dutch economist with over forty years' experience in financial services. He has served as Managing Director of Aviva International, CGU Insurance and Commercial Union, covering both the general insurance and life sectors. He was instrumental in the implementation of the mergers with General Accident and Norwich Union which resulted in the creation of Aviva plc. Following the mergers he was appointed Managing Director of Aviva International, gaining valuable experience in dealing with regulators across the globe, including North America. Prior to this, he was a Partner with Coopers & Lybrand in charge of its insurance consultancy practice. He has served as Chairman of Drive Assist Holdings Limited, Senior Independent Director of Brit Insurance Holdings Plc. and Brit Syndicates Limited, Non-Executive Director of Canopus Holdings UK Limited and Canopus Managing Agents Limited, Director of Munich Re (UK) Plc and as Senior Independent Director of Record Plc for nine years. He also served as an Independent Director at the Scottish Widows Group and Chairman of EC3 Legal LLP. He is currently Chairman and Commissioner of the Guernsey Financial Services Commission. Cees was appointed as a Commissioner in 2008 and Chairman in 2012. He was educated at the Vrije Universiteit Amsterdam and the Nautical College Den Helder. He lives with his wife near London.

Bob Moore **Vice-Chairman of the Commission (until 31 January 2021)**

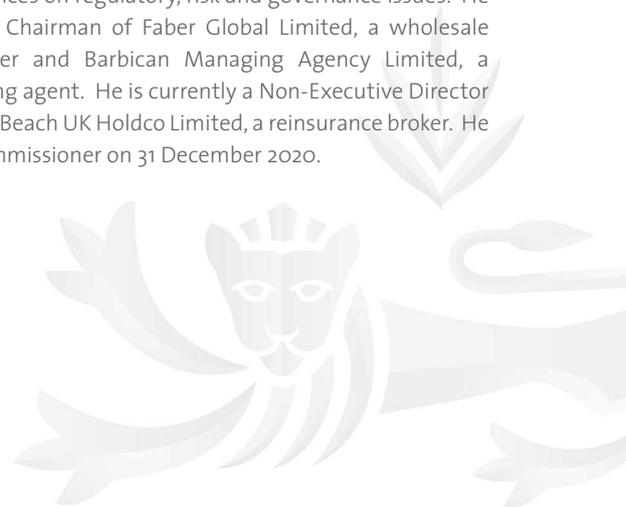
Bob Moore was appointed as a Commissioner in February 2012 and Vice-Chairman with effect from 2 February 2017; he stepped down as a Commissioner on 31 January 2021 on completion of his third term in office. He has spent over forty years in the financial services industry in Guernsey and internationally. From 1979 to 1997, he held positions in international banking and international private banking with the Lloyds Bank/Lloyds TSB group in South America, the United States, the United Kingdom and in Luxembourg. These included responsibility for Lloyds' international private banking operations in New York and in Luxembourg. From 1997 to 2011, he was jurisdictional Managing Director with responsibility for the Butterfield Group's operations in Guernsey, including banking, investment management, custody and fiduciary services. In June 2011, he was appointed to the position of Executive Vice-President and Head of Group Trust for the Butterfield Group and retired from that position in March 2020. He has also been a director of a number of other banks and investment funds.

The Lord Flight MA (Cantab) MBA FRSA **Commissioner (until 31 January 2020)**

Howard Flight was appointed as a Commissioner in 2005. He was the Conservative Member of Parliament for Arundel and South Downs from 1997 to 2005, during which time he was Shadow Chief Secretary to the Treasury and a member of the Shadow Cabinet. From 1999 to 2004 he had Shadow Treasury responsibilities for the Finance Acts, the financial services industry, financial regulations and pensions. He has worked for over forty years in the financial services industry, starting his career at Rothschilds. In the second half of the 1970s he worked for HSBC's merchant bank in Hong Kong and India. In 1979 he joined Guinness Mahon and established what became Guinness Flight Global Asset Management, of which he was joint Managing Director until it was acquired by Investec in 1998. He formed, and is Chairman of, Flight & Partners, which is the manager of the Flight & Partners Recovery Fund, and is currently a Director of Mercantile Ports and Logistics Limited, Downing Four VCT plc and a number of other companies and investment funds. He retired as a Commissioner on 31 January 2020.

Richard Hobbs MCIPD **Commissioner (until 31 December 2020)**

Richard Hobbs was appointed as a Commissioner in January 2012. His first career was in the UK Civil Service where he concentrated on a variety of consumer protection and European issues. Latterly, he was a Director of the Department of Trade and Industry's Insurance Division where he was responsible for overall supervision of the Lloyd's insurance market during its reconstruction in the mid-1990s. He has been Head of Life and Pensions at the Association of British Insurers, and for the past twenty years has been a consultant advising a wide range of clients in financial services on regulatory, risk and governance issues. He was previously Chairman of Faber Global Limited, a wholesale insurance broker and Barbican Managing Agency Limited, a Lloyd's managing agent. He is currently a Non-Executive Director on the Board of Beach UK Holdco Limited, a reinsurance broker. He retired as a Commissioner on 31 December 2020.



Commissioners *(continued)*

Simon Howitt **Commissioner (Vice-Chairman from February 2021)**

Advocate Howitt was appointed as a Commissioner in June 2013. He has over thirty years' experience as an advocate and is a consultant at Babbé having previously been a Partner. He served as President of the Chamber of Commerce between 2001 and 2003. Advocate Howitt has served on a number of States Committees including being a non-States member of the Legislation Select Committee and its successor, the Legislation Review Panel, since 2004, the share transfer duty working party and the Inheritance Law Review Committee. He was the Deputy Bâtonnier of the Guernsey Bar from 2012 to 2020 and is a member of the Board of Examiners for the Guernsey Bar Examinations and a member of the Editorial Board of the Jersey and Guernsey Law Review.

Wendy Dorey **Commissioner**

Wendy Dorey was appointed as a Commissioner in November 2015. She has spent over twenty years in the financial services industry in the UK, France and Guernsey. She is currently Director of Dorey Financial Modelling, an investment consulting firm, and a Non-Executive Director of Schroders (CI) Limited. She has multisector experience across investment, banking and pensions, occupying senior posts in business strategy, governance and marketing and distribution for a number of leading institutions in the City of London. During that period, she was responsible for external risk reporting to the Financial Services Authority and embedding new "Treating Customers Fairly" processes. She was also responsible for the launch and ongoing promotion of the Guernsey-domiciled M&G Property Fund to the UK Market. A strong advocate of continuous learning, she assisted the Investment Management Association in developing a new investment management syllabus for Independent Financial Advisors and, in 2018, gained the Institute of Directors Certificate and Diploma in Company Direction. She was admitted as a Chartered Director and Fellow of the IoD in 2019.

John Aspden **Commissioner**

John Aspden was appointed as a Commissioner in April 2017. He is a senior finance professional with significant experience in investment and banking supervision in both the public and private sectors. He was Chief Executive of the Financial Supervision Commission in the Isle of Man from 1998 to 2015,

where he was responsible for the regulation and supervision of all banking, securities and funds, trusts and companies, and money transmission activities. Prior to taking up his role at the Financial Supervision Commission in the Isle of Man, Mr Aspden held roles in the private sector including Managing Director of Matheson InvestNet Ltd, at the time Hong Kong's largest independent distributor of, and adviser on, collective investments for retail investors. Mr Aspden has also held the role of Deputy General Manager of the International Bank of Asia Ltd and has worked in banking supervision at the Bank of England and at the Office of the Commissioner of Banking in Hong Kong, now HKMA. Mr Aspden is also Chairman of the Group of International Finance Centre Supervisors and was awarded a MBE for his work in financial services supervision.

Philip Middleton **Commissioner**

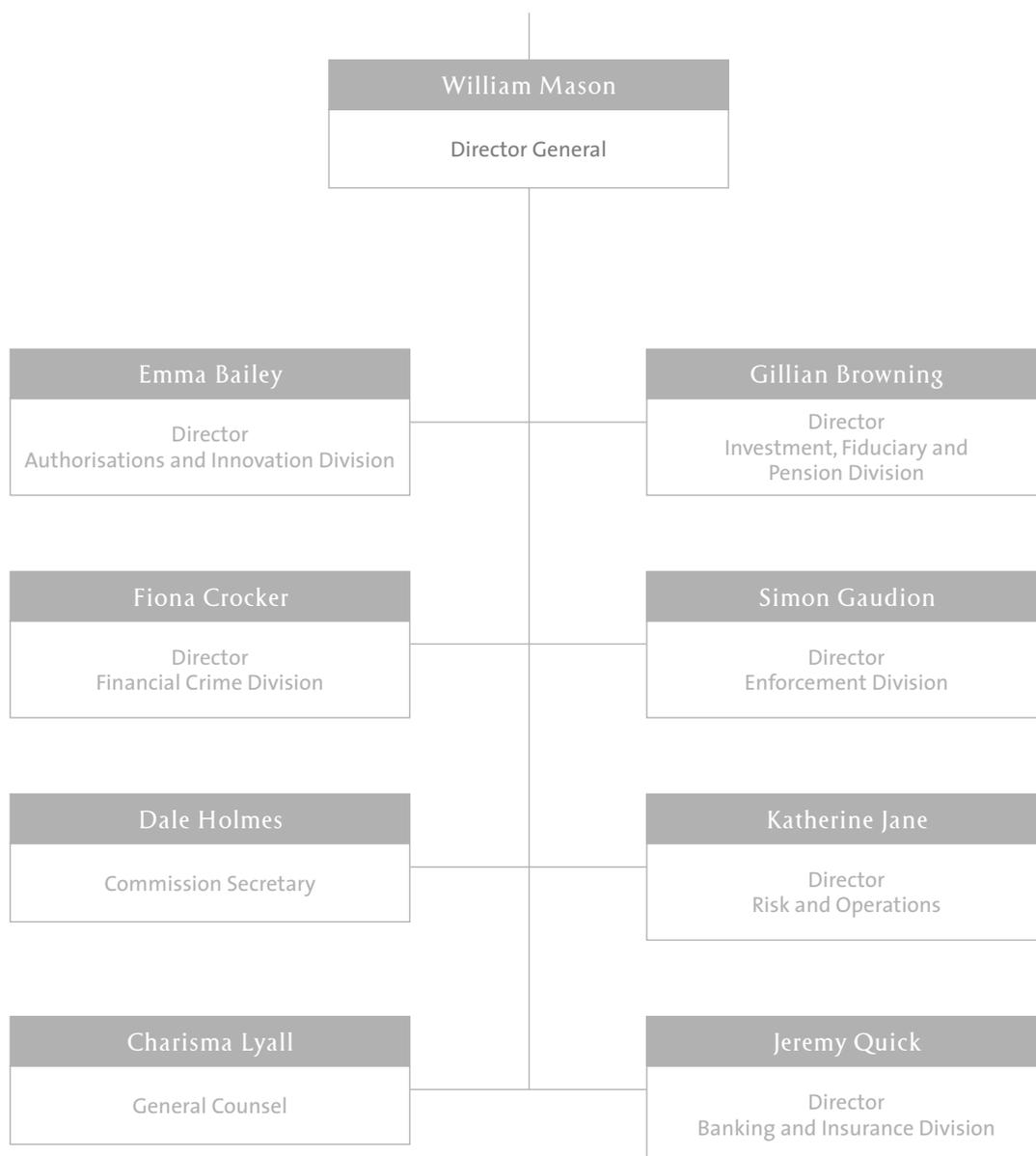
Philip Middleton was appointed as a Commissioner in April 2017. He is a senior financial services strategist with significant recent experience in advising government, central banks and financial institutions on crisis related issues. Since 2014, he has carried out consulting and advisory work in central banking and financial services through Rifle House Capital Ltd. He is also Deputy Chairman of the Board of the Official Monetary and Financial Institutions Forum, a leading Central Banking think tank. He has had significant experience in the private sector, holding various roles within KPMG LLP, including Partner and European Head of Financial Services Strategy, and within Ernst & Young LLP, including Partner and Head of Central Banking, EMEA.

Baroness Couttie **Commissioner (from January 2020)**

Philippa Couttie has held leadership roles over the past 30 years in sectors such as marketing, the City and politics. She has founded, built up and sold two businesses, been the chief Executive of a subsidiary of a publicly quoted company, been a director of Citigroup and Leader of Westminster City Council. She now sits in the House of Lords where she is a member of the EU Select Committee and the EU Services Select Committee. She is also a Non-Executive Director of Mitie where she chairs their Social Value board sub-committee and is a member of both their Audit and Nomination Committees. Philippa brings skills and experience across a wide range of areas including strategy development and turn around, along with finance and the financial sector as well as understanding UK government thinking and policy development.

SENIOR OFFICERS OF THE COMMISSION

COMMISSIONERS



Investment

Figure 1. Net asset values of Guernsey schemes under management at the year-end

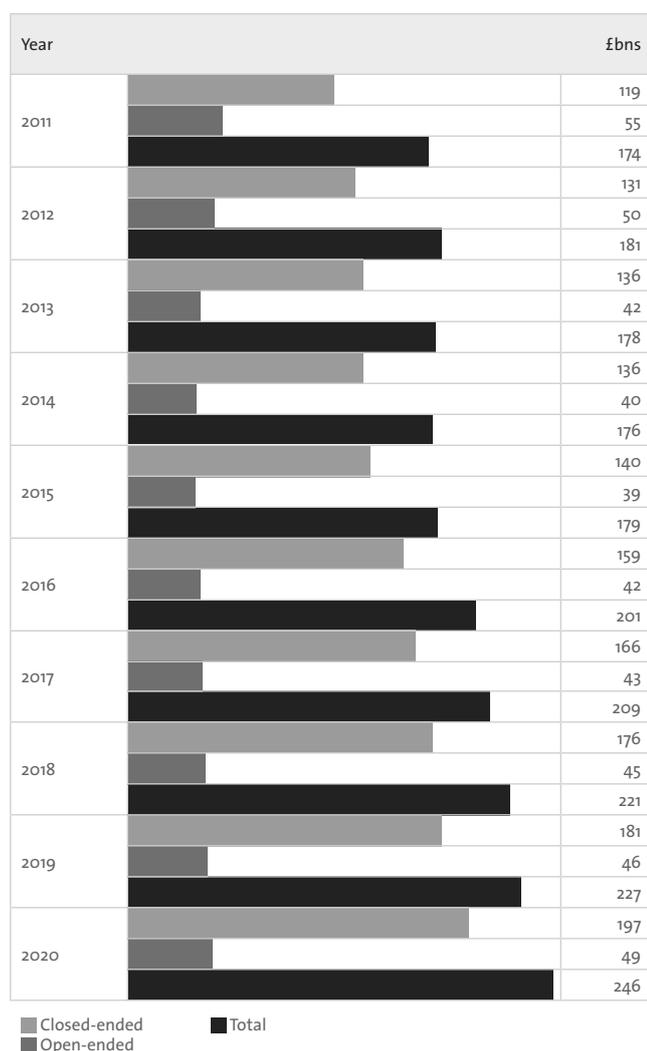


Figure 2. Total number of Guernsey investment funds at the year-end

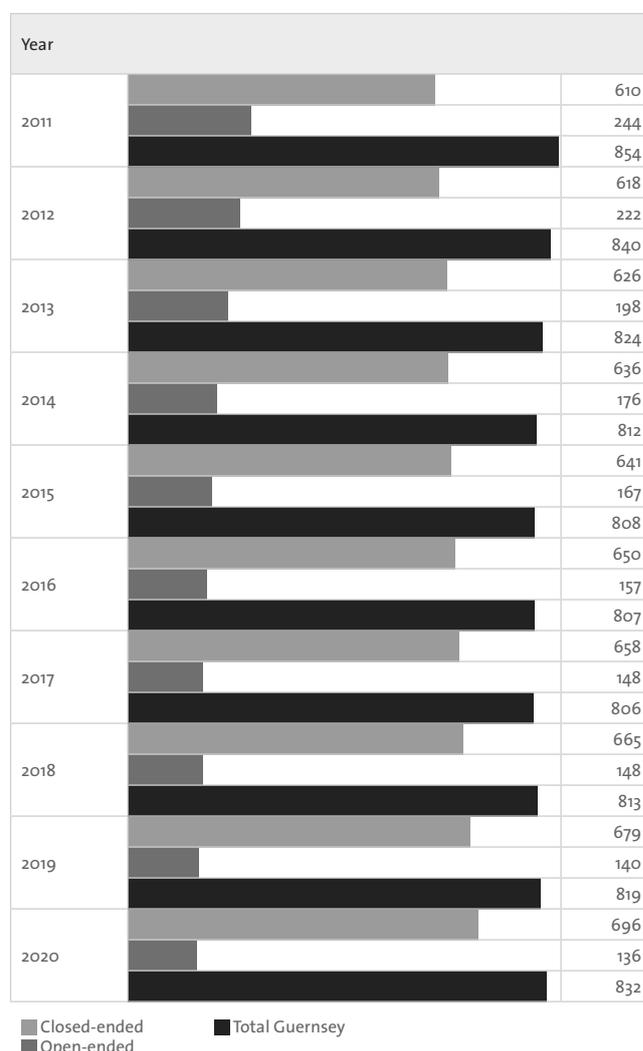


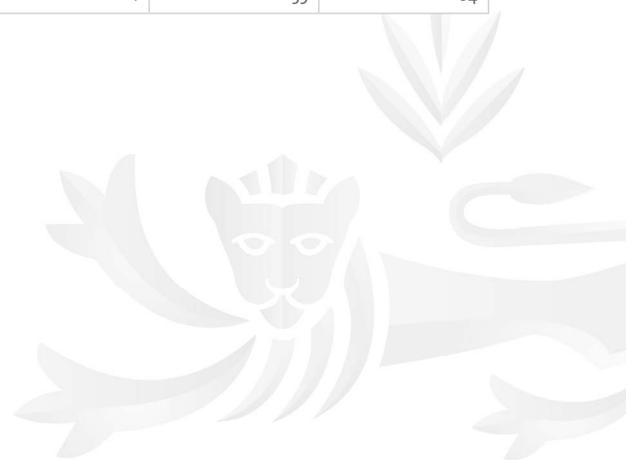
Figure 3. Total number of investment licensees at the year-end

Year	
2011	654
2012	644
2013	635
2014	622
2015	639
2016	644
2017	640
2018	663
2019	677
2020	686

Under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, investment funds (Figure 2.) are either Registered or Authorised; whereas the firms (Figure 3.) undertaking Controlled Investment Business are Licensed under the same law. There is no meaningful correlation to be drawn between the number of investment funds and the number of licensees in existence.

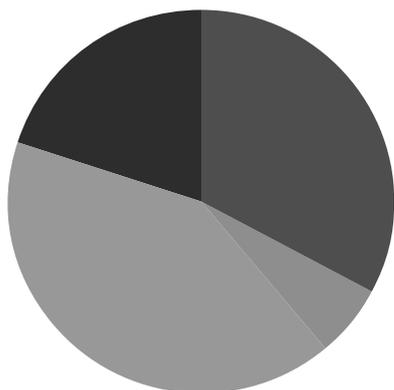
Figure 4. Movements within period

Type	Total as at 31 December 2019	Approved in year	Lost in year	Total as at 31 December 2020
Total of open-ended schemes	140	4	8	136
of which Authorised	121	2	6	117
of which Registered	19	2	2	19
of which Qualifying Investor Funds (QIFs)	22	0	1	21
Total of closed-ended schemes	679	66	49	696
of which Authorised	334	5	25	314
of which Registered	345	61	24	382
of which QIF's	157	2	7	152
Total of licensees	677	52	43	686
Total of non-Guernsey schemes	98	1	35	64



Fiduciary

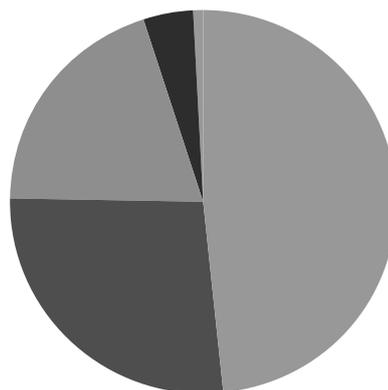
Figure 5. Ownership of Fiduciary lead licensees as at 30 June 2020*



	2020	2019
■ International financial group	48	47
■ Lawyers and accountants	9	8
■ Privately owned – local	60	65
■ Privately owned – overseas	29	32

*Based on 146 persons holding a full fiduciary licence as at 30 June 2020.

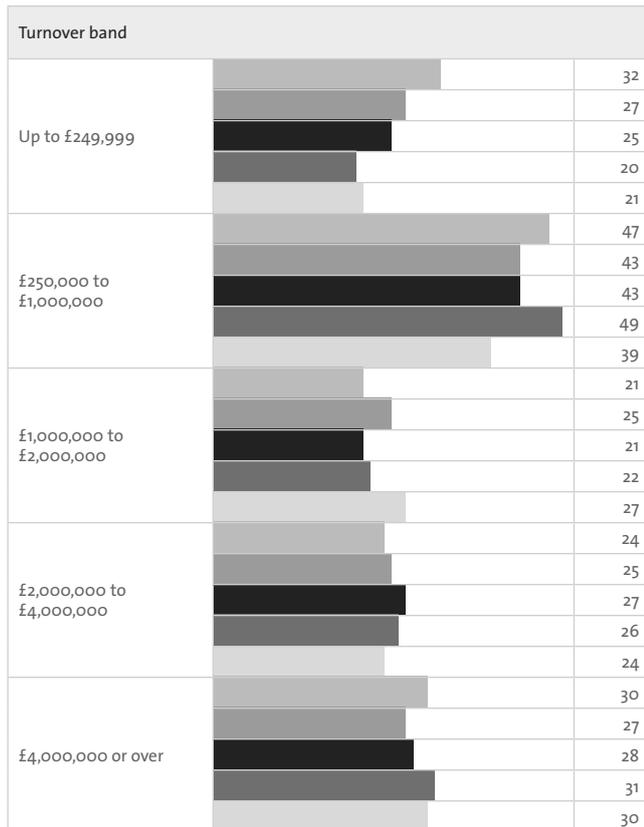
Figure 6. Staffing levels of licensees based on total number of staff carrying out regulated fiduciary activities as at 30 June 2020*



	2020	2019
■ Up to 10 staff	69	74
■ 11 – 25 staff	38	36
■ 26 – 50 staff	28	29
■ 51 – 75 staff	6	8
■ More than 75 staff	1	1

*Based on the submission of an annual return by 142 licensees as at 30 June 2020.

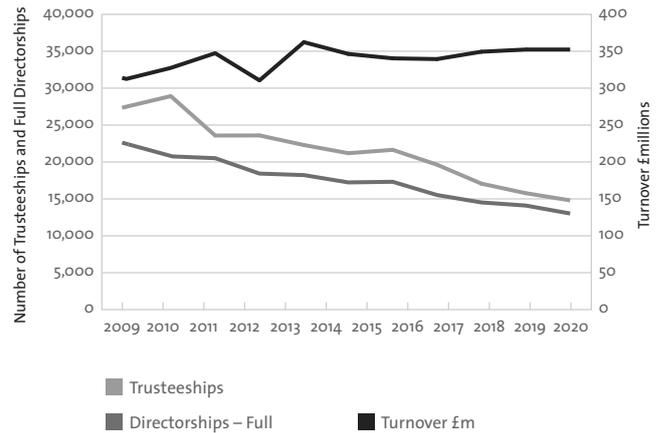
Figure 7. Number of licensees in each turnover band based on fiduciary turnover for accounting periods falling in the year ended 30 June 2020*



*Based on licensees that have submitted audited financial statements. Financial statements may not have fallen due for recently licensed companies.

- 2016
- 2017
- 2018
- 2019
- 2020

Figure 8. Number of Director and trustee appointments for full fiduciaries at the year-end; aggregate turnover of full fiduciary licensees*



*Please note turnover records aggregate annual chargeable fees. It does not represent assets under trusteeship.



Insurance

Figure 9. International insurers as at 31 December 2020

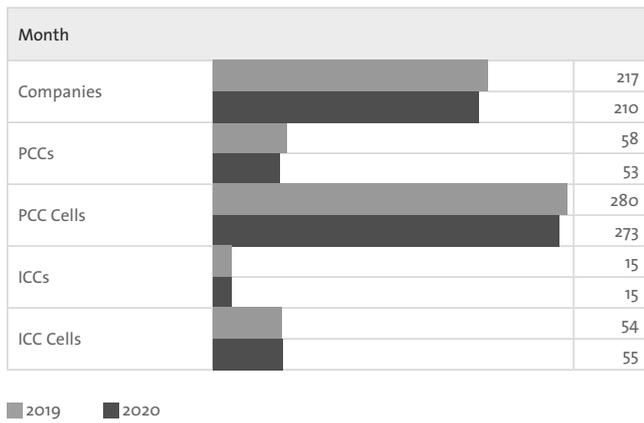


Figure 10. International insurers – net worth

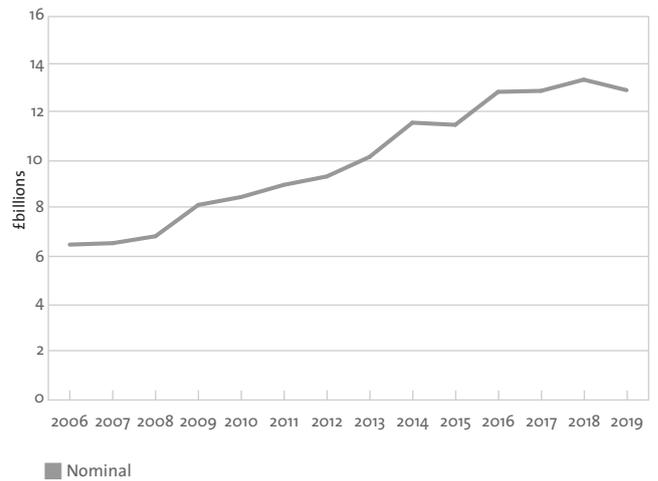


Figure 11. International insurers – gross assets

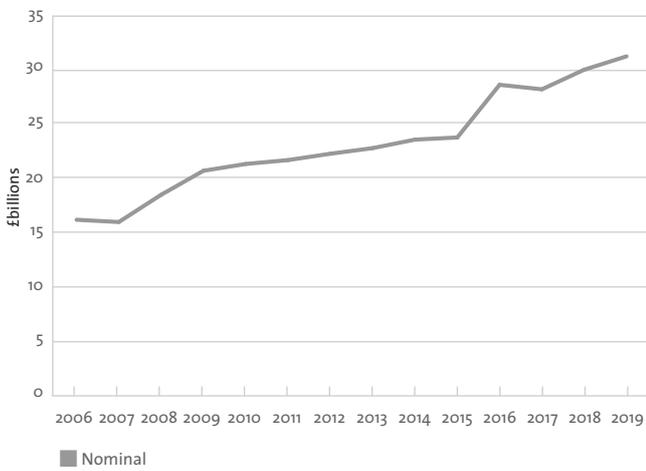
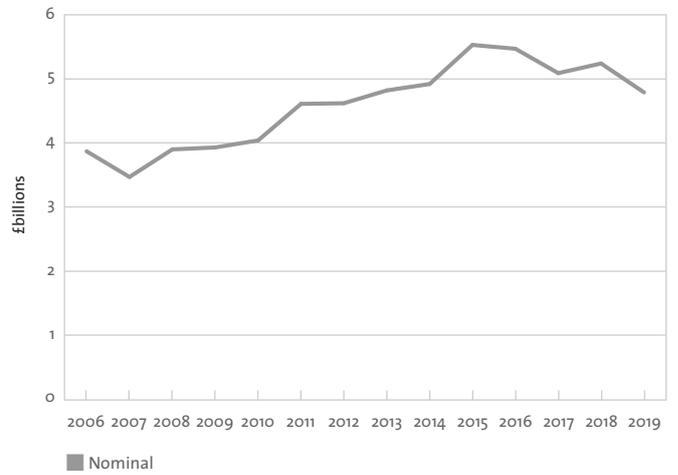


Figure 12. International insurers – gross premium



Banking

Figure 13. Guernsey bank assets

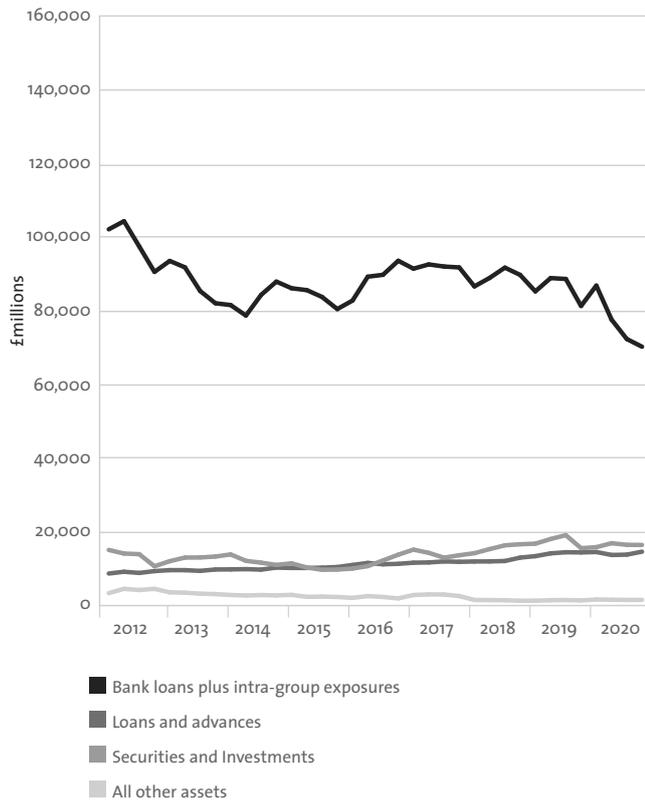
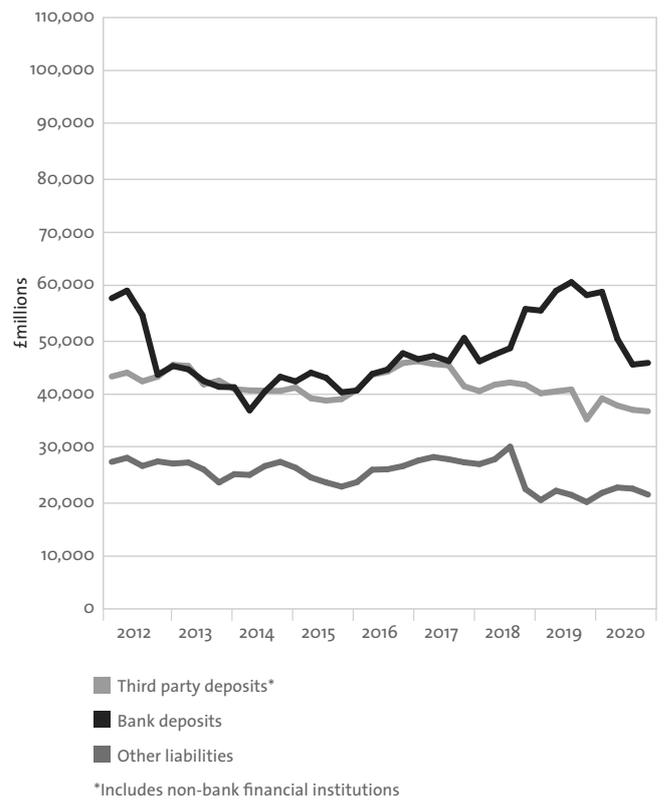


Figure 14. Guernsey bank liabilities



Authorisations and Innovation

Figure 15. Total applications by volume and type – 2019 to 2020 comparison

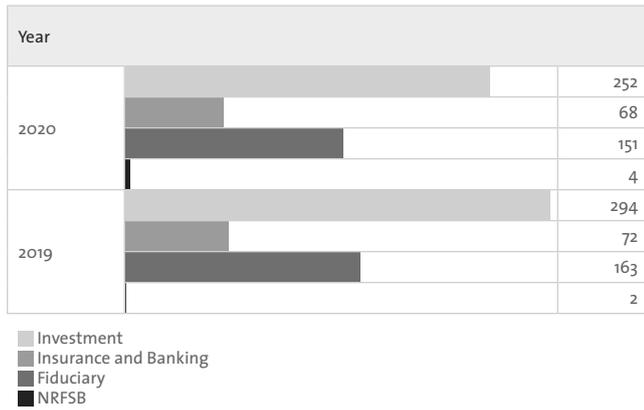


Figure 16. Online submissions 1 January to 31 December 2020

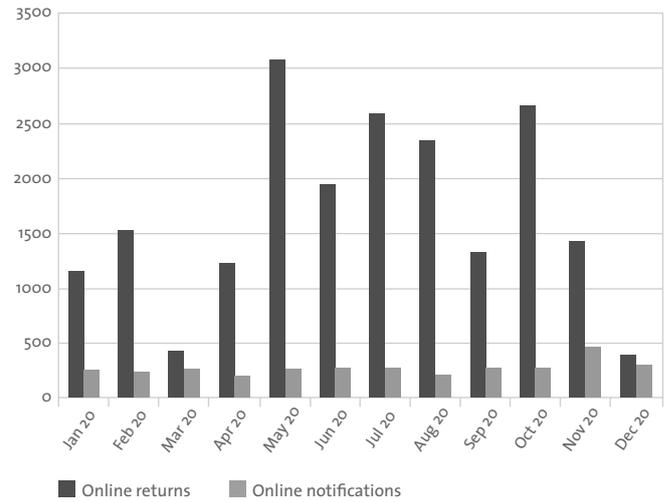
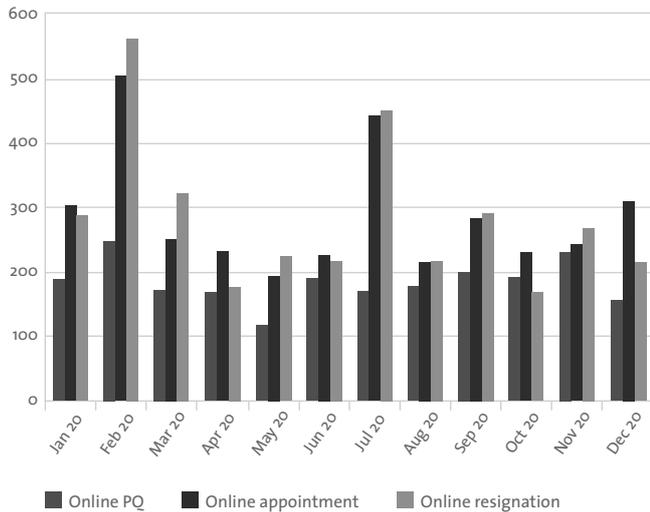


Figure 17. Online Personal Questionnaire portal submission 1 January to 31 December 2020



Finance and Operations

Table 1. Expenditure by functional area

	2020	2019
	£'000	£'000
Enforcement	2,323	2,492
Authorisations	898	891
Risk	701	606
Supervisory and Policy divisions	5,072	5,321
Internal operational support functions	1,145	1,224
Overheads incl. Premises, IT expenses, depreciation and three-year business plan	4,331	3,829
Total	14,470	14,363

Table 2. Salaries and related costs

	2020	2019
	£'000	£'000
Salaries	7,704	7,476
Pension costs	807	808
Social insurance, permanent health and medical insurance	871	889
Recruitment and training	326	455
Total	9,708	9,628

Table 3. Number of staff by total remuneration

Remuneration	2020	2019
£0 – £39,999 p.a.	43	43
£40,000 – £79,999 p.a.	53	54
£80,000 – £119,999 p.a.	15	15
£120,000 – £159,999 p.a.	6	6
£160,000 p.a. and above	3	2
Total number of staff	120	120
Full time equivalent	112.4	111.8
Comprising:		
Permanent staff	114	113
Fixed-term staff	6	7
	120	120
FTE vacancies at year-end	5	6

Table 4. Legal and professional fees

	2020	2019
	£'000	£'000
Legal fees – enforcement	273	459
Legal fees – judicial and SDM process	841	382
Legal fees – advisory	11	26
Professional fees	134	242
Internal audit	38	37
Total	1,298	1,146



Finance and Operations *(continued)*

Table 5. Commissioners' fees

	2020	2019
	£	£
Cees Schrauwers	45,000	64,500
Robert Moore	27,000	27,000
Lord Flight	2,917	35,000
Richard Hobbs	35,000	35,000
Simon Howitt	27,000	27,000
Wendy Dorey	27,000	27,000
John Aspden	35,000	35,000
Philip Middleton	35,000	35,000
Baroness Couttie	35,000	-

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Functions, Structure and Corporate Governance and other Control Systems of the Commission

Functions of the Commission

The Financial Services Commission (Bailiwick of Guernsey) Law, 1987 as amended (the Commission Law) established the Commission with both general and statutory functions. The general functions include the taking of “such steps as the Commission considers necessary or expedient for the effective supervision of finance business in the Bailiwick”. The statutory functions include those prescribed under or arising pursuant to the following regulatory laws:-

- the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended;
- the Banking Supervision (Bailiwick of Guernsey) Law, 1994 as amended;
- the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999;
- the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 as amended;
- the Insurance Business (Bailiwick of Guernsey) Law, 2002 as amended;
- the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 as amended; and
- the Non-Regulated Financial Services Businesses (Bailiwick of Guernsey) Law, 2008.

Relationship with the States

The Policy and Resources Committee of the States of Guernsey is responsible for financial matters including establishing the policy framework for financial regulation and the government’s relationship with the Commission. The Commission Law states that the Commission shall issue its audited financial statements and the two reports, referred to later in this appendix, annually to the Policy and Resources Committee.

The Commission maintains regular dialogue with the States. During 2020, the Commission continued to engage with the Policy and Resources Committee, on matters of importance to the States and the Commission.

Outside of formal meetings and presentations, the Commissioners and Director General maintain regular contact with senior States Members.

The Commissioners

The activities of the Commission’s executive are overseen by the Commissioners. The Commission Law provides that the Commissioners shall consist of a minimum of five members who are elected by the States from persons nominated by the Policy and Resources Committee and appearing to it to be persons having knowledge, qualifications or experience appropriate to the development and supervision of finance business in the Bailiwick. The Chairman is appointed for a period of three years from amongst the Commissioners and is elected by the States following nomination by the Policy and Resources Committee. The Vice-Chairman is appointed for a period of one year by the Commissioners. A Commissioner is appointed for a period not exceeding three years. A member whose term of office has come to an end is eligible for re-election. The Chairman and Vice-Chairman are also eligible for re-election to their positions. Commissioners must retire on reaching the age of 75 years.

The Commissioners during 2020 were Drs. Cees Schrauwers, The Lord Flight, Richard Hobbs, Bob Moore, Simon Howitt, Wendy Dorey, John Aspden, Philip Middleton and Baroness Couttie. A brief résumé for each Commissioner is provided on pages 53 and 54 of this report. Three Commissioners reside in Guernsey, with the remainder living in the UK.

There were 10 meetings of the Commissioners in 2020. The attendance was as follows: Drs. Cees Schrauwers 10, Howard Flight (retired 31 January 2020) 1, Richard Hobbs 10, Bob Moore 10, Simon Howitt 10, Wendy Dorey 10, John Aspden 10, Philip Middleton 10 and Baroness Couttie 10. Prior to each meeting, Commissioners are provided, save in exceptional circumstances, with a full information pack to support the meeting’s agenda.

An induction programme is in place for new Commissioners. The Commissioners periodically consider their roles, responsibilities and accountabilities. In addition, each year Commissioners undertake a board effectiveness review. Every three years, the review is undertaken by an external party with experience in this area.

The Commission Law also makes provision for the appointment of such officers and servants as are necessary for carrying out the Commission’s functions and for the most senior officer to have the title of Director General.

Delegation of functions to executive staff

The Commissioners have delegated certain of their statutory functions to the executive staff of the Commission. These statutory functions are exercised by the executives both jointly and individually. All statutory functions of the Commission may be delegated to the executives except:-

- the power of the Commissioners to delegate functions;
- the Commissioners' duty to make an annual report on the Commission's activities during the previous year to the Policy and Resources Committee;
- any statutory functions which:-
 - (i) require the Commissioners to consider representations concerning a decision which they propose to take; or
 - (ii) empower the Commission to cancel, revoke, suspend or withdraw a licence, consent, registration, permission or authorisation (except where the cancellation, revocation, suspension or withdrawal is done with the consent of the person who is, or who is acting on behalf of, the holder of the licence, consent, registration, permission or authorisation); or
 - (iii) empower the Commission to petition for the winding-up of a body corporate.

Annual report and financial statements

The Commission must, as soon as possible in each year, make a report to the Policy and Resources Committee on its activities during the preceding year. The President of the Committee shall, as soon as possible, submit that report for consideration by the States.

The Commission Law also provides that the Commission shall:-

- (a) keep proper accounts and proper records in relation to those accounts; and
- (b) prepare, in respect of each year, a statement of accounts giving a true and fair view of the state of affairs of the Commission;

and that the accounts of the Commission shall be:-

- (a) audited by auditors appointed by the States; and
- (b) laid before the States.

The Commission includes a copy of its audited financial statements in the annual report to the Policy and Resources Committee, referred to above.

Report on internal control and corporate governance

Under the Commission Law, the Commission must also review in each year, by the appointment of appropriately qualified and independent professional persons or otherwise:-

- (a) the adequacy and application of the Commission's systems of internal control;
- (b) the selection and application of the Commission's accounting policies and accounting procedures;
- (c) the effective, efficient and economical management of the Commission's assets and resources; and
- (d) the Commission's compliance with such generally accepted principles of good corporate governance as it is reasonable to regard as being applicable to the Commission.

The Commissioners are required to satisfy themselves in connection with the conclusions of each review and provide the Policy and Resources Committee with confirmation in the annual report on the matters covered by it.

The Commissioners are responsible for overseeing the Commission's corporate governance regime and for monitoring the effectiveness of management's systems of internal control. These systems are subject to regular review by management and address the risks to which the Commission is exposed. The Commission has an ongoing process for identifying, evaluating and managing operational risks (including regulatory and financial risks). Although not required to comply with the UK Corporate Governance Code, the Commission has regard to the guidance contained therein and complies wherever valid to do so.

Two Commissioners, Drs. Cees Schrauwers and the Lord Flight, have served as Commissioners for longer than nine years. The Lord Flight retired as a Commissioner on 31 January 2020 and Drs Schrauwers will retire on 30 December 2021.

The Commission has robust policies and procedures in place to ensure that any conflicts of interest involving Commissioners or staff are managed effectively.

In accordance with the Commission Law, the Commissioners have reviewed the Commission's approach to risk management policies and processes. The report required by the law on internal control and corporate governance has been provided by the Commission to the Policy and Resources Committee.

Functions, Structure and Corporate Governance and other Control Systems of the Commission *(continued)*

Audit Committee

The Commission's Audit Committee (now retitled Audit and Risk Committee) comprised Simon Howitt, Wendy Dorey and John Aspden and was chaired by Richard Hobbs (John Aspden was elected Chairman from 1 July 2020 and Baroness Couttie was elected as a member with effect from 1 June 2020). The Committee covered oversight of the management of risk, reviewed corporate governance and the systems of internal control and reported routinely to meetings of the Commissioners as a whole. Meetings are attended by the Director General, the Director of Risk and Operations and the Financial Controller.

The Committee met three times in 2020. The attendance of the individual members at these meetings was as follows: Richard Hobbs two, Simon Howitt three, Wendy Dorey three, John Aspden two and Baroness Couttie one. The Audit Committee has oversight for non-regulatory risk; regulatory risk is reviewed by the Board as a whole.

Remuneration Committee

The Remuneration Committee, which comprised Bob Moore (Chairman), Richard Hobbs, Wendy Dorey and Philip Middleton, is mandated to advise and assist the Commission in fulfilling appropriate governance in respect of remuneration policies, practices and structure.

The Committee has specific responsibility for proposing to the Board (1) the remuneration and reward of the senior executive and (2) the general policy for staff remuneration and benefits to ensure that all of our people are fairly rewarded for their individual contributions to the Commission. (The Policy and Resources Committee determines the level of Commissioners' fees).

Meetings are attended by the Director General and the Commission Secretary. The Committee met on three occasions in 2020 with all members attending the meetings. The Commission's Chairman attended two of the meetings.

Nominations Committee

The Nominations Committee comprises Bob Moore (Chairman), Richard Hobbs, Wendy Dorey and Philip Middleton. The Committee is responsible for advising the Board on succession planning for Commissioners and the Director General and on appointments to the other Committees.

Meetings are attended by the Director General and the Commission Secretary. The Committee met on three occasions in 2020 with all members attending the meetings. The Commission's Chairman attended two of the meetings.

Investment Committee

The Investment Committee, which comprised Philip Middleton (Chairman), Simon Howitt, Richard Hobbs and Baroness Couttie is mandated to advise the Commission in respect of its investment approach. Meetings are attended by the Director General, the Director of Risk and Operations and the Financial Controller. The Committee met once during 2020 and all members attended.

Review systems

The Commission has retained specialist internal and external expertise to monitor the Commission's non-regulatory internal audit standards to ensure that the Commission is up-to-date with current expectations.

During 2020, the Commission appointed an external party to undertake internal audits in the following areas:-

- external audit and financial statements;
- payroll policies and procedures; and
- HR data protection compliance.

Other planned audits were delayed due to the pandemic.

The Commission also used an external party to facilitate a review of its IT systems. Internal assurance reviews were undertaken on our use of PRISM and the development of our risk-based supervisory approach.

The outcomes of the audits have been taken forward to the satisfaction of the Audit and Risk Committee and Commissioners.

The corporate governance standards of the Commission are regularly reviewed by Commissioners and it is satisfied that the Commission meets expectations in connection with internal audit and corporate governance.

During 2017, an assessment was undertaken of the Bailiwick's regulatory regime against current international standards. This was undertaken by Mr Ian Tower, a former IMF assessor who was contracted by the Commission. The principal conclusion was that the main areas for improvement are already being progressed through the Revision of Laws project which is anticipated to be concluded in 2020.

During 2018, an assessment was conducted by the International Association of Insurance Supervisors (IAIS) of the Bailiwick's insurance regulatory regime against current international standards. The results, published in June 2019, demonstrated a high degree of compliance.

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