2024

Guernsey Financial Services Commission

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

Guernsey Financial Services Commission

Appendix

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

In the five months since I was appointed Chairman, turbulent geopolitical events have continued to dominate the international agenda, making it even more important that Guernsey's reputation as a stable, business-friendly and well-regulated jurisdiction is sustained.

This is no small task given the effect which uncertainties have on investment flows, the performance of global economies, stability of the financial system, and investor confidence. Equally, though, this is an environment in which Guernsey collectively excels, and I hope that this – our Annual Report for 2024 – gives a helpful understanding of how we in the Commission go about exercising our statutory functions.

Being 'open for business' at the Commission involves a combination of initiatives. We aim to provide a swift, efficient and pragmatic solution for new applicants; we want to be seen as innovative and reacting quickly to new trends and product offerings; and we want to ensure fair but firm regulation so that market participants have confidence that they can rely on a consistency of approach against credible standards.

Although the Commission's remit requires us to be seen as a regulator, we are acutely conscious that over-regulation can choke success. All of us on the Commission's Board have commercial experience of one type or another, which is essential in setting the right balance. A good example this year has been the evaluation of the Bailiwick's anti-money laundering defences conducted by MONEYVAL, which – in its post year-end conclusion – has reaffirmed the effectiveness of Guernsey's regime while pointing to some areas for further strengthening. The evaluation was very much a collective exercise embracing government, judicial, regulatory, law enforcement and industry efforts to demonstrate how and what we do, and we in the Commission very much valued the team spirit which was fostered.

While the MONEYVAL evaluation tied up a significant degree of resources, it was critical that we maintained momentum in the wider responsibilities of our statutory remit. This Annual Report describes our important work in day-to-day supervision, including the consultations we have undertaken on areas of change. We have made considerable investment in new technology (principally to assist new business generation), and sought ways in which we can position the Bailiwick as open to business. The Commission's overall position is to encourage technology which enhances services to investors and increases efficiency and effectiveness of operations in the Bailiwick. To that end, in May, we published a policy statement recognising the role tokenisation can play in improving efficiency.

Risk - in particular managing the Commission's supervisory, legal and operational risks, as well as vulnerabilities arising from our use of technology which we manage in-house – continues to preoccupy us, being something which we can mitigate but not eliminate. This also mirrors our role in reducing the likelihood and impact of failure of an institution, but it cannot prevent a demise which becomes inevitable.

Sadly, notwithstanding the high level of competence and integrity embedded within our finance sector, there will be times when we need to take enforcement action. By being transparent about why we feel it necessary to act in this way (through making detailed statements of formal actions taken), we are clear to industry and the public why we cannot tolerate behaviour which undermines confidence in our system. The vast majority of licence-holders who are compliant have a right to expect this, and our panel of Senior Decision Makers to whom we refer enforcement cases, and ultimately the Royal Courts, ensure that the process is objective and fair.

Finally, I am delighted to report that during the year we benefited from a further strengthening of our Board, with the appointment of three very experienced Guernsey professionals. Supported by our strong executive team, the Commission is well-placed to tackle the year ahead and help to ensure that we remain a business jurisdiction of choice. Lastly, I would like to thank Julian Winser from whom I took over as Chairman upon his retirement, for his leadership and the industry perspective which he brought to Board discussions. His contribution was much appreciated.

John Aspden
Chairman

HIGHLIGHTS

Authorisations and Innovation

>600 Applications received


Alpha release of new Applications & Authorisations online Portal

20,775 Submissions received through the Online Submissions Portal, including 16,638 returns

8,388 Online personal questionnaires, appointments and resignations assessed

Supervision


Signed the IOSCO Enhanced Multilateral Memorandum of Understanding (EMMoU) - one of the only small jurisdictions to be permitted to become a signatory

18 MLRO/MLCO exit interviews

>550 Industry delegates attended presentations on the second National Risk Assessment of the Bailiwick's AML/CFT risks, first National Risk Assessment of proliferation financing and Bailiwick's national strategy for combatting financial crime


One Dear CEO letter sent to 152 fiduciary firms, 36 personal fiduciaries and 59 registered directors providing feedback on the Commission's review of Beneficial Ownership filings to the Registry by licensed resident agents

404 Risk mitigation programme actions set

384 Risk mitigation programme actions completed by firms

235 Full Risk Assessments and further engagements with firms

Policy

Retail General Insurance rules came into effect

Published a discussion paper on the future of sustainability reporting in the Bailiwick

Consulted on plans to simplify, standardise and provide enhanced clarity to the Prospectus Rules

Revised the pensions regime to broaden the range of structures available to Pension Service Providers

Technology

Co-hosted an industry conference with Guernsey Finance to consider the opportunities for Guernsey to use technology to improve financial services

Agreed to establish a Technology Supervision Unit and Technology Innovation Unit as part of our ongoing programme to use technology to automate, reduce administrative burdens and enable good quality supervision

DIRECTOR GENERAL'S STATEMENT

2024 reflections

Now that the MONEYVAL process is over with the report, published in February 2025, affirming the Bailiwick's robust approach to combatting money laundering, terrorist financing and proliferation financing, I would like to reiterate my thanks to all those in industry who worked so hard with us to demonstrate the Bailiwick's robust commitment to and ability in anti-money laundering. We are conscious that despite preparing for a good five years for the April 2024 inspection, there are always some things which need to be dealt with at the last minute and changes to well laid plans which simply need to be accommodated. The sense of shared endeavour on behalf of the Bailiwick by those in both the private and the public sector was noteworthy and, before it entirely fades from view, although there will be a significant amount of work to do in response to the report, we would like to say thank you to the other members of "Team Guernsey" for undertaking so much work with such good grace allowing the Bailiwick to manage the process so smoothly.

MONEYVAL - whilst our overriding priority in 2024 - was not, of course, all that the Commission did. Contrary to some naysayers who sometimes seem unduly pessimistic as to the Bailiwick's economic prospects, our Authorisations and Innovation Division dealt with a substantial volume of new financial services business wanting to come to the Bailiwick. We processed over 600 applications during the year which is indicative of a healthy level of activity including some applications such as those for limited permissions or unregulated PCC incorporations which don't naturally lead to full licences being granted. All of these are good evidence of economic activity. Certainly fund raising is more challenging in a five percent interest environment than in a zero percent environment but many substantial new funds were still launched. There were 50 new funds plus additions to existing funds and 43 new investment licences. The insurance sector also saw over 50 new entities (licences or cells). Our 2024 statistics also suggest that the fiduciary sector remains in robust health, with Guernsey's banks continuing to prosper in 2024.

Aside from authorisations, the Commission's supervisory programme continued, albeit at a reduced intensity in some areas, given the need to divert staff to work on MONEYVAL matters for much of the year. We hope we provided useful feedback through regular engagement with industry bodies, numerous presentations at Les Cotils and with our published thematic reports aiming to provide helpful guidance to those in industry about optimal ways to comply with regulatory requirements without unnecessary and costly gold plating. As we sharpen our focus on accurate and meaningful data as a vital enabler for modern supervision, we also appreciate the efforts made by licensees to produce timely, high quality reporting.

On the enforcement front, we know that when one of our successful enforcement actions is publicised beyond the Bailiwick's shores it can make for uncomfortable reading but the alternative, of pretending that people do not sometimes do bad things for a whole variety of all too human reasons, is surely much worse. That is an approach which would compromise our future prosperity by undermining confidence in us as a jurisdiction. We are a place which depends on our good international reputation for much of our trade, a point which was made to us strongly by overseas fund management and private wealth lawyers we engaged with over the year in conjunction with Guernsey Finance. On a more simple basis, societies without the rule of law tend not to thrive so we seek to fulfil our duties under the law to ensure the countering of financial crime[1].

Our approach and our strong track record of having taken action since the last MONEYVAL inspection in 2015, against those who had severely broken the law with regard to money laundering and terrorist financing controls, proved helpful in reassuring the assessors that the Bailiwick is a jurisdiction committed to taking regulatory action to ensure that it is not a safe haven for unclean funds. Our actions against those outside the formal regulatory perimeter who were undertaking unlicensed business were also valuable in proving jurisdictional effectiveness. That said, we were also comfortable explaining to MONEYVAL inspectors that only a tiny fraction of the matters which our supervisors discuss with firms lead to enforcement action because enforcement is a tool which is not required to deal with the vast majority of the issues we encounter. Further, in at least one case we investigated last year, we were pleased to conclude that matters were not severe enough to justify any formal sanctions and that a more collaborative supervisory approach to resolving the issues was appropriate.

A number of enforcement matters, further to our investigation and Senior Decision Maker processes concluding, continued to go before the Royal Court, Court of Appeal and even – in one instance – the Privy Council. The Privy Council's rejection of this application for leave to appeal just prior to Christmas was good news for the jurisdiction as it provides backing from our highest court for the prior decision of the Guernsey Court of Appeal that we should be taking reasonable action against those who severely break the law. Various other matters continue to progress through the courts and we will look forward to publishing further details on those matters, some of which have now run on for some years since we concluded our investigations, as and when we are legally able to do so in 2025.

Innovation, simplicity, competitiveness & ease of use

In 2024, our technology work encompassed far more than just the successful Finovation technology conference in September which we co-hosted with Guernsey Finance. In the background, work on our multi-year data project continued apace. This project aims to simplify our data architecture radically, creating operational efficiencies and enabling much easier and more intuitive use of the data we gather. Concrete steps taken in 2024 included a new more robust e-mail tracking system and considerable data pruning.

In terms of working towards process simplification and ease of use, we undertook much of the development work on our new and innovative Applications and Authorisations Portal with the alpha release going live in November. In 2025 we will continue to develop the portal so that it is accessible to all those who wish to undertake financial services business in the Bailiwick, hopefully thereby reducing administrative burdens and reducing barriers to entry, encouraging more business to take place on our islands.

In terms of policy creation and simplification, inter alia, we:

- advanced work to create proportionate rules for retail general insurers;
- worked with industry stakeholders to create updated exchange rules complying with the latest IOSCO mandated standards;
- revised the pensions regime to enable new efficient structures to be used more easily by those undertaking pensions business, making Guernsey more attractive;
- concluded a review of the pensions perimeter – offering increased clarity;
- offered clarification on our expectations with regard to unclaimed client money – seeking to reduce excessive caution in terms of how firms can handle it whilst reasonably safeguarding investor interests;
- consulted on modernisation of the prospectus rules with the aim of providing enhanced clarity, simplifying and standardising some requirements to ensure that the Bailiwick's investment and funds proposition is as accessible and as simple to use as possible whilst continuing to accord with international standards on investor protection;
- amended our Explanatory Note on fund authorisation and registration surrender to reduce unnecessary regulatory burdens on funds and fund investors;
- worked with the States and the banking sector to finalise a proportionate and low cost way in which the Bailiwick can comply with international standards on bank resolution; and
- produced a thoughtful discussion paper on how best to advance towards International Sustainability Standards Board (ISSB) standards in the financial services area. This paper elicited considerable constructive feedback from a number of quarters which we will look forward to using to further develop the Bailiwick's sustainability plans in 2025, taking full account of the international sustainability landscape.

Finally, in 2024, we agreed to establish a Technology Supervision Unit and a Technology Innovation Unit, because we appreciate we need to, ourselves, keep current – using the best of new technology to automate, reduce administrative burdens and enable good quality supervision. We also need to have the expertise to understand properly how firms are using the new technologies.

The evolution of regulatory policy making

As a close reading of the Old Testament will illustrate, many of the issues which currently afflict our society and economy are as old as human civilisation and we lack perfect solutions for them as much as the judges and kings of ancient Judah lacked perfect solutions.

In terms of working out how societal issues may best be resolved, during the later stages of Tony Blair's administration, prior to the 2008 Global Financial Crisis, there was considerable tension within the UK Government between what might be broadly termed the regulation sceptics, often championed by the Prime Minister himself, and other parts of the Labour movement which were enthusiastic about using regulation to reshape the economy and wider society. Tony Blair put huge effort, during his last presidency of the European Council, into the so called "Better Regulation" agenda which was largely about arguing for better written laws which achieved policy outcomes more smoothly whilst putting fewer burdens on business and society more generally. Then the Global Financial Crisis happened, exposing both inadequate regulation and considerable hubris in the world's largest financial services firms – firms which had to be bailed out at vast expense to the taxpayer. In a British context, it is probably fair to say that those who had been strongly in favour of less regulation or a more nuanced approach to regulation were undermined and were perceived to have definitively lost the intellectual argument as vast swathes of new global financial services regulation was enacted alongside the promise of, "never again" coming from many leaders' lips.

Some of this regulation, within its own narrow terms of reference, worked and helped create a prudentially resilient financial system which coped with events like the Covid lockdowns remarkably well, albeit supported by huge further quantities of quantitative easing in many large countries. At the same time the developed world was exploring, through Covid related regulations, just how far it could regulate all aspects of society during what was portrayed as an extreme event. By the end of the Covid event, Western society had perhaps become accustomed to a never before seen level of societal regulation with, in the background, net zero emission targets pushing many policymakers towards developing further regulatory levers.

Sometimes one has to wait for the dust to settle before a critique of a recently achieved consensus will receive a reasonable reception. That reasonable reception now appears to have been accorded to Mario Draghi, one of the EU's most distinguished policy makers. The Draghi Report published in September 2024 set out an eloquent critique of the EU's globally influential regulatory approach. As Mario Draghi put it, "we claim to be in favour of innovation but we continue to add regulatory burdens onto European companies which are especially costly for SMEs and self-defeating for those in the digital sectors." His advocacy of deep reform and a change in the EU's default pro-regulation precautionary mindset is having considerable influence alongside the robust approach being taken towards embedded international regulatory norms by the Trump administration in the United States.

As a micro-state, the Bailiwick has to operate within the boundaries set by the largest players on the global economy given the nature of its international financial services sectors. Both the Draghi Report and the approach of the Trump administration create an environment where it is more permissible for the Commission to advance the case in places where we have a voice that the solution to "abc bank" collapse or "xyz fund" failure should not automatically be yet another layer of international regulation. Equally, the tendency we sometimes observe by some macro economists who enjoy influential positions in the international regulatory community to seek to create systems based on models built by them, which contain global data sets to permit worldwide planning of the economy by them, is likely to be checked for a while, perhaps reducing external regulatory pressures on the Bailiwick.

What this means is that the international regulatory landscape, so far as financial services regulation is concerned, has undergone a fundamental shift compared with this time last year and it may continue to shift further.

Further to this international change, as a Commission, now that the labour of the 2024 MONEYVAL inspection is largely behind us, we have a little more capacity to work with industry and others to continue to simplify where appropriate, building on the work outlined above which we have already delivered to help make Guernsey an even better place for business. This is not about challenging the policy benefits of some types of regulation in terms of protecting investors, protecting consumers, safeguarding financial stability and combatting crime but it is about saying reflexively - when we approach a problem or a challenge - is there a way in which we can do this more easily with fewer administrative burdens? This will not always be possible and sometimes, ironically, complexity is industry's friend as it enables lower administrative burdens for lower risk business than would otherwise be possible if the law treated every type of business in exactly the same fashion.

Going up a level, it doesn't feel unreasonable to advance the economic proposition, almost irrespective of the position of the pendulum in the international regulatory cycle, that well understood and well enforced laws help create a stable marketplace within which entrepreneurship and innovation can thrive. Conversely complex laws and convoluted bureaucracy tend to encourage oligarchic corporate structures which are adept at navigating the administrative bureaucracy to secure super-normal profits whilst locking out competition and driving up costs, thereby discouraging high quality economic growth. This truth of this proposition, despite so many things being more complex, should incline us to strive for increasing simplicity where we can whilst being never neglectful of the imperative to maintain Guernsey as a safe, sound and secure jurisdiction from which to undertake financial services.

In 2024, we launched The Leopard newsletter to try to communicate with those of you we don't see face-to-face very often, what we are trying to achieve in a clear and transparent manner. We also held a large number of seminars with, collectively, several thousand of you over the course of the year to attempt to demystify and explain some aspects of regulation because we find that good quality understanding leads to proportionate rather than slapdash or excessive implementation of laws - delivering benefits for firms. We intend to continue with these mechanisms with our new in-house conference room becoming available from August 2025. We hope that by doing this we will continue to simplify, de facto if not always de jure, what the regulations are setting out to achieve, thereby helping you to take a principles-based approach to implementation. We are also continuing to work on our website and our portals to ensure that they are relatively intuitive to navigate.

The economic outlook

As we work our way into 2025, it is safe to say the outlook is uncertain. If we consider our main trading partners and nearest neighbours we can observe:

- an indifferently received October budget in the UK which is likely to have created significant additional inflationary pressure through its increased taxes on employment which were combined with above inflation wage settlements for significant portions of the public sector. It remains to be seen whether early 2025 announcements by the Chancellor of the Exchequer reduce the negative economic sentiments which have grown since July 2024;
- uncertainty in the French National Assembly causing disquiet for various parts of the French economy which cannot safely forecast the near term future in terms of policy;
- economic malaise in Germany as it discovers that having invested in advanced mechanical engineering underwritten by low cost energy from Russia, as opposed to digital technologies, was not necessarily the best way to maintain economic competitiveness in the 2020s;
- uncertainty as to how and when the most costly and horrific European war since World War II will end with all the geo-political uncertainty which accompanies that, alongside hostile acts regularly being undertaken on European soil or in European seas outside Ukraine;
- a considerably changed political outlook in the Middle East following the demise of the Baathist regime in Syria and the military failure of Hezbollah in Lebanon combined with uncertainty as to Iran's longer term intentions and the success of the radical Saudi economic transformation programme;
- continued debate about where the economic benefits and disbenefits of AI will be felt;
- the reconsideration of the commercial wisdom of net zero targets by a number of multi-national Western corporations, as well as a day one presidential executive order to withdrawal from the Paris Climate Agreement by the USA;
- a still relatively strong US economy with, as of April, considerable uncertainty as to the impact of Trump's approach to trade on US and global economic growth.
- geo-political uncertainty in Northeast Asia; and
- ever increasing cyber risk requiring the utmost vigilance.

Firms will have better insights than us into what each of these risk factors mean for individual businesses. It is not the role of the regulator to be professionally optimistic but we hope that stable government, stable capital taxes, stable courts and stable regulation to which we are committed in Guernsey will provide you with a platform from which to undertake beneficial growth in 2025, whatever is happening in our key trading partners.

Finally, the Commission is always open to have conversation about any prospective financial services businesses and how they might interact with our regulations, and would encourage people to come and talk to us.

William Mason
Director General

[1] 2(2)(d) The Financial Services Commission (Bailiwick of Guernsey) Law, 1987

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. This driver, along with improving our user experience for potential new licencees, has led to the development of our new Applications and Authorisations Portal. Whilst we will continue with these internal technology initiatives and development we have also recognised the importance of technology with the creation of two new units at the Commission.

Technology Innovation Unit

Since the deployment of the Commission's Early Warning System (EWS) in 2022, it has supported supervisors in implementing our risk-based approach - particularly for the efficient reading of certain documents submitted to us by firms. The visualisation and exploration of the relationships that exist between entities and for trend analysis of regulatory returns data are also proving insightful. Additionally, the EWS has opened up possibilities with regards to furthering our ambitions for technological innovation, the application of data science and the continued use of machine learning and artificial intelligence (AI). To take this forward we have created a new Technology Innovation Unit. This unit will focus on understanding how the Commission can utilise new and advanced technologies for the benefit of our staff and, in addition to evaluating 'off-the-shelf' solutions (including GenAI tools) to add value to what we do. The unit is tasked with proposing and prototyping new AI solutions for specific use cases and then implementing these when appropriate. 2024 was focused on identifying individuals with the right knowledge and skills set, several of them joined us at the end of the year therefore the work of the unit will start in earnest in 2025.

Technology Supervision Unit

The Commission recognises the increased use of, and reliance on, technology by industry, as the Bailiwick strives to remain positioned internationally as an attractive hub for business. During late 2024 the Commission approved the creation of a new unit within its supervisory area that will provide technical support, resource and advice to the supervisory and policy divisions to better allow them to understand and supervise firms in this area. The Technology Supervision Unit's (TSU) focus is the use, by industry, of all aspects of technology including but not limited to industry's use of AI tools, Blockchain, Compliance Screening Systems, Cyber Security Systems as well as traditional Data Management tools and Systems Architecture. The TSU will become functional during the first half of 2025.

Katherine Jane and Jeremy Quick
Deputy Director General and Director

AUTHORISATIONS AND INNOVATION

Authorisations

The Alpha release of the Applications and Authorisations Portal (A&A Portal) in November 2024 was the highlight of the year for the Authorisations team. This followed a year of extensive development, including liaison with industry groups to ensure that the portal meets the needs of external users as well as the Commission. By the time you read this report the Beta release will have taken place and the portal should be functioning fully for the majority of applications.

Updates were made to the existing Personal Questionnaire (PQ) Portal and we continue to spread the word that individuals are required to keep the information in their PQ upto date. We began with an article in The Leopard and with outreach to industry associations and are now in the process of directly contacting, those individuals who have not updated their PQ for some time. Later this year a further change to the PQ portal will be made so that individuals who begin a new Online Appointment (OA) will be prompted to update and verify the information in their PQ before they are able to proceed with the OA.

Market entry access was a key theme of the MONEYVAL inspection and we were pleased that the final report acknowledged that our procedures were robust. We continue to aim for an efficient applications process that works for applicants whilst ensuring that bad actors are not allowed access to regulated businesses.

There was no discernible pattern in application submissions during 2024, however the year finished strongly with notably high submission rates right up until the Christmas break. Reflecting on the year overall, the Bailiwick continues to attract both new and repeat business across all sectors. We have maintained a risk-based approach when reviewing submissions to ensure that most scrutiny is applied to areas which represent a higher degree of risk to the Bailiwick.

Members of the team are always available to discuss potential applications and also to meet with firms and individuals looking to set up operations within the Bailiwick. The approachability and engagement of the Commission is often noted as an advantage for the jurisdiction and we will continue to be available for calls and meetings following the move to the A&A Portal for application submissions.

During 2024, Authorisation Review Panels (ARPs) ensured consistent and proportional decision-making was applied to a handful of challenging applications. Seven ARPs were held during the year compared to 12 in 2023. All bar one ARP resulted in the requested approval being granted, albeit with conditions put in place to manage the associated risks.

As part of the preparation for the MONEYVAL evaluation, the team was part of a project to ensure that the Commission was sighted on the population of private trust companies operating within the Bailiwick. The submissions brought to light some historic structures which required extensive vetting and assessment to ensure that the obligation to maintain AML/CFT/CPF controls was in place.

Innovation

In September, the Commission hosted a conference jointly with Guernsey Finance - Finovation: The Guernsey Edge. The conference built on the AI and Finance in Guernsey: The Power and Implications conference, which we jointly hosted in June 2023, and considered opportunities for Guernsey to leverage its nimbleness, robust legal framework and approach to regulation to make financial services better with technology. As part of the conference, we provided a preview of the A&A Portal, showcasing the future of application submissions to the Commission. The project to digitalise the applications and authorisation process is forming the foundation of a data project within the Commission as well as providing a clear message that the Bailiwick is open for good business.

We continue to engage with and encourage the use of technology which increases the efficiency and effectiveness of the financial services sector in the Bailiwick. We have had a number of introductory meetings regarding the potential use of tokenisation. Early engagement with the Commission helps to clarify expectations and manage the application process. This type of approach resulted in an approval being granted for the Bailiwick's first automated machine learning trading algorithm fund.

Applicants who wish to discuss the use of emerging technologies or any other innovative structures can make use of the Commission's Innovation Soundbox which allows for an open dialogue with the Commission in advance of any application.

Caroline Bradley & Alison Gavey
Co-Directors

BANKING

Supervision

In 2024, the net interest rate margin remained positive with a limited level of defaults in advanced economies. This is likely to lead to a profitable 2024 for the Guernsey banking sector once year-end returns are collected. Capital levels remain strong.

The Commission continued to look at asset quality in 2024; with an emphasis on Buy-to-Let properties. Overall, asset quality continued to look robust. The local residential property market, to which several banks lend, was relatively stable, based on indices ending Q3. Nevertheless, subsidiary banks in Guernsey should consider whether their asset stress-tests in pillar two are sufficiently challenging.

The Commission conducted an Internal Sector Review on interest rate risk in the banking book for subsidiary banks in Guernsey. This was timely given likely volatility around interest rates trends in 2025. Generally, the banks were found to have limited exposure and adequate risk management in place.

The number of banks in Guernsey increased in 2024 by one to 21. From September 2023 to September 2024 total banking liabilities were almost unchanged, increasing by £1bn to £116bn.

Policy

The Commission has already put in place several of the components of Basel III such as the Liquidity Coverage Ratio, the Net Stable Funding Ratio and requirements around Large Exposures. Other aspects of Basel III, such as a new approach to operational risk, are expected to be consulted upon in 2026.

In November 2024, the States' Policy & Resources Committee agreed a policy paper recommending the creation of a new Banking Resolution Committee (BRC) within the Commission as a legally distinct subsidiary. Simplicity and proportionality are the watchwords. Dependent on the States mandating the BRC in 2025, and subject to the BRC becoming operational, the Commission meanwhile continues to act as the Bailiwick's resolution authority.

Risk Outlook

The following risks are key for 2025

- Banks should be cognisant of credit risk going forwards, although Guernsey banks run very cautious credit books;
- Currency risks given uncertainty around divergent trade and macroeconomic policies in developed economies;
- Bond price volatility; not least as it affects liquidity profiles; and
- Liquidity management given that retail deposits may have become more volatile in the wake of technological advances.

Jeremy Quick
Director

INVESTMENT, FIDUCIARY AND PENSION

Supervision

During 2024, we undertook seven 'prudential' Full Risk Assessment (FRA) onsite visits to fiduciary and pension licensees, and three prudential FRA onsite visits 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 138 fiduciary and pension, and 118 investment Risk Mitigation Programme (RMP) actions were created. Financial crime risk (32%), governance risk (22%), and operational risk (26%) account for the largest number of RMPs, a trend consistent with previous years.

External Thematic Review

Our 2024 external thematic review focused on client money across the investment, fiduciary and pension sectors, and in particular 'how safe' it is in the Bailiwick in 2024. As the report, published in February 2025 details, we were pleased to confirm that licensees generally safeguard client money appropriately, using suitable policies, procedures and controls in the process. For a number of years, we have been conscious of anecdotal concerns relating to opening and accessing bank accounts, especially for higher risk business. As part of this thematic review, we explored in greater detail which institutions were used for banking in the investment and fiduciary sectors, together with a review of our derogation requests received from licensees for use of 'non-banks'. These findings were complementary to those of colleagues in the Banking and Insurance Division who conducted their own review on bank account opening. Further information is given at page 20 of this report. We recognise that access to Bailiwick bank accounts may come at a financial cost and time; however our thematic findings indicated that currently client money is held with 'approved banks' with very few exceptions. To date, the number of 'approved bank' derogation requests we have received does not align with the volume of anecdotal concerns, however we remain open to considering practical examples of challenges, to ensure that Guernsey is open to good business.

Since 2020 (influenced by our pivot in supervision due to Covid), we have benefited from not only running external thematic reviews (which typically result in a published report) but also from running internal sector reviews (ISRs). ISRs enable us to review particular themes across a range of licensees in order to identify outliers, progress policy development, or act as a sense check as to whether something is an area of concern. We feed the results of 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.

Internal Sector Reviews (ISRs)

We completed two ISRs during 2024, slightly fewer than we would have wished due to redirecting supervisory resource to support the MONEYVAL assessment.

Our first ISR focused on increasing our understanding of pension administration fees charged by licensees. We partnered with University College London to enable us to analyse fee data, and to draw on their expertise regarding fees and model their long-term impact. The Commission is not a price regulator, however the results of the ISR have helped inform supervisors regarding what may be outlier conduct in relation to fees and to subsequently ask questions accordingly. The most frequent administration fees were between 0.1% and 1% of a scheme's value over a five-year period, however we identified a 20% administration fee for single member scheme operating on a fixed fee structure. We noted that a 1% fee over a 30-year period could detract as much as 14.1% of the members' retirement value, and the Commission will be interested where licensees take over 1% of a scheme's value per annum as revenue.

Drawing on work regarding pension transfers in previous years, we are conscious that the typical range of a transfer out fee is between 0.65% and 1.32% of the transfer out value. Whilst we do appreciate there is no one-size-fits-all, we are now aware of what would constitute an outlier transfer fee and are more likely to query high fees both on a % of total transfer value and overall figure (for example £2,000).

Our second ISR focused on Professional Indemnity Insurance (PII) notifications received from fiduciary and investment licensees.

We undertook holistic analysis of our data to identify any key themes or risk areas. We found that we receive on average 12 PII notifications per quarter (across both the investment and fiduciary sectors), albeit the total number of notifications has decreased slightly over the past six years. There were a small number of outlier firms, however typically PII notifications arose from a broad range of firms, indicating perhaps they can be a function of doing business, rather than an indicator of a particular business or business model risk.

The fiduciary sector had materially more PII notifications than the investment sector (79% of the entire sample), and the single largest cause was UK tax issues. We are conscious of recent UK 'non-dom' tax changes due to take effect from 6 April 2025 although the Chancellor of the Exchequer has now indicated that there may be modifications. Other significant causes were fee disputes and complaints regarding investment performance. Collective Investment Scheme PII notifications typically related to litigation against an underlying asset of the fund, or commercial disputes regarding the financial performance, directly or indirectly, of the fund, or the quality of administration services performed by the Designated Administrator.

Supervisory observations

Reflecting on all our supervisory engagements throughout 2024, a number of key themes can be observed and shared:

- Governance remains a key topic. We have observed an increase in the number of independent Non-Executive Directors (NEDs) and consider that this has strengthened boards. On occasion we are told by a CEO that they don't want a NED because they 'wouldn't understand their business'; in our experience it's precisely this fresh pair of eyes that can be helpful. We understand that some licensees, especially smaller firms, may not consider a NED appointment to be a priority, however we are conscious that worthwhile NED development programmes exist within the Bailiwick offering the ability to take on 'upcoming' NEDs free of charge for a year.
- We have been pleased to observe some improvements in firms' culture, sometimes due to strengthened boards, enhanced understanding of the difference between a functioning executive and strategic board, and sometimes (and this is more anecdotal) apparently due to office moves to better equipped, open plan offices, or at least all employees being on one site. The importance of local mind and management remains.
- Our focus on data accuracy continues to sharpen. We have seen good progress from some firms in this area and encourage continued investment in systems and oversight controls to ensure we receive accurate data. If accurate data to enable the Commission to do its role efficiently and effectively isn't incentive enough, submission of inaccurate data acts as a regulatory red flag attracting additional supervisory attention; in our mind, if errors are occurring here where else is the firm making errors which might impact clients or financial viability?
- Optimism is a wonderful thing, however we regularly observe that firms (and when they are part of larger international groups, the relevant 'head office') underestimate the time and effort needed to remediate financial crime weaknesses, exit business and integrate acquisitions. Failing to properly plan in these important areas only leads to increased problems down the line. We would always prefer a well-considered plan, than a rushed 'ambitious' timeline.
- One area that continues to concern us, and something we would like to focus more on in the future, is directors or trustees who sit on sub-economic structures without making adequate efforts to wind them up. It is often unclear whether this is driven by nervousness, lack of resources, inertia or greed; but we take a dim view of anyone who continues to charge fees without appearing to take due account of the expectations of members/investors/beneficiaries/clients that the responsible individual will act in their interests.

Finally, this is a good opportunity to seek to bust a myth we hear on occasion. Should a licensee identify a problem, or be concerned that a material risk is growing, please come to us without fear that this will lead to an enforcement referral. We have shared objectives, the reputation of the jurisdiction, good firms run well, clients professionally serviced and risks managed. In the event of a problem or concern, we expect the board of the licensee to have started to identify a plan for addressing whatever issue has arisen (rather than just coming to us with a problem), but in terms of risk mitigation we actively consider whether it was something we identified or whether it was something drawn to our attention in an open and honest manner; the latter being in all our interests.

Policy

The first half of the year was dominated by a key focus on preparation for and support of the MONEYVAL assessment. In this respect we clarified the regulatory treatment of Private Trust Companies (trustees to a specific trust or a group of connected trusts, often for one very wealthy family, which receive Commission permission to operate on a limited basis) and broadened our knowledge and understanding of these enabling structures which represent a successful and growing branch of the Bailiwick's private wealth offering.

Building on the thematic review work on unclaimed investor money conducted in 2023, which found that there were limited regulatory rules or guidance concerning unclaimed investor money and that unclaimed money was not being treated in a consistent manner, we consulted upon and subsequently issued guidance on this issue during the year. This guidance aims to encourage authorised and registered funds and related licensees to consider in advance and disclose their approach to the treatment of unclaimed money, and to provide a principles-based and non-prescriptive frame of reference for those administering such money, to allow them the necessary flexibility to address the variety of potential scenarios which may arise.

Similarly, taking into account the diversity of circumstances that may arise as funds enter their final stage of operation, we amended our Explanatory Note on fund authorisation and registration surrender to permit the greater use of regulatory discretion, where appropriate, to avoid unnecessary cost, or other detriment, to funds and fund investors.

Recognising the growing interest in the application of this technology within the funds sector, in May 2024 the Commission published a Policy Statement on our approach to fund tokenisation. This statement clarifies that fund tokenisation is permitted under the Bailiwick's regulatory regime and reflects the Commission's commitment to encourage technology which enhances services to investors and increases efficiency and effectiveness of operation.

After consulting with key industry stakeholders during the year, new Regulated Investment Exchange Operator Rules were issued at the end of 2024. These Rules represent a modernisation of the regulatory framework and ensure compliance with the Core Principles for the supervision of investment exchanges as set by the International Organization of Securities Commissions (IOSCO), the global standard setting body for securities market regulators.

The Commission supported the pensions sector by making regulations during the year to remove a restriction on the use of protected cell companies by licensed pension service providers, broadening the range of structures available to them.

Throughout the year we continued our programme of regular formal and informal engagement with key industry associations and representatives, such engagement being invaluable in the policy-making process. We look forward to continuing to work with industry to ensure that the policy framework supports ongoing and new business and minimises unnecessary administrative burden while ensuring protection of "Guernsey PLC" and its customers.

Risk Outlook

The trust and corporate services sector is in a period of buoyancy with both the number of licensed administrators and assets overseen growing. With respect to the investment sector the number of collective investment schemes remains stable, with growth in corporate administration of wider investment structures. Private equity remains a dominant contributor to the sector and while we have seen relatively higher interest rates persist this has not led to widespread falls in valuations or the emergence of other stresses in the funds sector, but this will be an area we continue to monitor in the coming year.

The continued buoyancy of the finance sector, notably in administration, results in the unwelcome ongoing challenge of recruiting and retaining staff. Guernsey is not alone in facing this resourcing challenge, and we suspect this risk will not come as a surprise to any reader. We note however that the firms that weather this challenge best: identify key person risk, have succession plans in place for key individuals and review these regularly, monitor capacity regularly and adjust accordingly to ensure continued good service, bed in transfers of staff (and clients) quickly and efficiently, oversee outsourced (capacity enhancing) resource credibly, plus focus their business on higher value activities.

Global markets, within which we operate, are complex and interconnected. The Director General, earlier in this report, touches on some of the geopolitical risks this poses. We are also alive to international debates (often led by the standard-setting bodies – Basel Committee or IOSCO), regarding the risks posed by financially material non-bank intermediation and private markets; and their more nascent international regulatory oversight (compared with public markets or banks). We observe at our local level the vast asset figures some, often private equity owned, international administrators 'manage', and the international web of interdependencies and interconnections within which they operate. This is an area, including from a prudential risk perspective, we will continue to focus on, including via close engagement with fellow supervisory colleagues in other jurisdictions, for example, through regulatory colleges and ongoing information sharing.

The increased digitalisation of the global financial system and ongoing technological advances mean that cyber risk remains a relevant and growing risk for licensed firms. A single cyber incident, whether an attack or a non-malicious technical disruption, can severely impact the operation of any firm. The probability of cyber-attack attempts remains high and is growing, as the tools available to criminals and other bad actors become more readily available and advanced in nature, for example artificial intelligence-generated voice and face swapping technology, and this risk is exacerbated by heightened geopolitical tensions. Firms should continue to ensure that control frameworks are regularly reviewed to ensure that they remain fit for purpose following the core "Identify, Protect, Detect, Respond and Recover" principles promulgated in the Commission's Cyber Security Rules and Guidance.

The progress in the development and availability of artificial intelligence (AI) enabled tools has been rapid and this growth is set to continue. This technology offers potentially transformative opportunities to enhance efficiency and effectiveness of operations in financial services but may also introduce additional unique risks. These risks include reliance on potentially inaccurate outputs, lack of understanding of opaque models and potential data privacy concerns. As described in more detail elsewhere in this Report, the Commission is taking steps to further understand how AI is impacting the operations of the Bailiwick's regulated sector but it is important to emphasise the long established principle that individuals in governance roles retain oversight responsibility, which cannot be outsourced or passed on to AI systems.

Gillian Browning
Deputy Director General

INSURANCE

Supervision

During 2024, the Commission carried out several insurance thematic reviews. One was an external thematic review on the processes around insurance reserving. The review found that, overall, controls are in place across-the-board such that it can be reasonably deduced that reserve estimates for Guernsey general insurers are generally appropriate. Indeed, the review highlighted several instances of good practice; not least in the use of actuaries. Having said that, the report also indicated where the current practice of some firms can be improved; including around documentation, and the oversight of third parties.

An internal review looked at insurers' exposure to credit risk. The report found that, overall, there is low credit risk to the industry, which is particularly driven by the use of highly rated counterparties.

An internal review focused on the Multi-Occupancy Buildings Insurance Market. This review sought to assess whether the Bailiwick is exposed, through its insurer licensees that provide coverage for residential multi-occupancy buildings in the UK, to unfair practices of increasing premiums and paying high levels of commission to brokers and third parties (such as freeholders and property managing agencies). It also sought to understand the extent to which UK landlords had set up Guernsey insurance companies into which landlords channel tenant insurance. In the event, the Commission found there was very little exposure in the Bailiwick; none of which caused concern.

An internal review looked at brokers' long-term insurance and investment remuneration. Whilst most single-life policies continue to be sold on commission, commission-based sales for long-term life policies are now very limited in the Bailiwick. Otherwise, sales are fee-based with advisers being paid a set salary independent of sales (albeit a few firms have a small add-on bonus for sales). By examining a range of key indicators, the review found no instance of inappropriate behaviour at any of the firms examined. There has also been a mass migration away from long-term life sales and into Retirement Annuity Trust Schemes (RATS); with the concomitant additional controls of that product.

In its 2023 Annual Report, the Commission reported on the failure of GBG Insurance Limited (GBG). In 2024, the Administrator took steps to mitigate the impact of the failure on policyholders; not least through replacement insurance. Nevertheless, in November 2024, the Royal Court placed GBG into liquidation. Meanwhile the Commission has continued to investigate the reasons behind GBG's failure. This investigation is ongoing.

The Commission continues 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 of IAIS. In 2024, the Commission hosted a visit from a Caribbean GIICS member, financed by GIICS.

Policy

Following consultation in 2023, the Commission created a new class of insurance licensees in 2024; namely Retail General Insurers. Specific rules attach to this class of insurers around governance, solvency, systems and controls and disclosure. Requirements around disclosure continue to be considered into 2025.

As indicated in the 2023 Annual Report, new rules were introduced around disclosure by insurance intermediaries. These require that insurance intermediaries disclose the nature of their relationship with the insurers with whom they deal and the basis on which they are remunerated.

Risk Outlook

The following risks are key for 2025:

- Increased claims costs due to embedded inflation;
- Interest rate volatility; and
- The continuing financial crime risks associated with Guernsey general and life insurers operating cross-border.

Jeremy Quick
Director

FINANCIAL CRIME

Supervision

The Commission succeeded in delivering on its key priority for 2024 which was to help the Bailiwick secure a good outcome from the MONEYVAL evaluation. We devoted very significant resource to the evaluation working closely with government, key authorities and industry, achieving a positive report of which we can all be proud.

This could not have been achieved without the strong collaboration and engagement from all Bailiwick stakeholders. Our thanks goes to industry who have supported the Bailiwick's efforts to secure this outcome from constructive feedback on consultations on legislative and regulatory change through to high attendance levels at presentations we co-hosted with the States of Guernsey Policy & Resources Committee on the Bailiwick's second money laundering and terrorist financing national risk assessment, its first proliferation financing assessment and the legal persons and legal arrangements national risk assessment held in January 2024 and April 2024 respectively.

We are particularly grateful to the 28 firms which were interviewed by MONEYVAL for all the work they did to prepare for the interview. We made a considerable number of requests for information, briefings to read and training to undertake. To see comments in the report that the majority of firms have effective measures to prevent their services being misused to launder criminal proceeds, that they have robust measures for dealing with higher risk situations (foreign politically exposed persons, international sanctions and higher risks countries) and apply anti-money laundering and counter terrorist financing measures commensurate with the risk is testament to their efforts and reflective of what we generally find onsite.

The evaluation was an assessment of five years' worth of Bailiwick work. For the Commission that was five years worth of risk-based supervision, authorisation activity and enforcement under the spotlight. The report concluded that we exercised robust market entry controls, took an effective stance on enforcement against firms and senior officers and that our onsite inspections are thorough and of good quality.

Just one MONEYVAL member has secured a substantial rating for supervision which is a pass, and this is the Holy See, illustrating just how hard it is to secure a good mark for supervision. The bar for being substantially effective is high and among larger jurisdictions, has only been achieved by five Financial Action Task Force members. The intensity of our supervision is therefore broadly on par but not above that of our peers.

From across the report there are 13 effectiveness recommendations for the Commission to address, relating largely to applying further supervisory efforts to areas of weaknesses identified within the application of effective AMLCFT control by a particular sector of industry. This includes strengthening the awareness of terrorist financing risk across banks and investment firms, ensuring the investment sector properly applies simplified due diligence measures and improving the understanding within the fiduciary sector of the risks related to complex customer structures.

We will address many of these recommendations through thematic supervision and outreach events such as workshops. To that end, in late 2024, we launched a thematic review of the investment sector's application of simplified due diligence measures on financial intermediaries which includes focused onsite inspections to 30 firms in the sector, the anonymised results of which will be shared in a public report later this year with a corresponding workshop for the sector.

Addressing most recommendations will fall within our business-as-usual supervision including addressing deficiencies of under-reporting and quality in suspicious activity reporting. MONEYVAL has recommended that effective enforcement action should be taken for cases of failure to report suspicion to instill a better reporting culture. As with the other recommendations we will deal with this through education, in conjunction with the Financial Intelligence Unit, and through supervision. Enforcement, as in all cases, remains the last resort.

There is little to change in our supervisory approach as a result of MONEYVAL. We have some small changes to make to our thresholds for determining which firms present higher financial crime risks. A few firms who we inspect every four years may see us as little more frequently as MONEYVAL has recommended an increase in the frequency of onsite inspections to medium high-risk firms and very large firms may be hosting us a little longer as we address a recommendation to increase the number of client files sampled.

MONEYVAL clearly drew considerable resource but, in the background, our supervision continued. We met our onsite inspection targets for proactive supervision of higher risk firms. Our thematic work focused on the fiduciary sector's filing of beneficial ownership information to the Guernsey Registry and suspicious activity reporting practices.

These themed exercises enabled us to engage directly with 20 to 30 mainly smaller firms in the fiduciary sector per exercise. It included the issue of a Dear CEO letter to all fiduciaries sharing the findings from our beneficial ownership review and to request feedback on how that information has been used to improve their policies, procedures and controls. In April, we issued a report on our thematic review of the governance and risk management frameworks within the prescribed business sector followed by workshops in August attended by more than 100 representatives. This Dear CEO letter, thematic report and workshop are good examples of the type of tools we will be using to address many of MONEYVAL's recommendations.

Policy

2024 saw the publication and presentation in January of the Bailiwick's second national assessment of its money laundering and terrorist financing risks and its first assessment of the risk to the Bailiwick from financing the proliferation of weapons of mass destruction. These contained significant contributions from the Commission including enhanced information and analysis of the Bailiwick's financial flows, and more in-depth analysis of risks within collective investment schemes, private trust companies and retirement solutions. These assessments were followed by a separate legal person and legal arrangement national risk assessment published and presented in April with a similarly high level of input from the Commission.

Described as high quality by MONEYVAL, these documents were key to showing that all the authorities had a strong and well-developed understanding of the risks. The high level of attendance by industry at these presentations contributed to MONEYVAL concluding that the private sector had a good understanding of its money laundering risks and firms in the fiduciary sector showcasing a "notably well-developed terrorist financing risk understanding".

There were two sets of amendments made to the Handbook on Countering Financial Crime in the first few months of the year regarding the extension of existing anti-money laundering and counter terrorist financing measures to proliferation financing and to address minor gaps with the FATF Standards relating to customer due diligence and monetary thresholds for customer due diligence on virtual asset transfers and wire transfers.

We are grateful to industry's forbearance with these changes to the Handbook coming at a time when firms' compliance functions were also considering the findings from the aforementioned national risk assessments and their implication for business risk assessments and policies, procedures and controls.

We appreciate that there have been significant policy developments in the three years to April 2024 for industry to grapple with, but as a result of these developments to the legislative and regulatory framework in Guernsey for countering financial crime, the Bailiwick passed as compliant or largely compliant all 40 of the Financial Action Task Force Standards. The Commission has relatively few changes to make to the Handbook after MONEYVAL identified just nine minor gaps with the Standards, to which we will respond carefully and proportionately.

Risk Outlook

The increasing criminal exploitation of artificial intelligence heightens the risks to all firms of being abused by criminals who use deep-fake or other tools to advance financial frauds or clone due diligence to undermine firms' controls to prevent laundering the criminal proceeds or commit other types of financial crime.

Fiona Crocker
Director

CONDUCT

Supervision

In 2023, the Commission licensed five new categories of firm; mostly to facilitate the regulation of conduct around lending and to require Virtual Asset Service Providers (VASP) to be regulated by the Commission. There is always the risk with a new regime of some firms inadvertently falling inside or outside the new regulatory regime but, over 2024, few instances of this came to light. Other than for these purposes, in 2024, the Commission decided to allow the new regulatory regime a year to settle in before looking at firms in more detail. Consequently, in 2025, the Commission will undertake a thematic review of car financing. In 2024, the Commission licensed one VASP; albeit as a pilot.

As in the UK, there was concern in the Bailiwick over the availability of business and personal bank accounts offered by the main UK banks. Consequently, and as trailed in the 2023 Annual Report, in 2024 the Commission conducted an internal review on account opening. Although there were individual cases where customers had been treated outside a bank's own internal guidelines; the Commission concluded that, in general, the ability of either retail or wholesale customers to open an account in the Bailiwick was akin to that of the UK. Having said that, as elsewhere in the local economy, banks periodically suffer from acute staff shortages and this can lead to delayed account opening.

Policy

Equity release allows homeowners to release some of the value tied up in their home. In the wake of Commission's 'Lending, Credit and Finance Rules and Guidance' coming into effect in 2023, the States in 2024 indicated that it wished to see Equity Release to be included as an extension to these rules and guidance. Consequently, the Commission issued a Consultation Paper on this subject in December 2024.

The purpose of the proposed regulatory regime is to provide a framework that safeguards the interests of customers who enter equity release arrangements; encourages providers of home finance or later life lending to offer such services in the Bailiwick; and to ensure that equity release providers can lend with certainty.

In developing its approach, the Commission closely followed the UK. In part, this was because the UK approach has been tried-and-tested, but also to facilitate the provision of finance for equity release in Guernsey from UK providers. Nevertheless, the UK regime has been suitably adapted to encourage the provision of local finance and to ensure that the rules and guidance for local intermediaries are appropriate to the Bailiwick. The Commission intends to take forward the creation of this new regime in 2025.

Risk Outlook

The following risks are key for 2025:

- Financial crime; not least given the global nature of the Bailiwick's financial services sector;
- Implementation of Rules and Guidance around Lending, Credit and Finance; and
- The treatment of customers; not least around account opening.

Jeremy Quick
Director

ENFORCEMENT

Cases reported

The Enforcement Division and the Commission's legal team have had a very busy year before the courts. This started in January 2024 with the much publicised case of Domaille et al. An appeal to the Court of Appeal was brought by the Commission, and the judgment that was handed down set aside the previous Royal Court judgment. The Court of Appeal affirmed that the Commission's processes were applied properly in this matter and are compliant with Article 6 of the European Convention on Human Rights. Within the judgment of the higher court, directions were provided to the Commission to revisit the issue of sanctions. Part of the Commission's appeal was that it felt that the Royal Court had exceeded its jurisdiction when reviewing a decision of the Senior Decision Maker. The Court of Appeal agreed and made clear that the Royal Court cannot conduct a rehearing of the facts but must instead review the decision that was reached and determine whether that was in fact a decision that could be reasonably reached based on the facts placed before any decision maker. Another strand of our appeal was that the Commission felt that we should have the ability to utilise the new fining powers provided to it back in November 2017. The Court of Appeal agreed we were entitled to utilise these.

Most importantly, the Court of Appeal noted that the regulatory functions performed by the Commission such as countering financial crime are of the highest public importance and that the Commission was well-placed to perform those functions being as it is composed of suitably qualified individuals and possessing 'expert, evaluative, regulatory decision making' functions.

Subsequently, Mr Domaille and Mrs Hannis lodged an appeal of the Court of Appeal's decision to the Judicial Committee of the Privy Council. In December 2024, the Judicial Committee of the Privy Council refused permission for leave to appeal on the grounds that there were no arguable points of law raised. The Commission is following the Court of Appeal's instructions and has appointed a new Senior Decision Maker to review the matter of sanctions. This is in addition to the one other matter currently before a Senior Decision Maker and on which a decision is awaited.

In November 2024, two further judgments were handed down by the Royal Court following appeals by the parties of the Senior Decision Makers' decisions. In the first case, Weighbridge Trust Limited appealed to the Royal Court on the basis that there should be no public statement in the case against it as a licensee, as it would be damaging to its business, it was under new ownership, and great strides had been made to rectify the issues that were discovered by the current directors and by the Commission. In this instance Lieutenant Bailiff Marshall found in favour of Weighbridge. The Commission finds several elements of the judgment problematic in terms of how it sits with international expectations of corporates and regulators and is thus seeking leave to appeal.

In the second case, with regards to an appeal brought by Mr Nicholas Hofgren against a decision of one of the Senior Decision Makers, the Royal Court dismissed the appeal. Mr Hofgren has appealed this and we expect this case to be heard in 2025.

At the beginning of December 2024, three directors of the former Providence Group, sought to have their appeal against the judgment of the Bailiff, held in private. The application for privacy by the parties was dismissed by the Court of Appeal as it was ruled that it was in the public interest for the appeal to be held in open court. The Court of Appeal referred to the changes contained within the Financial Services Business (Enforcement Powers) (Bailiwick of Guernsey) Law 2020, where the default position in relation to appeals is now one of open justice. The case is due to be heard by the Court of Appeal in 2025.

We have one further matter, which at the time of writing, will be before the Deputy Bailiff in the Royal Court on appeal and, again, judgment is anticipated in 2025.

Over and above court matters, there were six enforcement investigations concluded during the year, and without commentating on all of them in this short dispatch, the most prominent case was that of Ms Blondel. The case has garnered much media attention. The case saw us impose the highest discretionary financial penalty against an individual to date, using the new fining powers available to the Commission, which highlights the severity of the findings that were made. Not only were the clients being provided for clearly a concern but the fact that the business was being carried on without a licence was clearly an aggravating factor.

General

Reflecting that enforcement referrals are used very sparingly and only when issues are significantly serious, and that less than half a percent of the total entities we regulate find themselves referred to enforcement, there were four referrals for further investigation during the year. At the end of the year, not including court matters we had 10 outstanding investigations. We served 20 statutory notices for information regarding the investigations being carried out, conducted nine interviews throughout the year and made 11 disclosures of information to overseas regulators.

We continue to carry out debt recovery 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.

We continue to represent the Commission on Committee 4 for the International Organisation of Securities Commissions (IOSCO). This affords the Commission the opportunity to learn about the approach to enforcement in other jurisdictions which acts as a useful assurance tool in assessing the Commission's enforcement toolkit and practices. We also became one of only a handful of jurisdictions to become signatory to IOSCO's Enhanced Multilateral Memorandum of Understanding, with regards to information sharing in market abuse and insider dealing enquiries. Being permitted to sign this international agreement indicates that the quality of the Bailiwick's regulation is considered, by Guernsey's peers, to be high.

We embarked on more outreach in 2024 than we have done for some time as we had concluded a number of matters that we could present to licensees in order to demonstrate in some detail the findings made. We hope that the industry finds these helpful and we intend to do more in 2025 when further cases become available.

Last but not least we intend to change a few processes in the investigation cycle in early 2025. These changes, are not only so as we continue to reflect on our effectiveness, but will also help us implement some recommendations made by MONEYVAL with regard to the investigation process and the timeliness of it.

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):

- Nicholas Davidson KC (England and Wales)
- Glen Davis KC (England and Wales)
- Russell Finch OBE, former Judge of the Royal Court (Guernsey)
- Catherine Gibaud KC (England and Wales)
- Saima Hanif KC (England and Wales)
- Ben Hubble KC (England and Wales)
- Richard Jones KC (England and Wales)
- Terence Mowschenson KC (England and Wales)
- Alison Potter (England and Wales)
- Alex Potts KC (England and Wales)

There was one retirement from the Panel during the course of the year. Kirsty Hood KC who was appointed to the full-time judicial role of Senator of the College of Justice in Scotland. In addition, Alison Potter (England and Wales) was appointed in November as Chair of the Regulatory Decisions Committee of the UK Financial Conduct Authority. However, as this is a part-time role, she remains on the Panel.

At the start of the calendar year 2024, there were two live cases before a Senior Decision Maker. Both completed during 2024.

One new case commenced during 2024 and is ongoing.

The total number of cases dealt with by Senior Decision Makers since the inception of the Panel in 2014 is now 24.

There are currently four live appeals from decisions of Senior Decision-Makers.

One appeal that was live at the start of the calendar year was the subject of a decision by the Court of Appeal. A subsequent application by two appellants for leave to appeal to the Privy Council was refused. A fresh Senior Decision-Maker has been appointed in that matter for reconsideration of sanction in accordance with the Court of Appeal's judgment.

The annual training day for the Senior Decision-Makers took place on 3 July 2024, and the Panel considered 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 in February 2024.

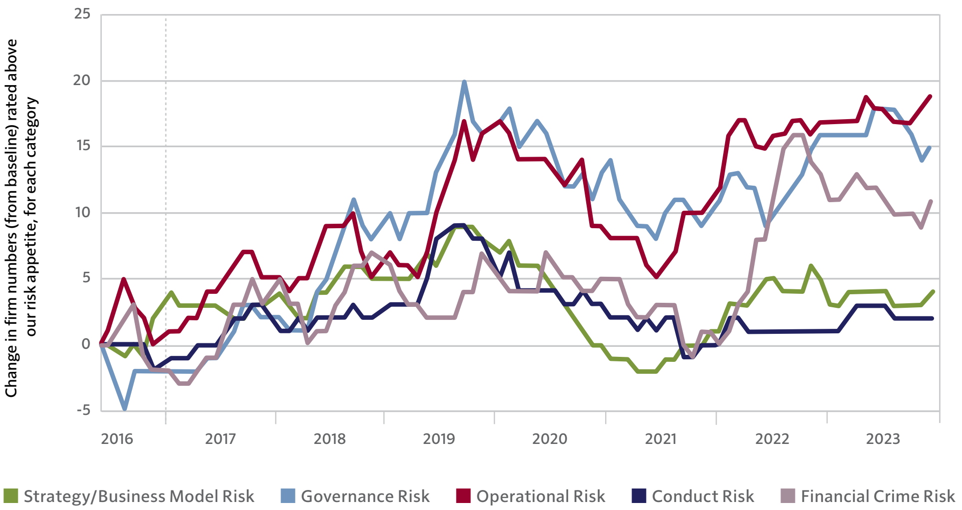
Leigh-Ann Mulcahy KC
President of the Panel of Senior Decision Makers

Risk

The Risk Unit continues to be instrumental in providing challenge to our supervisors, assurance on our supervisory approach and in considering how we can further develop our risk-based supervision. In 2024, we additionally spent a significant amount of time providing data on the effectiveness of our supervision to the MONEYVAL assessors and demonstrating our risk-based approach. Overall, the Risk Unit responded to 118 data requests, both pre-visit and post-visit, alongside participating in interviews and demonstrations during the visit. Achieving a pass grade for Immediate Outcome 3 – supervision is extremely difficult with only the Holy See receiving a higher rating in the whole of the MONEYVAL peer group. Despite the moderate rating the MONEYVAL report actually highlighted the strength of our supervisory processes. It complimented our thematic visits as well as industry training and outreach initiatives. The recommended actions pertinent to the Commission are manageable and they are all suggestions for adjusting aspects of our approach to increase frequency or depth of sampling rather than fundamentally revising it. Alongside the Financial Crime Division, we will look at how we can address these recommendations in a sensible and proportionate manner.

In addition to all the work carried out for MONEYVAL, we continued to hold Risk Governance Panels which provide a sense check to our supervisory teams, helping ensure a balanced and fair approach across firms and sectors with regards to the proposed actions firms need to take. 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 relevant 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 2024.

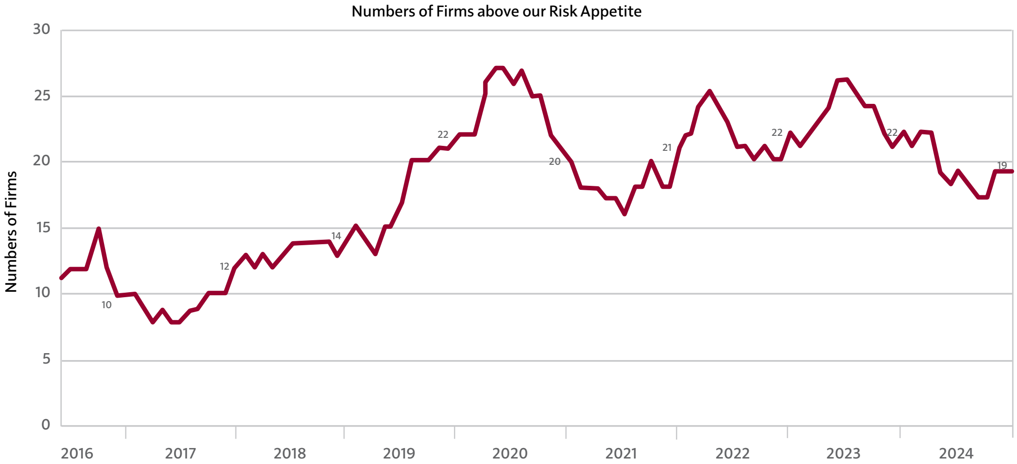
This graph shows that over the last eight years, the risks that have been most regularly above our risk appetite at the firms we have visited have been governance and operational risks. Logically, this aligns with the understanding that weaknesses in governance at a firm will impact all areas of the business, and that the cause of many business failures or issues we have seen, both locally or globally is due to poor governance. Whilst we have not seen one particular risk or issue drive the increase in firms that were above our risk appetite for operational risk, this risk area as whole includes IT and system issues, cyber risk, integration challenges when firms merge and weaknesses in operational resilience. It is therefore unsurprising that in the current environment of significant technological developments and heightened cyber risk we have been seeing an increase in the operational risk at firms. Nonetheless, we are encouraged by the most recent downward trend we have seen when visiting firms.



When viewing the trend in firms which are above our risk appetite in an individual risk area, it could be concluded that there are a significant number of firms are presenting undue risks to the Bailiwick. Before jumping to that conclusion it is important to consider the total number of firms which are supervised by the Commission (2,086 entities) which means that the percentage of firms operating above our risk appetite is very small (0.9% as at 31st December 2024). The graph below shows the trend in the number of firms that are sitting above the Commission's risk appetite over the last eight years.

These firms are judged as being over the Commission risk appetite as their overall risk, judged on a number of underlying risks, is too high and the firm has been asked to mitigate this risk through the application of an RMP. During 2024, the Commission set a total of 404 RMP actions spread across each of the sectors we supervise whilst firms completed 384 RMP actions, mitigating the risk posed down to an acceptable level. These RMP actions resulted from 21 Full Risk Assessments that were undertaken and a further 214 regulatory engagements with firms, which included 48 financial crime inspections – a material number considering the time and energy taken up by the MONEYVAL inspection.

In addition to onsite visits, the Commission undertakes thematic work in the form of internal sector reviews and external thematics. 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 over 7,400 alerts from which the Commission created 2,223 triages to record our approach to the matters in hand. Such alerts and triages cover events 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.



Financial Stability

A relatively safe assumption to make is that if you are reading the financial stability section of the regulator's Annual Report and Accounts for 2024 you are mostly likely to also have read a lot of the recent commentary in both the Guernsey Press and the Bailiwick Express about the state of the nation, or in this instance the state of the Bailiwick. From these reports you would be forgiven for thinking that this is it for Guernsey, that there are no answers to the issues facing the island, and that there is no way that Guernsey can find further growth or prosperity when competing globally with other jurisdictions without taking significantly higher levels of risk.

Whilst it is true that there are various challenges that are currently facing the Bailiwick in the form of tax, housing and education this is not the first and nor will it be the last time that Guernsey has had to consider how it adapts to a global market. From a financial perspective, the island's economy has undergone significant changes over the centuries from prosperity from privateering and maritime trade during the Napoleonic wars, to the stone industry and quarrying, horticulture and tourism. More recently it has been the finance industry that has supported Guernsey's growth and standard of living, and it can continue to do so as long as we can provide a stable, consistent port in the storm of global political events.

Within financial services itself we continue to see challenges to stability and growth, both globally and for Guernsey. Operational risks remain a key vulnerability to the financial system. The digitalisation of the financial system and the technological advances brought about by artificial intelligence, bring greater complexity and interconnectedness, both at a firm, group and jurisdictional level. This all adds to the operational risks that firms face. The risk of cyber-attack has also been exacerbated by the increasing geo-political tensions which means firms or jurisdictions could face severe reputational impacts from a successful attack.

With this increasing technological development firms are relying more and more on third party services. The increasingly complex and complicated regulatory regimes within the European Union that cover AI, IT service providers and data protection are driving financial service firms towards the larger providers. These are the only firms that can guarantee the detailed and well documented development environments required by these EU regulations. We are seeing, for Guernsey firms, a greater concentration of third-party technology services – in the regulatory environment this has been recognised by enhancing toolkits for third party risk management.

Whilst the advance of AI has brought many positives in terms of speeding up answering customer queries or administration and providing more tailored and user friendly applications it has also increased potential conduct risks. There is a greater risk of herding – where customers are pushed towards one answer which is not necessarily appropriate for them – and greater contagion risks as each of the AI applications respond in the same way to market events escalating small events into bigger market issues. We don't say that humans don't often behave in herd like ways to be clear but that risk is probably greater with concentrated AI systems. The underlying fintech providers may not be operating in the regulated environment but they may challenge the profitability of the incumbent institutions as they disrupt the market.

From statistics and information provided to the Commission by our firms it is clear that Guernsey has consolidated its position of providing tailored, individual advice and services in the fiduciary market to a smaller number of customers with an increasing wealth profile. Our investment sector is focused on providing skills and knowledge to private equity funds and other fund types that operate globally and we have a strong captive market servicing major international companies. None of this focuses on the mass retail market which will be most disrupted by these advanced technologies but the ease of service that AI provides could help drive growth in any market and reduce costs as administrative efficiency is increased.

There is no realistic expectation that interest rates will drop to the levels we experienced in the last decade, even if inflation drops below the Bank of England's target rate within the next year. We will be living in a world of 3-4% interest for the foreseeable future and we need to adjust to this. Firms in the Bailiwick have adapted well to these continued pressures and whilst there has been a focus on costs and prices there has not been a reduction in roles or the demand for experienced and skilled staff. Despite concerns following the pandemic we have not seen a swath of liquidations or firms failing, with only idiosyncratic risks at individual firms leading to the failures.

We continue to live in a world of global political uncertainty and volatility washing against the shores of Guernsey but we should be positive that we have the skills and knowledge on island to provide a safe haven to those financial services clients who need one.

Katherine Jane
Deputy Director General

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 one, not least the MONEYVAL preparation project. During 2024, several projects were added to the agreed 3YBP, either at request of the States of Guernsey or as a result of policy developments throughout the year.

MONEYVAL

This is the longest running of our current projects and was initiated during the first 3YBP in 2018 to start preparations for the MONEYVAL visit and has run since then focusing on our policies and procedures and the evidence that is needed to demonstrate our effectiveness. The most intense period of the project was in 2024 when we welcomed the MONEYVAL assessors to Guernsey. During the onsite element of the assessment, we satisfied over 200 data requests, on top of the substantial assessment documentation provided in advance of the visit.

A comprehensive summary of the outcomes of the assessment can be found elsewhere within this Annual Report and the Bailiwick's mutual evaluation report on Guernsey. For the Commission it reflected a positive outcome, one which was only able to happen thanks to a significant amount of skilled, dedicated and determined work by a range of staff over many years.

Authorisations

At the start of the year, we began the process of digitalising our applications and authorisations process, with the development of a new online Applications and Authorisations Portal. Currently, firms and applicants must download and complete a form in Microsoft Word before emailing it, along with attachments, to the Commission for assessment. The new system will enable firms and those wanting to do financial services business in the Bailiwick to complete applications online, with guardrails in place to improve the quality and completeness of submissions. Additionally, moving from an email-based process to an online portal helps ensure a more secure environment for applicants as all communication can be carried out through the portal reducing the possibility of phishing attacks or sensitive information going astray.

Working to a series of monthly milestones, we hit a key date in November 2024 when the initial version of the new portal was successfully released for industry testing and as part of this, representatives from industry and the legal sector signed up to use the new system and provide feedback on it ahead of a beta release in Q2 2025. Initial feedback from industry during 2024 was positive, with industry sessions in July providing useful feedback which we have fed into the design and development of the new portal. Going forward into the early part of 2025, further development and enhancement continues. The new portal, once fully operational, will deliver many benefits for the community who use our authorisations services as well as delivering considerable in-house processing efficiencies, helping the Bailiwick become a more attractive domicile for financial services firms.

Data

Work on our multi-year data project continued apace during 2024. This project aims to simplify our data architecture radically, creating operational efficiencies and enabling much easier and more intuitive use of the data we gather. Building on previous years' work, at the start of 2024 we identified five key workstreams to complete in order to:

- replace certain functional parts our legacy systems;
- ensure that we receive accurate and current information; and
- design and implement a new, scalable data repository that, in time, will improve our ability to store, retrieve and analyse data.

Concrete steps taken in 2024 included a new more robust email tracking system and considerable data pruning. Regarding the former, at a high-level, we successfully implemented a new solution that automatically tracks and stores emails in our document management system, such that they can be retrieved easily. We also undertook a comprehensive and structured programme to review and clean the data that we hold to tidy up our data storage and make the retrieval of data more effective and efficient going forward. This work also means that we have less data to transfer into any replacement system in the future.

Additional work was undertaken in another three areas. Firstly, during the year we worked to enhance both of our existing portals such that the standing data of firms and individuals can be verified in a sustainable way and on an ongoing basis. These changes will take effect during 2025. Secondly, we have taken steps to start replacing our current billing and invoice functionality, with initial development taking place to provide a solution to process applications fees via the new online applications portal. During 2025, the aim is to scale and extend this solution for other fee types. Thirdly, we prototyped a scalable data repository to demonstrate a proof-of-concept relating to the storage, retrieval and analysis of data, and the reporting of it. We have since started a pilot to implement a new data repository to underpin the new online Applications and Authorisations Portal and the data submitted via it.

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 aims 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 2024, we started to consider the policy requirements for these products and this work will continue into 2025 when we expect to issue the relevant consultation papers and draft rules.

The second 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 each jurisdiction to facilitate the swift resolution of banks which failed. Following discussions, a policy letter was agreed by the States at the start of 2025 and we hope to be able to implement the resolution committee once the requisite black letter law has been approved by the States.

Regency Court

The Bank of England has recently pointed out that reducing levels of productivity in the UK is having an adverse economic impact. Our experience at the Commission is that, certain drafting tasks in tightly defined circumstances for individuals enjoying the luxury of spacious housing, may be as easily or more easily done at home. However, given the very short commutes everyone enjoys in Guernsey, the palpable benefits of well-managed teams working in our office outweigh, for us as an employer, any possible advantage that extensive home working arrangements may have. Given this firm conviction it is important that we have offices which are fit for purpose. Whilst we have endeavoured, with considerably more success than our peer regulators in other jurisdictions, to restrict the growth in our numbers over the last 12 years, our numbers have increased modestly and will need to increase further in 2025 given the need for increasing technology skills and the demands for extra work which the Bailiwick’s MONEYVAL report’s recommendations place on us. Further, the number of engagements we have in our offices with firms have increased. Work to prepare the office will begin in early 2025 with the aim to having a space in which we are able to hold outreach events to up to 150 people from industry from September onwards.

Katherine Jane
Deputy Director General

OPERATIONS REPORT

People

A focus for the HR team in 2024 was the retention of our highly skilled staff. Our retention initiatives helped secure a reduced staff turnover rate (down by 4.5% relative to 2023). The Lieutenant-Governor was kind enough to help us recognise over 40 individuals at the Commission who have given over 10 years' of committed service - nearly 30% of overall staff. We have also been reflecting on our unique selling points as an employer and one of these is the breadth of opportunities and variety of experiences available to the individuals who work with us. Many staff are seeking to grow and develop personally and professionally and we have taken steps to better highlight the different experiences and opportunities we have available so that staff at all job levels are encouraged to take ownership of their career and development at the Commission. This work has been well received and we have plans to build on it further in 2025.

2024 provided an exciting opportunity for our staff to be involved in the MONEYVAL inspection for Guernsey. Considerable effort was put into the inspection including preparation work and staff were rewarded with an additional day's holiday in recognition of this.

Despite all the work we have done, some retention matters remain outside of our control, with nearly 40% of 2024 leavers deciding to relocate away from Guernsey for family reasons, to travel or to move their residency to a jurisdiction with a lower cost of living. The Commission added a fifth rented property to our group of flats which we sublet to staff at a variety of job levels to support them as they continue to struggle to secure affordable accommodation in a competitive housing market. We continue to conduct effective recruitment which identifies, attracts and appoints good candidates even in a competitive recruitment market. Our recruitment methods are broad and highlights for the year include supporting the local Post-18 Pathways event and attending three university careers days to continue to develop our pipeline of school leaver and graduate talent. In 2024 we welcomed ten new Graduate Analysts onto our Graduate Development Programme as we continue to offer the opportunity for junior staff to start their careers in financial services regulation. The staff referral scheme was also reviewed and improved in 2024 and we saw four new members of staff successfully appointed as a result of internal referrals, saving agency fees. As well as developing staff in their existing divisions, we continue to offer the opportunity for staff to participate in secondments, both internally and externally, to deepen their knowledge of supervision in other teams. In 2024 we facilitated two internal secondments and one external secondment to the European Banking Authority.

Our well-established approach to training and development assists us attract both experienced hires and individuals seeking a career change. In 2024, 41 staff were supported to study for a professional qualification including the CFA Investment Management Certificate, Chartered Financial Analyst Levels I-III, the Chartered Insurance Institute's Certificate in Insurance, the ICA International Advanced Diploma in Anti-Money Laundering, the ICA Specialist Certificate in Financial Crime Risk and New Technology and the Certificate in Fund Administration. In addition to professional qualifications, the HR team organised 130 internal training sessions including training on cyber security, countering terrorist financing and anti-money laundering, report writing, interview skills and internal systems. Staff also continued to attend external informal training to maintain their technical knowledge across a range of areas including AI, virtual assets, investments, terrorist financing and new technologies, project management and leadership and management.

Finally, the Secondary Pensions (Guernsey and Alderney) Law, 2022 came into force in July 2024 and the HR team coordinated various updates to our pensions guidance for staff including updates to terms and conditions and our Staff Handbook to ensure compliance with the new legislation. A series of educational sessions were organised for staff to familiarise them with the new law and the steps the Commission has taken to continue to offer a competitive pension benefit to staff while ensuring we comply with new legal requirements.

Annabel Bonham
Deputy Director

Financial Information

As an official sector body we are not a profit maximiser. Over time, we want to run a balanced budget that enables us to invest appropriately in our staff and systems and ensure that our costs are sustainable for industry. Whilst we budget and forecast our income and costs each year there are outcomes that are not standard, such as the cyclical nature of enforcement penalties, or reductions in our costs, for example, under-complement benefit with respect to our staff in a year when recruitment was challenging. These factors mean that the outcome at the end of the year is not always in line with this target. For several reasons explained in more detail below the Commission saw a surplus of £1.95mn in 2024.

One of the key reasons for this surplus was an increased level of penalty income for 2024, (£1.47mn) versus 2023 (£0.6mn), of which £1.1mn was collected in cash during the year. We do not set targets for penalty income as doing so would not be compatible with the requirements of justice. In reality, given the ebb and flow of case referrals and litigation, this income is and will remain irregular. Despite the significant increase in this penalty income, it continues to remain below the ongoing costs of our enforcement division (including legal support), the cost of which has not grown over several years. Whilst we cannot always recover penalties if a company has gone into insolvent liquidation or if an individual demonstrably has negligible income or assets, we think it only fair that the 'polluters' should pay for their lawbreaking. Therefore we continue to follow up on any outstanding debts we are owed where sensible or otherwise required to meet the aims of justice. Our success in 2024 was demonstrated by a reduction in the number and amount of bad debts written off during the year. We monitor penalty income and costs on an ongoing basis so we can identify a future point in time when income might eventually exceed costs within a single year (at which point we would look at a partial fee rebate mechanism for law abiding firms) but until such a point we continue to see ongoing net costs related to enforcement and associated legal services. This has enabed us, over both the last two years to restrict our level of fee increase by considerably less than would have otherwise been required, which is a de facto partial rebate to industry.

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 liquid assets, to ensure that we could meet increased operational costs. This amount reflects six months of the Commissions ongoing operating costs, excluding project costs. We forecast a level of interest income from these funds based on future interest rates however to be prudent, we do not assume any increase in value of these assets, due to market movements we saw a markedly higher finance income in 2024 (£1.1mn).

Overall, our staff costs increased from 2023 to 2024 however this hides the fact that, as in 2023, we continued to experience a significant under-complement benefit in our staff costs during the year. Despite a modest pay increase, which was linked to inflation, we continued to see a turnover in staff during the year which led to significant periods during which the Commission was under its full complement of staff. With the MONEYVAL visit going on this meant a lot of pressure and effort by the staff who remained, especially in training up the new staff who joined the Commission during the period, and we are grateful to all our staff for this. As in previous years we are taking steps to reduce turnover at the Commission by identifying specific development opportunities for specific staff members on top of our existing policies such as a 9-day fortnight, and we continue to see a more positive year-end outcome due to this.

The Commission continues to have a relatively simple balance sheet which reflects the fact that we see much of our income received at the start of the year and costs incurred over the course of the full year. We continue to invest in the development of our technology and underlying infrastructure, with several projects sitting within our three-year business plan focusing on the system developments, such as our new Applications and Authorisations Portal and ongoing work to improve our data infrastructure at the Commission.

These projects are reflected in the significant increase in intangible assets of the Commission since 2023 (from £600k to £1.16mn) alongside a decrease in our property plant and equipment as our current infrastructure is depreciated. We will continue to invest in our systems and infrastructure to move away from on-premise, soon to be unsupported, IT software and to ensure that we have systems that are fit for the future and the new technologies that are available.

We continued to support other projects within our Three Year Business Plan, such as the equity release policy work that was requested by the States of Guernsey and the final phase of the MONEYVAL reporting process. One other significant piece of expenditure, that will run into 2025, is our investment in additional office space, which will enable us to carry out significantly more training events and ensure we have an appropriate space to welcome new business to the Bailiwick. These projects have been mostly accounted for as operational expenditure in 2024, but expenditure within 2025 for our new offices will be capitalised as we start the initial fit out work. I would expect that our 2025 accounts will reflect this significant investment in both our systems, infrastructure and offices and ensure the Commission is in a strong position for the years to come.

Katherine Jane
Deputy Director General

Information Technology

The rest of this Annual Report describes the activities and supervisory work that the Commission has undertaken during 2024. Most of this would have made it difficult, if not impossible, without the efficient and effective IT team that we have in-house at the Commission. As with any organisation in the modern age, it is always 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 good quality service, whilst also developing our IT infrastructure to ensure the Commission systems and support remains fit for purpose for the future. The team worked hard during 2024 to ensure that our systems ran smoothly, especially at key points, such as when we were hosting the MONEYVAL assessors or when a large number of online submissions were due.

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 100% uptime for our PQ and OS portals. Our website reported 43 minutes of downtime during October, representing 99.9% of uptime over the course of the year. As noted elsewhere within the Annual Report, we are currently developing a new Applications and Authorisations Portal and our intent is to maintain high availability levels for this portal too – we are fully aware that our online portals and our website are key points of call for any regulated entity, or any entity that wishes to become regulated or to assist others with becoming regulated and we want to ensure that these information points are available as much as possible.

In 2023, we saw two external events that caused significant disruption to our power supply at Glategny Court, I am pleased to say we had no similar events in 2024. The only material event we experienced during the year was an issue with our broadband connection over the course of a day. When we tried to operate our normal supervisory processes on our backup internet circuit we found it was not sufficient to cope with our normal daily demands. With the advent of a fibre connection to Glategny Court, we have installed two high speed fibre broadband connections to try to mitigate the risk of a repeat event should a similar connection issue reoccur.

IT Support and Infrastructure

The Commission's infrastructure team provides support to all Commission staff as they look to use our systems on a day-to-day basis. We record these requests from all parts of the Commission via a Gemini system – during 2024 our IT team responded to over 4,800 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 and works that relate to ongoing projects. On the whole, the team respond to requests in a timely manner but to assess levels of service an internal survey was carried out which demonstrated a high level of satisfaction with our helpdesk provision. We will continue to work on the other suggestions put forward by the survey with an aim to further improving the tools and systems we can provide to our staff, thereby helping them work more effectively.

Our IT infrastructure team has also been supporting the ongoing development of our systems through the various projects we have been undertaking. Following on from our 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 more and more of the systems that we use on a day-to-day basis are moving away from supporting or developing on-premises software. Whilst the Commission has not moved all the way to a cloud only structure, we have shifted to considering cloud as a genuine option for most systems. To ensure that we are fully prepared for all these changes, the IT team have been attending relevant training sessions and upskilling to ensure they have the relevant knowledge to support any new systems and new approaches to service provision.

Information Technology

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 attacks against the Commission's firewall; attacks which run into the millions over the course of the year. We continue to be informed about and monitor cases where bad actors pretend to be the Commission. In one instance, this was a simple phishing campaign where payment was required for a claims file and, in another, a third party sent emails purporting to be from the Director General. We will continue to try to stop this activity whenever we become aware of it and will put warning notices on our website. All licensees should continue to ensure their own systems and processes are robust enough to prevent and detect potential phishing. The increase of these types of phishing cases, where people are purporting to be the Commission, is concerning and this is one of the reasons for developing the Applications and Authorisations Portal – for its secure messaging functionality. If any licensee is worried about the legitimacy of an email or website relating to the Commission, please get in contact with us directly. They should note that emails from the Commission are sent only from the domain - gfsc.gg.

The Commission itself carries out regular phishing tests for staff, recognising that the material weakness in any system is quite likely to be the human link. We continue to see a high level of reporting from our staff on these phishing tests and identification of actual events when they occur. In 2024, we renewed our Cyber Essentials certification and we continue to consider how to optimise our ability to cope with ongoing attacks.

Katherine Jane
Deputy Director General

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Guernsey Financial Services Commission (the 'Commission') which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows 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 December 31, 2024, 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 requirements of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Commission in accordance with the 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 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 Commissioners either intend to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

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 management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

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

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2024

Note		2024	2023
		£	£
	Regulatory income		
2.1.	Fee and financial penalty income	18,947,792	16,622,591
		18,947,792	16,622,591
	Operating expenses		
2.2.	Administrative and general expenses	(4,354,090)	(4,327,110)
3.1.	Staff expenses	(13,781,032)	(12,114,042)
		(18,135,122)	(16,441,152)
	Operating surplus	812,670	181,439
2.3.	Net finance income	1,105,454	827,244
	Total comprehensive surplus for the year	1,918,124	1,008,683

STATEMENT OF CHANGES IN EQUITY

	Retained surplus
	£
At 1st January 2023	14,671,656
Comprehensive surplus for the year	1,008,683
At 31st December 2023	15,680,339
Comprehensive surplus for the year	1,918,124
At 31st December 2024	17,598,463

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 2024

Note		2024	2023
		£	£
	Non-current assets		
4.1.	Intangible assets	1,165,282	600,083
4.2.	Property, plant and equipment	974,497	1,066,313
5.1.	Forestry assets	230,878	174,241
5.2.	Non-current financial assets	8,624,877	8,497,800
6.1.	Non-current receivables	94,226	112,161
		11,089,760	10,450,598
	Current assets		
5.2.	Current financial assets	6,235,442	3,773,510
6.1.	Current receivables	1,205,616	927,434
6.2.	Cash and cash equivalents	912,338	2,118,632
		8,353,396	6,819,576
	Total assets	19,443,156	17,270,174
	Current liabilities		
6.3.	Current payables	(1,002,349)	(771,552)
		(1,002,349)	(771,552)
	Non-current liabilities		
6.4.	Provisions	(842,344)	(818,283)
		(842,344)	(818,283)
	Net assets	17,598,463	15,680,339
	Equity		
	Retained surplus	17,598,463	15,680,339
	Total equity	17,598,463	15,680,339

The accompanying notes are an integral part of the Financial Statements.
The audited financial statements on pages 36 to 52 were approved by the Commissioners and signed on their behalf on 6 June 2025 by:

John Aspden
Chairman

Anna Guggenheim
Vice-Chairman

William Mason
Director General

STATEMENT OF CASH FLOWS

For the year ended 31st December 2024

Note		2024	2023
		£	£
	Cash flows from operating activities		
	Total comprehensive surplus for the year	1,918,124	1,008,683
	Adjusted for non-cash items:		
4.1.	Amortisation	402,788	542,138
4.2.	Depreciation	203,679	186,174
4.1.	Loss on disposal or write-down of intangible assets	3,192	-
2.3.	Net finance (income)	(1,105,454)	(827,244)
	Movements in working capital:		
6.1.	Decrease/(Increase) in receivables	(260,246)	185,689
6.3.	(Decrease)/Increase in payables	230,798	(75,758)
6.4.	Increase in provisions	24,060	60,671
	Net cash from operating activities	1,416,941	1,080,353
	Cash flows from investing activities		
4.2.	Purchase of property, plant and equipment	(111,953)	(210,849)
4.2.	Software development expenditure	(967,987)	(14,988)
5.1.	Purchase of forestry assets	(9,180)	-
5.2.	Net purchase of financial assets	(2,292,945)	(228,167)
2.3.	Net finance income received	767,521	571,786
	Net cash (used in)/from investing activities	(2,614,544)	117,782
	(Decrease)/increase in cash in the year	(1,197,603)	1,198,135
	Cash and cash equivalents at the start of the year	2,118,632	918,452
	Effect of foreign exchange rate changes	(8,690)	2,045
	Cash and cash equivalents at the end of the year	912,338	2,118,632

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 2024

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 Glategny 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 12 months following approval of the Financial Statements, the Commissioners have considered the following:

- The Commission's net assets include cash and marketable securities of £15,772,657 (2023: £14,389,942) that are readily realisable within three months in normal market conditions and liabilities of £1,844,693 (2023: £1,589,835).
- The Commission's projected income, expenditure, and cash flows for 2025 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 2024.

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.

	2024	2023
	£	£
Fee income		
Annual Fee Income	16,428,649	15,369,162
Application Fee Income	1,130,651	885,905
	17,559,300	16,255,067
Penalty income		
Administrative Penalty Income	115,125	173,625
Discretionary Penalty Income	1,477,900	603,000
	1,593,025	776,625
Change in Bad Debt Allowance	(203,703)	(406,991)
Bad Debts Written-Off in the Year, net of Recoveries	(830)	(2,110)
	18,947,792	16,622,591

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31st December 2024

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 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 the application, as prescribed by regulation. Licensees must also pay a fee when making certain notifications to the Commission, as specified in regulation.	Application fees are recognised on receipt of the relevant fee with the application made to the Commission.
Administrative Financial Penalty	Where a licensee files an annual return, financial statement, or other relevant document, or pays its annual fee, 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 are 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 within the statutory timeframe.

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:

	2024	2023
	£	£
Rent, rates and premises costs	1,206,843	1,121,848
Amortisation (see note 4.1)	402,788	542,138
Depreciation (see note 4.2)	203,679	186,174
Loss on disposal or write-down of investment property, and property plant and equipment (see note 4.2, 5.1)	3,192	-
Changes in measurement of provisions (see note 6.4)	24,060	60,671
Legal expenses	413,674	462,746
Professional expenses	435,240	408,075
Auditor's remuneration	13,082	14,092
Other expenses	1,651,532	1,531,366
	4,354,089	4,327,110

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 64.

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

	2024	2023
	£	£
Dividend and interest income	827,080	613,089
Bank and management charges	(55,605)	(68,886)
Net gains on financial assets	333,979	283,041
	1,105,454	827,244

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.

2.5. 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 £13,781,032 (2023: £12,114,042) comprising:

	2024	2023
	£	£
Wages and salaries	10,402,242	9,206,961
Social insurance, permanent health, and medical insurance costs	1,286,453	1,116,829
Pension costs	1,136,566	988,230
Recruitment and training costs	641,546	556,494
Commissioners' fees	314,225	245,528
	13,781,032	12,114,042

3.2. Post-employment benefits

A. Defined contribution scheme

The Commission recognised £171,937 (2023: £136,098) of expenses relating to the Commission's defined contribution scheme. Employer contributions are calculated at 12% of pensionable salary. No contributions were outstanding at 31 December 2024 (2023: £nil).

B. Multi-member RATs scheme

The Commission recognised £823,875 (2023: £706,789) of net expenses for employer contributions to the Commission's multi-member RATs scheme. Employer contributions are calculated at 12% of pensionable salary. Employee contributions are entirely voluntary. No contributions were outstanding at 31 December 2024 (2023: £nil).

Additional pension costs are incurred across 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 2024, including pension and social insurance, totalled £2,324,647 (2023: £2,130,585). 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:

- Former Commissioner Dorey is a Non-Executive Director of Schroders (C.I.) Limited. The firm provides investment management and deposit administration services for the Commission, for which it received fees during 2024 of £48,402 (2023: £62,272).
- Former Commissioner Howitt's long-term partner is a member of the senior counsel at Walkers (Guernsey) LLP. The firm provided legal advice to the Commission during the year, for which it received fees during 2024 of £13,108 (2023: £3,150).
- 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 2024 and remain in force. The indemnity was not called on during the current or prior year.

Commissioners Dorey and Howitt are not present at discussions with Commissioners relating to any business involving the firms for which they are a related party.

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 2024	3,962,552
Additions	967,987
Disposals and Write-Offs	-
At 31 December 2024	4,930,539
Accumulated amortisation	
At 1 January 2024	(3,362,469)
Amortisation for the year	(402,788)
Disposals and write-offs	-
At 31 December 2024	3,765,257
Net carrying value	
At 31 December 2023	600,083
At 31 December 2024	1,165,282

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 the carrying value. The carrying value of an asset is immediately written-down where this is greater than that asset's estimated recoverable amount.

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 2024	1,577,869	557,158	905,461	3,040,488
Additions	-	9,740	102,213	111,953
Disposals and write-offs	-	(111,758)	(506)	(112,264)
At 31 December 2024	1,577,869	445,140	1,007,168	3,040,177
Accumulated depreciation				
At 1 January 2024	(862,066)	(392,622)	(719,487)	(1,974,175)
Depreciation for the year	(81,386)	(27,692)	(94,601)	(203,679)
Disposals and write-offs	-	111,758	416	112,174
At 31 December 2024	(943,452)	(308,556)	(813,672)	(2,065,680)
Net carrying value				
At 31 December 2023	715,803	164,536	185,974	1,066,313
At 31 December 2024	634,417	146,584	193,496	974,497

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 Glategny Court, which are subject to a non-cancellable lease ending in 2034;
- its additional premises at Regency Court, which are subject to a non-cancellable lease ending in 2034 – which was executed in October 2024, and enjoys a rent-free period until mid-July 2025; and
- five flats - one leased for a 3-year term and four leased for 2-year terms, that are sub-let to staff who have relocated to Guernsey.

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	1,261,301
Between 2 and 5 years	7,907,807
More than 5 years	5,098,997
	14,268,105

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 2023	110,440	63,801	174,241
Additions	-	-	-
At 31 December 2023	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	-	50,560
At 31 December 2024	161,000	69,878	230,878

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 possible, while mitigating against the erosion of the value of cash balances due to inflation.

	Current		Non-current		
	Fixed term deposits	Liquidity funds	Fixed interest securities	Investment funds	Total
	£	£	£	£	£
At 1 January 2023	-	3,766,269	5,215,388	2,808,072	11,789,729
Net purchases/(disposals)	-	7,241	300,771	(97,212)	210,800
Net change in fair value	-	-	165,323	105,458	270,781
At 31 December 2023	-	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

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

	2024	2023
	£	£
Amounts falling due within one year		
Fee and penalty receivables	1,027,792	824,715
Less: Bad debt allowance for fee and penalty receivables	(730,503)	(665,313)
Other receivables	49,391	37,067
Prepayments	858,936	730,965
	1,205,616	927,434
Amounts falling due after more than one year		
Prepayments	94,226	112,161
	94,226	112,161
Total receivables	1,299,842	1,039,595

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.

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.

	2024	2023
	£	£
Cash at bank and in hand	302,812	1,706,729
Cash held with discretionary manager	609,526	411,903
Total cash and cash equivalents	912,338	2,118,632

The Commission had no borrowings as at the year-end (2023: £nil).

6.3. Payables

	2024	2023
	£	£
Amounts falling due within one year		
Payables and accruals	995,094	744,799
Fees received in advance	7,255	26,753
Total payables	1,002,349	771,552

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 £824,344 (2023: £818,283), comprising:

	Reinstatement provision	Redecoration provision	Total
	£	£	£
At 1 January 2023	734,856	22,756	757,612
Amounts provided during the year	49,237	11,434	60,671
At 31 December 2023	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	824,344

All amounts fall due after more than one year.

The reinstatement provision relates to the expected costs to return the Glategny Court office premises to their original condition on termination of the premises lease. The redecoration provision relates to the expected costs to redecorate the internal surfaces of the Glategny Court office premises every five years, from 2015, for the non-cancellable period of the lease. No such provision has been made for the second offices at Regency Court as the work has not started as at 31 December 2024.

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

- Reinstatement Provision: £1,233,720 (2023: £1,150,000), and
- Redecoration Provision: £24,000 (2023: £24,000).

The guideline value for the reinstatement provision is determined based on an assessment by an independent expert, undertaken every three years. 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.

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 of that settlement can be reliably measured. No provisions were recognised for any claims as at 31 December 2024 (2023: £nil).

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 (2023: £nil).

7.2. Subsequent events

The Financial Statements were approved for issuance by the Commissioners on 2 May 2025. Subsequent events have been evaluated until 2 May 2025.

The following non-adjusting subsequent events have been noted:

- Since 31 December 2024, movements in the quoted prices of the Commission's financial assets resulted in their fair value increasing/decreasing by £30,429 as at 31 March 2025.

There have been no adjusting subsequent events to report.

COMMISSIONERS

John Aspden
Chairman (from July 2024)
Vice-Chairman of the Commission (until July 2024)

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.

Julian Winser
Chairman of the Commission (until May 2024)

Julian was appointed as a Commissioner in May 2021, and became Chairman in December 2021. Julian served in the military as an officer in the Royal Green Jackets and Army Air Corps. On leaving he spent 10 years at Baring Asset Management in operations and investment management and subsequently 23 years at Schroders working in the investment market on behalf of private clients and institutions. Between 2005 and 2020 he was CEO of Schroders' offshore private client business based in Guernsey responsible for the Channel Islands, Gibraltar, Malta and Bermuda, while also being part of the team managing Cazenove Capital worldwide. He has been a Trustee of Youth Clubs UK, President of the Guernsey Chamber of Commerce, Chairman of the Guernsey Youth Commission and Chairman of the Guernsey Friends of DofE. He is a CEDR trained mediator, and advisor to the Oxford Process, an international conflict resolution organisation.

Anna Guggenheim
Commissioner (from January 2024)
Vice-Chairman of the Commission (from July 2024)

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.

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, EMEIA.

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.

Paul Hodgson
Commissioner (from March 2024)

Paul was appointed as a Commissioner in March 2024. Paul is an experienced financial services professional with over 35 years of international experience, principally in the areas of fiduciary and 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 four 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, as Chair of the Guernsey International Business Association ("GIBA"). 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 10 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 STEP.

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.

Stuart takes a keen interest in mental health issues, particularly among the young and other vulnerable groups. He was the Treasurer of Emerge Advocacy which won a Queen's Award in 2021 for its work with young people suffering mental health challenges. He is working with a new charity which will provide counselling services to rough sleepers and is a Trustee of a Multi Academy Trust.

Robert Girard
Commissioner (from January 2024)

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, 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.

Wendy Dorey
Commissioner (until October 2024)

Wendy was appointed as a Commissioner in November 2015. She has spent over 25 years in the financial services industry in the UK, France and Guernsey. She is currently Director of Dorey Financial Modelling, an investment consulting firm, and a Non-Executive Director of Schroders (CI) Limited, Weiss Korea Opportunity Fund Ltd and TwentyFour Select Monthly Income Fund Limited. She has multi-sector experience across investment, banking and pensions, occupying senior posts in business strategy, governance and marketing, and distribution for a number of leading institutions in the City of London. During that period, she was responsible for external risk reporting to the Financial Services Authority and embedding new "Treating Customers Fairly" processes. She was also responsible for the launch and on-going promotion of the Guernsey-domiciled M&G Property Fund to the UK Market. A strong advocate of continuous learning, she assisted the Investment Management Association in developing a new investment management syllabus for Independent Financial Advisors and, in 2018, gained the Institute of Directors Certificate and Diploma in Company Direction. She was admitted as a Chartered Director and Fellow of the IoD in 2019, before becoming Chair of the Guernsey IoD Committee in 2021.

Simon Howitt
Commissioner (until January 2024)

Advocate Howitt was appointed as a Commissioner in June 2013. He has over 30 years' experience as an advocate and is a consultant at Babbé having previously been a Partner. He served as President of the Guernsey Chamber of Commerce between 2001 and 2003. Advocate Howitt has served on a number of States Committees including as a non-States member of the Legislation Select Committee and its successor, the Legislation Review Panel, since 2004, the share transfer duty working party and the Inheritance Law Review Committee. He is a member of the Board of Examiners for the Guernsey Bar Examinations and a member of the Editorial Board of the Jersey and Guernsey Law Review, and was Deputy Bâtonnier of the Guernsey Bar from 2012 to 2020.

SENIOR OFFICERS OF THE COMMISSION

COMMISSIONERS

William Mason
Director General

Gillian Browning
Deputy Director General
(Investment, Fiduciary and Pension Division)

Katherine Jane
Deputy Director General
(Risk and Operations)

Alice Joy
Commission Secretary

Simon Gaudion
Director
Enforcement Division

Fiona Crocker
Director
Financial Crime Division

Caroline Bradley & Alison Gavey
Co-Directors
Authorisations and Innovation Division

Jeremy Quick
Director
Banking and Insurance Division

STATISTICAL DATA

Investment

Figure 1. **Net asset values of schemes under management at the year end £bns**

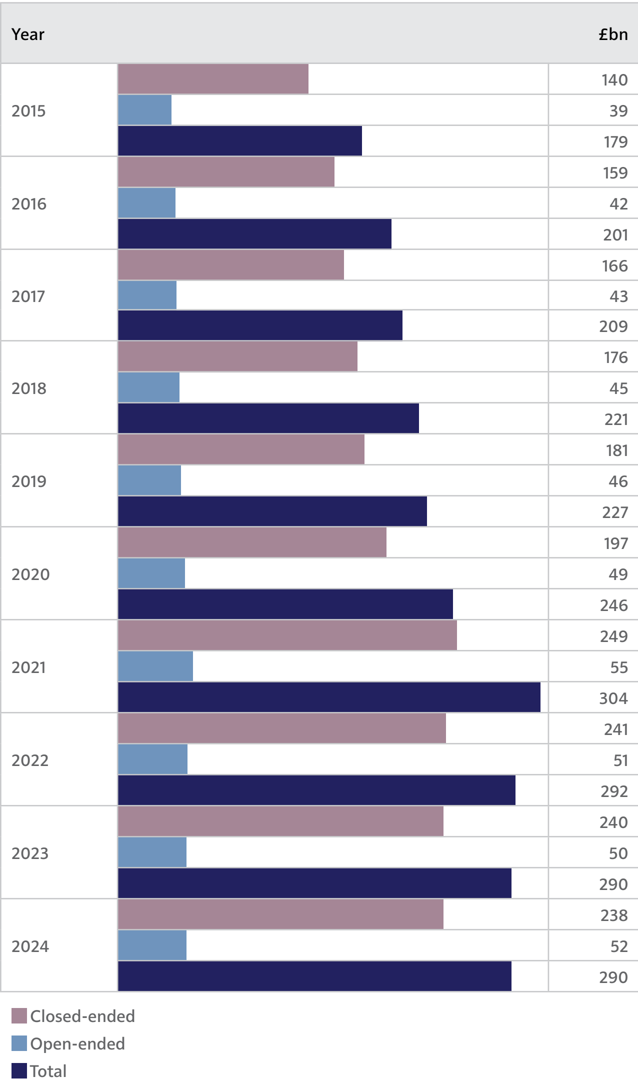


Figure 2. **Total number of investment funds at the year end**

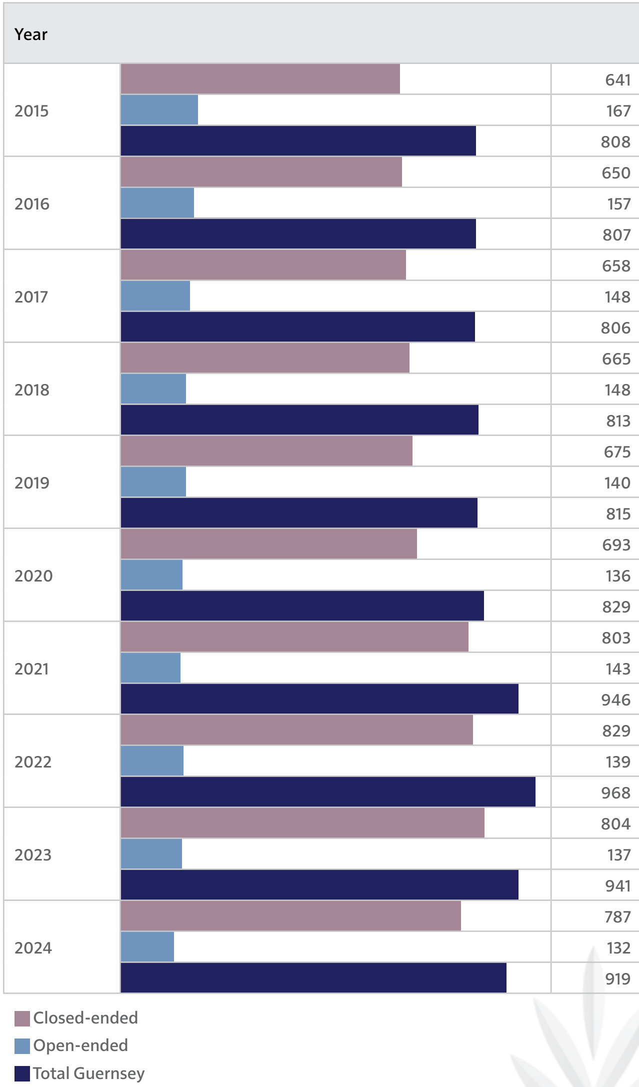


Figure 3. Total number of investment licensees at the year-end

Year	
2015	639
2016	644
2017	640
2018	663
2019	677
2020	686
2021	696
2022	702
2023	694
2024	695

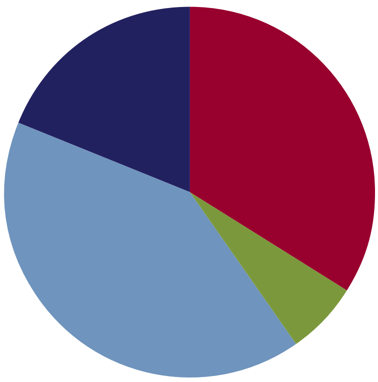
Under the Protection of Investors (Bailiwick of Guernsey) Law, 2020, investment funds (Figure 2.) are either Registered or Authorised; whereas the firms (Figure 3.) undertaking Controlled Investment Business are licensed under the same law. There is no meaningful correlation to be drawn between the number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

Figure 4. Movements within period

Type	Total as at 31st December 2023	Approved in year	Lost in year	Total as at 31st December 2024
Total of open-ended schemes	137	3	8	132
of which Authorised	107	1	7	101
of which Registered	30	2	1	31
of which Qualifying Investor Funds (QIFs)	17	0	2	15
Total of closed-ended schemes	804	46	63	787
of which Authorised	314	1	28	287
of which Registered	490	45	35	500
of which QIFs	160	1	9	152
Total of licensees	694	42	41	695

Fiduciary and Pension

Figure 5. **Ownership of fiduciary lead licensees as at 30th June 2024***

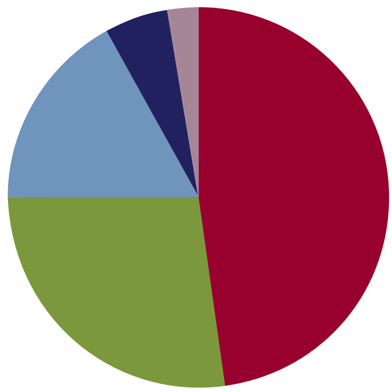


	2024	2023
International financial group	49	50
Lawyers and accountants	10	9
Privately owned – local	60	60
Privately owned – overseas	32	29
Total	151	148

Nb excludes licensees in liquidation as at submission date for 2024 and 20232

*Based on the submission of an annual return by 151 licensees as at 30 June 2024

Figure 6. **Staffing levels of licensees based on total number of staff carrying out regulated fiduciary activities as at 30th June 2024***



	2024	2023
Up to 10 staff	71	77
11-25 staff	42	39
26-50 staff	26	22
51-75 staff	8	7
More than 75 staff	4	3
Total	151	148

Nb excludes licensees in liquidation as at submission date

*Based on the submission of an annual return by 151 licensees as at 30 June 2024

Pension and gratuity scheme membership and assets as at 30th June 2024

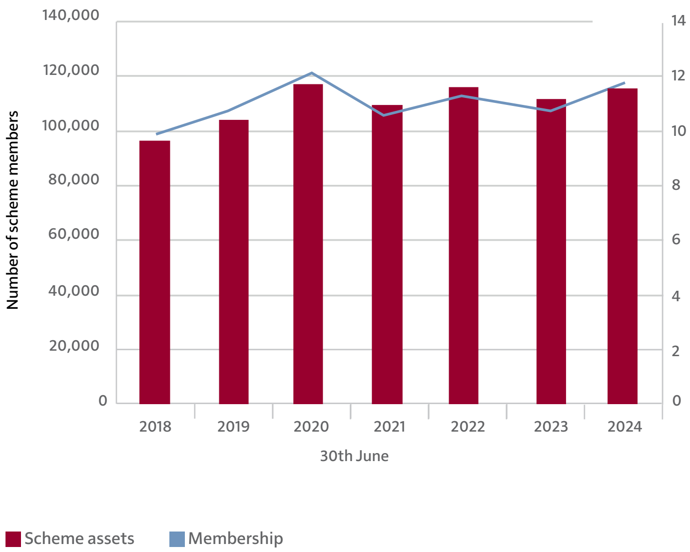


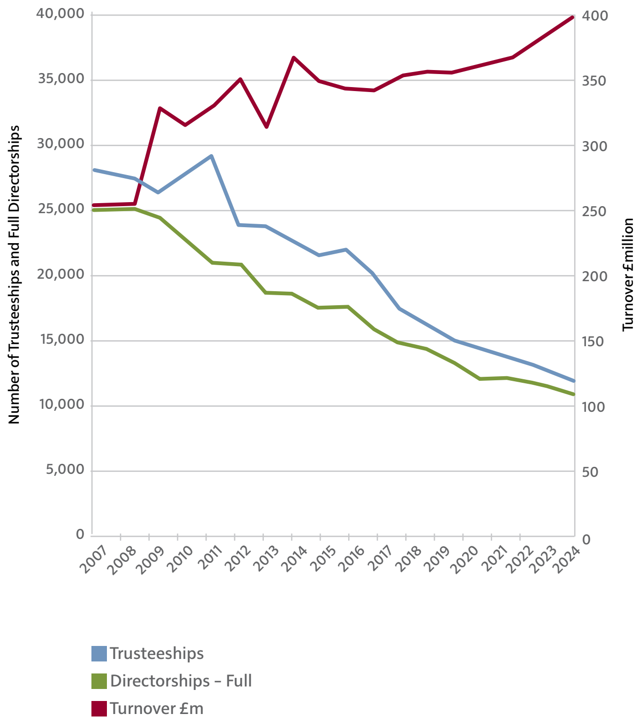
Figure 7. **Number of licensees in each turnover band based on fiduciary turnover for accounting periods falling in the year ended 30 June 2024***

Turnover band	Year	
Up to £249,999	2020	21
	2021	20
	2022	22
	2023	21
	2024	19
£250,000 to £999,999.99	2020	39
	2021	43
	2022	42
	2023	47
	2024	45
£1,000,000 to £1,999,999.99	2020	27
	2021	19
	2022	21
	2023	23
	2024	24
£2,000,000 to £3,999,999.99	2020	24
	2021	25
	2022	29
	2023	24
	2024	23
£4,000,000 or over	2020	30
	2021	32
	2022	30
	2023	34
	2024	34

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

2020
2021
2022
2023
2024

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



Insurance

Figure 9. **International insurers as at 31st December 2024**

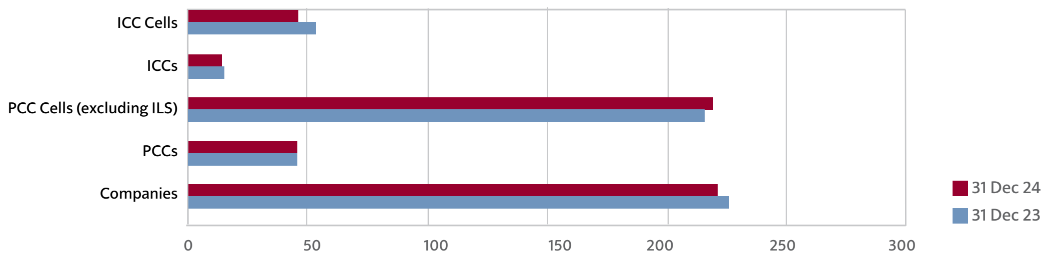


Figure 10. **International insurers - Gross Assets**

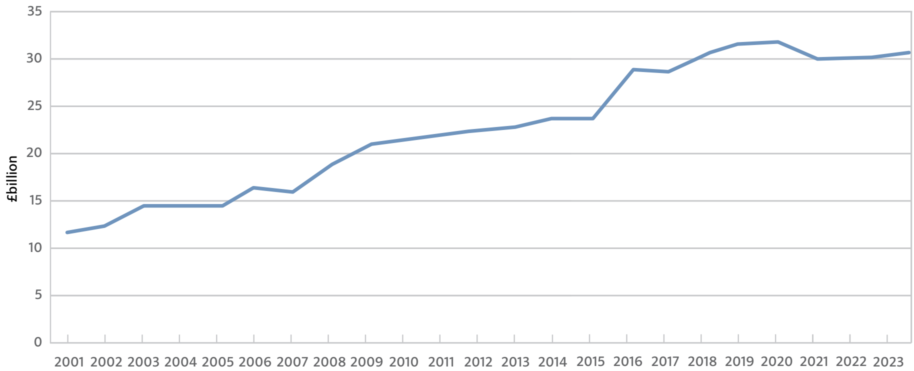


Figure 11. **International insurers - Net Worth**

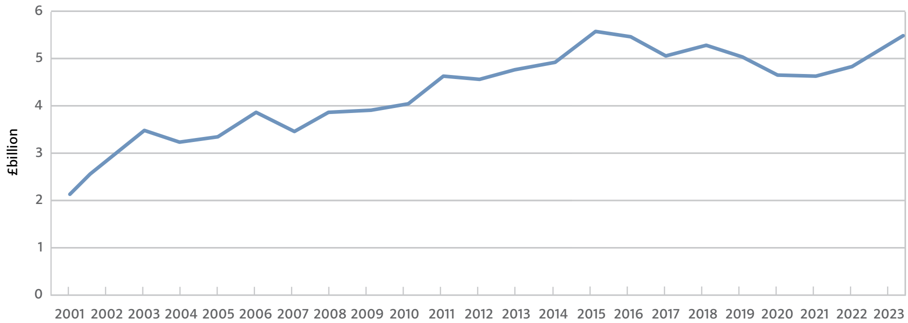


Figure 12. **International insurers - Gross Premium**

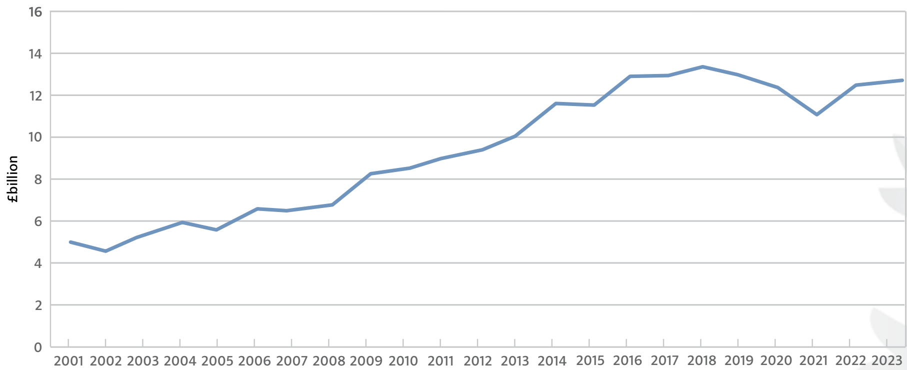


Figure 13. **Guernsey bank assets**

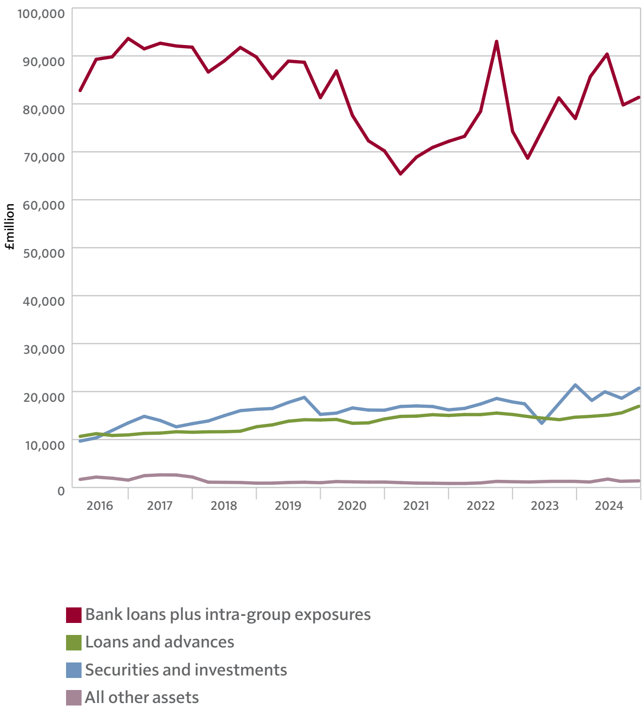


Figure 14. **Guernsey bank liabilities**

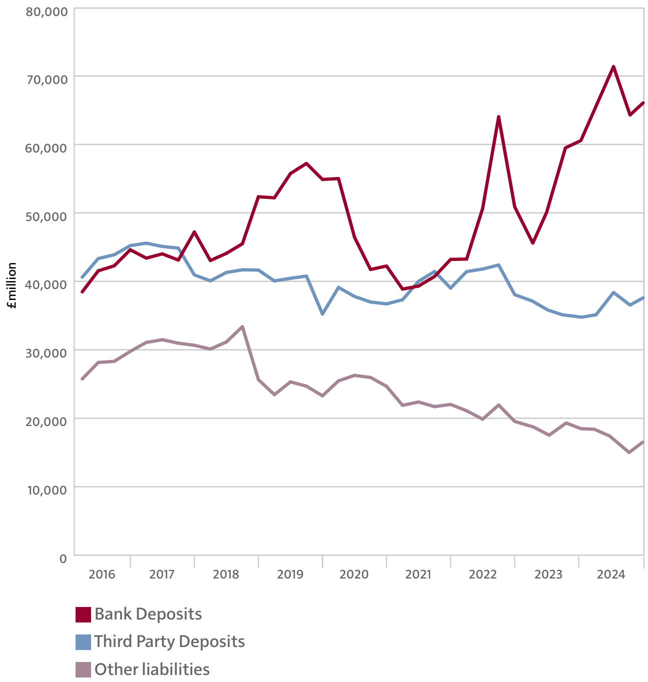


Figure 15. **Total applications by volume and type – 2019 to 2024 comparison**

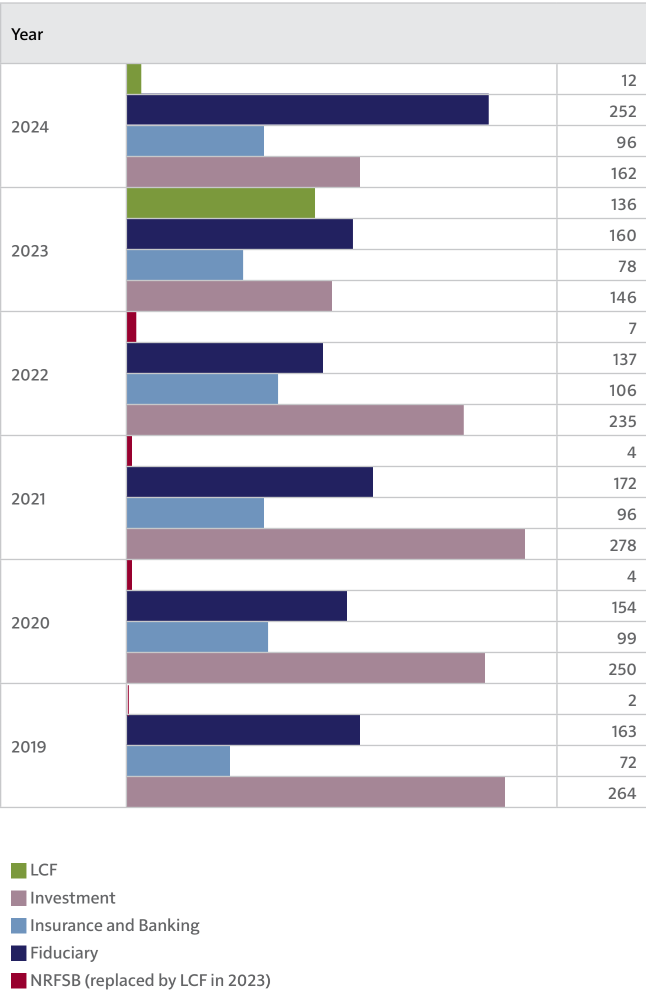
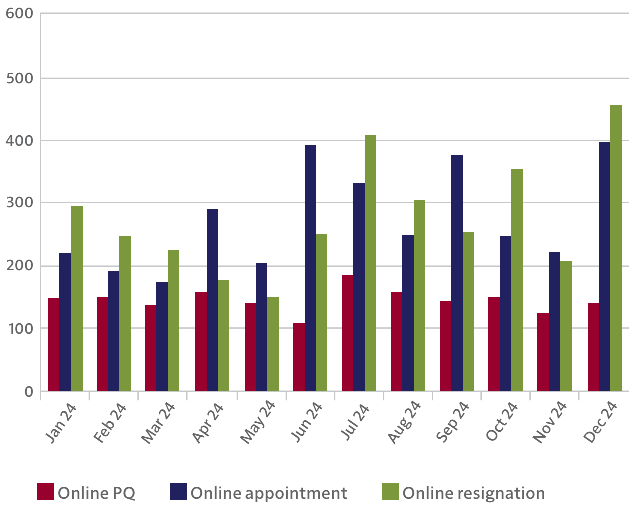


Figure 16. **Online Personal Questionnaire Portal submissions 2024**



Finance and Operations

Table 1. **Expenditure by functional area**

	2024	2023
	£'000s	£'000s
Authorisations	1,131	1,018
Enforcement	2,194	1,804
Risk	1,041	1,061
Supervisory and Policy Divisions	7,509	6,995
Internal Operational Support Functions	2,761	1,518
Overheads (incl. Premises, IT Expenses, Depreciation, and Three-Year Business Plan)	3,499	4,042
Total	**18,135**	**16,441**

Table 2. **Number of staff by total remuneration**

Annual Remuneration	As at 31st December 2024	As at 31st December 2023
£0 - £39,999	23	27
£40,000 - £79,999	80	78
£80,000 - £119,999	27	19
£120,000 - £159,999	7	3
£160,000 - £179,999	-	2
£180,000 and above	6	4
Total number of staff	**143**	**133**
Comprising:		
Permanent staff	137	130
Fixed-term staff	6	3
	143	**133**
Full Time Equivalent Staff	**135.8**	**124.9**
FTE Vacancies at Year-End	2	8

Table 3. **Legal and professional fees**

	2024	2023
	£'000s	£'000s
Legal Fees - Enforcement	10	41
Legal Fees – Judicial and SDM Process	342	397
Legal Fees – Advisory	61	25
Professional Fees	396	408
Internal Audit	39	48
Total	**848**	**919**

Table 4. **Commissioners' fees**

	2024	2023
Julian Winser	22,450	51,071
Simon Howitt	2,694	30,643
Wendy Dorey	26,940	30,643
John Aspden	47,402	39,722
Philip Middleton	41,907	39,722
Stuart King	41,907	39,722
Lord Henley	41,907	14,005
Anna Guggenheim	30,256	-
Robert Girard	30,256	-
Paul Hodgson	30,256	-
Total	**315,975**	**245,528**

APPENDIX

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 2024, 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 2024 were Simon Howitt (until January 2024), Julian Winser (until May 2024), Wendy Dorey (until October 2024), John Aspden, Philip Middleton, Stuart King, Oliver Henley, Anna Guggenheim, (from January 2024), Robert Girard (from January 2024) and Paul Hodgson (from January 2024). A brief résumé for each Commissioner is provided on pages 53 to 55 of this report. Three Commissioners live in Guernsey, with the remainder residing in the UK.

There were nine meetings of the Commissioners in 2024. The attendance was as follows: Julian Winser three, John Aspden nine, Philip Middleton nine, Wendy Dorey seven, Stuart King nine, Oliver Henley eight, Anna Guggenheim seven, 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.

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 complies 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 John Aspden until June 2024 and by Stuart King from July 2024. Its other members were Wendy Dorey (until October 2024), Stuart King and from July 2024 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 three times in 2024. The attendance of the individual members at these meetings was as follows: John Aspden two, Wendy Dorey three, Stuart King three, Robert Girard one and Paul Hodgson one. The Audit and Risk Committee has oversight for non-regulatory risk; regulatory risk is reviewed by the Board as a whole.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was chaired by Paul Hodgson and comprised 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 Commission staff 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 2024 with all members attending two meetings.

Investment Committee

In 2024, the Investment Committee continued to be chaired by Philip Middleton. Its other members were John Aspden, Stuart King and Robert Girard (from July 2024). 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 2024 and the attendance of the individual members at these meetings was as follows: Philip Middleton two, Stuart King two, John Aspden one and Robert Girard one.

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 2024, the Commission appointed an external party to undertake internal audits in the following areas:-

- Treasury & Liquidity Management; and
- Payroll Administration.

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 good practice in connection with internal controls and corporate governance.

SUSTAINABILITY REPORT

During 2024, the Commission issued a Discussion Paper on the Future of Sustainability Reporting in the Bailiwick of Guernsey that sought to gather information and views from the finance sector on the potential impact of recent international developments in the area of sustainability reporting, including the work of the International Sustainability Standards Board (ISSB). The paper also discussed additional steps which might be taken to enhance licensees' sustainability risk governance and management. The discussion period ran until the end of October and the Commission was pleased to receive a material number of responses from a broad range of stakeholders including licensees, industry representative bodies and other on and off island actors. The Commission will consider these responses carefully and intends to issue feedback later in 2025, taking into account recent developments in the international sustainability space, including influential criticisms of the EU's Sustainable Finance Framework and the different approach being adopted by the new US Administration.

The Commission tracks sustainability across several standard-making bodies. It participates in the relevant Working Party within the International Association of Insurance Supervisors and is an active member of the Sustainable Insurance Forum. The Commission contributes to the Network for Greening the Financial System work on sustainability and actively participates in its Task Force on Nature Related Risks for the Financial Sector. Last year, the Commission also supported Guernsey Finance's initiatives around sustainability.

Greenhouse Gas Emissions

	2023	2024
Greenhouse Gas (CO_2e kg)		
Scope 1 – Gas	-	-
Scope 2 – Electricity	16,395	19,696
Scope 3 – Business travel	161,621	183,030

The Commission plays a role in the international standard setting bodies to try to ensure that Guernsey is regarded as a credible contributor to international regulatory policy with financial services trade not blocked informally or formally by large country regulators. The Commission's attendance at some of these international meetings is reflected in the Scope 3 figures above. At these fora, the Commission works to try to ensure that the international standards which are developed are sensible for small jurisdictions and open rather than hostile to free trade.

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