



Guernsey Financial
Services Commission

Fiduciary Supervision Policy and Innovations Division

Business Culture:

Fiduciary Flags, Facts and the Future

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Presentation Overview

- **Fiduciary Flags**
 - Cultural Indicators
- **Fiduciary Facts**
 - Overview of the sector
- **The Future**
 - A look forward to 2017

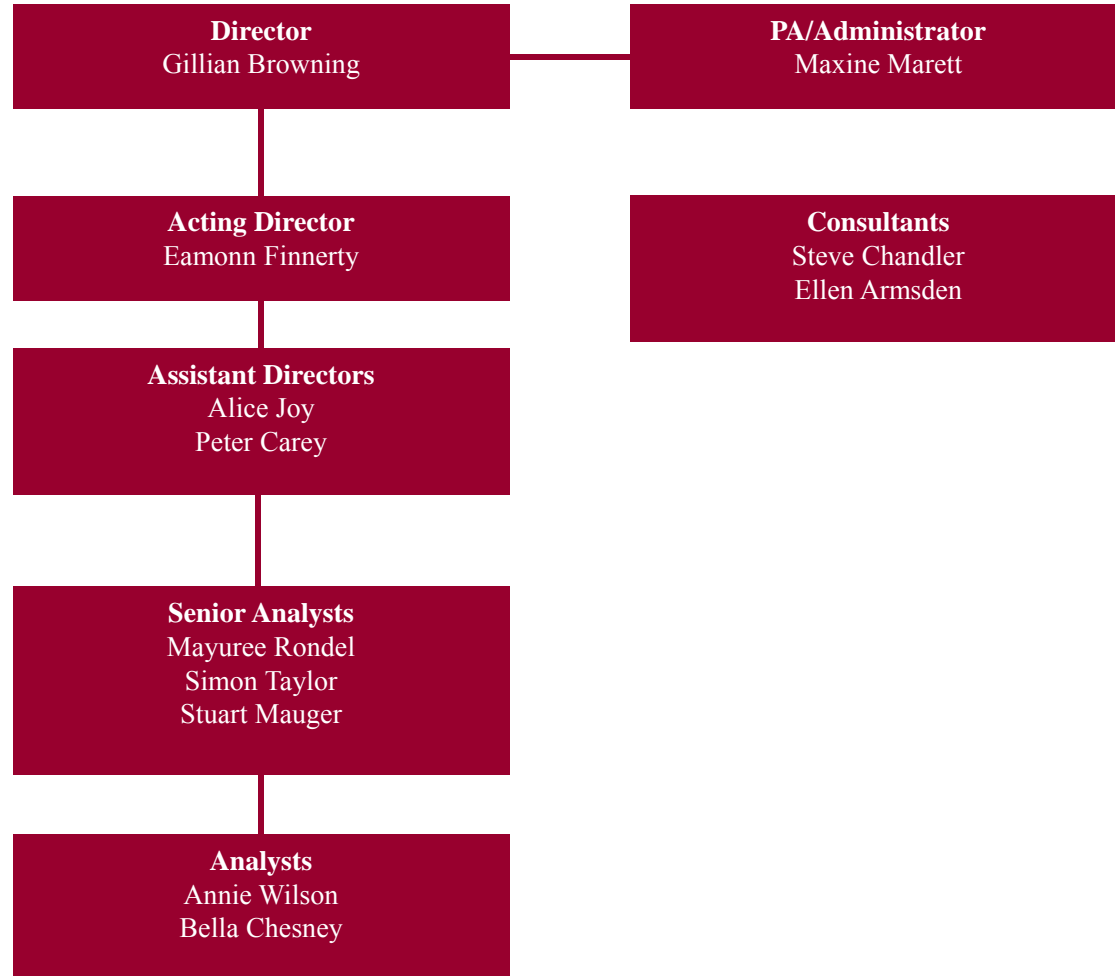


Key message:

“Working together to ensure the Culture of the Bailiwick supports good quality business”.



The Team



Client Money Thematic – Objectives

- Conduct test of standards/practice following crystallised risks
- Share good practice & highlight areas for attention
- Assess the need for Client Asset Rules to enable us to comply with the GIFCS Standard



Client Money Thematic – Process

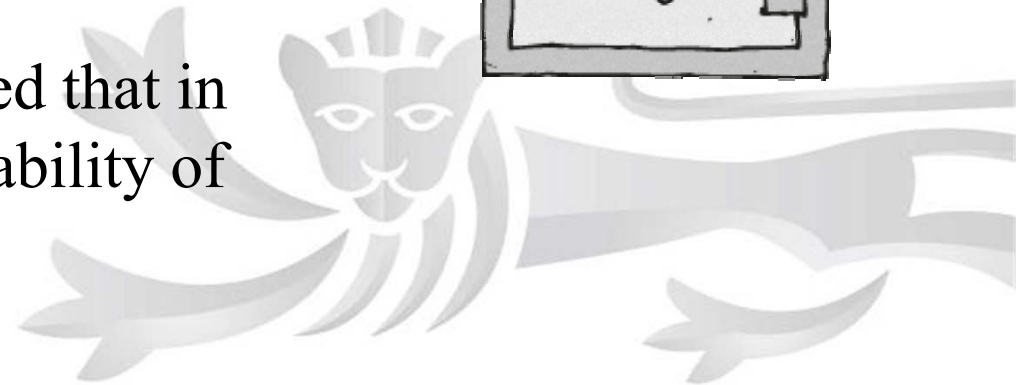
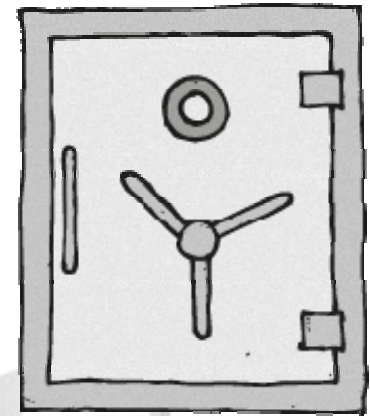
- Questionnaire sent to all full fiduciary licensees
- Site visits conducted to 8 licensees
- Final report in draft stage



Client Money Thematic – Findings

Client Money Accounts & their Operation

- 65% of firms have procedures in place for determining whether a particular banking institution is appropriate to hold their clients' funds.
- The onsite visit programme also showed that in practice firms were discussing the suitability of banks at board level



Client Money Thematic – Findings

Procedures, Controls & Testing



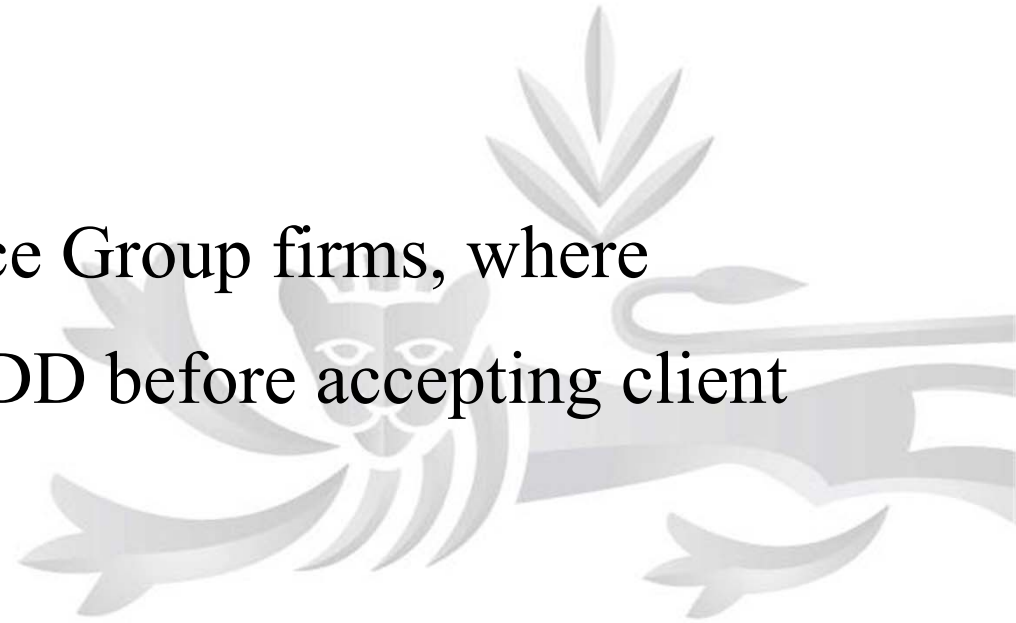
- 69% of firms had documented policies and procedures for the operation of Client Money Accounts



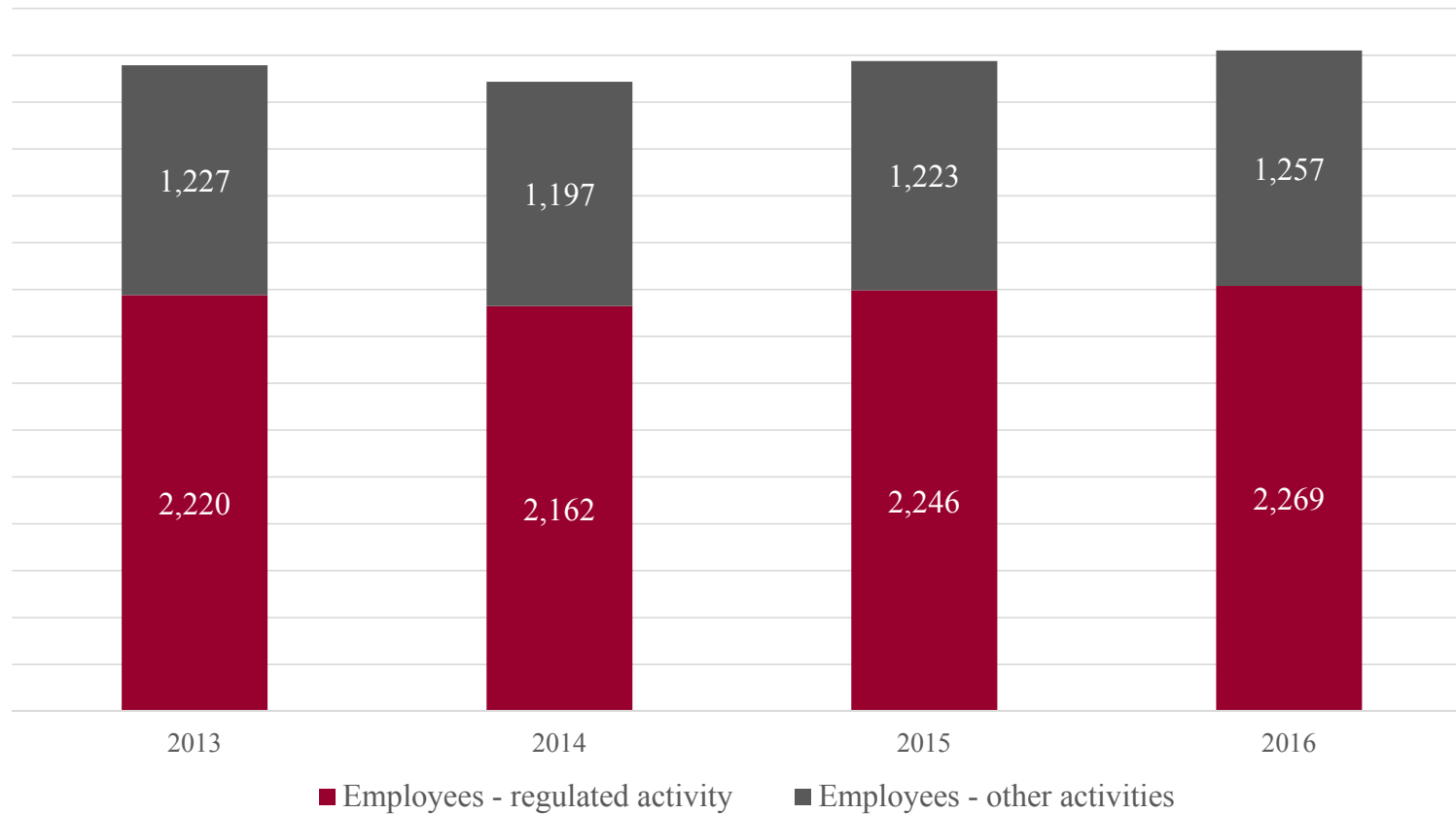
Client Money Thematic – Findings

AML Arrangements

- **80%** of firms receive full CDD prior to accepting client funds into a structure.
- The outlier is International Finance Group firms, where **64.9%** of firms receive full CDD before accepting client funds.



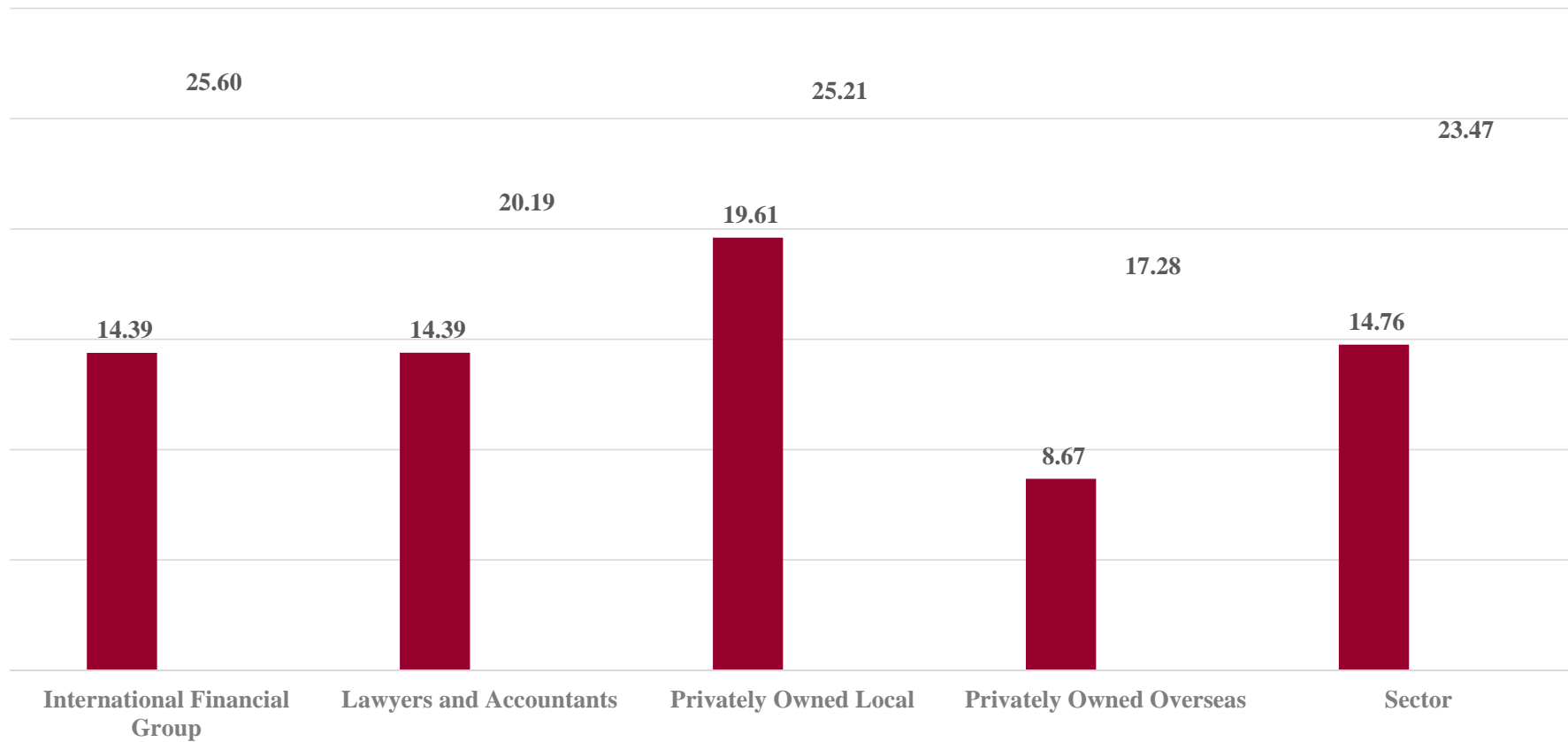
Fiduciary Sector Staff Employed



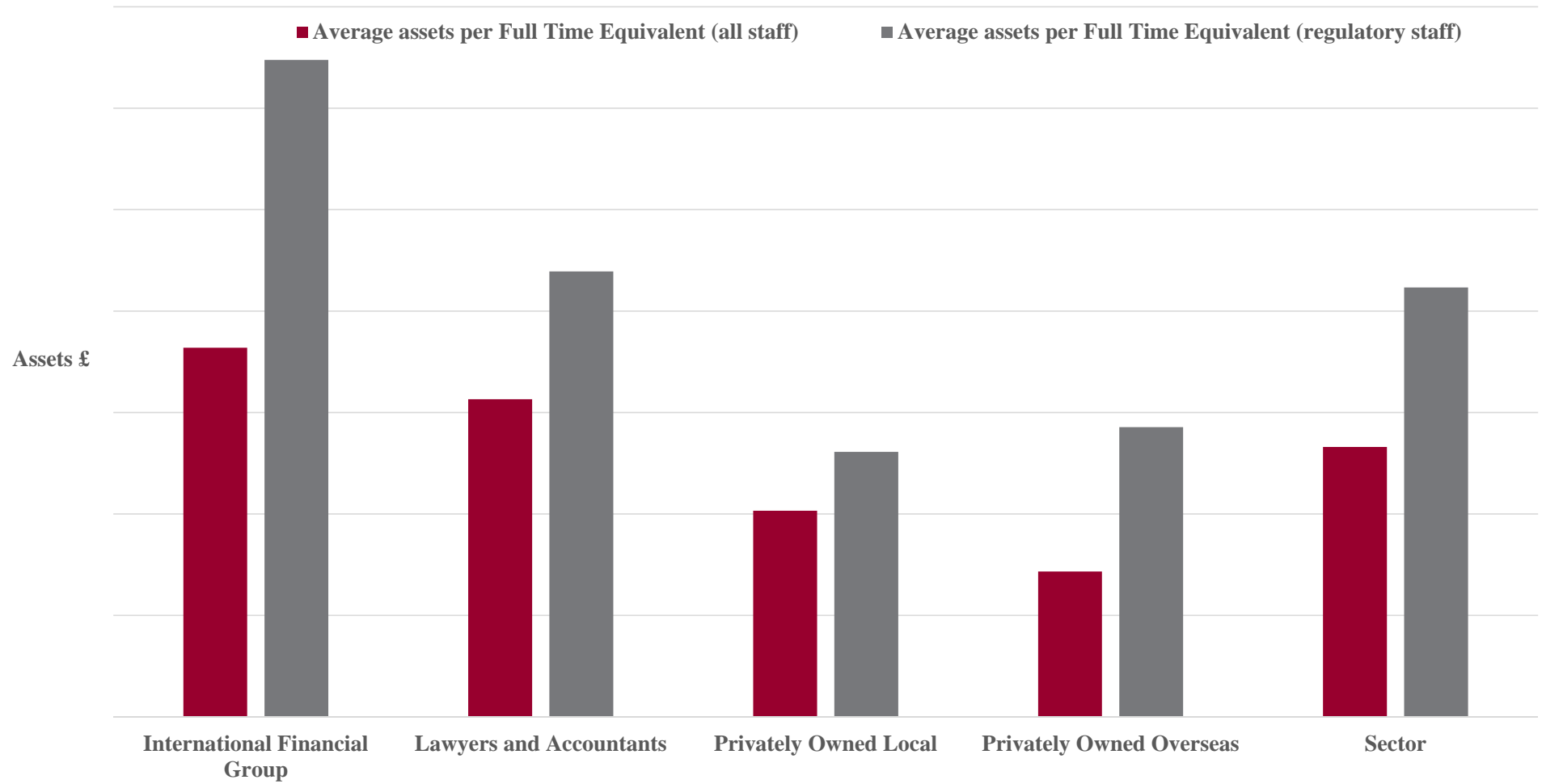
Fiduciary Appointments

■ Average Number of Fiduciary Appointments per Full Time Equivalent (all staff)

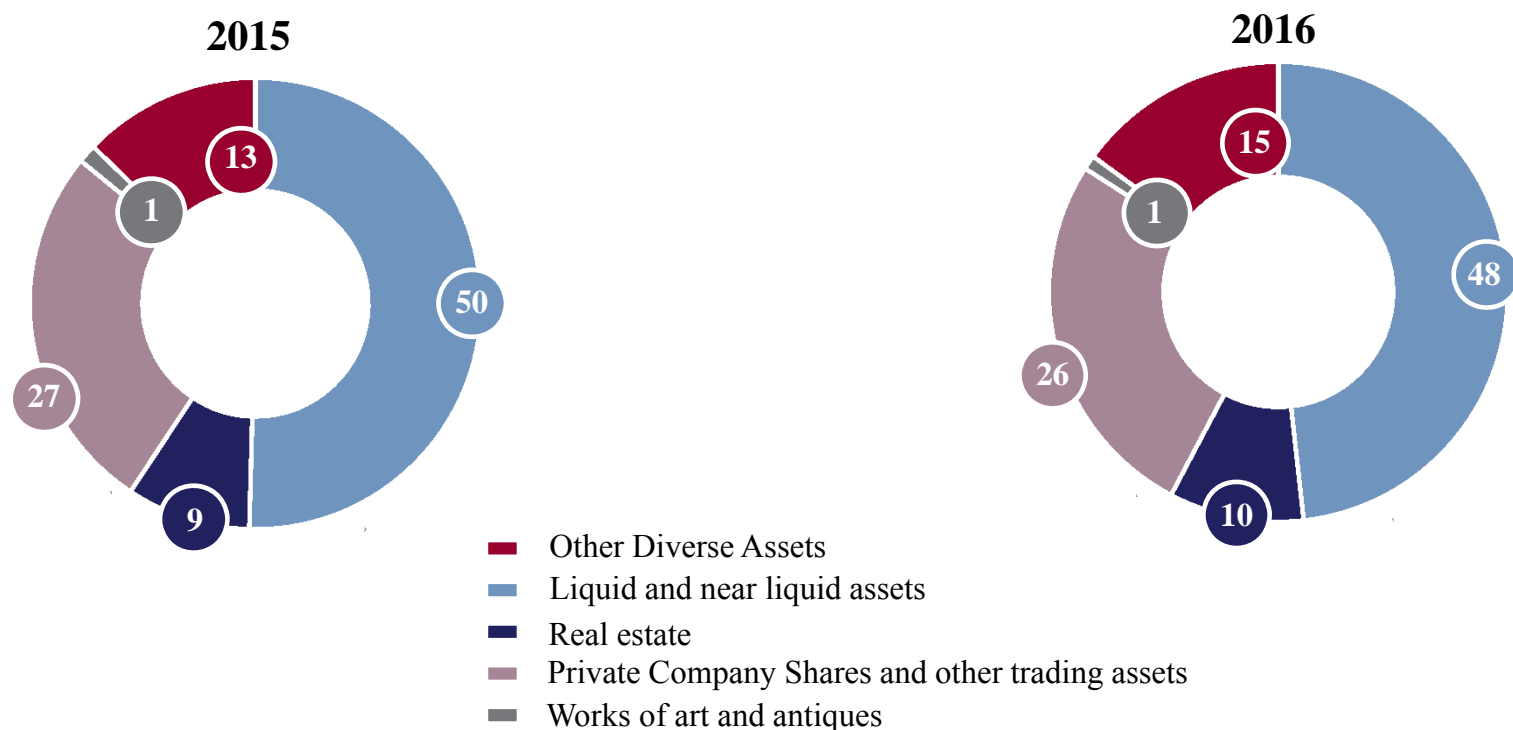
■ Average Number of Fiduciary Appointments per Full Time Equivalent (regulatory staff)



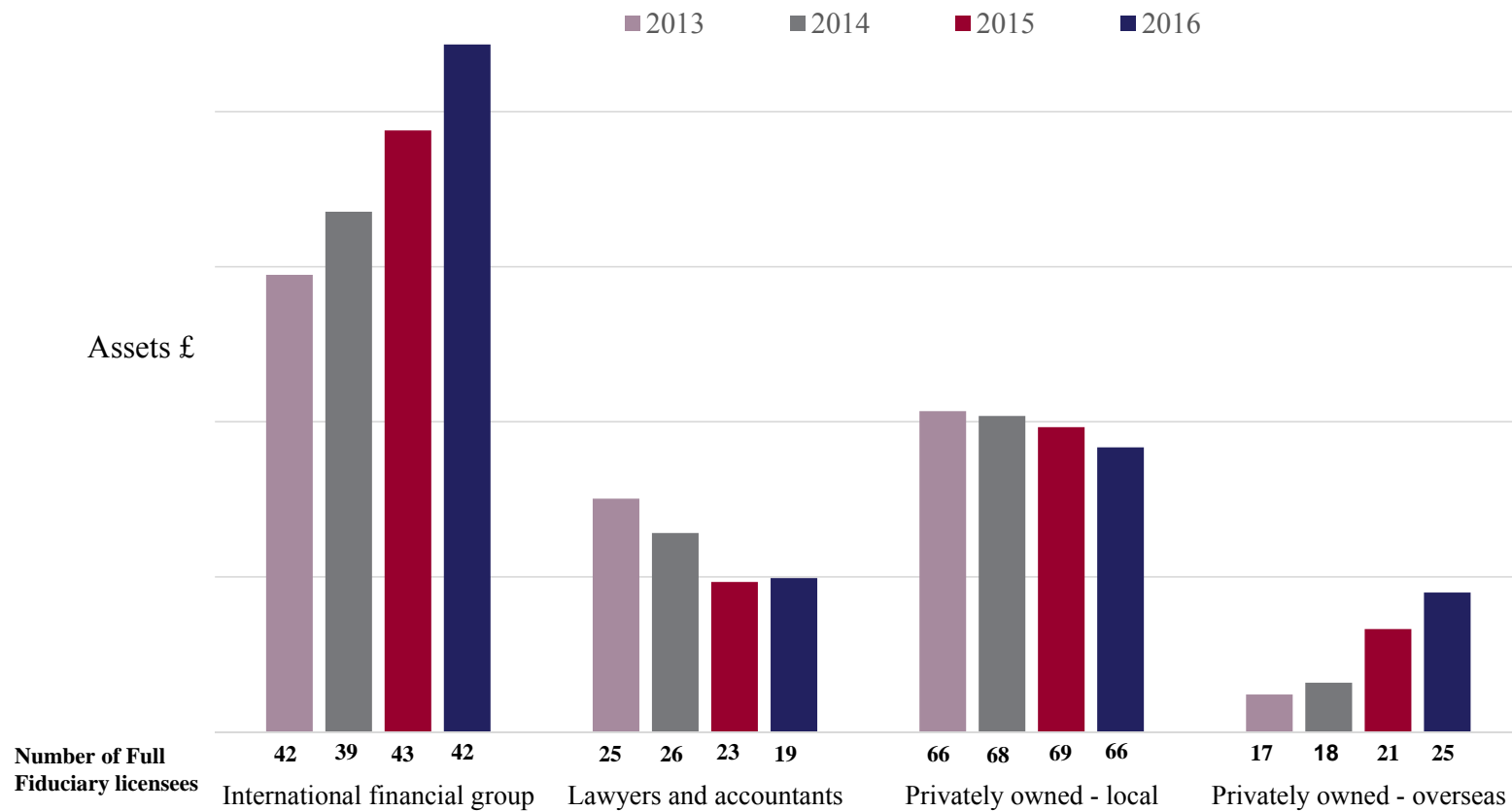
Fiduciary Assets



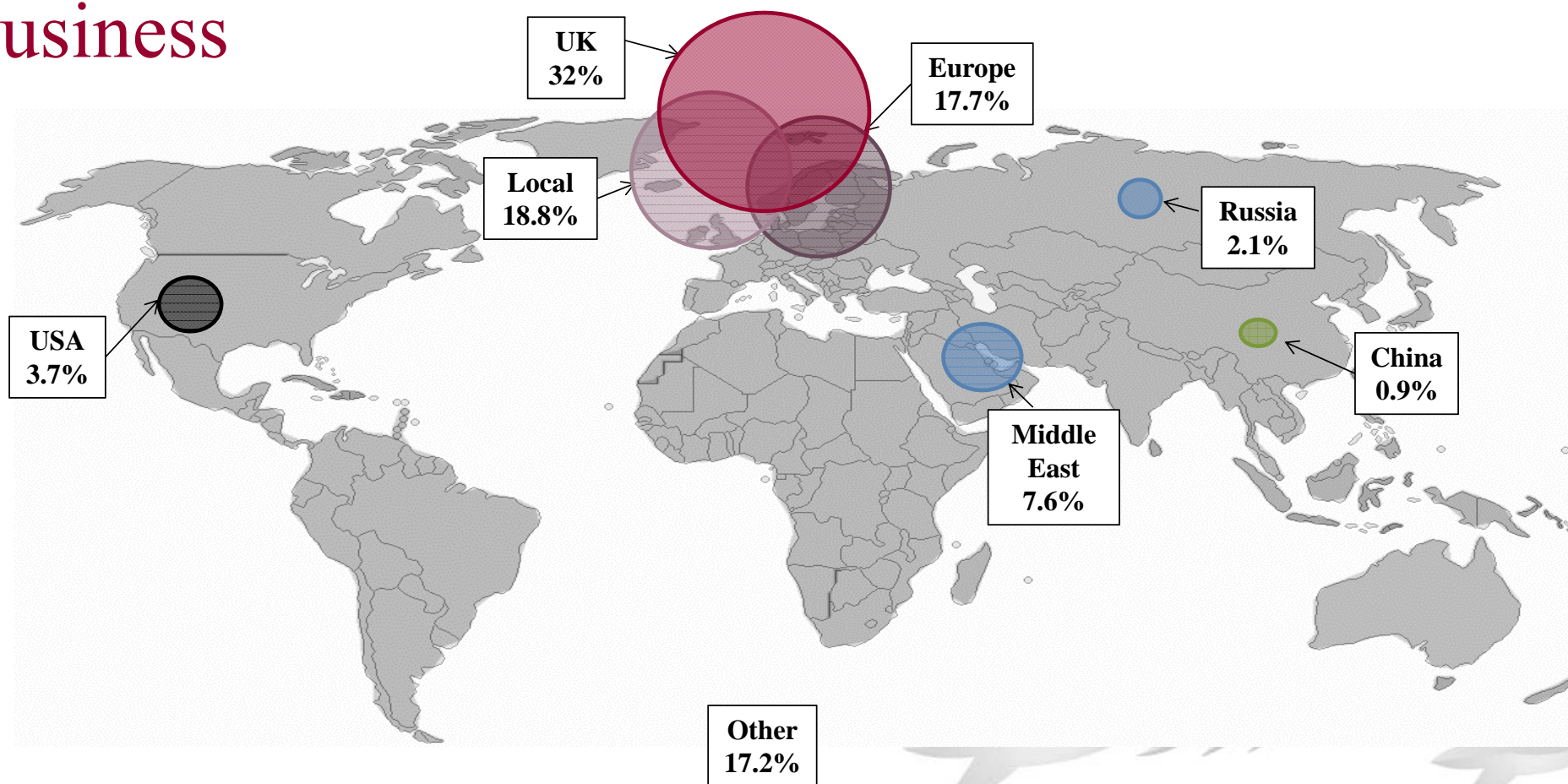
Full Fiduciary Licensee data – percentage of total assets under regulated activities held based on asset type



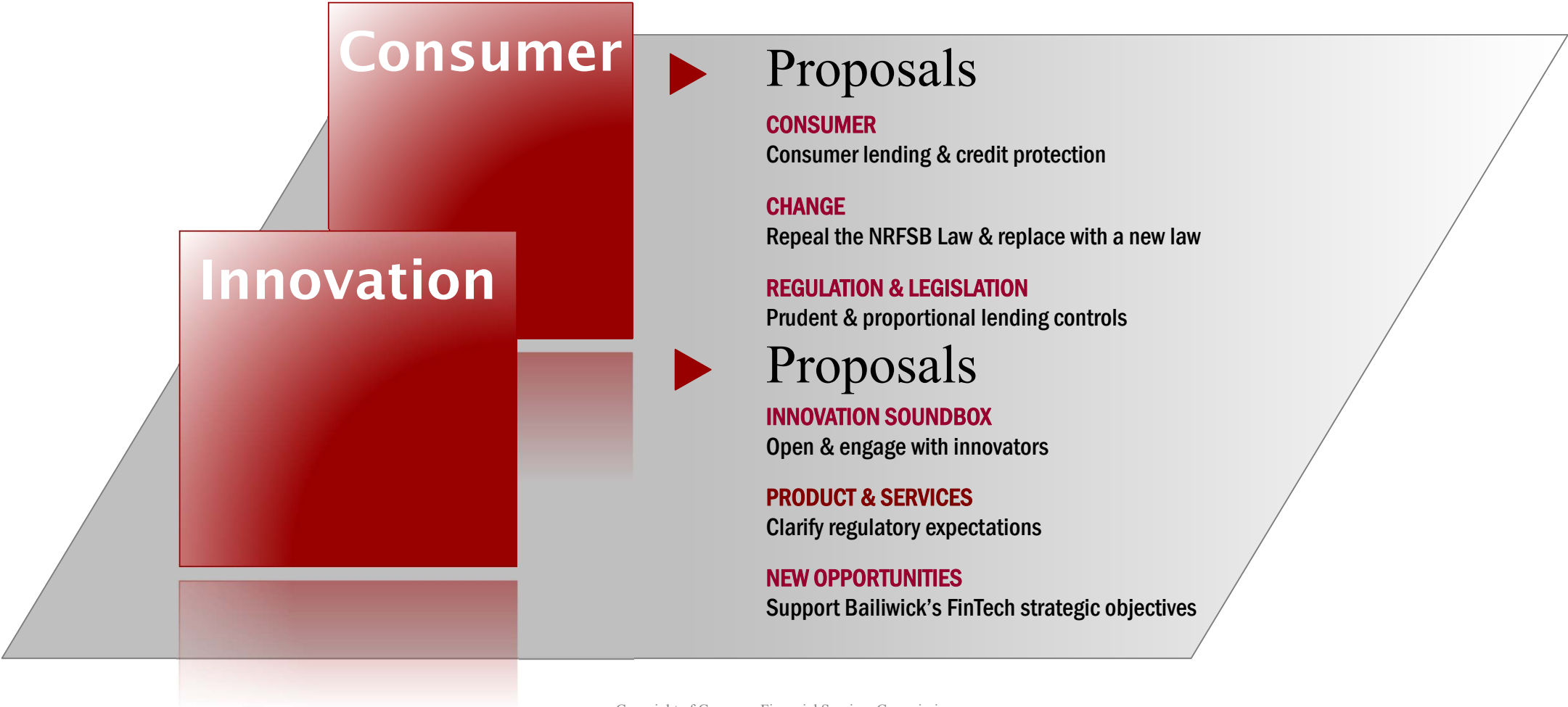
Full Fiduciary Licensees – distribution of assets & total number of firms



Originating geographical location of licensees' new business



The Lending Credit & Finance Project



INNOVATION



DISTRIBUTED LEDGER
TECHNOLOGY

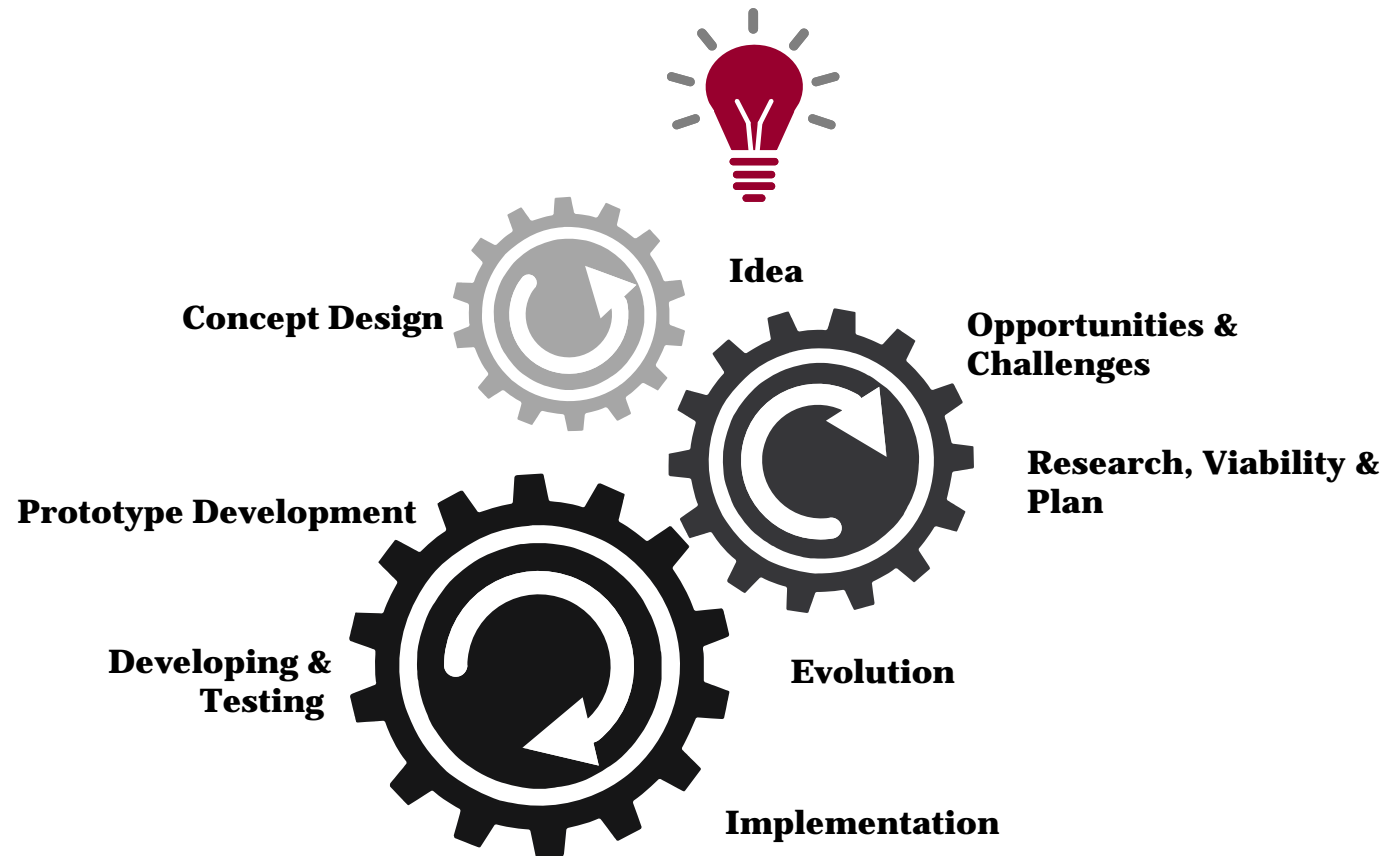
CHALLENGER
BANKS

ROBO-ADVISORS

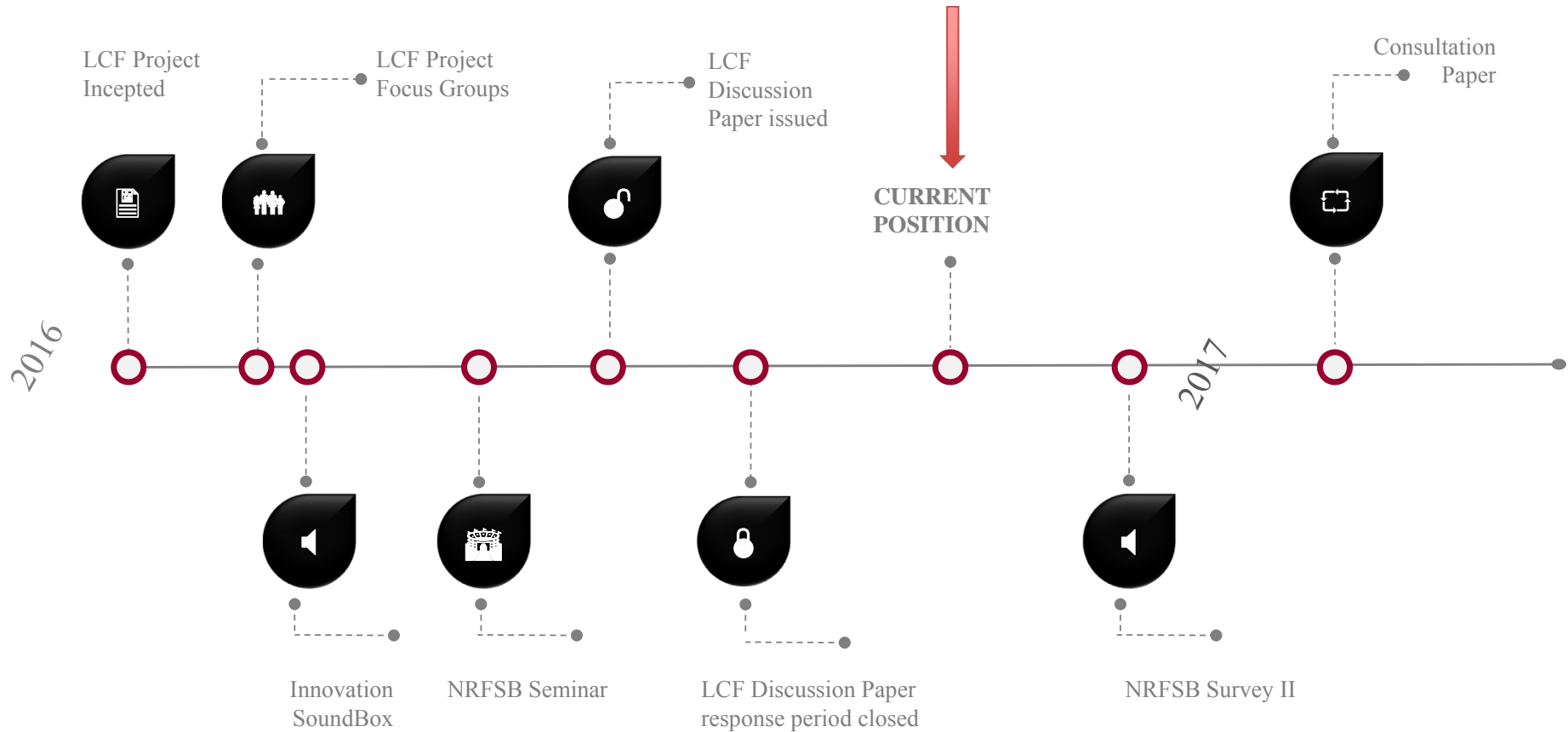
PAYMENTS

SMART CONTRACTS

Innovation SoundBox



The Lending Credit & Finance Project Timelines



Proposed Regulatory Framework



Category 1 LCF Licence

Firms that are providing lending, credit and finance.



Category 2 Limited Licence

Innovative FSBs not included under the protection of investors law. Firms that provide ancillary services to lending, credit & finance businesses
Firms that purely provide credit products and services.



Category 3 Registration

Firms who should be registered only.



Risk-Based Exemptions & Not Required to Register

Instances where it is appropriate and sensible to exclude some items.



LCF Project Discussion Paper



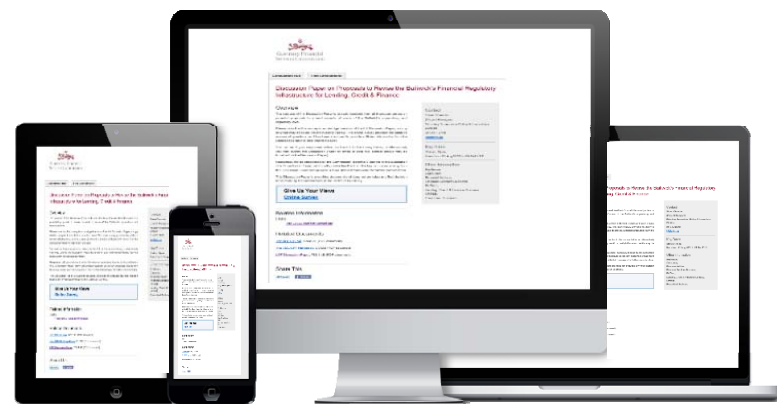
ANALYSIS



THEMES

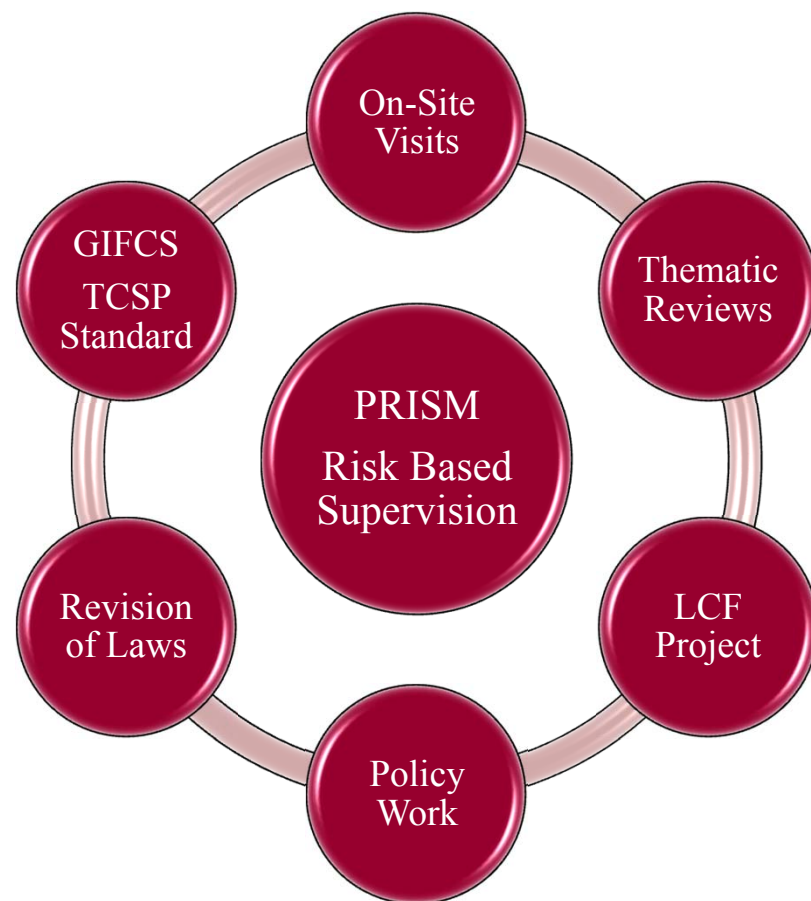


RESULTS



www.gfsc.gg/commission/innovations

Expectations – 2017



Potential Thematic Reviews

