



Guernsey Financial
Services Commission

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2025

“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".

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CHAIRMAN'S STATEMENT

On behalf of the Board of Commissioners and our senior executive colleagues, it gives me great pleasure to open our Annual Report for the year 2025.

Anything on which we report can only be achieved with the support of our many stakeholders – including the licensed sector whom we supervise, our political and Government colleagues, the international financial community with whom we share an essential degree of reciprocity and importantly the customers who use the products and services on offer. We place consultation, dialogue and wherever possible, responsiveness high up our agenda and all these avenues of communication were much in evidence during the year.

While we are mandated by law to regulate and secure compliance, making sure that this is done in a way which encourages business to grow profitably and attracts new entrants is a critical part of our mission. You will see this as a consistent theme in our report, reinforcing Guernsey's position as very much, "open for business".

For the last year, technology and digital innovation have featured strongly. We have invested significantly in technology ourselves, particularly at the interface between the regulator and those applying for a licence such as our Applications & Authorisations Portal as well as in aiming to create operational efficiencies internally with our data transformation programme. It is about streamlining and simplifying contact with the Commission. Many of the tools and opportunities offered by new technology are very much still evolving - for example in the case of AI we have set up new technology hubs and augmented our expertise to explore the possibilities. Their output will help shape our plans into 2026 and beyond.

The external landscape continues to provide challenges at a macro level. Geopolitical tensions have enhanced volatility. Areas of regulation felt to impact negatively on economic development have been put under fresh scrutiny. Digital finance innovation has moved closer to mainstream and is reshaping how many areas of financial activity are transacted. Underlining Guernsey's proactive reputation for innovation, we have given priority to examining how our own regulations can be adapted in support of these trends.

Through all this, though, we have remained mindful of the risks which untested financial creativity can bring both systemically, reputationally and for the consumer. Properly understanding innovation, being clear about the risks (which are not easy to identify in new markets) and putting in place appropriate safeguards have remained guiding principles.

Against this background Guernsey's finance sector overall has remained on a stable footing and the consistent trend of new applicants for fund authorisations and registrations is a positive indicator of continuing market interest. But, perhaps this is the place for a reminder that we do not hold ourselves out to offer a fail-safe regime – no supervisor can do this and it is important that all users of financial services should carefully consider the risks which they assume.

Part of our approach has also been to utilise enforcement where serious irregularities are found to have occurred – and inevitably there have been times where this has to be punitive.

However, fortunately enforcement cases are few and our aim is to ensure that the fair and proportionate manner in which they are carried out, together with the clear and factual tone of our public statements, explain why we have had to act.

The composition of the Board has remained unchanged during the period. I would like to thank my Board colleagues for their very supportive and collegiate guidance through the period and the Executive for their continued professionalism and commitment which I believe has created a centre of excellence for the Bailiwick.

John Aspden
Chairman



HIGHLIGHTS

Digital Finance and Technology



Launched a Digital Finance Consultation Paper



Hosted various Digital Finance roundtables with industry participants



Used technology to create an annual report podcast

Policy



Updated and streamlined the Private Investment Fund regime



Updated the Prospectus Rules and Guidance following consultation with industry



Issued a Feedback Paper on Sustainability Reporting in the Bailiwick, which confirmed we would be introducing a new Guidance Note on Anti-Greenwashing and updates to the Finance Sector Code of Corporate Governance in 2026



Consulted extensively with industry on a new regulatory regime for equity release which was implemented on 1 January 2026.

Authorisations



Launched the Applications & Authorisations Portal, enabling all applications to be submitted securely through a digital platform



Applications received (of which over 220 on the new Applications & Authorisations Portal)



Launched the Innovation Sandbox + Concierge service

Supervision



16 MLRO/MLCO exit interviews



8 Thematic Reviews



RMPs set and completed



FRAs/engagement



DIRECTOR GENERAL'S STATEMENT

Regulatory Philosophy in a Time of Change – Challenging Overregulation

2025 was a year when much of the conventional policy wisdom of the last couple of decades was quite firmly discarded, for better or worse. As someone who has always been somewhat sceptical about the helpfulness of democracy being mediated so that only World Economic Forum compatible views were regarded as respectable, I am not going to express a great sense of regret about the arrival of the more pluralistic era, in terms of both ideas and actions, which we have now entered. Vigorous debate and the contest of ideas are the stuff from which human progress is made. As someone who believes that Western civilisation has been a force for good, one whose ideas and practices have benefitted humanity greatly over at least two millennia, I hope that the geo-political changes we are witnessing may inspire some Western reinvigoration, accompanied by some re-enfranchisement of those who have felt forgotten and unregarded over the last couple of decades which, for the West, have been marked by a decline in confidence and, in Europe (broadly defined) by a declining willingness to take risks, to experiment and to innovate.

I first published - more than two decades ago - on the problem of over-regulation and how the precautionary principle can become the enemy of the civilisation and the people which it seeks to protect. My musings and suggestions then (see, inter alia, *Regulation – Less is More, A Report to the Prime Minister*), along with those of many others, were overwhelmed by the tsunami of regulation which followed the Global Financial Crisis of 2008 and again by the second tsunami of international regulation thought necessary to deliver NetZero in terms of carbon emissions. If one looks at the actions of the EU and the US over the last year, it would appear that the water brought onshore by those two tsunamis is starting to subside. I cannot think this receding water to be an altogether bad thing, but the interesting challenge is where these global changes leave Guernsey and how the Bailiwick is best meant to order its financial services in this braver and less certain new world.

I am aware that, for many, regulation is a dirty word – in the same way that my grandparents regarded money as being dirty because it was, in some fashion, corrupting of the good which came from tilling the soil (they were farmers). I can understand those who perceive it as an unfortunate slippage from humans being free in an idealised Garden of Eden and it is probably best substituted with the notion of law for philosophical purposes, with regulation merely being, after

all, a somewhat identifiable sub-species of law. Thomas Hobbes¹ reminded us, however, that life in the state of nature is, in reality, “poore, nasty, brutish and short”. Given this, we are always going to need some laws and customs in a society with shared norms about right and wrong if it is to prosper. Those laws will probably need to be encoded to some degree to give confidence as soon as one moves into a society which does not need to depend on clan loyalties and tribal disciplines. In modern post-industrial societies capable of sustaining very complex webs of interaction, those laws are likely, necessarily, to trend towards complexity in some areas. Financial services and digital finance are very complex areas where very complex laws (aka regulations) are likely to be required to facilitate complex productive investment which serves the common good. The interesting question which we endeavour to wrestle with at the Commission, especially after the good Financial Action Task Force inspection outcome the Bailiwick secured early in 2025, is what is beneficial and necessary to provide a framework for complex high trust commerce and what becomes overly precautionary and thus destructive of the common good. I doubt that there is any one perfectly right answer to this question at any point in time and there is certainly not one right answer which is likely to be as good at the end of a decade as it might have been at the beginning. What we have sought to do during 2025 and what we plan to continue to do in 2026 is to continue to take advantage of changing circumstances, in areas where we have sufficient legal and international flexibility to do so, to modify the laws (in conjunction with the States in some areas) to make it clearer how good a domicile Guernsey is for hard working honest entrepreneurs in the financial services and digital spaces to form and develop their businesses.

Economic Outlook in Key Trading Partners

I am not going to attempt any particular economic forecasts this year other than to observe that the fan of probable expected outcomes is broad in many areas. If we look at our major trading partners: the US appears to be undertaking economic and regulatory reforms with breathtaking speed with the outcomes being not yet certain; the EU appears to have reversed direction on several key issues and is, at quite a measured pace, adapting its laws to make itself somewhat more commerce friendly in some areas. Several Middle Eastern countries are radically reforming, perhaps trying things anew and we would be foolish not to think we can learn from some of their innovations as we consider how Guernsey can retain and enhance its current prosperity. Sadly, the economic situation in the UK appears troubled with a large number of

¹ P. 186, 1651, *Leviathan* by Thomas Hobbes (Penguin 1985 edition)

Director General's Statement *(continued)*

respected economic commentators worrying that a number of the legal changes made by the UK government over the past fifteen months are not necessarily likely to enhance high quality, high employment economic growth. This is a headwind with which we in the Bailiwick are likely to have to wrestle as the UK remains our main trading partner. The well documented departure of many wealthy entrepreneurs from the UK is probably not helpful for the Channel Islands and reinforces the need for us to run a regulatory system which encourages those we regulate to diversify their sources of customers and funds.

Further, on a global basis, we appear to be in a period of intense change, possibly more intense than most of us have witnessed before as both AI evolution and adoption accelerated. All firms need to consider this and how to preserve and enhance the Bailiwick's competitive positioning.

Given the outlook in key trading partners, in 2025, we agreed to co-sponsor a study by Oliver Wyman, working alongside the States, Guernsey Finance and the Guernsey International Business Association. We thought it was helpful to have an organisation with a considerable international pedigree check where the jurisdiction was perceived to be in comparison with the other jurisdictions around the globe with which we often perceive ourselves to be in competition. We looked to it to tell us things we don't already know and to come up with some proposals to help keep the jurisdiction healthy, in addition to those we have already developed in conjunction with industry. We consider its recommendations broadly helpful and are working on how we can implement the ones for which we are primarily responsible.

Our Work to Improve Guernsey's Regulatory Environment in 2025

We did not put down our pens to wait for the Oliver Wyman exercise. We are not normally, I think it is fair to say, constrained by a lack of ideas for improving Guernsey but rather by a finite capacity to implement multiple projects to a high standard at the same time. The end of the MONEYVAL inspection process in December 2024 followed by the publication of the report (following Financial Action Task Force approval) in February 2025 gave us back considerably more thinking and doing capacity than we had had free for a number of years as we prepared and helped other Guernsey actors prepare for MONEYVAL. I hope others will consider we have used that capacity wisely in 2025 to deliver:-

- An improved private investment fund structure. We were mildly flattered that Jersey rushed to change its legislation to try to match our new offering within three months of our launch. We are also grateful to all the Guernsey lawyers and industry participants who helped us improve on our initial reforms through the discussive consultation process we ran;
- An improved private wealth fund structure, The Family Private Investment Fund, with our reforms enabling fiduciaries as well as investment management firms to manage these going forwards;
- A balanced and proportionate bank resolution law which we will be working with banks to implement over the next couple of years;
- An equity release scheme, delivered at the request of the States, to help older people more easily benefit from the equity locked up in their often high value but low liquidity houses and flats;
- A new Applications and Authorisations Portal designed to be much easier for the multiple parties often involved in making a single application to use to communicate with each other and with us. We also think it makes us much more accessible for new financial services professionals considering using Guernsey for the first time. The feedback on the portal has been positive and we also benefitted from legal and industry users who kindly engaged with our development processes, allowing us to incorporate many of their ideas in the final build to make it as user friendly and as intuitive as possible within our quite modest budget for this complex IT build. We intend to use the technologies we have developed through this build to enhance other Commission data, software and practices over the next three years through our data transformation programme;
- The first planks of our Digital Finance Initiative which encompasses a new concierge service, a regulatory sandbox and multiple regulation changes to facilitate digital finance. Having used our Digital Forum to hold a considerable number of roundtables over the second half of 2025, we were able to take those industry insights to launch a well developed consultation paper in December setting out our proposals for the improvement of Guernsey's regulatory regime to facilitate both the use of AI and the several maturing pillars of digital finance. We will look forward to taking those reforms further once we have digested the consultation feedback from within and without the Bailiwick;
- A new meeting space in Regency Court which was delivered pretty much on time and on budget in August 2025. We hope that those visiting the Commission will find it is markedly superior to what we had before. We designed it to make it physically easier to accommodate larger scale forums with industry and I have noticed, in the few months we have been using it, how form is starting to guide substance with the facilities enabling different types and more frequent interaction with industry about various matters when compared to those which we were able to accommodate before.

Director General's Statement *(continued)*

Upholding the Rule of Law – Protecting Guernsey as High Trust Society

The regulator's role is not, of course, necessarily always about exciting, new and innovative ventures and new opportunities for Guernsey. It is also about ensuring that there is good practice within the industry, that consumers and investors are properly protected and about protecting the jurisdiction from financial crime. We have had a good year for authorisations delivery and a solid one for supervision – although one where we were constrained from completing all our planned work by a paucity of suitably skilled staff available at acceptable salaries. My colleagues cover these areas more fully in their reports which follow mine but I am grateful to all those working in those areas and in the less visible parts of the Commission such as finance, human resources, intelligence, IT and risk for all the work they do to enable our outward facing teams to operate efficiently.

I wanted to include a few words about our enforcement activities. As a matter of logic, being sceptical about the societal merits of precautionary regulation should not make one hostile to enforcement. High achieving modern societies depend on there being a valid rule of law. If there is not perceived to be an effective rule of law, people will not feel confident to make investments and to take risks. In a society where arbitrary power rather than the rule of law predominates, there are far fewer winners and might tends to equal right. At the Commission we are never keen to reach for enforcement as the first solution to a problem. We appreciate that mistakes happen and that all of us are imperfect and sometimes messy humans. What we don't accept is that 99%+ of people working in finance in Guernsey should follow its laws to a high standard, helping maintain our essential reputation as a decent jurisdiction of choice whilst less than 1% pollute the commonweal for others with impunity.

We don't take enforcement action often. At the beginning of 2025, we had eight cases under investigation with another six at some stage in the decision-making and the, sometimes interminable, appeals processes. During the year we concluded three matters, one without any sanctions being applied as we concluded matters were not anything like as serious as we had first feared. At the end of 2025, we had ten cases under investigation with a further six separate cases at some stage in the decision making and appeals process, denoting five new cases referred by supervisory directors

to the enforcement team over the course of 2025. When you consider that we regulate c. 2,500 entities, you will appreciate that, quantitatively, that is not many cases.

I would like to mention the qualitative aspect of the cases a little to give some flavour of the sort of things we encounter in our investigations – things which are sometimes not perfectly recorded by a media which is not resourced to sit in court through long and complex appeal proceedings. We encounter people being economical with the truth to us about what happened when we investigate their firms. It is very difficult to think it a good thing for those who default to untruthful positions to be involved in financial services businesses. If they tell untruths to their regulator, we must also consider that they probably tell untruths to their investors and customers about those people's money/policies/investments. They also run businesses shoddily. If you buy an insurance policy from a Guernsey licensed insurance firm, you should be entitled to have a reasonable expectation that it will pay out if you need it. We take action against people who think it acceptable to recklessly run insurance companies without reasonable capital levels, using various accounting and other tricks to disguise the actuality and then don't pay out on policies. We also think investors should have the things in which they have invested looked after. Thus, when we find that ABC director of XYZ fund appears to have facilitated the replacement of valuable fund assets with fakes, we take action against those responsible. We also take a dim view of those who think it fine to manage the money of those who any reasonably intelligent person would consider to be either seriously crooked or fictitious. Without being firm specific, these are the sort of cases on which our enforcement and legal teams are working. They are not about someone not having had an up-to-date utility bill to hand on a file when we pulled it on a supervisory visit or other such minor imperfections.

MONEYVAL criticised us for taking too long with some cases. This is the case because we take on wealthy principals who can afford to contest cases almost endlessly, majoring on highly questionable and frequently refuted human rights challenges because they find it rather more difficult to oppose the overwhelming evidence of law breaking we put before them, our Senior Decision Makers and the various courts to which they appeal. We note their capacity to lobby politicians and the misinformation they propagate because, perhaps for the first time, someone is holding them to account for breaking the law.

Director General's Statement *(continued)*

Balance is always important in regulation. On the one hand we are seeking to facilitate high quality reform and to ensure that we welcome new ideas and entrepreneurship of the sort which helps Guernsey's International Financial Centre renew itself. On the other hand, there remain a tiny minority of actors who appear to think that they are above the law. We beg to differ and will continue to work to ensure that the "made in Guernsey" badge is one which the other 99%+ of hard working and honest financial services entrepreneurs can use with confidence to develop their businesses successfully. We look forward to continuing to work with them and others to ensure that Guernsey becomes an even better place from which to do good quality innovative business.

William Mason
Director General

² In this regard, we were pleased that our success in negotiating a Memorandum of Understanding with the Kuwait Capital Markets Authority enabled a subsequent MoU between Boursa Kuwait and Guernsey's International Stock Exchange offering further mutually beneficial opportunities.

DIGITAL FINANCE INITIATIVE

The global financial sector is currently experiencing a period of accelerated development and adoption of innovative and technology-based services. These digital finance services, using such tools as AI and blockchain technology, promise improved efficiency and greater transparency and it is likely that they will, in time, replace some aspects of traditional finance, but may also create new areas of risk.

Recognising the challenge and opportunity posed by these developments, in September 2025, the Commission launched its Digital Finance Initiative (DFI) which is a programme supporting the positioning of the Bailiwick as a trusted, agile and forward-thinking jurisdiction for digital innovation. The DFI comprises three elements: the Digital Forum, Digital Finance Regulatory Strategy and Innovation Sandbox + Concierge.

Digital Forum

During the second half of the year, the Commission hosted a series of roundtable discussions on different digital finance-related themes including tokenisation, stablecoin infrastructure, custody of digital assets and the use of AI in finance.

Participants were drawn from a cross-section of the financial services and technology sectors. The primary purpose of these meetings was for the Commission to increase its understanding of the current position of the Bailiwick's digital finance sector and the developments taking place and to gather views on the future opportunities open to the jurisdiction. In this respect, the meetings were successful and the Commission used the feedback received to inform its policy development. A secondary benefit of these roundtable meetings was the opportunity provided for cross-pollination of ideas and exchange of views between participants who habitually operate in different sub-sectors, an observation remarked upon by many attendees.

The Commission has also had numerous bilateral discussions with interested stakeholders and experts in digital finance as part of our engagement process.

Engagement through the Digital Forum will continue throughout 2026.

Digital Finance Regulatory Strategy

In December, the Commission launched a consultation paper to develop its Digital Finance Regulatory Strategy. The consultation covered areas identified through the Digital Forum, including:

- proposals for a regulatory framework for stablecoin issuers;
- proposals to provide certainty around the regulatory treatment of tokenised securities, tokenised funds, digital insurance contracts and digital asset custody; and
- proposals for amendments to the Financial Crime Handbook to enhance compliance through the use of technology.

The consultation closed in early March 2026 and the Commission will take forward the proposals, in conjunction with the States and Guernsey Finance where appropriate, having considered the feedback received.

The Commission sees this as only the first step in an ongoing, iterative process of engagement and policy development to maintain a framework that reflects the changing landscape, to facilitate innovative business and create appropriate regulation to meet attendant risks.

Innovation Sandbox + Concierge

As part of the DFI, the Commission refreshed its approach to considering innovative applications with the introduction of the Innovation Sandbox which offers an environment for existing and prospective firms to launch innovative products and services within a structured framework paired with a regulatory concierge service, designed to support firms looking to establish novel financial services products and services in Guernsey. The Commission is open to early discussions with prospective applicants with novel digital finance propositions which might benefit from the Sandbox process.

Martin McHugh
Director of Banking and Insurance Supervision

Authorisations

The Applications and Authorisations Portal (A&A Portal) continued in development during 2025 and we were delighted that by 30 November we were able to cease accepting applications by email having deployed all application forms onto the portal. By the end of 2025, over 220 applications have been received on the portal out of the total of over 550 applications for the year. The application forms on the portal will continue to evolve; for example, late 2025 saw us working to incorporate equity release elements into the Lending, Credit and Finance application forms. We continue to work on internal functions of the portal as part of the Commission's data transformation programme.

Given the significant investment, it was important for the Commission to measure the success of the A&A Portal which we did by conducting pre- and post-implementation user surveys. The results showed positive responses when comparing the previous email-based applications system; users rated the A&A Portal more highly in terms of ease of finding, completing and submitting application forms, collaborating with others on applications, clarity of questions and communication with the Commission. The vast majority of industry respondents agreed that the A&A Portal represents an improvement on the previous applications process. Some of the results of the survey can be found overleaf.

Updates were made to the Personal Questionnaire (PQ) portal to ensure that individuals keep the information up-to-date. These updates were signposted for some time using the Commission's newsletter, *The Leopard*, and in meetings with

industry associations. In addition, we contacted over 1,000 individuals directly to request that they update their PQ. The response was pleasing and we have successfully reduced the age profile of PQs held by the Commission. Individuals who begin a new Online Appointment (OA) will now be prompted to update and verify the information in their PQ before they are able to proceed with the OA. In the absence of any new appointments an individual will now receive a reminder to update their PQ when it reaches three years of age.

Applications in 2025 were up approximately 5% compared with 2024 on a like-for-like basis with the investment sector in particular looking strong showing the best year for Private Investment Funds since the launch in 2017. Activity in the fiduciary sector also appears resilient and, although new licence applications are infrequent, the number of applications for limited permissions gives us an indication of the level of activity in the sector. The insurance sector showed a slight increase in new licence applications but there were fewer protected cell applications; with Special Purpose Insurer applications taking a noticeable downturn. Other sectors showed no discernible trends as they produce fewer but more nuanced types of applications.

During 2025, Authorisation Review Panels (ARPs) were once again used as a mechanism to ensure consistent and proportional decision-making was applied to a handful of challenging applications. Six ARPs were held during the year, compared to seven in 2024, resulting in two being licensed, one formal refusal and others referred back to the applicant for changes to be made.

Innovation

In recognition of the continuing evolution in digital finance and the need to support the financial services industry as it incorporates new technologies, the Commission, as part of its Digital Finance Initiative, launched the Innovation Sandbox + Concierge. This builds on the Innovation Soundbox, which the Commission operated for many years, and offers a structured framework for engagement with the Commission and incubation of digital and other innovative financial products under tailored licence conditions. We are grateful to Guernsey Finance for its support of the Concierge element which is designed to connect firms with other Guernsey agencies as required.

We are already seeing interesting and innovative ideas at varying stages of development and encourage firms to approach us for early discussion. As part of the Sandbox, we will involve colleagues from across the Commission to ensure that all regulatory implications and requirements can be thoroughly explored leaving the firm with a clear way forward to application and licensing.

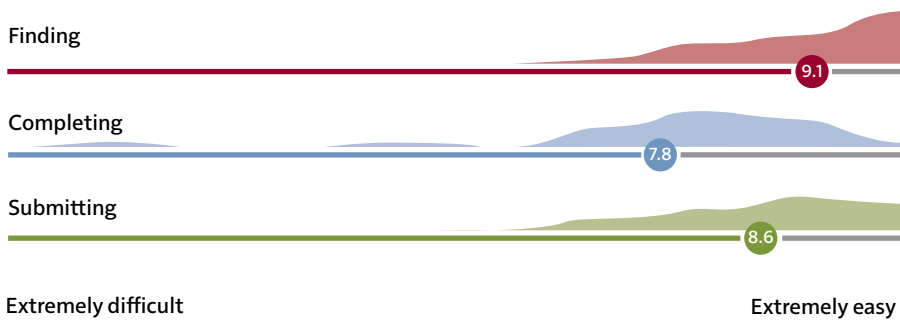
Caroline Bradley & Alison Gavey
Directors

AUTHORISATIONS AND INNOVATION

The Applications and Authorisations Portal - Results of pre-development and post-implementation surveys showing positive improvements in satisfaction with the application process

The new applications process

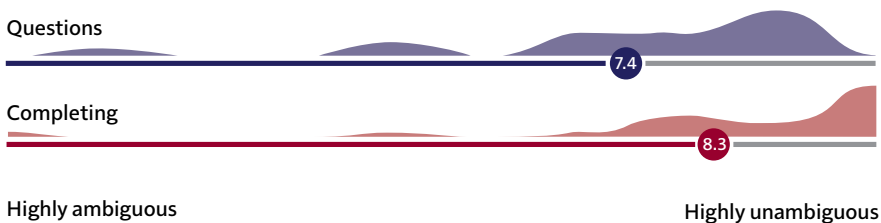
How easy is finding and completing an application, and submitting it via the new A&A Portal?



This shows a positive shift from the scores received under the previous process, which were 6 for "Finding", 6.3 for "Completing" and 6 for "Submitting" an application.

The new applications process

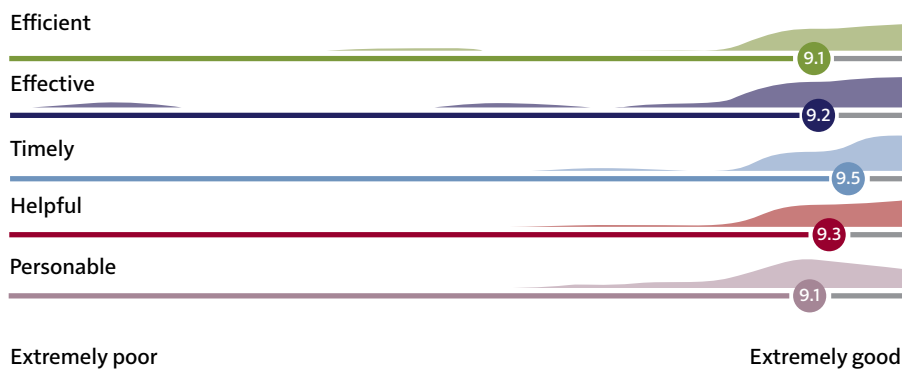
Within the new A&A Portal, how clear are the questions on the application, and is it always clear what fee you should pay?



This shows a positive shift from the scores received under the previous process, which were 5.3 for "Questions" and 5.2 for "Fee".

The new applications process

When using the new A&A Portal, how would you rate the level of communication with the Commission when submitting an application?



In our previous process, scores for communication with the Commission were; "Efficient" 6.3, "Effective" 6, "Timely" 6, "Helpful" 6.4 and "Personable" 6.7.



Supervision

In 2025, despite falling interest rates, the banking environment in Guernsey aligned with benign global trends. Default levels remain low, profitability is relatively good and capital levels above regulatory minima. The number of banks in Guernsey remained in 2025 at 21. From June 2024 to June 2025 total banking liabilities fell from £127bn to £91bn. This largely reflected a decline in inter-bank deposits as third-party deposits remained stable.

In 2025, the Commission carried out one Internal Sector Review on the Guernsey banking sector. Several Guernsey banks make loans to high and ultra-high net worth clients collateralised on securities. The review found that Guernsey banks generally apply appropriate mitigation techniques; although there could at times be more stress testing of ability to service the debt as opposed to simply concentrating on collateral.

During 2025, the Commission continued its routine supervisory programme; conducting onsite visits for six banks. In so far as any general themes emerged, two might be cited. One is the continuing challenges of mitigating financial crime where, periodically, some gaps continue to exist in the mitigation framework of some banks. Another is the continuing challenge of finding local staffing; both generally and in connection with compliance.

For conduct issues relating to Guernsey banks, please see the Conduct section of this Annual Report.

Policy

As noted in the 2024 Annual Report, the Commission intends to complete the development of its banking policy suite to align with international capital standards. However, this is subject to the implementation of these standards by other supervisory bodies relevant to the Bailiwick. Once this has taken place, the Commission will embark on the appropriate policy review and implementation with the local banking industry.

In 2025, the Commission supported the creation by the States of Guernsey of a Banking Resolution Committee (BRC). The Bank Resolution (Bailiwick of Guernsey) Law, 2025 is now in place and in

2026 the Commission will begin to make the BRC fully operational; subject to creating a regime that is proportionate to the needs and capacity of the Bailiwick. The BRC will be part of the Commission but distinct. It will, in due course, be composed of four members; two from the Commission and two independent members. Its main function will be to ensure that, in the event of a failure of a Domestic Systemically Important Bank, depositors are appropriately protected. The BRC will ensure that its work is aligned with that of the supervisory arm of the Commission and the Guernsey Banking Deposit Compensation Scheme.

Risk Outlook

The following risks are key for 2026:

- The continuing need to adhere to developing financial crime requirements;
- Stress testing for more challenging economic conditions not least around credit (in a downturn) and currency (given continued geopolitical uncertainty); and
- Bond price volatility not least as it affects liquidity profiles.

Jeremy Quick
Director

Supervision

During 2025, we undertook five prudential Full Risk Assessment (FRA) onsite visits to fiduciary and pension licensees and three to investment licensees. These detailed, firm specific reviews are driven by a firm's impact rating (with size being a key metric), and we follow a rolling programme in compliance with our risk-based approach to supervision.

In addition to FRAs, supervisors engaged and assessed licensees over the course of the year through a variety of other channels, including external thematic reviews, internal sector reviews, custom engagements, responses to intelligence queries and key risk indicators from data we receive. In order to be an effective supervisor, it is essential we engage directly, openly and regularly with licensees.

Over the year, a total of 110 fiduciary and pension and 93 investment, Risk Mitigation Programme actions were created. 32% related to financial crime risk, 29% to operational risk and 22% to governance risk, a very similar pattern to previous years.

External Thematic Review

Our 2025 external thematic review focused on conflicts of interest across the investment and fiduciary sectors and resulted in two reports published in September. The Commission found that, in general, firms appropriately identified, managed and recorded conflicts of interest that arose during the course of doing business, using a combination of policies, procedures and periodic training.

This topic was selected for a thematic review because, through its supervision and enforcement, the Commission was already aware of several cases where conflict risk had either crystallised and/or where licensees had not implemented adequate controls. Actual and potential conflicts often arise as part of doing business, particularly in a small jurisdiction such as Guernsey. It is therefore vital that licensees have adequate controls to identify and manage conflicts as and when they inevitably arise.

Good practices identified included implementing controls to manage and monitor conflicts, recording conflicts on a conflicts register, embedding conflicts of interest policies and procedures through periodic training and establishing a healthy compliance culture.

The review also identified that some licensees appeared overly focused on conflicts involving the board of directors. The published

report included a non-exhaustive list of the types of conflicts reported by licensees and we hope this can act as a helpful aide memoir to identify and manage a broad range of conflicts.

Internal Sector Reviews (ISRs)

Internal Sector Reviews (ISRs) enable us to review particular themes across a range of licensees in order to identify outliers, progress policy developments or act as a sense check as to whether something is an area of concern. We feed the results of the ISRs into our ongoing regular interaction with industry associations (for example Guernsey Association of Pension Providers, Guernsey Investment & Funds Association and Guernsey Association of Trustees), via this annual report text, on occasion via a 'Dear CEO' letter should the topic lend itself to that and bilaterally with firms should outliers be identified.

We completed three ISRs during 2025. Our first focused on innovation and risk in AI. Although AI has existed for decades, recent advancements (particularly in Generative AI) have brought the technology into mainstream conversation. Our ISR was a fact-finding exercise to explore how investment and fiduciary licensees are currently deploying AI, with a focus on the extent of its usage, the governance in place, and perceived risks identified by firms.

All firms covered within the review indicated that their current use of AI was not material to their core business operation. AI was generally viewed as a supportive tool (for example, virtual assistants) rather than a transformative technology at this stage. Most firms did not view AI as a way to reduce headcount locally, but as a tool to focus on higher value work and reduce outsourcing to other jurisdictions.

The use of AI-specific policies was widespread throughout licensees, even when the licensee was not using AI. There is pre-emptive consideration of business readiness for any technology deployed, for example, risk mitigation strategies such as tracking activities, segregated machines and restrictive use. Firms told us their biggest concerns were data security and the use of client information to train external models.

Our selection criteria for firms to focus on included those who specifically mentioned AI on their website or social media accounts. There was evidence to suggest that firms were insinuating they were using AI systems when they are not, this may be correlated to our finding that firms were concerned that if they were not using

AI they would fall behind competitors. We identified an interest in understanding the Commission's position on AI and this is feeding into our ongoing work including facilitating roundtable discussions on the topic and the issuance of a policy statement confirming our support for the use of AI.

Our second ISR focused on basket schemes. A basket scheme is a structure which allows multiple closely connected entities (e.g. special purpose vehicles, co-investment vehicles, feeder funds) to operate under one authorisation or registration. It is a unique term used by the Commission and only used on our website, it is not referenced in legislation. In order for the Commission to consider an application to authorise or register a collection of vehicles as one basket scheme, it must be demonstrated that the vehicles are closely associated and each have the attributes of a collective investment scheme. Details of the factors which would help demonstrate a close governance and operational association are outlined on our website and include having a common Administrator, General Partner (where relevant) and a common accounting year end and Auditor. In terms of net asset value, basket schemes represent a significant proportion of the Commission's closed-ended scheme population.

Our review concluded that basket schemes are not considered to present additional regulatory risks when compared with other types of multi-vehicle scheme, however the risk of audited financial statements being incomplete was more prevalent than those prepared on an individual basis and will be an area of focus for the Commission going forwards.

In 2015, we undertook a thematic review entitled 'Fiduciary Decision Making in Respect of Assets under Trust'; investment monitoring was an aspect of this review including the use of third parties to assist with asset monitoring. The focus on this ISR was primarily on discretionary investment portfolios, a common option for a trustee to preserve and enhance trust assets. It has been apparent from our supervision that licensees adopt several approaches to overseeing and monitoring investment portfolios (for example, establishing their own committees or using external third parties). Selection of this topic for review was also influenced by negative investment performance being the subject of a number of complaints and professional indemnity insurer notifications received by the Commission.

We found the firms we reviewed were able to articulate good processes for overseeing portfolios and articulate how the needs of clients were considered in deciding how a structure's assets are invested.

Policies covering the monitoring of discretionary portfolios were commonly in place, however licensees were cautious about using AI and automation. Whilst there are inconsistent approaches within

the fiduciary sector towards investment monitoring, this is primarily due to the scale, nature and complexity of each firm's operations; we did not identify systemic poor practice or issues with licensees that posed undue risk to clients or required remediation.

Supervisory Observations

Reflecting on all our supervisory engagements throughout 2025, a number of themes can be observed and shared:

- In a number of instances this year, firms operating with the minimum number of directors in the Bailiwick to satisfy the minimum criteria for licensing found themselves in breach when a Bailiwick-based director left the business and they failed to appoint a replacement in time. A breach of the minimum criteria for licensing is considered a serious regulatory matter. Any firm operating at the minimum requirement should have properly formed contingency and succession plans to remain in compliance with the law at all times.
- We understand that things do not always go to plan. We used some speaking opportunities in 2025 to share tips to consider when such a scenario arises. Number one: being open with the Commission is important, if we believe a firm is not being open and cooperative we are less likely to take the information we are being told at face value and more likely to seek additional assurance including external verification and documentary evidence. We are naturally curious as regulators, we will tend to query and probe; when we are notified of a problem please tell us all the key information, such as was the fund acting outside its scheme particulars and the extent of complaints or litigation. Good practice is to have some ideas for next steps when communicating a problem, we appreciate they can be stressful times and action plans may not be set in stone, but having some ideas at the outset makes for more productive interaction.
- Secondary pensions now apply to all Guernsey employers, who should therefore now be engaged with a Guernsey pension provider. We have observed that Guernsey's pension sector has stepped up to the challenge and we will be reflecting on their important roles in supporting Guernsey's economy in our ongoing supervision.
- The importance of exercising mind and management in the Bailiwick remains crucial. On occasion, we still observe local firms being pushed by wider groups into ill-timed acquisitions, amalgamations, weakened controls, decisions that are not in the best interests of the local licensee, or reliance on outsourced functions without sufficient oversight. We continue to see the value of local independent non-executive directors, willing to challenge and support executive directors and the Commission remains open to supporting local boards where appropriate.

Policy

The year saw a pivot in our policy prioritisation following the agreement, in December 2024 of the Bailiwick's positive MONEYVAL (FATF) assessment. A number of policy workstreams sought to focus on enabling growth in the jurisdiction, whilst balancing compliance with relevant international standards.

In May, following on from constructive industry engagement, we launched a streamlined and simplified Private Investment Fund (PIF) regime, creating an innovative, marketable and flexible fund structure for a wide spectrum of private capital investment strategies. The PIF remains a regulated product (collective investment scheme) for private qualifying investors.

Building on the updates made to the PIF, in October we launched a new limited POI licence, making it easier for fiduciary firms to administer Family PIFs, recognising that the type of investors who might wish to establish and invest in a Family PIF will often be by clients of firms in the fiduciary sector.

We worked closely with all the relevant industry associations throughout the year and are grateful for the constructive input they have provided. One such example was with the Guernsey Association of Trustees (GAT) in respect to Private Trust Companies (PTCs). The additional data we have collected on PTCs has been beneficial from both a regulatory and industry promotional perspective; reinforcing that the Bailiwick's deep expertise in private wealth solutions.

Changes to the Prospectus Rules in July, were a further example of constructive industry association engagement, this time with the Commercial Bar Association and Guernsey Investment & Funds Association. Changes made aim to provide enhanced clarity and to

standardise some requirements with other comparable jurisdictions, for example, to exempt professional investors from scope and raise the prospectus registration offer threshold from 50 to 200 non-professional investors.

In July, we issued a Feedback paper on Sustainability Reporting in the Bailiwick of Guernsey and in December issued a Feedback paper on anti-greenwashing guidance and updates to the Finance Sector Code of Corporate Governance. Taken together, these policy developments reflect our ongoing commitment to maintaining the Bailiwick's reputation, whilst avoiding placing unnecessary burdens on well-managed firms.

Throughout the year, we have been following international developments in the area of sustainability reporting, including the work of the International Sustainability Standards Board (ISSB). We have taken on board that the majority of respondents to our policy papers were in favour of a proportionate approach to ISSB adoption, with interoperability and flexibility being identified as key. The Commission, therefore, has no plans to implement mandatory sustainability disclosure standards, but has taken steps to make clear that greenwashing is forbidden and that biodiversity/nature risks should be considered alongside climate change.

Finally, a policy thread that developed throughout 2025 and is continuing into 2026 relates to digital finance. The Commission recognises that the digital finance landscape is evolving. In June, we clarified that collective investment schemes could be used as vehicles to invest indirectly in crypto currencies for a range of investors (including retail). Further detail on our Digital Finance Initiative can be found on p.10.



Risk Outlook

Reflecting on my time at the Commission over the past eleven years, there is a constant theme of global uncertainty and change which can result in opportunities for the Bailiwick's finance sector.

One category of risk relates to global economics. For example, geopolitics, trade tariffs, tax uncertainty, calls for increased beneficial ownership disclosure for the fiduciary sector and a prolonged challenging environment for deal financing and exit opportunities for funds. Many of these headwinds are also areas of opportunity for many of the diverse regulated fiduciary and investment businesses.

Another category of risk relates to the ever-present and serious threat of cyber-attacks and fraudulent activity. Interpol has noted that cyber criminals are exploiting the fear and uncertainty following increased online dependency to boost attacks. 2025 saw a number of high profile attacks around the world including ransom demands, data compromise and service disruption; we are not immune from these threats.

And finally, there is risk, and opportunity, associated with the development and availability of AI. Guernsey licensees are not currently at the cutting edge of AI or digital development. Many struggle with multiple legacy systems, talk with an apparent Fear Of Missing Out (FOMO) and consequently may indicate they are more advanced than they are. Our assessment is that some businesses genuinely will miss out if they do not develop and deploy technological enhancements to improve their businesses.

Gillian Browning
Deputy Director General

Supervision

2025 was another good year for global insurers. In Guernsey, insurance business remained brisk with the captive sector continuing to show strength. However, the local reinsurance sector has yet to reflect the growth of the global market.

During 2025, the Commission carried out three Internal Sector Reviews (ISRs). The first followed up a 2019 published external thematic review on the accuracy of regulatory reporting by Guernsey insurers. The 2019 review found multiple instances of material misreporting and prompted the Commission to write to all licensees with a request to ensure an across-the-board improvement. The 2025 review found that the general level of reporting had improved although there were still several instances of generic misreporting. The latter was highlighted in a 'Dear CEO' letter.

The second ISR looked at Guernsey life insurers. This sector is relatively small but has significant growth potential. The ISR concluded that life insurers generally needed to improve their documentation around regulatory policy whilst the Commission itself should be clearer around some of its requirements. The third ISR looked at the use of the Own Risk and Solvency Assessment (ORSA) by Retail General Insurers (RGIs). Whilst there were several instances of RGIs using the ORSA to facilitate better risk management, in general RGIs are not using their ORSA as much as they might, often

seeing it as simply a matter of regulatory compliance. For both the second and third ISR, the Commission will take forward the lessons learnt with the industry in 2026 and beyond.

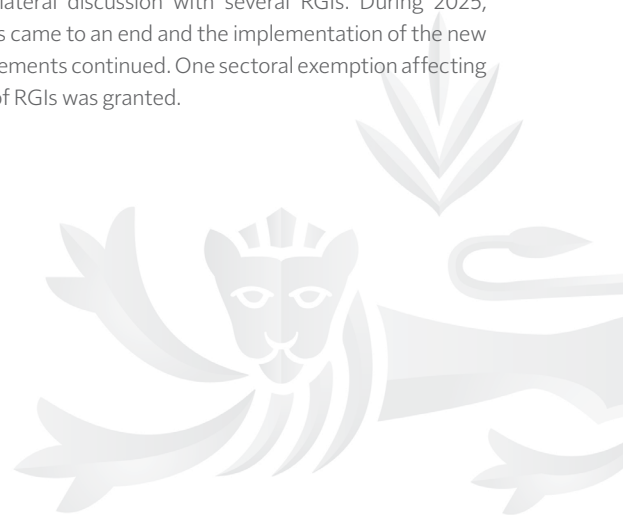
During 2025, the Commission continued its routine supervisory programme; conducting on-site visits for 10 insurers. Whilst most of these visits resulted in few follow-up points, in so far as any general themes emerged, two might be singled out. The first was a tendency to see a Guernsey insurer too much as part of a wider group rather than focussing on the interests of the local legal entity's policyholders. The second was the continuing need to strengthen the quality of Non-Executive Directors (NEDs). Whilst the latter role can be difficult, in general NEDs need to be more challenging, not least around the work undertaken by insurance managers.

In 2025, the Commission continued to chair the Group of International Insurance Centre Supervisors (GIICS) and to provide one of the two Executive Committee members for the Caribbean and Offshore Region (COR) of the International Association of Insurance Supervisors (IAIS). For 2025 and beyond, IAIS intends to move its resources away from policy in favour of implementation support. This trend generally coincides with COR's interests.

Policy

Back in 2013, the Commission launched its Regulatory Solvency Assessment (RSA) for general (re) insurers. Whilst few problems have emerged around the RSA, it seemed apposite after so many years to commission a third-party review of the RSA; not least to ensure that it continued to be appropriate for the future. Whilst several general suggestions from the review are being implemented, the review found no areas where material change was required and this view was endorsed by the local general insurance industry. In 2025, the Commission also received the results from an IAIS self-assessment and peer review of its adherence to International Core Principle 16 relating to the Commission's rules around Enterprise Risk Management. The Commission's overall score was 'Largely Observed', an outcome we consider sensible.

In 2024, the Commission delayed the implementation of the new disclosure requirements for RGIs. This was to enable the Commission to undertake bilateral discussion with several RGIs. During 2025, these discussions came to an end and the implementation of the new disclosure requirements continued. One sectoral exemption affecting a small number of RGIs was granted.



Insurance *(continued)*

Risk Outlook

The following risks are key for 2026:

- Globally, insurers are generally conservative in their selection of assets, but some softening in this approach is taking place. In so far as this trend affects Guernsey insurers, it should be a conscious and considered decision at board level;
- Continued care around RGIs where sometimes the distinction between an RGI and a captive continues not to be recognised; not least by the insurance manager; and
- The continuing financial crime risks associated with Guernsey insurers operating cross-border.

Jeremy Quick
Director

Supervision

2025 marked a return to business-as-usual activities for the Division as the Bailiwick came out of MONEYVAL's evaluation of its levels of compliance with anti-money laundering and terrorist financing international standards with ratings which placed it in the top quartile of well-regulated jurisdictions, worldwide.

In de-escalating the resourcing of work to support the evaluation, we were able to turn our attention to commence addressing the recommendations which MONEYVAL made for increasing the effectiveness of the private sector's preventive measures starting with a thematic review of the investment sector's application of due diligence to financial intermediaries who are investing their customers' funds. Whilst financial intermediaries play a vital role distributing products and services for the global securities market, they can present an elevated financial crime risk as the identity of the intermediary's customers are not disclosed to firms who interact with them.

MONEYVAL had raised concerns that Guernsey's investment sector was insufficiently cognisant of this risk and were misapplying the specific simplified customer due diligence - obligations which can be applied to intermediaries only when the investment firm has assessed as low the money laundering and terrorist financing risks posed by the relationship with the intermediary. It recommended that we should make further efforts to monitor and ensure the proper application of these due diligence provisions.

We undertook onsite inspections to 30 investment firms where we reviewed the risk assessments and due diligence they had undertaken on 244 regulated intermediaries in total. The review identified that most investment firms had a good risk understanding of these types of relationships and applied appropriate controls. Controls at four firms required strengthening and we identified six areas for improvement for all firms using intermediaries to take note of, supporting to some extent MONEYVAL's concerns about the sector.

A report on this review, titled 'Correspondent and intermediary relationships in the investment sector', was published in December 2025. We intend following up with those firms who took part on how they have incorporated findings from the report into their policies, procedures and controls.

This thematic review provides a good example of how we intend addressing other recommendations made by MONEYVAL in relation to further enhancing the private sector's money laundering

and terrorist financing sector risk understanding, and improve suspicious activity reporting practices, as well as improving the investment sector's understanding of the Bailiwick's beneficial ownership requirements.

Our onsite inspection programme continued throughout the year alongside the intermediaries thematic. For 2025, we recorded a significant reduction, of approximately 40% since the COVID pandemic, in the number of systemic deficiencies we were identifying through our onsite inspection programme which would require the imposition of a risk mitigation action. This is a very encouraging development, as our risk-based inspection programme focuses on the supervision of the Bailiwick's higher risk sectors of banking, fiduciary and investment.

During the year, only two firms were referred to the Enforcement Division for further investigation for potential sanctioning for serious and systemic weaknesses in their financial crime counter-measures.

It was also encouraging to find that the financial crime controls within firms which had been through the Commission's enforcement process were much improved and strengthened as a result of the remediation they had undertaken.

These positive findings reflect no softening in our supervision. Our teams were onsite at a firm for at least a week to conduct interviews with board members, senior managers and money laundering compliance and reporting officers, and were reviewing up to 30 client files a time to ascertain robustness of controls for compliance with provision for governance, risk assessment, due diligence, monitoring, reporting suspicion, training and record-keeping.

The Division's offsite activities included interviewing 18 individuals during the year who had resigned from MLRO and/or MLCO roles. This figure represents just over 10% of those individuals who had resigned from those roles during the year, as we apply a risk-based approach to selecting interviewees. In just over a half of these cases, the interviews usefully confirmed what we already knew about the robustness of the firm's financial crime controls and compliance culture. However, we learned useful new information about firms from five of these interviews and information from a further two interviewees led to the scheduling of onsite inspections as the information compounded concerns, we already had about those firms.

Policy

The conclusion of the MONEYVAL evaluation also meant we could concentrate on ensuring that the Handbook on Countering Financial Crime, whilst remaining compliant with the technology-neutral Financial Action Task Force (FATF) Recommendations for combatting money laundering, terrorist financing and proliferation financing, enables firms to embrace the latest technologies for improving accuracy and driving efficiencies in their businesses. This work culminated in proposals for a wide-ranging consultation on changes to the Handbook to support the Digital Finance Initiative to encourage greater use of technology in anti-financial crime controls and to explore the possibility of blockchain solutions in customer due diligence processes.

We hope the changes to the Handbook which were proposed as part of the Commission's consultation on Supporting Growth with Digital Finance, which we are now implementing taking into account industry feedback, help foster innovation and support economic growth by providing greater clarity about firms' legal obligations and how to comply with them.

Even small changes to the Handbook though, can have a positive impact. We were pleased to issue amended guidance on the treatment of pooled accounts operated by subsidiaries of investment and fiduciary licensees to correct a discrepancy raised by a firm facing potential closure of its subsidiary's client money bank account. We understand that our swift response proposing to amend the guidance on pooled accounts to remove this discrepancy within a month of it being raised with us was much appreciated by the firm in question.

We have a small number of changes to make to the Handbook to address nine minor gaps identified by MONEYVAL with the FATF Recommendations. We used our well attended industry seminar in March 2025 and MONEYVAL workshops in September to flag what those changes were and how we intended to close those gaps as pragmatically and sensibly as we can whilst taking into account that those changes will be scrutinised when the Bailiwick reports to MONEYVAL in 2027 on the progress that it is making.

Risk Outlook

Global uncertainties and the continuing significant risk of "bad actors" misusing new and novel AI enabled technology to commit financial crimes means that all firms should remain on high alert to prevent laundering criminal proceeds, facilitating sanctions evasion or terrorist financing to stay ahead these risks to help maintain the Bailiwick's hard-won good reputation.

They should also ensure that they remain alert to vulnerabilities which may be created in previously robust customer interfaces by AI enabled technologies.

Fiona Crocker
Director

TECHNOLOGY

Historically, the Commission has used technology to ensure it can continue to meet its regulatory remit in an efficient and effective manner. This led to the development of our online portals for regulatory return submissions and personal questionnaires and more recently, the go-live of our successful new Applications and Authorisations Portal, all of which make it easier for a user to interact with the Commission. We continue to recognise the importance of these types of development within the projects under our three-year business plan. We also identified the need to improve how we use newer types of technology along with how we supervise our firms who are also using them. For this reason, at the end of 2024, we established two new units, the technology supervision unit and the technology innovation unit and both units progressed their work in 2025.

Technology Supervision Unit (“TSU”)

The end of 2024 saw the creation of the TSU and time was spent during 2025 in finding and employing the right people to join the team. The unit now consists of three Technical Specialists who bring a wealth of knowledge from the local IT and finance industry as well as experience in regulation.

During 2025, the team collaborated with and supported the Banking and Insurance, Investment, Fiduciary and Pension and Financial Crime Divisions by attending onsite visits and contributing to firm risk assessments. The team also provided support to the Authorisations and Innovation Division when considering new applications.

Alongside supporting frontline supervisory functions, the TSU also contributed to the internal working of the Commission by updating policies and procedures, and providing training to supervisors.

In late 2025, the TSU also took part in the Commission’s AI roundtable events, as part of the Digital Finance Initiative, with the aim of helping promote the use of AI tools in industry and helping participating firms understand the Commission’s approach to technology use.

Technology Innovation Unit (“TIU”)

Building on the Commission’s development of its AI-enabled Early Warning System, which assists supervisors in identifying smaller entities that are displaying certain patterns of possible concern, and the deployment of our new Applications & Authorisations Portal, the TIU was set up to further our understanding of how we can utilise new and advanced technologies for the benefit of our staff. In addition to evaluating ‘off-the-shelf’ solutions (including Generative AI tools) the unit is tasked with proposing and prototyping new AI solutions for specific use cases that aim to add value to what we do.

During 2025, the TIU advanced the Commission’s approach in this regard through several strategic initiatives. Following its resourcing early in the year, the TIU worked to deliver proof-of-concept projects focused on leveraging AI with the aim to enhance operational efficiency. These included the development of an AI-enabled meeting assistant to support staff in the internal minute-taking process and the trial of a secure, Generative AI chatbot to augment supervisory work. This solution enables staff to interrogate and analyse documents in a controlled environment with the aim of improving research capabilities and productivity. The TIU also explored the concept of building a simple agentic AI system during the year, which alongside the other initiatives, emphasises the Commission’s commitment to adopting new and emerging technologies.

Katherine Jane
Deputy Director General



Supervision

As highlighted in the 2024 Annual Report, in 2025 the Commission began an extensive external review of retail vehicle finance in the Bailiwick, covering both intermediaries and providers. The results of this review will be published in 2026.

For retail banks, online scamming frauds remain a key risk for consumers. The Commission continues to work with retail banks alongside other stakeholders such as the Channel Islands Financial Ombudsman, to try to mitigate this risk.

Retail banks in the Bailiwick continue to experience periodic staff shortages. Whilst this is in line with some other businesses in the Bailiwick, these shortages can lead to short-term customer service difficulties.

Recently, the availability of credit cards for residents has widened. It is pleasing to see market demand leading to more capacity being created.

Policy

The UK has recently implemented a regulatory regime relating to Authorised Push Payment (APP) scams, with maximum payment of £85,000. This regime does not apply in the Bailiwick. Nevertheless, the Commission expects local banks to treat customers fairly in relation to APP scams and continues to monitor banks' practice in this area.

In 2025, the Commission put in place a regulatory regime for equity release. Equity release allows older people to stay longer in their home by releasing money that can be used to provide for support at-home (for example to make relevant home adjustments) as well as providing the psychological comfort of an additional income stream. Equity release has, so far, been unregulated in the Bailiwick and this has deterred providers from offering this product.

States therefore asked the Commission to put in place appropriate regulations. We hope that these regulations will also provide reassurance to older people who may wish to access finances secured on their home.

There has been widespread support for this initiative from all stakeholders and the regulatory regime went live on 1 January 2026. Whilst the Commission expects the provision and take-up of equity release to be limited, the ability to access equity release may, in the longer-term, ease some of the pressure around the cost of care for older people.

Risk Outlook

The following are key for 2026:

- Financial crime and scams;
- The treatment of customers; not least around account opening and closing; and
- Lending standards in the context of Lending, Credit and Finance legislation.

Jeremy Quick
Director

Cases reported

I commented last year on how busy the Enforcement Division and Legal Team had been before the courts in 2024, and this has continued even more so throughout 2025, with a significant number of cases appealed once a Senior Decision Maker (SDM) hands down a final decision notice.

In the Court of Appeal judgment in *Domaille et al*, clear decisions were made that the Commission's processes and the courts' inherent jurisdiction to remit a matter back with directions or set it aside, are compliant with Article 6 of the European Convention on Human Rights. This case was remitted back to the Commission to a new SDM for the decision to be taken again on some narrow points regarding sanctions and this process continues as I write. I commented last year on the appellants' application for leave to appeal to the Privy Council being refused.

In 2025, the standout case before the Court of Appeal was the long overdue matter of the collapse of the Providence group of companies and the £38 million Ponzi scheme that was perpetrated, where some of the local directors and officers were found to be dishonest and lacking in probity. We are as conscious as anyone of the length of time this matter has been going on but continue to view this process as entirely necessary in order to expose to the public some of the wrongdoing which took place in connection with this fraudulent scheme run by Providence in the middle of the last decade. Whilst we cannot predict the future, we hope that this Court of Appeal judgment will provide a strong legal foundation for the eventual conclusion of this matter.

In summary, Messrs Fuller, Tattersall and Moroney, and the Commission, chose to appeal the decision of the Royal Court to the Court of Appeal as all parties felt that the judgment contained some rulings which did not seem quite right. The Court of Appeal mostly restored the conclusions reached by our SDM which the Royal Court had thought unsound. Some of the Royal Court's reasoning is questioned by the Court of Appeal, and the former Providence directors separately succeeded in arguing that the Royal Court had taken too long to issue its initial judgment following their initial appeal, leading to a breach of their rights under Article 6 of the European Convention on Human Rights. These matters have been remitted back to the Royal Court and, subject to that process, the decision may require more work as it may be remitted back to the Commission with regards to a decision on sanctions being taken again.

Sadly, there has been little sign of contrition being shown by the former directors and officers regarding the monies that were stolen from investors in this case, but some of them seek to challenge both decisions on the Article 6 point (amongst other matters) and show that the process they went through was not compliant with the European Convention on Human Rights. Affirming and building on the Court of Appeal judgment in *Domaille et al*, the Court of Appeal in this matter has now provided another comprehensive judgment with regards to the enforcement process and decision making of the Commission and the powers of the courts in the Bailiwick to issue directions or set aside a decision, which definitively confirms that the Commission's enforcement process is compliant with Article 6 of the European Convention on Human Rights, meaning that arguments, regarding the compatibility of the Commission's process have been exhaustively tested.

There was a third case, that of Mr Hofgren, in which Hofgren brought an appeal before the Court of Appeal against a decision of the Royal Court. In summary, the Court of Appeal found that the findings of lack of probity against Hofgren were confirmed. However, the assessment of seriousness and the imposition of sanctions were to be remitted back to the Commission with a direction that, in making an assessment of seriousness it should proceed on a slightly different basis from that adopted by the SDM. In essence, two conclusions of the SDM were set aside by the Royal Court, and the Court of Appeal judged that the Royal Court had erred in setting aside these two findings, but in not then remitting the question of the overall seriousness of Mr Hofgren's behaviour, and the level of sanction it merited, back to the Commission. (By way of context, the Royal Court considered that the sanctions against Mr Hofgren remained appropriate despite not supporting every one of the SDM's findings against Mr Hofgren).

In a fourth matter regarding Pybus and Adjure Global Limited, which was an appeal to the Royal Court against a decision of a SDM, the decision of the SDM was upheld and puts into the public domain a number of serious concerns we have held about Mr Pybus which we have been wishing to place into the public domain for some time. While the Royal Court upheld many of the SDM's findings, it also asked us to appoint a new SDM to consider the matters of probity and integrity again, explicitly setting out a case law based test for probity which the Royal Court adjudges the SDM should have done more explicitly in his decision.

Enforcement *(continued)*

Mr Pybus and Adjure Global Limited have appealed the findings of the Royal Court to the Court of Appeal, where leave to appeal has been granted on one out of three grounds appealed. This matter may be heard sometime in 2026.

The Commission will continue to defend the decisions made by the SDMs as not to do so would risk rendering the enforcement process ultimately toothless with the Bailiwick's regulatory regime consequently lacking international credibility and acceptance.

Over and above court matters, there were four enforcement investigations concluded during the year, and without commentating on all of them in this short dispatch, the most prominent case was that of ITI Trade Limited. The case came about as a result of the Guernsey authorities carrying out a thorough analysis of Russian business held after the start of the war in Ukraine. It was whilst conducting this review that concerns came to light about the business model and compliance with the regulations and the Handbook on Countering

Financial Crime with regards to this firm.

There was another significant case in 2025 under the Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022. Channel Islands Finance Limited and its directors were found to have committed serious breaches and failings under the relevant laws and were found not to be fit and proper. They settled the matter at an early stage with the Commission, however this case set out the possibility of serious fraud against an investor which was taken seriously by the Commission in its findings.

There was also one case which was discontinued after an investigation had taken place as the Commission did not consider it proportionate to proceed to formal sanction of the firm or individuals within it, given the failings identified. This matter was, instead, referred back to supervision for some remedial action to be taken by the firm in question.

General

At the end of the year, we had ten outstanding investigations, with six further cases going through a SDM or court process. We served twenty statutory notices for information regarding the investigations being carried out and conducted twenty-two interviews with prescribed persons throughout the year. In addition, we made or received sixteen disclosures of information to local and overseas agencies and regulators in conjunction with ongoing investigations.

We continue to carry out debt recovery, with regards to the collection of discretionary financial penalties that remain unpaid, in cases where we believe that assets have not been correctly or honestly declared and where those that face sanction have put the Commission to considerable cost – otherwise ultimately borne by licence fee payers - through a lengthy and protracted court process.

What has become apparent during 2025, and was firmly dealt with in the Court of Appeal judgment in Fuller et al, is engagement with States Deputies to attempt to influence the enforcement process.

If Deputies are to be engaged, it is only fair to them that full disclosure is made by the person engaging them on whether they are subject to an ongoing enforcement matter, or, have a conflict with an ongoing enforcement case. It is disingenuous to Deputies to expect them to potentially take up a matter with the Commission when proper disclosure has not been made to the those approached by the person subject to enforcement. If instances like this come to our attention during the course of an investigation, it will potentially be taken into consideration when assessing an individual's integrity.

Simon Gaudion
Director

SENIOR DECISION MAKERS

The Panel of 'Senior Decision Makers' determine the outcome of the Commission's major enforcement cases. A Senior Decision Maker, sitting alone, hears those cases involving findings of serious regulatory shortcomings against a licensee and/or individual directors and cases where such findings are contested.

The constitution of the Panel at the year-end was as follows (in alphabetical order):

- Raymond Cox KC (England and Wales)
- Nicholas Davidson KC (England and Wales)
- Catherine Gibaud KC (England and Wales)
- Saima Hanif KC (England and Wales)
- Richard Jones KC (England and Wales)
- Jonathan Kinnear KC (England and Wales)
- Terence Mowschenson KC (England and Wales)
- Thomas Munby KC (England and Wales)
- Alison Potter (England and Wales)
- Alex Potts KC (England & Wales)
- Andrew Webster KC (Scotland).

There were three retirements from the Panel during the course of the year. Glen Davis KC (England and Wales) and Russell Finch OBE, former Judge of the Royal Court (Guernsey) retired following completion of their terms of appointment. Ben Hubble KC (England and Wales) also retired from the Panel as a result of other commitments.

At the start of the calendar year 2025, there was one live case before a Senior Decision Maker which completed in September 2025. A fresh Senior Decision Maker was appointed for reconsideration of sanctions in an existing case in January 2025 and that case is ongoing.

The total number of cases dealt with by Senior Decision Makers since the inception of the Panel in 2014 is now 25.

There were four appeals from decisions of Senior Decision Makers that were live during 2025. One was the subject of a Royal Court judgment in May 2025 from which a further appeal to the Court of Appeal is scheduled to be heard in early 2026. Another was the subject of a Court of Appeal judgment in October 2025 and has been remitted back to the Royal Court. A third was the subject of a Royal Court judgment in October 2025 and currently awaits determination of an application for leave to appeal by the other party to the Court of Appeal. A fourth appeal was the subject of judgment by the Court of Appeal in December 2025 and has been remitted back to the Commission for appointment of a fresh Senior Decision Maker to reassess sanctions in light of the judgment.

The annual training day for the Senior Decision-Makers took place in Guernsey on 19 June 2025, including issues of practice and procedure arising out of recent cases. The Explanatory Note regarding "The Investigation and Decision-Making Process Relating to the Use of Enforcement Powers" was updated on 25 September 2025.

Leigh-Ann Mulcahy KC
President of the Panel of Senior Decision Makers



RISK AND FINANCIAL STABILITY

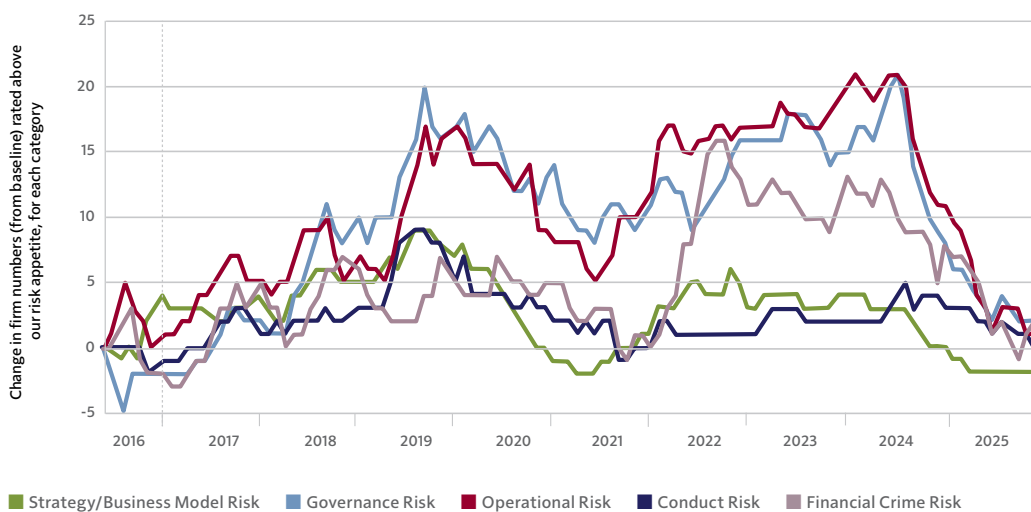
Risk

The Risk Unit continues to be instrumental in providing support and challenge to our supervisors, assurance on our supervisory approach and in considering how we can further develop our risk-based supervision. Following all the work done on MONEYVAL in 2024, in 2025 Risk focussed on updating our systems to make them easier for supervisors to use. Also, alongside our colleagues in the Financial Crime Division, we considered the comments and recommendations made within the final MONEYVAL report including what, if any, updates needed to be made to our systems to implement these recommendations in a proportionate and sensible manner.

Our risk based supervisory system, PRISM, has been fully implemented since 2016 and during the last nine years we have made a number of updates to the system to ensure it continues to enable effective risk-based supervision. This has included creating a specific module within the system for carrying out and recording our financial crime visits, something which was commended during our MONEYVAL visit. During 2025, we created a new module to deliver our prudential and conduct supervisory visits too - improving the efficiency of our supervisory processes and enabling our supervisors to spend more time focusing on the key issues and judgements they

need to make.

We continue to hold Risk Governance Panels to offer a sense check for our supervisory teams, helping ensure a balanced and fair approach across firms and sectors. A Risk Mitigation Programme (RMP) can consist of one or a number of actions and is put in place when a firm is judged to be above the Commission's risk appetite in one, or several, risk areas. An individual RMP action could, for example, be about a failure to undertake appropriate customer due diligence at take on due to a lack of effective systems, something which could be regarded as both a financial crime risk and an operational risk for the firm. The graph below shows the trend in risks categories at firms where we have judged an individual risk to be above our risk appetite, starting from the full implementation of our PRISM system in June 2016 until December 2025.



Risk and Financial Stability *(continued)*

The graph on page 28 shows that over the last eight years, the risks that have been most regularly above our risk appetite at the firms we have visited have been governance and operational risks. It is reassuring to note that the downward trend that we first identified in 2024 has continued, across all risk types. In fact according to our supervisory visits there is a similar level of firms with risks above the Commission’s risk appetite in individual risk types as there was in 2016, when PRISM was first implemented. Whilst this shouldn’t be a cause for complacency it does suggest, that despite an environment of increasing risk and volatility, our licensed firms are responding by having appropriate control environments to identify, mitigate and manage these risks.

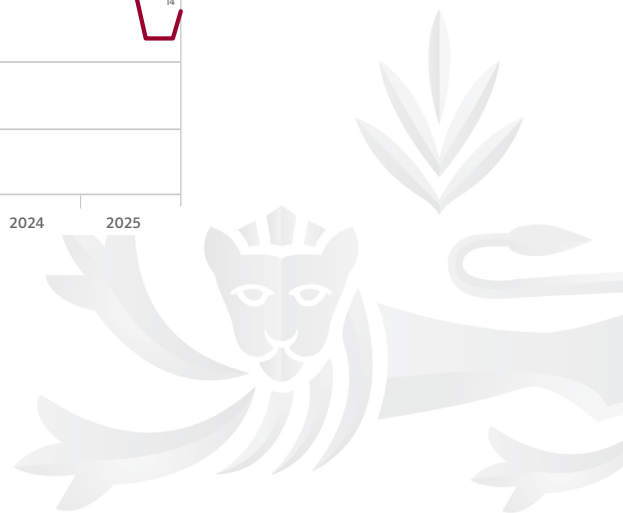
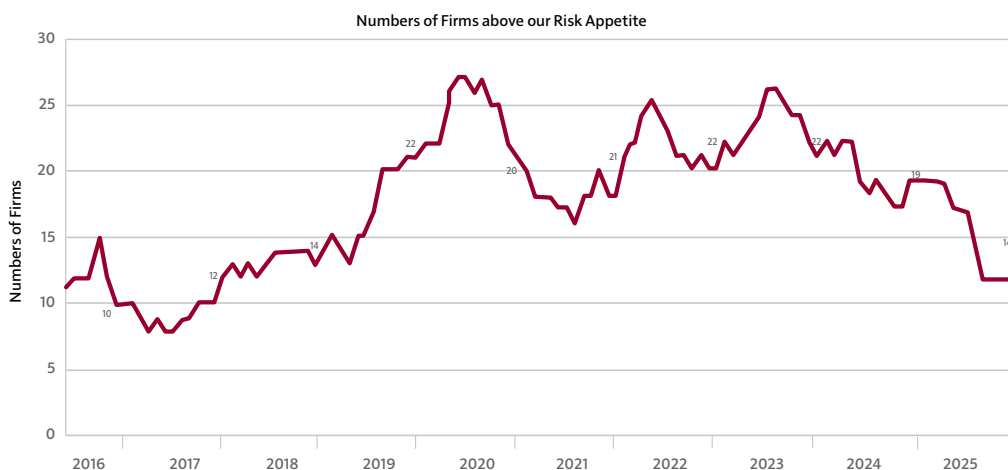
This trend is also borne out when considering the chart below. The firms shown in this chart have been judged as being over the Commission risk appetite in terms of their overall risk level, judged on a number of underlying risks. The firms are then asked to mitigate their risks through the application of an RMP. The graph shows that the total number of firms above the Commission’s risk appetite overall is only slightly above what it was in June 2016, when PRISM was fully implemented for all sectors.

This is also reflected by the fact that the Commission set a significantly lower number of RMP actions, spread across each of the sectors we supervise, in 2025 at 279 versus the 404 issued in

2024. Firms continued to complete these RMP actions with 399 completed in 2025, versus 384 in 2024, further mitigating the risks posed by these entities. This reduction was seen despite the Commission carrying out a similar number of Full Risk Assessments (23 in 2025; 21 in 2024) and further regulatory engagements (217 in 2025; 214 in 2024), though these engagements were more heavily weighted towards financial crime inspections in 2025 (66 versus 48 in 2024).

In addition to onsite visits, the Commission undertakes thematic work in the form of internal sector reviews and external thematic. We continue to receive a wide range of information on the firms we supervise from sources such as online returns, firm notifications, social media and the whistleblowing hotline. This information and data generated just under 6,000 alerts from which the Commission created 2,093 triages to record our approach to the matters in hand. Such alerts and triages cover events varying from notification of breaches of legislation and rules, to a firm reporting errors to the Commission or a need to follow up an RMP action that has been set for a firm.

Katherine Jane
Deputy Director General



Financial Stability

At the start of 2025 there was a significant level of uncertainty as to how Trump would approach his second term in office and what to expect. President Trump's administration has certainly proven more integrated and orderly than his first, but his actions and his challenging of perceived economic wisdom has been noteworthy with many economists now having to question the veracity of their own macro-economic thinking. Economically speaking, it started with the wide-ranging imposition of tariffs by the US Administration and continued this year with the removal of the President of Venezuela in the first few days of 2026. It is well understood that we are operating in a 'new world order' distinct from the period of international and global cooperation of the last 20 years but the level of uncertainty and the boldness of some aspects of US leadership have surprised a number of commentators who have not troubled to understand the radical challenge US Administration's MAGA agenda represents.

The implications of this means that any forecasts for growth or inflation that have been put forward for 2026 need to be taken with a large pinch of salt, as they will be impacted by world events such as the war in the Middle East which is centred on Iran. At the end of 2025, there was a reasonably positive view from the IMF that global growth would remain around 3.3%, having been revised slightly upward from the position in October. The main driver of this was the emerging markets and developing economies, specifically China, India and Saudi Arabia. Whilst the forecast for the UK is significantly lower, it is still an improvement on several European countries with the forecast growth for Germany being only 0.2% as many people estimate that the impact of US tariffs on Germany will be profoundly negative.

The Financial Policy Committee at the Bank of England noted that risks to financial stability have increased during 2025 and there remains a material uncertainty over the global macroeconomic outlook. It has highlighted the increasing geopolitical tensions, fragmentation of trade and financial markets, along with pressures on sovereign debt markets. Whilst its December report breaks down these risks further it focuses on the need for sustainable economic growth for the UK and the role of financial services in supporting this growth.

Whilst we are fortunate in the Bailiwick, due to our size and location, to be relatively sheltered from some of the more direct implications of these geopolitical events, the indirect aspects will clearly affect us. In addition, the increasing focus of the major global economies for

driving growth increases the competitive environment that we, as a jurisdiction of choice, face. As an island we also have a natural limit on our human and capital resources.

We have continued to see inflation run at between 3% and 4% in Guernsey and whilst there were signs suggesting a further downturn for inflation for the UK, possibly heading towards its 2% target, there is now greater uncertainty with the events in the Middle East. Without predicting a final outcome there is now a higher likelihood that the inflationary figure will not drop as quickly or as much as previously expected. This will mean that the costs of living in Guernsey will continue to increase, though not as painfully as a few years ago.

To continue to support the financial stability of the Bailiwick and that we have the GDP to support all our on-island services we need to ensure that we continue to grow. The risks described above, however, are also opportunities. Whilst the long-term impact of current fighting in the Middle East cannot be foreseen and whilst the suffering of innocent civilians is always desperately sad, current events help to emphasise the Bailiwick's position as a port of calm in the middle of a global storm. With our reputation as a robust and stable jurisdiction with a proven and long-standing rule of law and an internationally recognised regulatory regime, we can provide an alternative option for high-net-worth individuals.

With the development of new technologies there has been an ongoing fear that the advent of agentic AI would result in a reducing workforce. A recent report by the Bank of International Settlement noted that AI adopting increases labour productivity in the short run by an average of 4%, driven by capital deepening rather than job displacements. A 4% increase sounds minimal but in terms of productivity change this is massive and whilst the report found the benefits were unevenly distributed, less gains for smaller firms, it suggests that an increasing use of AI could help the Bailiwick utilise our naturally limited human capital resources in a more effective manner.

In light of these risks and opportunities for the Bailiwick, our financial stability relies on our ability to continue to grow to ensure that we can maintain the support that the financial services industry provides to the wider community, both directly and indirectly.

Katherine Jane
Deputy Director General

¹ World Economic Outlook Update, January 2026: Global Economy: Steady amid Divergent Forces

² Financial Stability Report - December 2025 | Bank of England

³ AI adoption, productivity and employment: evidence from European firms

THE COMMISSION'S THREE-YEAR BUSINESS PLAN

Since 2018, we have been running a series of three-year business plans (3YBP) to cover projects and pieces of work that last longer than one year. 2024 was the start of our third 3YBP with several projects carrying over from the second business plan, along with new projects being initiated under the new 2024-2027 business plan.

MONEYVAL

One of our longest running projects at the Commission came to an end in 2025 with the publication of the MONEYVAL final report. The outcome of this review has been well-documented and discussed in several ways, not the least with over 450 industry participants attending feedback sessions at the Commission during 2025. It was a positive outcome for the Bailiwick and a successful conclusion to this long running project for the Commission. As with every project the Commission undertakes, we ensured that any lessons learnt, both positive or negative, were captured and fed back into our project management processes.

Policy work

In the latter part of 2024, the States of Guernsey asked the Commission to develop rules and regulations to allow equity release products in the Bailiwick, utilising the Lending, Credit and Finance Law. These products allow individuals who have significant value in their properties to use that equity for other purposes whilst continuing to live in the property. The project aimed to provide a regulatory framework that will encourage equity release providers to enter the Bailiwick market and to safeguard the interests of customers who enter into equity release arrangements. In 2025, we consulted on draft rules, took on board the relevant feedback we received and then published final rules, with the regime fully coming into force on 1 January 2026. We hope, during the course of 2026, to see both providers and advisers apply to become licensed in order to offer these products to individuals who are looking to realise the value they hold in their properties.

The second area of significant policy development was the Commission's ongoing discussions with the States of Guernsey and the Association of Guernsey Banks on the creation of a bank resolution committee. These committees or authorities are organisations that were created after the 2008 banking crisis in jurisdictions across the globe to facilitate the swift resolution of banks which have failed. A policy letter was agreed by the States at the start of 2025, and the requisite black letter law was approved by the States and the Lieutenant-Governor during the year. We will continue to develop the underlying infrastructure and rules to deliver a working resolution committee during the course of 2026.

Regency Court

Enhancing the Commission's physical working environment was a key initiative in 2025. During the initial phase of work, the project delivered a new suite of offices in Regency Court, providing a modern reception area and ten purpose-built meeting rooms. This phase was completed on schedule in May, following an expedient construction programme that included IT infrastructure installation and flexible-use design considerations. The new space has been well-received by staff and industry, offering improved facilities and a professional setting for both internal meetings and external engagements. Furthermore, the design of Regency Court incorporates flexibility for future needs, including reconfigurable layouts capable of hosting presentations for up to 150 attendees. This adaptability ensures the space can support a range of activities, from day-to-day operations to large-scale events.

Following the successful completion of the Regency Court work, attention turned to Gategny Court, where the six existing meeting rooms were dismantled and repurposed to create additional desk space. This was done to accommodate growing teams and to optimise the building's floorplate. Temporary relocations were managed effectively and despite encountering some minor challenges, momentum was maintained and the project achieved practical completion in August. Despite the complexity of managing two sites concurrently and some issues identified during the course of the fitout, the project was delivered broadly within the planned timeline and budget, and to specification. The Gategny Court improvements have delivered industry standard working conditions for our staff, something which we hope will assist both wellbeing and retention.

Applications

In 2024, we started the process of digitalising our applications and authorisations process, with the blueprinting and initial development of a new online applications portal to replace the prior email-based approach. In 2025, we successfully delivered a fully operational Applications and Authorisation (A&A) Portal for industry and Commission staff, on time, on specification and on budget. Designed to replace the previous highly manual approach, the new system introduced a secure, modern and partially automated portal that streamlines the application process and improves overall efficiency.

The implementation of the new portal was delivered in three structured phases, beginning with an initial release in late 2024, followed by a beta release in early 2025 and a final release in August 2025. Each release introduced expanding functionality and improved user experience for both applicants and Commission staff.

Each release was informed by feedback received from both industry participants and Commission staff that was then fed back iteratively into the final design of the system. Incorporated features include group functionality for collaborative application drafting, redacted access for sensitive data and dynamic form-building capabilities. It is envisaged that such innovations provide the flexibility to respond quickly to any future regulatory changes, enabling the Commission to configure new application forms without a heavy reliance on external developers.

The new portal has been positively received by both industry and Commission staff. Applicants have welcomed the intuitive online portal, which simplifies the submission process. Industry users can now track progress, exchange messages and manage submissions within a secure environment, reducing application development times and improving transparency. Feedback from users has highlighted the system's ability to improve the completeness and quality of applications, thanks to built-in guardrails and data validation checks. This has not only enhanced user experience but also reduced the need for follow-up queries, benefiting both applicants and the Commission.

Since release, the new portal has enabled the phase-out of all paper (or email) application forms, with over 220 applications received via the A&A Portal before the end of 2025. For our in-house staff, the A&A Portal has delivered a streamlined workflow platform that has transformed how applications are assessed and processed. By eliminating paper forms and materially reducing manual data entry, the system has helped to free up resources and allowed staff to focus on higher-value tasks.

In addition to the above benefits, the successful delivery of the A&A Portal has allowed us to lay the scalable foundation and architectural design for our multi-year data transformation programme (i.e., transforming the organisation from using monolithic systems to using more modern, flexible and modular systems). Moving forward, we aim to utilise the knowledge, skills and experience gained by our technology team from building the A&A Portal and apply these to address some of the future challenges we face as part of the data transformation programme.

Data

Work on our multi-year data transformation programme continued throughout 2025. The aims of this project are to simplify our data architecture radically, creating operational efficiencies and enabling much easier and more intuitive use of the data we gather. Continuing on from 2024, the project team advanced several core workstreams during the first half of the year, designed to reduce our reliance on parts of our legacy systems, cleanse existing data that we hold, ensure that we receive accurate and current information (e.g., implementing a new mechanism for the verification of standing data via our existing OS and PQ Portals) and create a centralised data analytics platform, that currently underpins the new A&A Portal.

In the latter part of the year, the focus of the project shifted to planning the next stages of modernising our data architecture based on the scalable foundations laid by the A&A Portal and considering how we transition to it. This work included capturing comprehensive business and technical requirements for our future needs. In doing so, it has allowed us to consider how best to design the required data architecture, re-imagine our workflow processes using automation where possible, outline improvements to our management information and plan enhancements to our data analytics and integrate our future AI ambitions. The long-term vision is to create a "single source of truth" for the Commission's data viewable through "single pane of glass", to support both operational efficiency and effective decision-making.

Looking ahead to 2026, the focus of the data transformation programme will be on implementing the foundational components of the new data infrastructure while mitigating the risks associated with sequencing and integration. Additional focus will be on the people side of the change management process as we transition the organisation away from using older monolithic systems to a newer generation of technology tools. Whilst a large proportion of this work will be internal to the Commission we are also conscious of the impact it may have on industry and, as with the A&A Portal, we will ensure that we reach out to industry participants at relevant points to ensure that we deliver a system that improves processes and productivity for industry as well as the Commission.

Katherine Jane
Deputy Director General

People

As at 31 December 2025, the Commission employed 142 permanent staff.

Throughout the year, the HR team continued to prioritise identifying, attracting and appointing skilled candidates to fill vacant positions whilst ensuring appropriate support for supervisory, policy and operational work. Our recruitment approach remains intentionally broad to attract both local and off-island candidates, recognising the continued competitiveness of the Guernsey talent market. Engagement with our internal referral scheme also remained strong.

We continued to encourage all staff to take ownership of their career development and personal and professional growth. A range of development incentives and retention measures are available, including secondments. In 2025, two staff members completed internal secondments and one completed an external secondment with the European Banking Authority in Paris. Our Graduate Development Programme continued to progress during the year, with four graduates rotating into new divisions and a further four transitioning into analyst roles upon completing the programme.

Building on work commenced in 2024 to showcase development opportunities for analysts and senior analysts, we expanded this focus in 2025 to highlight pathways available to assistant directors, technical specialists and deputy directors. Many of these opportunities are unique to the Commission and reflect the breadth of experiences we are able to offer to staff as an employer.

To complement our graduate initiative, proposals for a structured Trainee Development Programme were finalised in 2025. This Programme will offer school leavers the opportunity to begin a career in regulation while undertaking an apprenticeship degree with the University of Exeter.

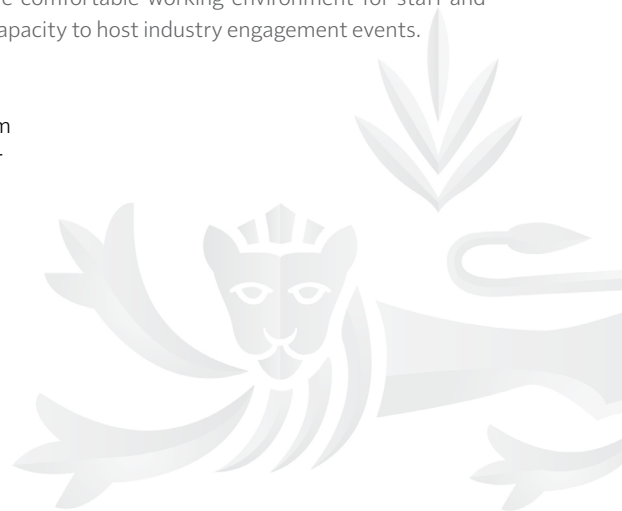
Training and development remain key elements of the Commission's employment offering. Our induction programme was further strengthened by incorporating in house delivery of core skills training for minute taking and report-writing. In 2025, 58 staff members were studying for professional qualifications, reflecting a strong organisational commitment to continuous learning. Completed qualifications during the year included the ICA International Diploma in Governance, Risk and Compliance, the ICA International Diploma in Anti Money Laundering, the Chartered Financial Analyst Levels I-III, the STEP Certificate in International Trust Management, the IoD Certificate in Company Direction and the CFA UK Investment Management Certificate.

The HR team organised 108 internal training sessions during the year, delivered either through our core foundation training programme or as bespoke personal development opportunities. Staff also benefited from a wide range of external training and information events covering areas such as project management, economic crime, cyber security, emerging technologies and wider sector specific topics.

A range of wellbeing initiatives were delivered throughout the year to promote physical and mental health, including flu vaccinations, mental health first aider training and support, access to our employee assistance programme and extensive family medical insurance.

Finally, we completed the expansion of our office space through the addition of new meeting rooms at Regency Court and the refurbishment of our Gategny Court premises to address space constraints. This work was delivered on time and on budget, providing a more comfortable working environment for staff and enhancing our capacity to host industry engagement events.

Annabel Bonham
Deputy Director



Financial Information

The overall purpose of the Commission's finance function is to maintain our finances in a prudent and responsible manner to ensure that we have the resources to carry out our regulatory obligations effectively, in a standard or stressed environment, both now and in the future. This approach is clearly reflected in our 2025 financial statements which demonstrate the planned investment we have made in our internal systems and technology over several years, but also the more recent development of a second office at Regency Court, which ensures we have an office space that is fit for the next decade. This investment is reflected in the planned loss that the Commission has made in 2025 ((£216k) 2025, £1.9m surplus 2024) against the prior year profits, however several key drivers remain consistent.

Our investment in our internal technology is reflected in the continued growth of our intangible assets (from £600k in 2023 to £1.35mn in 2025). This includes the recognition of the completed asset behind our new Applications & Authorisations Portal, which has been developed internally with the support of a third-party IT provider. This new infrastructure demonstrated our capability to design and develop a microservices architecture and produce an external and internal portal that allows users to interact more effectively and efficiently with the Commission during the authorisations process. We will continue to invest in our core infrastructure by expanding this software application to include other aspects of the Commission's processes, both external and internal, to deliver a forward-looking flexible system to support our regulatory processes.

The new offices in Regency Court constituted a significant investment in the Commission's future. They provide both a professional meeting and event hosting location that has been used multiple times since they opened in the summer of 2025 but have also meant that we have had greater space, and more natural light, at our Gategny Court office making the Commission a more pleasant place in which to work. Despite the increasing cost of materials, and some additional issues discovered when work was initiated, this project maintained its budgetary discipline and was delivered for £1.9mn.

Despite these significant investments, the Commission's deficit was lower than planned at only £216k due to the ongoing influences of staff shortages and an increase in the fair value of our financial assets. The Commission acknowledges that we need skilled, experienced and confident staff in all parts of the Commission to allow us to regulate the financial services industry effectively. As a public service organisation, we seek to offer a good employment package

but we do not think it appropriate to seek to compete directly with private sector bonus cultures. Our employment includes a significant investment in staff training alongside healthcare coverage and pension benefits. In 2025, there was a slight increase in our staff numbers to reflect the increasing regulatory workload needed to satisfy international standards, alongside increasing policy work in order to contribute to the Bailiwick's growth agenda. Whilst our overall staff costs increased, this still reflected a material under complement benefit during 2025 - therefore reducing the Commission's forecasted loss.

Due to the restrictions and requirements that insurers place on Directors and Officers' insurance cover, the Commission is unable to maintain insurance for these risks. To ensure that we can protect our staff adequately and to deal with any future financial crisis appropriately, we maintain a precautionary buffer, held in highly liquid assets, to ensure that we could meet increased operational costs at any time. This amount reflects six months of the Commission's ongoing operating costs, excluding project costs. As we receive most of our income at the start of the financial year, we also hold a portion of assets in daily trading investment funds and fixed interest securities. Not only does this reduce the Commission's credit risk but it enables us to benefit if there is an increase in fair value during the year, although we do not rely on this within our budgetary process. Despite an overall reduction in these financial assets, due to the investments in technology and buildings described above, ongoing world events meant we saw a significant increase in the fair value of these remaining assets (£461k in 2025). We will continue to maintain a precautionary buffer of highly liquid assets to ensure that the Commission can continue to regulate effectively, even in a stress scenario, as our other intangible and fixed assets whilst increasing the overall size of our balance sheet would not be available in such a scenario.

A usual driver of fluctuation in the Commission's financial position at a year end is the discretionary penalty income that the Commission receives, where a regulated firm or individual has materially contravened our regulations and has been penalised for it. For obvious reasons we do not forecast or predict what this specific penalty income could be, as there is no pre-determination of these penalties, they are based on the facts and issues of each case. The actual income received is often very cyclical, this has been repeated in 2025 with our discretionary penalty income reducing to £416k (£1.47mn in 2024). In addition to this, the Royal Court decided that the Commission must bear some of the appellants' costs when we defend decisions of

the Senior Decision Makers (SDM) during the appeal process and the Royal Court does not agree with every aspect of the SDM's decision. As a public authority, we take careful, considered, fact-based decisions and as such, will defend them in order to ensure that the rule of law in Guernsey remains credible. These cost awards by the Royal Court, against which we have made appropriate legal representations, are likely to drive up the Commission's cost base considerably in 2026 and beyond. Whilst we may be able to recover some of these costs through the penalty income the Commission receives, we will need to keep these costs in mind for future fee forecasting.

To offer one example of how this works in practice, in the long-running Providence enforcement matter connected with the fraudulent £38 million Ponzi scheme where we have taken action against some of the directors of Providence for serious failings, we will have to pay costs awarded against us by the Royal Court to other parties, despite the Guernsey Court of Appeal having overturned many of the findings made against the SDM by the Royal Court. This is also despite the Court of Appeal having issued a judgment in the matter which is critical of the Royal Court's first instance judgment and highly supportive of the forensic work of our SDM in reaching a detailed conclusion about what had happened in connection with this fraud.

Whilst the loss in 2025 was planned and is reflective of the investments above, the Commission's financial position, including its liquidity, remains robust and we will continue to invest in our systems and technology over the next years through our three-year business plan projects.

Katherine Jane
Deputy Director General



Information Technology

The Commission continues to be supported by our efficient and effective in-house IT team. As with any organisation, it is a challenge to keep pace with IT developments, whether you are using in-house resource or an outsourced IT provider. With the Commission's highly experienced and long-serving IT team, I am happy to say that we have been able to maintain a high quality service, whilst also developing our IT infrastructure to ensure the Commission's systems and support remains fit for purpose. This team has been, and will continue to be, heavily involved in the developments we are undertaking as part of our three-year business plan, especially when it comes to developing an IT infrastructure that is fit for purpose for the future.

Operational Resilience

Over the course of the year, we have maintained a high level of service on our three external facing systems, the Personal Questionnaire ('PQ') Portal, the Online Services (OS) Portal and the website. Aside from planned downtime for maintenance purposes, we saw a 99% uptime for our PQ and OS Portals. Our website reported two hours and ten minutes of downtime during November which was due to the widespread and well-documented Cloudflare outage, representing 99.9% of uptime over the course of the year. Our newly launched and innovative Applications & Authorisations Portal also maintained a 99% uptime.

We recognise that our online portals and website are key points of call for any regulated entity, entities that wish to become regulated and their advisers and we want to ensure that these information points are easily accessible and readily available. Our move to more online processes allows greater functionality to industry but this is only true if the systems are operating normally. This level of uptime means that, aside from planned and advertised downtime, the Commission's external systems were not down for a period longer than three hours in total across the whole year.

There are also a range of internal systems that are needed for our staff to carry out their functions effectively and during the year we saw two minor issues with the availability of our internal services. One was a global issue impacting users of Microsoft Azure and whilst it did slow our systems down, it was not a complete outage and the issue was resolved the following day. The second issue resulted from our internal production cluster experiencing a problem leading to several of our internal services not being available. This issue lasted for a couple of hours but was investigated and resolved by our internal team.

IT Support and Infrastructure

The Commission's infrastructure team provides support to all Commission staff as they work on our systems on a day-to-day basis. We record these requests from all across the Commission via a Gemini system – during 2025 our IT team responded to over 6,100 of these requests. These range from very simple tasks such as beginning of day checks or requests to release an email to more complicated development tasks on work that relates to ongoing projects. The team continue to support all Commission users in a friendly and helpful manner – even when the underlying cause could have been user error!

Following on from our previous work on our document management system, we have gradually and carefully moved more of our systems onto a secure cloud, as we continue to find that many more of the systems that we use on a day-to-day basis are moving away from supporting or developing on-premise software. The Commission has recognised this trend and is ensuring that, in its development of its new infrastructure and framework, we are making this transition to the cloud in a sensible and considered manner taking into account all relevant factors, such as cyber security, training and ongoing maintenance and costs. We will not become fully cloud native but will continue to consider if it is more cost effective, secure or supported for certain systems to remain on-premise.

Cyber Security

We continue to see cyber as a risk that is increasing, not just for the Commission, but for all our regulated entities. On a weekly basis, we see a high level of attempted attacks against the Commission's firewall and during 2025 we had 116,115 such attempts against the Commission. We also continue to be informed about and monitor cases where bad actors pretend to be the Commission. We saw one of our new starters being targeted, via LinkedIn, with a contact purported to be from our Director General, as this was not the only instance during the year, we have updated our new starter induction process to raise awareness of this risk. As with prior years, there were several instances where malicious users sent emails to our licensees purporting to be from the Commission Secretary. If firms are concerned that an email from the Commission is not genuine, they are encouraged to check the domain as our emails are only sent from gfsc.gg. Alternatively, firms should get in contact with the Commission directly and we can confirm the legitimacy of the message. This continues to be an area of developing risk, with different approaches and tactics being employed to gain access to secure systems. The use of AI is lowering the barrier of entry to bad actors and in many cases increasing the sophistication of the attack. The Commission remains committed to ensuring its cyber security protections remain as good as reasonably possible for an organisation of our size and the risks we face.

Katherine Jane
Deputy Director General



INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of the Guernsey Financial Services Commission (the 'Commission') for the year ended 31 December 2025 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Commission as at 31 December 2025, and of its financial performance and its cash flows 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 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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, 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 in accordance with FRS 102, 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 Commissioner's either intend to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report *(continued)*

Auditor's 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 Commission'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. However, future events or conditions may cause the Commission to cease to continue as a going concern.

- 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.

Use of our report

This report is made solely to the Commissioners, as a body, in accordance with The Financial Services Commission (Bailiwick of Guernsey) Law, 1987. 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 Commissioner's 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



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2025

| Note | 2025 | 2024 |
|---|--------------------|------------------|
| | £ | £ |
| Regulatory income | | |
| 2.1. Fee and financial penalty income | 19,334,395 | 18,947,792 |
| | 19,334,395 | 18,947,792 |
| Operating expenses | | |
| 2.2. Administrative and general expenses | (5,632,658) | (4,354,090) |
| 3.1. Staff expenses | (15,065,172) | (13,781,032) |
| | (20,697,830) | (18,135,122) |
| Operating (deficit)/surplus | (1,363,435) | 812,670 |
| 2.3. Net finance income | 1,147,424 | 1,105,454 |
| Total Comprehensive (Deficit)/Surplus for the year | (216,011) | 1,918,124 |

STATEMENT OF CHANGES IN EQUITY

| | Retained surplus |
|------------------------------------|-------------------|
| | £ |
| At 1st January 2024 | 15,680,339 |
| Comprehensive surplus for the year | 1,918,124 |
| At 31st December 2024 | 17,598,463 |
| Comprehensive surplus for the year | (216,011) |
| At 31st December 2025 | 17,382,452 |

All operations are considered continuing. There was no other comprehensive income in the current or prior year. The accompanying notes are an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st December 2025

| Note | 2025 | 2024 |
|------------------------------------|-------------|-------------|
| | £ | £ |
| Non-current assets | | |
| 4.1. Intangible assets | 1,350,039 | 1,165,282 |
| 4.2. Property, plant and equipment | 2,433,285 | 974,497 |
| 5.1. Forestry assets | 230,878 | 230,878 |
| 5.2. Non-current financial assets | 9,173,357 | 8,624,877 |
| 6.1. Non-current receivables | 295,750 | 94,226 |
| | 13,483,309 | 11,089,760 |
| Current assets | | |
| 5.2. Current financial assets | 3,585,445 | 6,235,442 |
| 6.1. Current receivables | 1,480,270 | 1,205,616 |
| 6.2. Cash and cash equivalents | 1,070,130 | 912,338 |
| | 6,135,845 | 8,353,396 |
| Total assets | 19,619,154 | 19,443,156 |
| Current liabilities | | |
| 6.3. Current payables | (1,116,949) | (1,002,349) |
| | (1,116,949) | (1,002,349) |
| Non-current liabilities | | |
| 6.4. Provisions | (1,119,753) | (842,344) |
| | (1,119,753) | (842,344) |
| Net assets | 17,382,452 | 17,598,463 |
| Equity | | |
| Retained surplus | 17,382,452 | 17,598,463 |
| Total equity | 17,382,452 | 17,598,463 |

The accompanying notes are an integral part of the Financial Statements.

The audited financial statements on pages 42 to 58 were approved by the Commissioners and signed on their behalf on 4 June 2026 by:

John Aspden
Chairman

Anna Guggenheim
Vice-Chairman

William Mason
Director General

STATEMENT OF CASH FLOWS

For the year ended 31st December 2025

| Note | 2025 | 2024 |
|--|------------------|--------------------|
| | £ | £ |
| Cash flows from operating activities | | |
| Total comprehensive surplus for the year | (216,011) | 1,918,124 |
| Adjusted for non-cash items: | | |
| 4.1. Amortisation | 437,903 | 402,788 |
| 4.2. Depreciation Loss on disposal or write-down of Intangible assets or those held as property, plant and equipment | 362,424 | 203,679 |
| 4.2. Loss on disposal or write-down of intangible assets | 286,939 | 3,192 |
| 2.3. Net finance (income) | (1,147,424) | (1,105,454) |
| Movements in working capital: | | |
| 6.1. Decrease/(Increase) in receivables | (476,178) | (260,246) |
| 6.3. (Decrease)/Increase in payables | 114,600 | 230,798 |
| 6.4. Increase in provisions | 277,409 | 24,060 |
| Net cash from operating activities | (360,338) | 1,416,941 |
| Cash flows from investing activities | | |
| 4.2. Purchase of property, plant and equipment | (2,101,517) | (111,953) |
| 4.2. Software development expenditure | (629,694) | (967,987) |
| 5.1. Purchase of forestry assets | - | (9,180) |
| 5.2. Net purchase of financial assets | 2,562,953 | (2,292,945) |
| 2.3. Net finance income received | 661,076 | 767,521 |
| Net cash (used in)/from investing activities | 492,818 | (2,614,544) |
| (Decrease)/increase in cash in the year | 132,480 | (1,197,603) |
| Cash and cash equivalents at the start of the year | 912,338 | 2,118,632 |
| Effect of foreign exchange rate changes | 25,312 | (8,690) |
| Cash and cash equivalents at the end of the year | 1,070,130 | 912,338 |

There were no cash flows from financing activities in the current or prior year.
The accompanying notes are an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2025

1. Accounting information

This section explains the basis of preparation for the Commission's Financial Statements and accounting policies that relate to these as a whole.

1.1. General information

The Guernsey Financial Services Commission ("the Commission") is a body corporate established under the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 ("the Commission Law"). The Commission's operations are carried out from its offices at Gategny Court and Regency Court, St Peter Port, Guernsey.

The Commission is a Public Benefit Entity whose primary objective is to regulate the financial services industry in the Bailiwick of Guernsey..

1.2. Statement of compliance

The Financial Statements give a true and fair view, are prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and comply with the Commission Law.

1.3. Basis of preparation

The Financial Statements have been prepared under the historical cost convention with the exception of the revaluation of investment property and financial assets, which are held at fair value through surplus or deficit. The Commission's principal accounting policies, which have been applied consistently by the Commission year-on-year, are described in the relevant notes below.

1.4. Functional currency

The Commission's functional currency is Pounds Sterling ("£") and is the currency in which the Commission presents the Financial Statements and measures its financial performance, position, and cash flows.

1.5. Going concern

The Financial Statements are prepared on a going concern basis. In concluding that the Commission remains a going concern, with adequate financial resources to continue its operations in the 12 months and beyond following approval of the Financial Statements, the Commissioners have considered the following

- The Commission's net assets include cash and marketable securities of £13,828,932 (2024: £15,772,657) that are readily realisable within three months in normal market conditions and liabilities of £2,236,702 (2024: £1,844,693).
- The Commission's projected income, expenditure, and cash flows for 2026 and its three-year planning cycle. The Commission's net assets and projected income are, at the time of approval of the Financial Statements, deemed adequate to enable the Commission to continue to fulfil its statutory objectives.
- Scenario analyses have been undertaken on the impact of increases in Commission expenditure and reduction in the Commission's projected income due to a reduction in the volume of new applications or existing licensees. Whilst these scenarios would be likely to cause/increase any projected operating deficit, the Commission's strong financial position means we believe it would continue to meet its ongoing financial commitments.



1.7. Use of judgements and estimates

The preparation of the Financial Statements requires the use of judgements, estimates, and assumptions that affect the application of our accounting policies and the reported amounts of assets, liabilities, income, and expenses. Although these estimates are based on the Commission's best available knowledge, uncertainty in assumptions and estimates mean actual results may ultimately differ from those estimates.

Information about the judgements, assumptions, and estimates that are most significant to the Financial Statements are set out in the following notes:

A. Critical accounting judgements

- (i) Recognition of Intangible Assets (see note 4.1)
- (ii) Classification of Leases (see note 4.3)

B. Key sources of estimation uncertainty

- (i) Useful Lives of Intangible Assets (see note 4.1)
- (ii) Fair Value of Investment Property (see note 5.1)
- (iii) Fair Value of Financial Assets (see note 5.2)
- (iv) Bad Debt Allowance for Fee and Penalty Receivables (see note 6.1)
- (v) Provision for Lease Obligations (see note 6.4)

2. Performance for the Year

This section describes the Commission's regulatory income, other income, operating expenses, and other expense items relevant to the Commission's results for the year-ended 31 December 2025.

2.1. Regulatory Income

The Commission's primary sources of income are through the raising of fees for firms carrying out regulated activities under the Commission Law and levying of penalties, which enables the Commission to recover the costs of carrying out its statutory functions.

| | 2025 | 2024 |
|--|------------|------------|
| | £ | £ |
| Fee income | | |
| Annual Fee Income | 17,468,970 | 16,428,649 |
| Application Fee Income | 1,390,689 | 1,130,651 |
| | 18,859,659 | 17,559,300 |
| Penalty income | | |
| Administrative Penalty Income | 82,000 | 115,125 |
| Discretionary Penalty Income | 451,000 | 1,477,900 |
| | 533,000 | 1,593,025 |
| Change in Bad Debt Allowance | (54,730) | (203,703) |
| Bad Debts Written-Off in the Year, net of Recoveries | (3,534) | (830) |
| | 19,334,395 | 18,947,792 |

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st December 2025

The following table provides information about the nature of the major sources of regulatory income and their associated revenue recognition policies:

| Type of Income | Nature | Recognition |
|-----------------------------------|---|--|
| Annual Fees | The periodic fee payable by licensees and registrants, as prescribed by regulation and set out on the Commission's website on a sectoral basis | Income is recognised where an entity is licensed or registered on 1 January of each year. Where an entity is licensed or registered partway through a financial year, a pro-rata annual fee is charged. Any fee income received prior to 1 January is deferred and treated as fees in advance (see note 6.3). |
| Application and Notification Fees | A person wishing to be licensed or registered with the Commission to carry out a regulated activity is required to pay a non-refundable fee when submitting an application, as prescribed by regulation. Licensees must also pay a fee when making certain notifications to the Commission, as specified in regulation. | Application or notification fees are recognised on receipt of the relevant fee with the application made to the Commission. |
| Administrative Financial Penalty | Where a licensee files an inaccurate annual return, financial statement, or other relevant document, or pays its annual fee, or submitting the above, after the stipulated deadline date, a penalty is levied as prescribed by regulation. | Income is recognised when the penalty can be reliably measured, once the return, financial statement, or relevant document has been submitted to the Commission in an appropriate manner, or the relevant fee has been paid. |
| Discretionary Financial Penalty | The Commission may impose financial penalties using its statutory powers under section 39 of the Financial Services Business (Enforcement Powers) (Bailiwick of Guernsey) Law, 2020, and previously section 11D (1) of the Commission Law. Such decisions are subject to the Commission's published enforcement process and confer a right of appeal to the Royal Court. | Income from financial penalties is recognised when a formal decision has been made by the Commission, following its published enforcement process, a public statement has been placed on its website, and the parties have settled or any statutory appeal process has either been concluded or an appeal has not been lodged with the Royal Court or higher bodies, within the statutory timeframe. |

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st December 2025

The greatest uncertainty from income recognition arises from recoverability of penalties or regulatory fees. This is when the circumstances of a particular debtor give rise to concerns over whether they will be able to settle a penalty or regulatory fee in full. In such circumstances, the Commission will raise a bad debt allowance against amounts receivable from that debtor, which is assessed on a case-by-case basis. This is described further in note 6.1.

2.2. Administrative and general expenses

The following are included within the Commission's operating surplus deficit:

| | 2025 | 2024 |
|---|-----------|-----------|
| | £ | £ |
| Rent, rates and premises costs | 1,371,397 | 1,206,843 |
| Amortisation (see note 4.1) | 437,903 | 402,788 |
| Depreciation (see note 4.2) | 362,424 | 203,679 |
| Loss on disposal or write-down of investment property, and property plant and equipment (see note 4.2, 5.1) | 286,539 | 3,192 |
| Changes in measurement of provisions (see note 6.4) | 302,168 | 24,060 |
| Legal expenses | 645,326 | 413,674 |
| Professional expenses | 612,171 | 435,240 |
| Auditor's remuneration | 13,900 | 13,082 |
| Other expenses | 1,600,830 | 1,651,532 |
| | | |
| | 5,632,658 | 4,354,089 |

Administrative and general expenses are accounted for on an accruals basis in the year to which they relate. A breakdown of expenses by functional area for the current and prior year can be found in the Statistical Data section on page 70.

Gains or losses on the disposal or write-down of property, plant and equipment and intangible assets are determined as the difference between the proceeds or costs incurred on disposal of the assets, if any, and its net carrying value on the date of disposal or write-down.

2.3. Net finance cost/income

| | 2025 | 2024 |
|-------------------------------|-----------|-----------|
| | £ | £ |
| Dividend and interest income | 740,029 | 827,080 |
| Bank and management charges | (64,535) | (55,605) |
| Net gains on financial assets | 461,456 | 333,979 |
| Interest charged on loans | 10,474 | |
| | 1,147,424 | 1,105,454 |

Interest income on fixed income instruments, fixed-term deposits, notice, and call accounts is recognised on an accruals basis using the effective interest rate method. Dividend income is recognised on an accruals basis in the event the Commission owns a security after the ex-dividend date has passed.

Realised gains or losses on the disposal of financial assets held at fair value are determined as the difference between the sales proceeds and the carrying value of the asset at the commencement of the reporting period plus any additions in the period. Unrealised changes in fair value on revaluation are taken to surplus or deficit. Refer to note 5.2 for information on the determination of fair value for financial assets.

2.4. Taxation

The Commission is exempt from income tax under the Income Tax (Guernsey) Law, 1975, as amended.

3. People and related parties

This section describes the range of employment and post-employment benefits provided to the Commission's staff and our relationships with other key people.

3.1. Staff costs

The total remuneration for the Commission was £15,065,172 (2024: £13,781,032) comprising:

| | 2025 | 2024 |
|---|------------|------------|
| | £ | £ |
| Wages and salaries | 11,461,115 | 10,402,242 |
| Social insurance, permanent health, and medical insurance costs | 1,509,837 | 1,286,453 |
| Pension costs | 1,250,647 | 1,136,566 |
| Recruitment and training costs | 555,926 | 641,546 |
| Commissioners' fees | 287,647 | 314,225 |
| | 15,065,172 | 13,781,032 |



NOTES TO THE FINANCIAL STATEMENTS (*continued*)

For the year ended 31st December 2025

3.2. Post-employment benefits

A. Defined contribution scheme

The Commission recognised £195,532 (2024: £171,937) of expenses relating to the Commission's defined contribution scheme. Employer contributions for permanent contracted employees are calculated at 12% of pensionable salary, whereas temporary contract staff have their rates calculated on gross pay in accordance with the secondary pensions requirements. Permanent employee contributions are entirely voluntary, temporary staff are required to contribute in accordance with the secondary pensions requirements. No contributions were outstanding at 31 December 2025 (2024: £nil).

B. Multi-member RATs scheme

The Commission recognised £971,124 (2024: £823,875) of net expenses for employer contributions to the Commission's multi-member RATs scheme. Employer contributions for permanent contracted employees are calculated at 12% of pensionable salary, whereas temporary contract staff have their rates calculated on gross pay in accordance with the secondary pensions requirements. Permanent employee contributions are entirely voluntary, temporary staff are required to contribute in accordance with the secondary pensions requirements. No contributions were outstanding at 31 December 2025 (2024: £nil).

Additional pension costs are incurred across through other means, including the recognition of those pensions not-yet-paid across to a selected provider, or to an individual's personal RAT.

3.4. Related parties

A. Controlling party

The Commission does not have a controlling party. No party can direct the financial and operating policies of the Commission with a view to gaining economic benefits from their direction

B. Key Management Personnel

Remuneration paid to key management personnel in 2025, including pension and social insurance, totalled £2,378,803 (2024: £2,324,647). Key management personnel include the Commissioners and the executive directors.

C. Related Party Transactions

The following amounts were recognised in the year in relation to related parties:

- Members of key management personnel and certain Commission officers were granted an indemnity by the Commission in respect of liability incurred because of their office. The indemnities were in force during the year-ended 31 December 2025 and remain in force. The indemnity was not called on during the current or prior year.

4. Operating assets and liabilities

This section describes the long-term assets used by the Commission in fulfilling its objectives and related obligations.

4.1. Intangible assets

These are non-physical assets consisting of purchased and internally developed computer software. This software is designed to help the Commission carry out its various statutory functions more efficiently and effectively. These are stated at cost less accumulated amortisation and impairments.

| | Computer software |
|---------------------------------|-------------------|
| | £ |
| Cost | |
| At 1 January 2025 | 4,930,539 |
| Additions | 629,694 |
| Disposals and Write-Offs | (234,949) |
| At 31 December 2025 | 5,325,284 |
| Accumulated amortisation | |
| At 1 January 2025 | (3,765,257) |
| Amortisation for the year | (437,903) |
| Impairment for the year | (7,034) |
| Disposals and write-offs | 234,949 |
| At 31 December 2025 | 3,975,245 |
| Net carrying value | |
| At 31 December 2024 | 1,165,282 |
| At 31 December 2025 | 1,350,039 |

The cost of internally developed software, including all directly attributable costs necessary to create, produce, and prepare the software for use is capitalised when it meets the criteria specified by FRS 102.

Once available for use, intangible assets are amortised on a straight-line basis over the shorter of their expected useful life or 7 years. These are assessed based on the technical life of a given piece of software, the period over which ongoing supplier support is available, and the period over which it is anticipated Commission staff will benefit from use of the software, all of which are uncertain estimates based on our technical knowledge and judgement.

Intangible assets are assessed for impairment annually, or sooner if events or circumstances indicate potential impairment of asset's carrying value. The carrying value of an asset is immediately written-down where this is greater than that asset's estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st December 2025

4.2. Property, plant and equipment

These are physical assets that are held by the Commission for administrative or operational purposes. These are stated at cost less accumulated depreciation and impairments.

| | Leasehold improvements | Fixtures, fittings and equipment | Computer hardware | Total |
|---------------------------------|------------------------|----------------------------------|-------------------|-------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2025 | 1,577,869 | 455,140 | 1,007,168 | 3,040,177 |
| Additions | 1,687,207 | 96,282 | 318,028 | 2,101,517 |
| Disposals and write-offs | (616,509) | (165,614) | - | (782,123) |
| At 31 December 2025 | 2,648,567 | 385,808 | 1,325,196 | 4,359,571 |
| Accumulated depreciation | | | | |
| At 1 January 2025 | (943,452) | (308,556) | (813,672) | (2,065,680) |
| Depreciation for the year | (165,196) | (26,670) | (170,558) | (362,424) |
| Disposals and write-offs | 389,590 | 112,228 | - | 501,818 |
| At 31 December 2025 | (719,058) | (222,998) | (984,230) | (1,926,287) |
| Net carrying value | | | | |
| At 31 December 2024 | 634,417 | 146,584 | 193,496 | 974,497 |
| At 31 December 2025 | 1,929,509 | 162,810 | 340,966 | 2,433,285 |

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Property, plant and equipment is depreciated on a straight-line basis over the expected useful life of the asset, based on the following periods:

- Leasehold Improvements: over the lease term or, if shorter, the improvement's estimated useful life,
- Office Equipment: 4 years,
- Fixtures and Fittings: 10 years or, if shorter, the asset's estimated useful life, and
- Computer Hardware: 3 years.

The residual values and useful lives of property, plant and equipment are reviewed and, if appropriate, adjusted at the end of each reporting period. The carrying value of an asset is immediately written down where this is greater than that asset's estimated recoverable amount, following an impairment assessment. These are carried out annually, or sooner if events or circumstances indicate potential impairment of the asset's carrying value.

4.3. Operating leases

The Commission is party to several operating leases for premises. This includes:

- its offices at Gategny Court, which are subject to a non-cancellable lease ending in 2034;
- its premises at Regency Court, which are subject to a non-cancellable lease ending in 2034 – which was executed in October 2024, and enjoyed a rent-free period until mid-July 2025; and
- four flats - one leased for a 3-year term and three leased for 2-year terms, that are sub-let to staff who have relocated to Guernsey. A further lease was cancelled within the year, which was on a 2-year term.

All leases have been classified as operating leases, as the Commission does not consider the risks and rewards incidental to ownership to have transferred to the lessee. Rental payments made on these leases are recognised as expenses as they are incurred.

A summary of the minimum aggregate value of lease payments has been presented below:

| | £ |
|-----------------------|-----------|
| Less than 1 year | 1,010,009 |
| Between 2 and 5 years | 4,630,838 |
| More than 5 years | 2,499,536 |
| | 8,140,383 |

The Commission has obligations under the terms of the lease for its office premises to undertake redecoration and reinstatement works. Provisions have been recognised for those obligations, as detailed in note 6.4.

5. Financial and forestry investments

This section sets out the investments, both financial and physical, that the Commission has made.

5.1. Forestry assets

| | Investment property | Biological assets | Total |
|--|---------------------|-------------------|----------------|
| | £ | £ | £ |
| At 1 January 2024 | 110,440 | 63,801 | 174,241 |
| Additions | - | 9,180 | 9,180 |
| Disposals | - | (3,103) | (3,103) |
| Net change in fair value and write-downs | 50,560 | - | - |
| At 31 December 2024 | 161,000 | 69,878 | 230,878 |
| Additions | - | - | - |
| Net change in fair value and write-downs | - | - | - |
| At 31 December 2025 | 161,000 | 69,878 | 230,878 |

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st December 2025

Investment property represents land acquired by the Commission in June 2020, held to offset the carbon emissions arising from its activities through afforestation. Investment property is measured at fair value, with any changes in fair value being recognised in surplus or deficit.

Biological assets represent the cost of planted trees and the ground preparation work required to afforest the acquired land. These are initially recognised at cost and subsequently measured at cost less impairment, where applicable.

Valuations of investment property are performed on a three-year cycle by an independent, expert valuer. We conducted the revaluation for the 2024 reporting period through the use of a forestry expert, who provided evidence of a fair value increase on the valuation of the land, and confirmed no impairment on the biological assets.

5.2. Financial assets

The Commission invests a portion of its surplus funds in liquidity funds, fixed income securities, and a portfolio of investment funds managed by an external discretionary investment manager. This is to protect the capital value of the Commission's net assets, through a cautious investment strategy that is sustainable where judged appropriate, while mitigating against the erosion of the value of cash balances due to inflation.

| | Current | | Non-current | | Total |
|----------------------------|---------------------|------------------|---------------------------|------------------|-------------------|
| | Fixed term deposits | Liquidity funds | Fixed interest securities | Investment funds | |
| | £ | £ | £ | £ | |
| At 1 January 2024 | - | 3,773,510 | 5,681,482 | 2,816,318 | 12,271,310 |
| Net purchases/(disposals) | - | 2,461,932 | (283,404) | 114,417 | 2,292,945 |
| Net change in fair value | - | - | 139,847 | 156,217 | 296,064 |
| At 31 December 2024 | - | 6,235,442 | 5,537,925 | 3,086,952 | 14,860,319 |
| Net purchases/(disposals) | - | (2,649,997) | (29,211) | 116,255 | (2,562,953) |
| Net change in fair value | - | - | 173,155 | 288,281 | 461,436 |
| At 31 December 2025 | - | 3,585,445 | 5,681,869 | 3,491,488 | 12,758,802 |

All financial assets comprise straightforward financial instruments. These are recognised when the Commission becomes party to that instrument's contractual provisions at the relevant transaction price.

Fixed term deposits with a maturity of greater than three months are subsequently measured at amortised cost using the effective interest rate method. The carrying amount of these assets is considered to approximate their fair value.

All other investments are subsequently measured at each reporting date at fair value, with changes in fair value being recognised in surplus or deficit. The Commission invests either in listed investments or funds that trade daily, where there are quoted market prices available in active markets and where transactions occur at arm's length between appropriately knowledgeable counterparties. The prices used to revalue those instruments are quoted bid prices, which are multiplied by the number of securities of each instrument held by the Commission at the reporting date.

6. Net working capital

This section shows the assets and liabilities that the Commission generates through its day-to-day regulatory activities, including receivables, payables, cash, and provisions.

6.1. Receivables

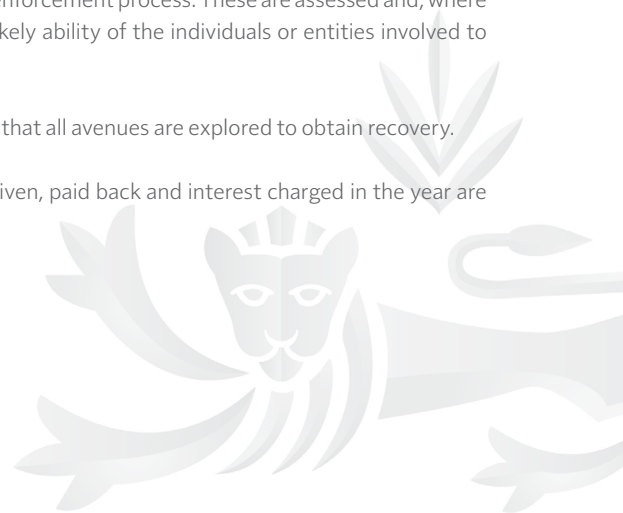
| | 2025 | 2024 |
|---|-----------|-----------|
| | £ | £ |
| Amounts falling due within one year | | |
| Fee and penalty receivables | 1,091,884 | 1,027,792 |
| <i>Less: Bad debt allowance for fee and penalty receivables</i> | (774,617) | (730,503) |
| Staff loans | 169,384 | - |
| Other receivables | 50,530 | 49,391 |
| Prepayments | 943,089 | 858,936 |
| | 1,480,270 | 1,205,616 |
| Amounts falling due after more than one year | | |
| Staff loans | 295,750 | - |
| Prepayments | - | 94,226 |
| | 295,750 | 94,226 |
| Total receivables | 1,776,020 | 1,299,842 |

Receivables are measured at amortised cost using the effective interest rate method. The carrying amount of these assets approximates to their fair value.

The Commission assesses all fees and penalties receivable on an ongoing basis for recoverability. A significant proportion represents discretionary financial penalties issued by the Commission following its published enforcement process. These are assessed and, where appropriate, a bad debt allowance is raised in line with internal policies and the likely ability of the individuals or entities involved to settle their debts in part or full.

The debts for which an allowance has been raised are reviewed regularly to ensure that all avenues are explored to obtain recovery.

In 2025, the Commission commenced a staff loan scheme. The loans issued, forgiven, paid back and interest charged in the year are shown below.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st December 2025

| | 2025 | 2024 |
|--|----------------|----------|
| | £ | 2024 |
| Loan value brought forward | £ | - |
| Loans issued | 470,000 | - |
| Interest charged | 10,474 | - |
| Loans and interest repaid or forgiven | (15,340) | - |
| Total value of staff loans and interest | 465,134 | - |

Interest is charged at a rate agreed with the States of Guernsey Revenue Service.

The amount of loans and charged interest outstanding attributable to Key Management Personnel as per 3.4(B) was £92,038 in 2025 (2024: Nil).

6.2. Cash and cash equivalents

This comprises cash and short-term, fixed-rate bank deposits with a maturity date of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

| | 2025 | 2024 |
|--|------------------|----------------|
| | £ | £ |
| Cash at bank and in hand | 419,388 | 302,812 |
| Cash held with discretionary manager | 650,742 | 609,526 |
| Total cash and cash equivalents | 1,070,130 | 912,338 |

The Commission had no borrowings as at the year-end (2024: £nil).

6.3. Payables

| | 2025 | 2024 |
|--|------------------|------------------|
| | £ | 2024 |
| Amounts falling due within one year | £ | |
| Payables and accruals | 1,111,994 | 995,094 |
| Fees received in advance | 4,955 | 7,255 |
| Total payables | 1,116,949 | 1,002,349 |

Payables are measured at amortised cost using the effective interest rate method. The carrying amount of these liabilities are considered to approximate their fair value.

6.4. Provisions

The provision relates to the expected costs of reinstatement and redecoration obligations as part of the lease for the Commission's premises. The total value of lease obligation provisions was £1,119,753 (2024: £842,344), comprising:

| | Reinstatement provision | Redecoration provision | Total |
|----------------------------------|----------------------------|---------------------------|------------------|
| | £ | £ | £ |
| At 1 January 2024 | 784,093 | 34,190 | 818,283 |
| Amounts provided during the year | 13,626 | 10,435 | 24,061 |
| At 31 December 2024 | 797,719 | 44,625 | 842,344 |
| Amounts provided during the year | 292,844 | 9,323 | 302,167 |
| Amounts released during the year | - | (24,758) | (24,758) |
| At 31 December 2025 | 1,090,563 | 29,190 | 1,119,753 |

All amounts fall due after more than one year.

The reinstatement provision relates to the expected costs to return the Glatigny Court and Regency Court office premises to their original condition on termination of the premises' leases. The redecoration provision relates to the expected costs to redecorate the internal surfaces of the premises every five years, for the non-cancellable period of the lease. No such provision was in place for our offices at Regency Court in 2024 as the work started during 2025.

The provisions at the reporting date have been determined based on the following guideline values:

- Reinstatement Provision: £1,590,000 (2024: £1,233,720), and
- Redecoration Provision: £24,758 (2024: £24,000).

The guideline value for the reinstatement provision is determined based on an assessment by an independent expert, undertaken every three years. An assessment was undertaken in 2025. The guideline value for the redecoration provision is based on the Commission's experience of the cost of such redecoration work. In the intervening period, the Commission assesses whether changes to the office premises and movements in the rate of inflation warrant adjustment to that value.

The value of the provisions is accrued over the non-cancellable lease period, taking into consideration the time value of money, where this is material.



NOTES TO THE FINANCIAL STATEMENTS (*continued*)

For the year ended 31st December 2025

7. Other notes

This section includes other financial information that is required by accounting standards.

7.1. Contingent liabilities

The Commission is subject to a variety of claims that arise in the ordinary course of fulfilling its statutory functions. These may include litigation or appeals following investigations undertaken by the Commission, as part of the enforcement process published on its website. Provisions are only recognised because of past events where claims give rise to a present legal or constructive obligation, it is probable settlement will be required, and the value can be reliably measured. In 2025, the Commission has recognised provisions in the amount of £110,500 (2024: £nil) in this regard.

As described in note 3.4, the Commission provides an indemnity to key management personnel and Commission officers who carry out actions in line with their statutory duties. This indemnity was not called on during the year (2024: £nil).

7.2. Subsequent events

The Financial Statements were approved for issuance by the Commissioners on [1 May 2026]. Subsequent events have been evaluated until the date of signing the Financial Statements.

The following non-adjusting subsequent events have been noted:

- In January 2026, the Commission was awarded a payment of legal costs following mediation by the Privy Council, anticipated to be in the amount of £39,000.
- In January 2026, three new Directors were appointed – and the previous Director of Banking and Insurance Division became the Director of Banking Resolution.
- Since 31 December 2025, movements in the quoted prices of the Commission's financial assets resulted in their fair value decreasing by £84,570 as at 31 March 2026.
- In March 2026, Philip Middleton retired from his position as Commissioner, and Fiona King was appointed as his replacement.

There have been no adjusting subsequent events to report.

COMMISSIONERS

John Aspden **Chairman of the Commission**

John 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, John 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. John 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. John is also Chairman of the Group of International Finance Centre Supervisors and co-chairs the Basel Consultative Group, and was made an MBE for his work in financial services supervision.

Philip Middleton **Commissioner**

Philip is a senior financial services strategist with significant recent experience in advising governments, central banks and financial institutions. Since 2014, he has carried out consulting and advisory work in central banking and financial services as a Director of 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, where he also chairs the Digital Monetary Institute. 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.

Anna Guggenheim **Vice-Chairman**

Anna was appointed a Commissioner in January 2024. From 2014 until 2023, she was a partner in the dispute resolution team at Babbé LLP in Guernsey, undertaking litigation and mediation in the fields of financial services, trusts and banking. She was called as an Advocate of the Guernsey Bar in 2016.

Before moving to Guernsey, Anna practised a barrister, and sat as a Circuit Judge, in London. She was called to the Bar of England and Wales in 1982 and was appointed Queen's Counsel in 2001. Her practice at the Bar included general commercial litigation, insurance coverage disputes, technology and construction disputes, and professional negligence. As a judge she tried a wide range of civil cases at Central London Civil Justice Centre, and criminal cases at Wood Green, Southwark and Isleworth Crown Courts, including complex fraud, serious sexual offences, organised crime and human trafficking. She took a particular interest in the use of scientific evidence and statistics, and was a member of a Royal Statistical Society Working Group on Statistics and the Law which produced a series of Nuffield Foundation reports on the role of probabilistic reasoning in forensic science and on DNA evidence.

From 2010 to 2014, Anna was a judicial member of the Parole Board of England and Wales, and a member of the Criminal Procedure Rules Committee.

Oliver Henley **Commissioner**

Oliver Henley is a longstanding member of the House of Lords. He is currently a member of the Justice and Home Affairs Committee. He previously served as a Minister under four Prime Ministers, from Margaret Thatcher to Theresa May, in a range of departments including Social Security, Defence, and DEFRA and as a Minister of State at the Department of Education and the Home Office. His most recent ministerial position, from 2017 to 2019 was at the Department of Business, Energy and Industrial Strategy where, among other responsibilities, he covered regulatory reform and the Life Sciences Industrial Strategy.

Between 1997 and 2010, he served as Opposition Chief Whip in the Lords, and subsequently as opposition spokesman for Home Affairs and Justice.

Oliver was called to the Bar in 1977. He was an elected member of the County Council in his native Cumbria from 1986 to 1989, resigning on his appointment to the Government. He was appointed to the Privy Council in 2013.

Commissioners *(continued)*

Stuart King Commissioner

Stuart is a Non-Executive director at Pension Corporation, the UK pension annuity specialist, and an independent consultant. Previously, Stuart was the Group Compliance Director at Aviva and a Managing Director at Promontory Financial Group - a consultancy specialising in strategy, risk, and governance issues.

Earlier in his career, Stuart worked on a range of regulatory and public policy issues at the UK's Financial Services Authority (FSA) and, before that, at the Bank of England and IMF. During his time at the FSA, he was successively Head of UK Banks Regulation, Head of Retail Intelligence and Regulatory Themes and Head of Major Insurance Groups Regulation. He also led the re-launch of the FSA's 'Treating Customers Fairly' initiative and the supervision of the large insurance groups during the global financial crisis. He was responsible for changes to the supervisory approach to insurance groups which were introduced following the crisis.

Paul Hodgson Commissioner

Paul was appointed as a Commissioner in March 2024.

Paul is a highly regarded financial services professional with over 35 years of international experience, principally in the areas of fiduciary administration and insolvency. He retired from his role as a senior executive of the Butterfield Group in October 2023 having worked for the firm for over 25 years, including 17 years as Managing Director of the Bank's Guernsey trust company and the last for years in the role of Deputy Group Head of Trust. In his roles with Butterfield, Paul was a regular speaker and Chair of international conferences focussing on the private client sector.

Paul has actively supported the growth and development of the finance sector in Guernsey and has been a Committee member and Chair of the local STEP Branch, the Guernsey Association of Trustees and, most recently, Chair of the Guernsey International Business Association. He has also acted as a Non-States Member of the Public Accounts Committee of the States of Guernsey and is presently a member of the Financial Scrutiny Panel of the Scrutiny Management Committee.

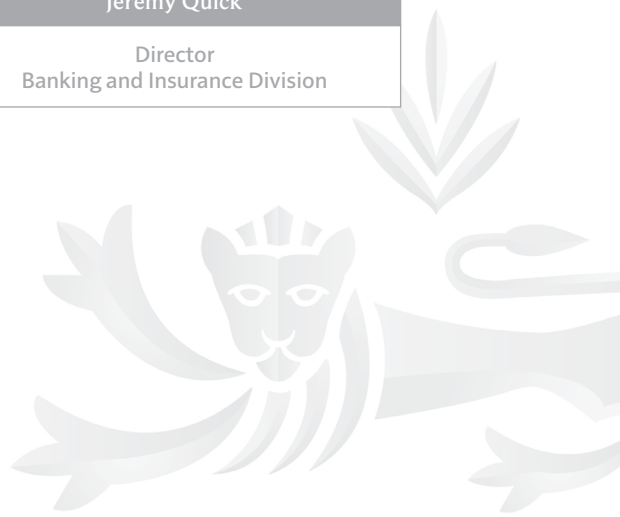
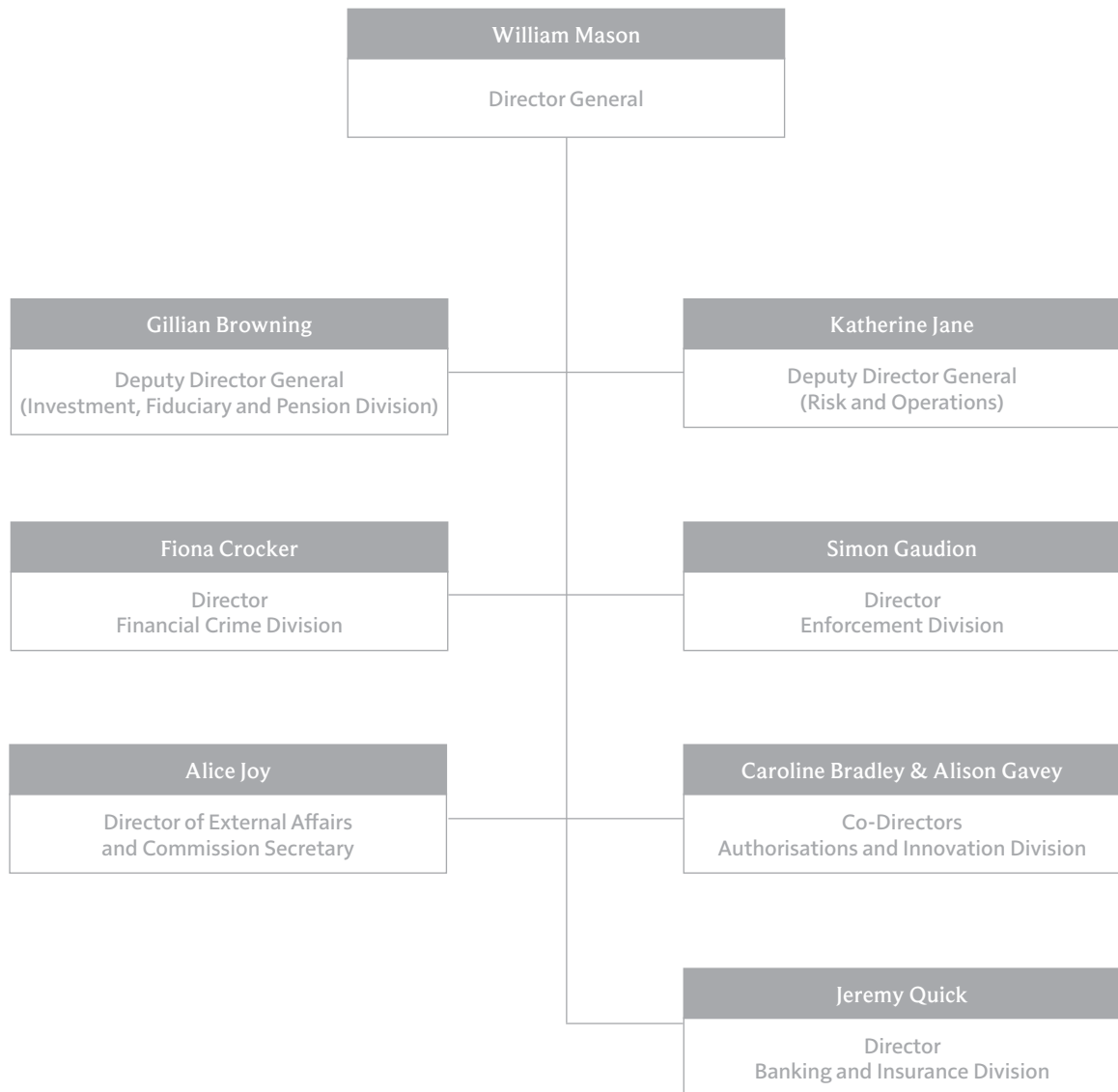
Before arriving in Guernsey in 1998, Paul worked for KPMG, initially in Brisbane, and spent ten years with the firm in Australia, London and Hong Kong, mostly working in the area of insolvency and restructuring, including corporate turnaround. Paul is currently a Fellow of Chartered Accountants Australia and New Zealand, and a member of both STEP and the Chartered Institute for Securities and Investment.

Robert Girard Commissioner

Robert is a Fellow of the Chartered Institute of Bankers and served 45 years with NatWest Group. He was a member of the RBS International Executive Committee for 12 years, Country Head for the Group in Guernsey, Director of the Bank's Institutional & Corporate Banking Business in Guernsey and had line management oversight of its Jurisdictional Heads in Isle of Man, Gibraltar and Luxembourg for part of that tenure. He was also a Director of the NatWest Group Global Captive Insurance Company for 12 years. He is Chairman of the Guernsey Banking Deposit Compensation Scheme and Vice Chair of the Channel Islands Financial Services Ombudsman. He also served as a Member of the Juvenile Panel of the Guernsey Royal Court for six years.

SENIOR OFFICERS OF THE COMMISSION
(until 31/12/25)

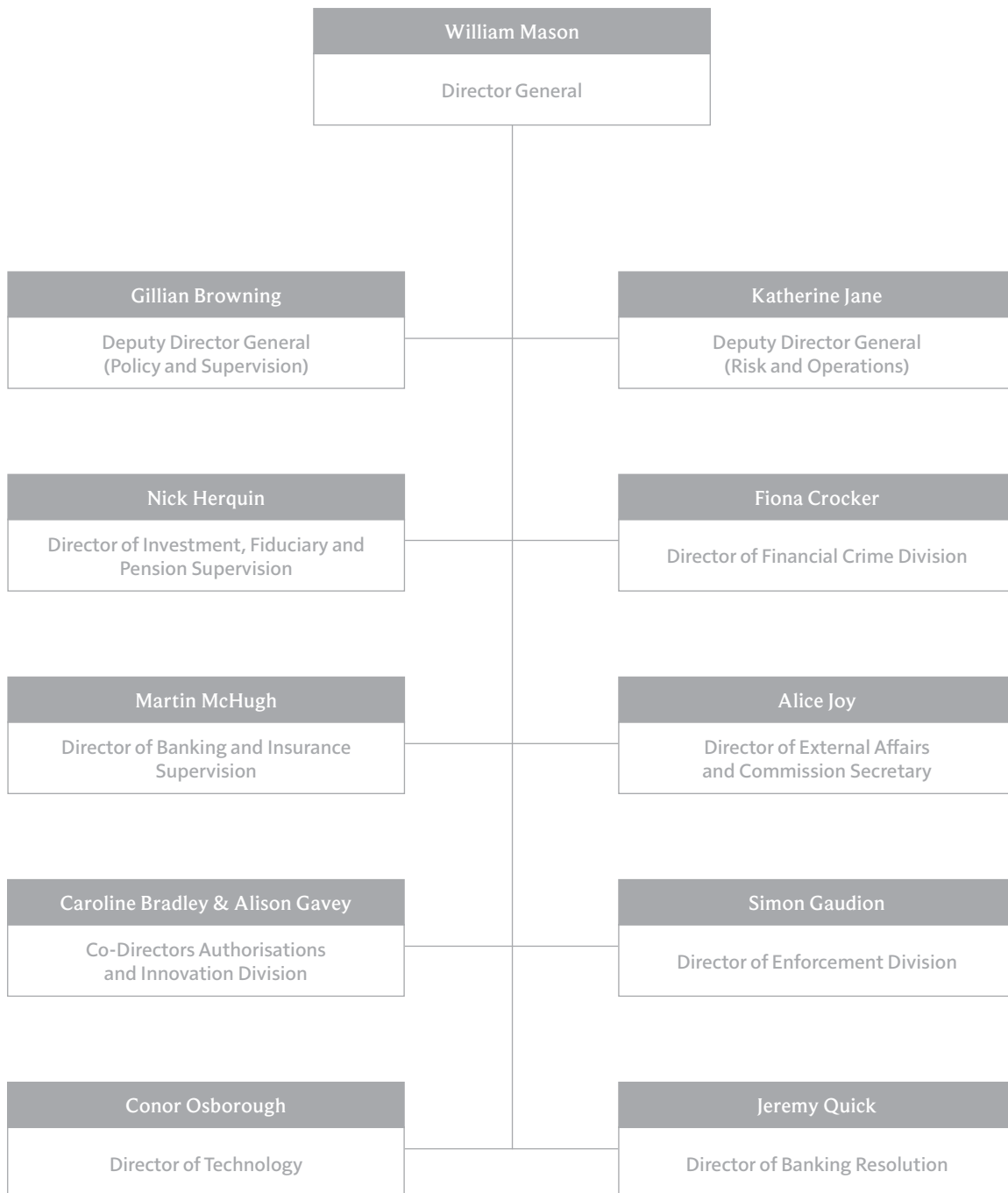
COMMISSIONERS



SENIOR OFFICERS OF THE COMMISSION

(effective from 01/01/2026)

COMMISSIONERS



STATISTICAL DATA

Investment

Figure 1. Net asset values of Guernsey investment funds at the year end £bns

| Year | £bn |
|------|-----|
| 2016 | 159 |
| | 42 |
| | 201 |
| 2017 | 166 |
| | 43 |
| | 209 |
| 2018 | 176 |
| | 45 |
| | 221 |
| 2019 | 181 |
| | 46 |
| | 227 |
| 2020 | 197 |
| | 49 |
| | 246 |
| 2021 | 249 |
| | 55 |
| | 304 |
| 2022 | 241 |
| | 51 |
| | 292 |
| 2023 | 240 |
| | 50 |
| | 290 |
| 2024 | 238 |
| | 52 |
| | 290 |
| 2025 | 225 |
| | 48 |
| | 273 |

■ Closed-ended
■ Open-ended
■ Total Guernsey

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

| Year | |
|------|-----|
| 2016 | 650 |
| | 157 |
| | 807 |
| 2017 | 658 |
| | 148 |
| | 806 |
| 2018 | 665 |
| | 148 |
| | 813 |
| 2019 | 675 |
| | 140 |
| | 815 |
| 2020 | 693 |
| | 136 |
| | 829 |
| 2021 | 803 |
| | 143 |
| | 946 |
| 2022 | 829 |
| | 139 |
| | 968 |
| 2023 | 804 |
| | 137 |
| | 941 |
| 2024 | 787 |
| | 132 |
| | 919 |
| 2025 | 765 |
| | 127 |
| | 892 |

■ Closed-ended
■ Open-ended
■ Total Guernsey



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

| Year | |
|------|-----|
| 2016 | 644 |
| 2017 | 640 |
| 2018 | 663 |
| 2019 | 677 |
| 2020 | 686 |
| 2021 | 696 |
| 2022 | 702 |
| 2023 | 694 |
| 2024 | 695 |
| 2025 | 710 |

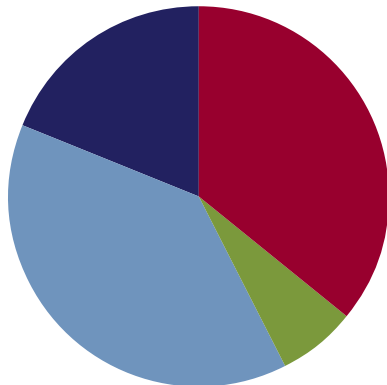
Under the Protection of Investors (Bailiwick of Guernsey) Law, 2020, investment funds (Figure 2.) are either Registered or Authorised; whereas the firms (Figure 3.) undertaking Controlled Investment Business are licensed under the same law. There is no meaningful correlation to be drawn between the number of investment funds and the number of licensees in existence.

Figure 4. Movements within period

| Type | Total as at 31st December 2024 | Approved in year | Lost in year | Total as at 31st December 2025 |
|---|--------------------------------|------------------|--------------|--------------------------------|
| Total of open-ended schemes | 132 | 8 | 13 | 127 |
| of which Authorised | 101 | 2 | 10 | 93 |
| of which Registered | 31 | 6 | 3 | 34 |
| of which Private Investor Funds (PIFs) | 16 | 6 | 1 | 21 |
| of which Qualifying Investor Funds (QIFs) | 15 | 0 | 1 | 14 |
| Total of closed-ended schemes | 787 | 57 | 79 | 765 |
| of which Authorised | 287 | 3 | 43 | 247 |
| of which Registered | 500 | 54 | 36 | 518 |
| of which PIFs | 88 | 30 | 7 | 111 |
| of which QIFs | 152 | 3 | 16 | 139 |
| Total of licensees | 695 | 60 | 45 | 710 |

Fiduciary and Pension

Figure 5. Ownership of fiduciary lead licensees as at 30th June 2025*

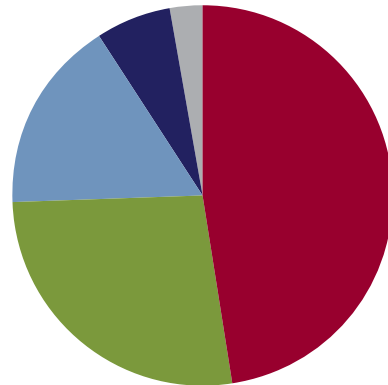


| | 2025 | 2024 |
|-------------------------------|------|------|
| International financial group | 52 | 50 |
| Lawyers and accountants | 10 | 10 |
| Privately owned - local | 56 | 61 |
| Privately owned - overseas | 27 | 32 |
| Total | 145 | 153 |

NB Based on actual licensees as at 30 June 2024 and 2025 including those not required to submit an annual return. Data for 2024 restated from last years charts.

*Based on the submission of an annual return by 151 licensees as at 30 June 2025

Figure 6. Staffing levels of licensees based on total number of staff carrying out regulated fiduciary activities as at 30th June 2025*



| | 2025 | 2024 |
|--------------------|------|------|
| Up to 10 staff | 69 | 73 |
| 11-25 staff | 39 | 42 |
| 26-50 staff | 24 | 26 |
| 51-75 staff | 9 | 8 |
| More than 75 staff | 4 | 4 |
| Total | 145 | 153 |

NB Based on actual licensees as at 30 June 2024 and 2025 including those not required to submit an annual return. Data for 2024 restated from last years charts.

*Based on the submission of an annual return by 151 licensees as at 30 June 2025

Pension and gratuity scheme membership and assets as at 30th June 2025



Figure 7. Number of licensees in each turnover band based on fiduciary turnover for accounting periods falling in the year ended 30 June 2025*

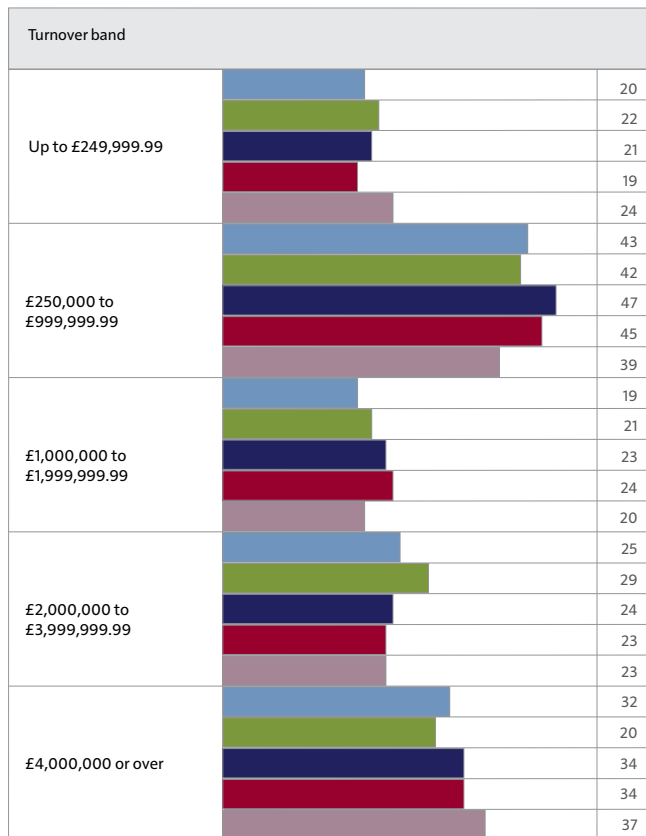
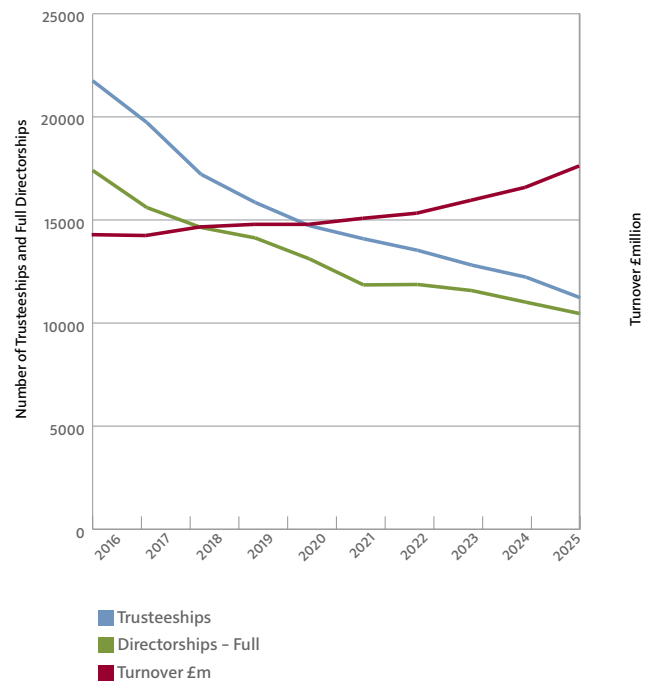


Figure 8. Number of director and trustee appointments for full fiduciaries at the year end; aggregate turnover of full fiduciary licensees*



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

- 2021
- 2022
- 2023
- 2024
- 2025

Insurance

Figure 9. International insurers as at 31st December 2025

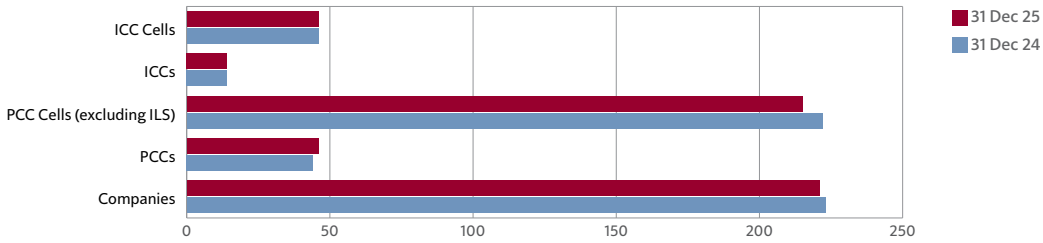


Figure 10. International insurers - Gross Assets

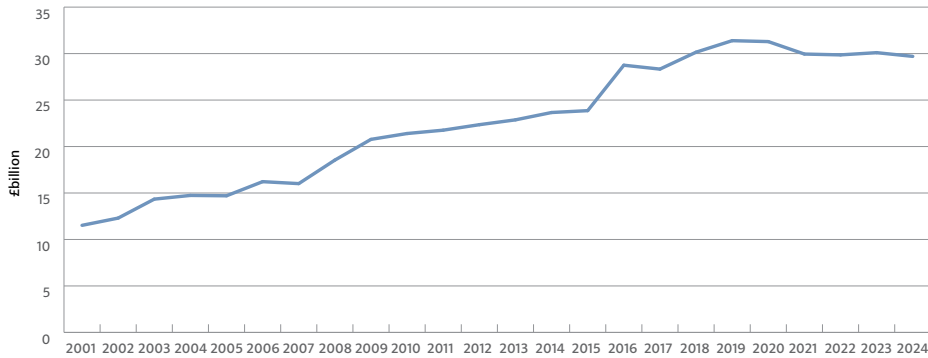


Figure 11. International insurers - Net Worth

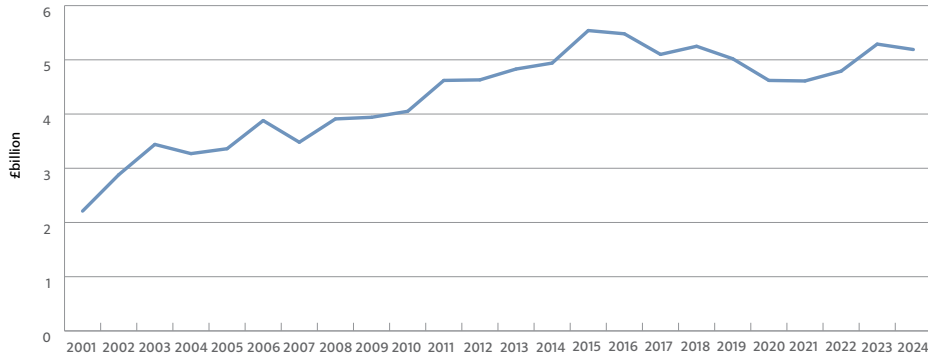


Figure 12. International insurers - Gross Premium

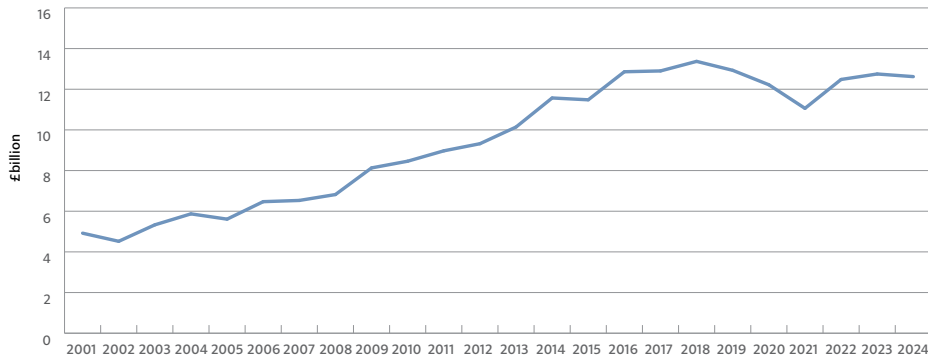
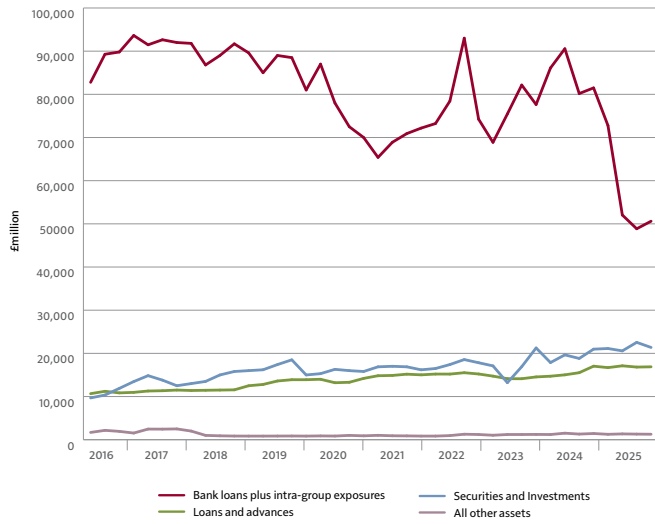
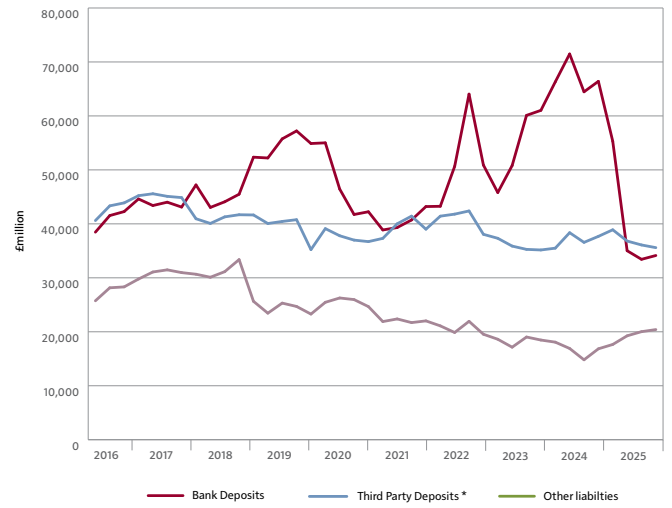


Figure 13. Guernsey bank assets



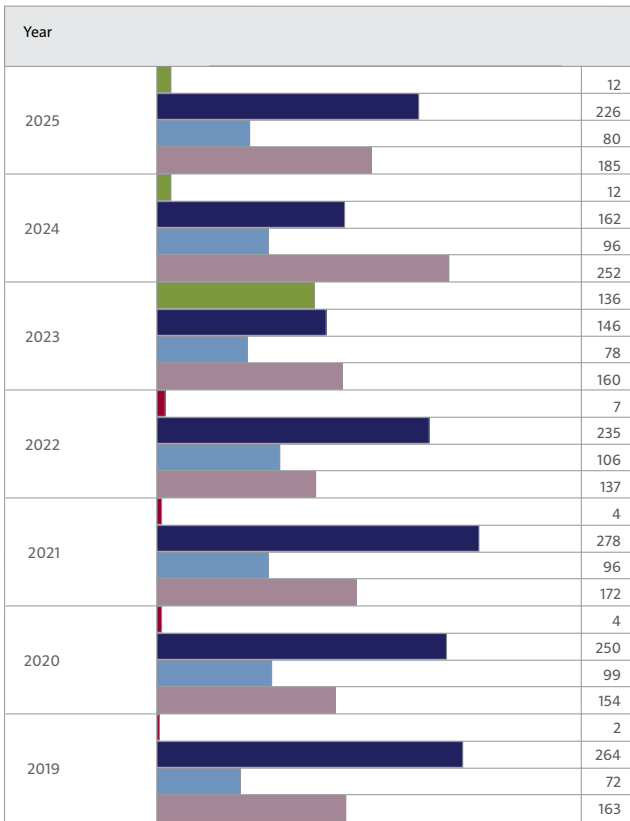
- Bank loans plus intra-group exposures
- Loans and advances
- Securities and investments
- All other assets

Figure 14. Guernsey bank liabilities



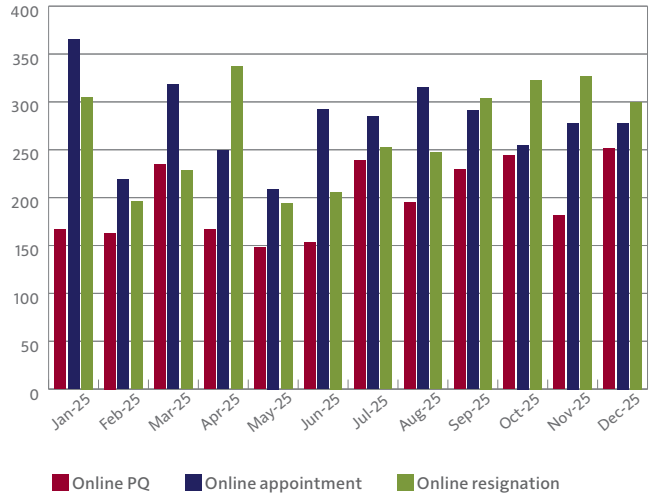
- Bank Deposits
- Third Party Deposits
- Other liabilities

Figure 15. Total applications by volume and type – 2019 to 2025 comparison



- LCF
- Investment
- Insurance and Banking
- Fiduciary
- NRFSB (replaced by LCF in 2023)

Figure 16. Online Personal Questionnaire Portal submissions 2025



Finance and Operations

Table 1. Expenditure by functional area

| | 2025 | 2023 |
|---|---------------|---------------|
| | £'000s | £'000s |
| Authorisations | 1,223 | 1,131 |
| Enforcement | 2,420 | 2,194 |
| Risk | 1,204 | 1,041 |
| Supervisory and Policy Divisions | 8,292 | 7,509 |
| Internal Operational Support Functions | 3,097 | 2,761 |
| Overheads (incl. Premises, IT Expenses, Depreciation, and Three-Year Business Plan) | 4,462 | 3,499 |
| Total | 20,698 | 18,135 |

Table 2. Number of staff by total remuneration

| Annual Remuneration | As at 31st December 2025 | As at 31st December 2024 |
|-----------------------------------|--------------------------|--------------------------|
| £0 - £39,999 | 19 | 23 |
| £40,000 - £79,999 | 87 | 80 |
| £80,000 - £119,999 | 24 | 27 |
| £120,000 - £159,999 | 8 | 7 |
| £160,000 - £179,999 | 2 | - |
| £180,000 and above | 6 | 6 |
| Total number of staff | 146 | 143 |
| Comprising: | | |
| Permanent staff | 142 | 137 |
| Fixed-term staff | 4 | 6 |
| | 146 | 143 |
| Full Time Equivalent Staff | 138.3 | 135.8 |
| FTE Vacancies at Year-End | 16 | 2 |

Staff involved in the 3-Year business plan on fixed term contracts are not included in the above.

Table 3. Legal and professional fees

| | 2025 | 2024 |
|---------------------------------------|--------------|------------|
| | £'000s | £'000s |
| Legal Fees - Enforcement | 7 | 10 |
| Legal Fees - Judicial and SDM Process | 572 | 342 |
| Legal Fees - Advisory | 66 | 61 |
| Professional Fees | 578 | 396 |
| Internal Audit | 34 | 39 |
| Total | 1,257 | 848 |

Table 4. Commissioners' fees

| | 2025 | 2024 |
|------------------|----------------|----------------|
| Julian Winser | - | 22,450 |
| Simon Howitt | - | 2,694 |
| Wendy Dorey | - | 26,940 |
| John Aspden | 56,035 | 47,402 |
| Philip Middleton | 43,583 | 41,907 |
| Stuart King | 43,583 | 41,907 |
| Lord Henley | 43,583 | 41,907 |
| Anna Guggenheim | 33,621 | 30,256 |
| Robert Girard | 33,621 | 30,256 |
| Paul Hodgson | 33,621 | 30,256 |
| Total | 287,647 | 315,975 |

The above table is inclusive of Social Insurance paid out with Commissioner Fees.

Table 5. Emissions

| Greenhouse Gas Emissions (CO2ekg) | 2025 | 2024 |
|-----------------------------------|----------------|----------------|
| Scope 2 - Gas | 733 | - |
| Scope 2 - Electricity | 16,422 | 19,696 |
| Scope 3 - Business Travel | 146,266 | 183,030 |
| Total | 163,421 | 315,975 |

Gas is defined as Scope 2 as it is an utility which is owned and controlled by the Landlord.

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, 2020 as amended;
- the Banking Supervision (Bailiwick of Guernsey) Law, 2020 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, 2020 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;
- the Financial Services Business (Enforcement Powers) (Bailiwick of Guernsey) Law, 2020; and
- the Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022.

Relationship with the States

The Policy & Resources Committee of the States of Guernsey is responsible for 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 & Resources Committee.

The Commission maintains regular dialogue with the States. During 2025, the Commission continued to engage with the Policy & 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 & 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 & 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 2025 were John Aspden, Philip Middleton, Stuart King, Oliver Henley, Anna Guggenheim, Robert Girard and Paul Hodgson. A brief résumé for each Commissioner is provided on pages 57 and 58 of this report. Three Commissioners live in Guernsey, with the remainder residing in the UK.

There were nine meetings of the Commissioners in 2025. The attendance was as follows: John Aspden nine, Anna Guggenheim eight, Philip Middleton nine, Stuart King nine, Oliver Henley nine, Paul Hodgson eight and Robert Girard eight. 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. Periodically, 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.

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

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 & Resources Committee; and
- any statutory functions which 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 & 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 & 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 & 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 follows it when appropriate to do so.

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 & Resources Committee.

Audit and Risk Committee

The Audit and Risk Committee was chaired by Stuart King. Its other members were Robert Girard and Paul Hodgson. 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 Deputy Director General (Risk and Operations) and the Financial Controller.

The Committee met on three occasions in 2025 with all members attending all three meetings. The Audit and Risk Committee has oversight for non-regulatory risk; regulatory risk is reviewed by the Board as a whole.

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

Remuneration and Nominations Committee

The Remuneration and Nomination Committee was chaired by Paul Hodgson and comprised of Philip Middleton and Anna Guggenheim. The Committee 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 the remuneration and reward of the senior executives and 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 & Resources Committee determines the level of Commissioners' fees). The Committee is also responsible for advising the Commissioners 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 two occasions in 2025 with all members attending both meetings.

Investment Committee

In 2025, the Investment Committee continued to be chaired by Philip Middleton. Its other members were Stuart King and Robert Girard. The Committee is mandated to advise the Commission in respect of its investment approach. Meetings are attended by the Director General, the Deputy Director General (Risk and Operations) and the Financial Controller. The Committee met twice during 2025 and all members attended both meetings.

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 2025, the Commission appointed an external party to undertake internal audits in the following areas:-

- Revenue, Receivables and Provisions; and
- A Review on Preparedness for Changes Under FRED 82.

Internal assurance reviews were undertaken on our use of PRISM and the application 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 they are satisfied that the Commission meets expectations in connection with internal audit and corporate governance.



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