

## **Industry Conference – 11<sup>th</sup> March 2025**

### **Lyndon Trott and William Mason outline opportunities for Guernsey's financial services sector**

Key discussion points during the industry conference panel session between William Mason, Director General of the Guernsey Financial Services Commission, and Lyndon Trott OBE, President of the Policy and Resources Committee and Chairman of Guernsey Finance. The session was moderated by Rosie Allsopp, Director of Communications at Guernsey Finance.

### **The opportunities for Guernsey's finance industry in 2025**

#### **William Mason:**

- Improved pensions regime which allows Protected Cell Companies (PCCs) to be used.
- Modernisation and simplification of the Prospectus Rules.
- Tax neutrality, cost and usability.
- The new Applications and Authorisations Portal which will make it radically easier for parties making applications to communicate with each other and the regulator.

#### **Lyndon Trott:**

- Guernsey's stability and agility as a jurisdiction.
- A+ Standard & Poor's rating.
- Steadily reducing Retail Price Index (RPI).
- Excellent MONEYVAL evaluation results.
- Industry's ability to innovate and take appropriate risks, developing business models.

### **The role of regulators with regards to competitiveness**

#### **William Mason:**

- The Commission's objectives were written in late 1980s and are broad and basically still fit for purpose for almost all practical purposes.
- The Commission already thinks and plans on the understanding that it must have with regard to the Bailiwick's economic competitiveness, akin to a secondary objective.
- The Commission tries to be approachable and usable.

#### **Lyndon Trott:**

- The Commission has a focus on economic competitiveness.
- Guernsey's regulatory framework is guided by a pragmatic and proportionate approach.
- This is supported by the promotional work of Guernsey Finance.

## Sustainable finance in response to global political decisions

### William Mason:

- Work on environmental sustainability has helped improve perceptions of Guernsey.
- Even with the new US administration in power, there is still much common understanding on the need to restore and preserve nature even whilst many doubt the merits of Net Zero. There is much valuable common ground.
- The EU has demonstrated, as Mario Draghi highlighted in his September 2024 report, that purely regulating your way to carbon reductions can be excessively expensive with the burdens involved restricting growth.
- The Commission does not see imitating the EU's very administratively demanding regime as a viable way forward for an IFC.
- The Commission plans to publish a feedback statement in the Summer on how Guernsey might best take forward the International Sustainability Standards Board (ISSB).

### Lyndon Trott:

- Sustainable finance initiatives have had a positive impact with how United Nations and other governments view us.
- Also provided a platform for engagement with policy makers.
- Approach should be shaped by long-term market trends and investment demand rather than short term political shifts.

## Supporting growth in the finance industry

### Lyndon Trott:

- Funding of Guernsey Finance which is important for promoting Guernsey.
- Shift to increased jurisdictional agnosticism over the last 10 or 15 years making this role more important.
- Government listens and tries to respond to the needs of industry.
- Government is responding to challenges around transport links and housing.

### William Mason:

- Most important thing the Commission can do to promote growth is to keep Guernsey regarded externally as a decent and effectively regulated jurisdiction, whose vehicles can safely be used internationally for investment, wealth management, pension and insurance purposes.
- Must be seen as proportionate and user friendly, willing to entertain conversations about innovative vehicles and structures whilst remaining straightforward and easy to use for those applying for more standard licences.
- Being an innovator ourselves across both policy and technology.

## The balance of regulation and growth

### William Mason:

- If we cut lots of regulations, we would make Guernsey a discreditable jurisdiction in very short order with its ability to be useful to an international clientele markedly reduced, as other countries started to put informal sanctions on companies using Guernsey firms. That would obviously be incredibly unwise.

- As a micro-state dependent on financial services exports, we cannot simply move towards a much less regulated financial services marketplace – we do not have the freedom of the US or China to make such radical changes.
- Marginal regulation can clearly discourage marginal growth.
- His early regulatory career was spent in the Cabinet Office cutting administratively burdensome and unnecessary regulations using a logic similar to that advanced by Mario Draghi in his September report on European Competitiveness.
- In terms of the underlying purpose of regulation, there are known knowns:
  - i. we know that banks and insurers with too little capital fail too often causing financial instability and economic instability which badly damages growth. You need regulation to avoid that happening;
  - ii. we know that ruthless and immoral people will seek to exploit vulnerable people (particularly older people with savings) in order to get rich quick. We need regulations designed to ensure some degree of ethical behaviour in financial services, absent everyone having a strong internal moral compass; and
  - iii. we know that money laundering is very lucrative with some of the rewards on offer making even otherwise reasonable people inclined to look the other way. We need AML regulations properly enforced to ensure Guernsey is not seen to be a money laundering hub.
- Regulation is not automatically right and regulating in an area is not automatically the best solution to a societal problem. We should be willing to question whether the formation of new regulations is necessarily an optimal solution and, even if that is probably so, to ask if the regulations be done in a way which minimises the administrative burdens whilst preserving the policy outcome.

#### **Lyndon Trott:**

- Regulation is an inconvenience that is slightly better than the alternative, because if we did not have regulation, we would have various barriers in place that would make it extremely difficult to undertake international financial services from this jurisdiction.
- Guernsey is a policy taker not a policy maker.
- The challenge for both the Commission and policy makers in the States Assembly is to find the balance in maintaining a competitive edge whilst adhering to international standards.

## **Innovation and technology opportunities for Guernsey**

#### **William Mason**

- The Commission has set up a new Technology Supervision Unit to consider how we supervise firms that are utilising more advanced AI etc, and a new Technology Innovation Unit to consider how it utilises these new areas of technology.
- As paper currency and our seignorage decline, it may be worth policymakers considering a Guernsey Digital Pound (GDP).
- We are an inviting hub for tech entrepreneurs, with low taxes, a lowish cost low carbon electricity supply, and proportionate information and financial services regulation. This makes Guernsey a good European place to innovate from, compared with a legally restrictive EU and a UK that appears increasingly afraid of the free speech and free thought which are vital components in successful innovation.

**Lyndon Trott:**

- Keeping pace with innovation in the public sector is more challenging than in the private sector.
- As a policy maker Guernsey is receptive to modern initiatives.

## Advice for launching innovative products

**Lyndon Trott:**

- If you have a clever idea, approach the regulator and discuss it.
- Personal experience with involvement in innovative businesses and the Commission has been a positive one.

**William Mason:**

- Please come and talk to us at an early stage.
- Make use of our Innovation Soundbox and our Virtual Sandbox, where we can license an entity with a number of conditions: offering a quick route to live trials with an alpha or a beta version of the product – enabling some live testing.

## Beneficial Ownership & MONEYVAL

**William Mason:**

- Incredibly helpful that MONEYVAL found Guernsey to be fully compliant to Immediate Outcome 5 – beneficial ownership. No MONEYVAL or FATF jurisdiction has obtained a higher mark and only 7/34 MONEYVAL jurisdictions and only 5/41 FATF jurisdictions got a mark that high.
- The sad truth is that some onshore jurisdictions tend towards suspicion about IFCs, believing the worst unless the opposite is positively proved. Our MONEYVAL result delivers this requisite proof.
- Having such a robust conclusion about the Bailiwick's regime and how good our checks are to ensure that, whilst we unapologetically provide confidentiality to the wealthy, there is no hiding place in the Bailiwick for crooked funds, is really helpful diplomatically and demonstrates that our homegrown regime is markedly superior to the regimes in many larger countries.
- Being in regular follow up is also really important, as it provides stability for commerce.

**Lyndon Trott:**

- We only had very limited approaches from international criminal agencies undertaking investigations in 2024 and all were dealt with within an hour.
- We are guided by EU law and EU law effectively says that privacy is not a dirty word.
- We will follow the developments in the EU closely and we will take our move from there.

## Risk appetite

**William Mason:**

- Guernsey does not have the freedom of DOGE or the US Treasury to entirely change the rules of the game as a microstate.
- We have some broad parameters in terms of AML risk appetite (set by the States through National Risk Assessment and laws), sustainability appetite, and crypto risk

appetite – we think these are roughly right for Guernsey given issues in the Bahamas and elsewhere with crypto.

- 97-98% of applications are approved by Authorisations, but the Commission will unapologetically say no to crooks and the underqualified/underequipped, taking practical cost benefit analysis judgements for the Bailiwick – risk appetite is not a singular thing but is expressed through idiosyncratic decisions. We sometimes question if we are being too tight about some things, and for example, reformed end of life fund rules at the end of last year, because we listened to feedback we were in the wrong place.

## **Reflections as outgoing Chairman of Guernsey Finance**

### **Lyndon Trott:**

- Three terms – or nine years – as Chairman of Guernsey Finance.
- Agency has transformed and is unrecognisable from what it was nine years ago.
- Not down to him, but that they hired the right people who have driven the agency forward.
- Clear to see the role Guernsey Finance plays in promoting Guernsey as a jurisdiction of choice and filling the void in the jurisdictional agnosticism.