Guernsey Financial Services Commission

Industry Seminar – 21 November 2014

E-enabling the Commission

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Slide: What are we doing?

Welcome to this brief overview of the operational changes happening at the commission and how they will affect Industry. Specifically I will be concentrating on our digital ambitions, but I also intend to reflect on why we're doing this and progress to date.

This presentation is split into 3 sections:

1. Risk Based Supervision – why we're doing this
2. Online Personal Questionnaires
3. Online submissions

Slide: How?

What are we doing and how does it all fit together? Sentinel

- What is Sentinel? A 3.5 year transformation programme to optimise our regulatory and supervisory capabilities.
- The goal is to deliver a modern resilient organisation capable of continuing to provide consistent and effective regulation.

So how do we do this?

- By introducing a regulatory methodology called Risk Based Supervision, which is a unified and much more systematic risk-based framework. Details of the methodology and framework are covered in other presentations today, and it's very much in line with how other modern regulators around the world are organizing themselves to meet our regulatory challenges.
  - RBS required the implementation of a new operating platform, which in our case is called PRISM. Originally developed at the CBI – one of our projects was to tailor it to meet our requirements as a smaller regulator. Just touching on PRISM, we began the implementation in May last year beginning with the Insurance and Financial Crime divisions. As of July 31st this year, all the regulatory teams are now fully onboard and using both the system and methodology.
  - We also wish to improve our data management infrastructure and ideally achieve something close to a 'single version of the truth', so we are in the process of building a central data warehouse facility which will develop alongside our online collection capabilities. We are increasingly mindful of the importance of the data

we collect and the way in which we use it – the management information, our regulatory reporting obligations, the indicators and the metrics – so we are building a modern, robust solution.

  - And the reason why I'm here today – the development of online services, which collectively are known as Submissions, but what we actually mean is Personal Questionnaires, Returns, Notifications and Applications .

- I will come back to Online PQs in a moment, but the data we collect electronically from the other submission categories is essential for Key Risk Indicators and the Impact metrics which underpin the PRISM system. This data will begin to feed into PRISM towards the end of summer 2015 and will mark the completion of Phase 2 (the final phase) of the operating platform.

Slide: How?

So how do we do this?

- Well, we treat it the same as we do any other project or programme – by first understanding the requirements, the business challenges and really defining what success looks like. And that's been outlined in the previous slide.

- Secondly we engage with Industry, and we have established a regular Sentinel Working Party with GIBA and Industry representatives, to ensure that what we're doing works for everyone. We will always have to make compromises, particularly given the diversity of financial services in the island, but regular and open dialogue is essential.

- Regarding Online PQs in particular, I have to say that engagement with industry has proven to be very successful. We ran pilot testing with small control groups over the summer and we now have around 65 individuals and their respective firms involved in conducting a pilot launch, submitting live PQs that are successfully being processes by our Authorisations Unit. This soft launch approach has been a really valuable 'lessons learnt' and something we intend to continue as further online activity is rolled out.

- And we prioritise the work – after PQs comes Licensee Submissions – there are currently around 150 different types of submissions on our list, but we have ploughed through them all with the intention of consolidating this down to a more manageable number. We have made good progress in this area and know which forms will go online first, on the basis of biggest wins for everyone – especially the data we need for impact metrics and risk indicators.

- We don't necessarily intend for every submission to become an online form and will determine whether the investment is necessary depending on the amount of development work verses the benefit.

Slide: What does the Portal look like?

- We said last year that we would do our very best to make our online offerings simple and clear, so here it is.

- Things you should know:

- Anyone can register on the portal, which is particularly useful if those in prescribed positions wish to delegate some of the completion process to a third party, such as your compliance department or assistant.
- However, those actually submitting a PQ are required to follow the guidance to complete and physically post the signed agreement to use the service. Once we receive this, the submit button is activated.// Personal Declarations or Form PD will no longer be necessary as individuals will, once they've complete their first electronic PQ, simply be able to log back in and update their record.
- The bad news is that all individuals are required to complete a new electronic PQ, as we are not migrating legacy data across. Some may wish to complete this for no other reason than wanting to use the new service, which is fine and welcomed, although please bear in mind that this type of submission won't be treated as a priority. Everyone else will be required to complete a new PQ at the point where they would have sent in a PD or are new to us.
- If you are already known to the Commission, to make life a little easier, we do not require the completion of historic appointments, only the current ones, as we already have the others on record.
- Also, if an individual has forgotten to keep their PQ completely up to date, please let us know via email when submitting the new PQ as it will save a lot of time in processing.
- Form 28a and notification requirements under the relevant laws have also been replaced by the use of the online Portal. Licensees will be notified of their registration details by letter so that they can meet their respective obligations.
- All the way through the portal there are tips and guidance as well as 'How to' and 'FAQ' sections including short videos.

But the key message here is that the pilot launch has gone well and we intend to replace the paper form by 19th January. Anyone who is in the middle of a submission will not be expected to recomplete their PQ. There will be more information and additional guidance to follow over the coming weeks. If you want to take a look – feel free to register at online.gfsc.gg – but please don't attempt to send in your agreement until after the 19th.

Slide: Online Submissions Project

And so to the Online Submissions Project.

Slide: Guiding Principles

One of the biggest challenges for online engagement with Licensees as opposed to individuals is getting permissions right. The finance sector in Guernsey is hugely diverse, but we have to be able to accommodate everyone, regardless of size and sophistication. Therefore as part of the foundation work we have set the following guiding principles. Their pretty self-explanatory but I will just linger on a few:

1. Keep it simple
   We should aim for simple, consistent and intuitive user experience. We should avoid getting 'bogged down' in complexity unless it is essential to the project.

2. Design for the majority
   We understand that there is a wide diversity of licensees out there, and to cater for every unique circumstance would be difficult. We should aim for a system that works for

everyone however we should design for the masses.

3. Strive for ‘straight through’
   Where there is no legal requirement or material benefit for us to approve or review a submission we should let it process straight through without manual intervention. We also need to learn to trust our systems more – the quality of the data we collect will be exceptionally high through use of appropriate validation and automated checks.

4. Responsibility lies with the licensee
   The onus of responsibility lies with the licensee to meet their regulatory obligations. We should not impose rigid processes or restrictions unnecessarily. More of this on the next slide.

5. Deliver sequentially
   Especially with projects like Online Submissions, a big bang approach is entirely inappropriate. We know which data elements are a priority so the relevant forms will be the first to move online. We encourage regular feedback and recognise that our requirements will evolve. We’ll learn from the journey.

6. Focus on the benefit
   Fairly obvious really, but it’s a useful way of keeping the work in check as different working groups can often have conflicting priorities.

Slide: Responsibilities & Controls

Returning to core principle of ‘Responsibility lies with the licensee’ we are building an online system where:

- Licensees will be expected to setup, maintain and `own` user accounts on the portal.
- Licensees will determine which users can enter information and who can submit to the Commission.
- Licensees will be able to delegate permissions on the portal to third party firms.
- Submissions entered or submitted by a third party firm will be stored against the licensee record.
- Where a submission requires sign off by one or more individuals in prescribed positions it is the responsibility of the licensee to ensure that this is obtained.

But ultimately the message is the same as Simon Gaudion delivered yesterday:

`You can give away the task but not the responsibility`

Slide: Summary

So in summary

- Over 150 submissions to replace
- An agile approach to delivery and a flexible solution
- Will be rolled out in stages beginning early next year with pilot testing and soft launches.

150 types of submissions does not translate into 150 online forms. We are consolidating and mapping the information that we need to collect in the future and building our collection capability around this.

We are taking an agile approach to delivery of online services, and intend to deliver a flexible solution – through the use of modern content and forms management tools, the licensee will be in control and able to organise themselves to meet their regulatory obligations in a straightforward and efficient manner. Furthermore, a sizeable element of the controls for future enhancements will be managed within our regulatory and operations teams rather having to constantly seek IT support. Modern content online management tools will empower all of us.

And we intend to continue with industry engagement. During the first quarter of 2015 we will be testing a cross section of returns and getting feedback from both internal and external users. The Sentinel Working Party really has worked very well, as have our industry testers – we're enormously grateful for their help and wish to carry on in the same vein.

Thank you