



# JFSC Response to the SoJ Draft Digital Policy Framework

The Jersey Financial Services Commission (JFSC) welcomes the comprehensive States of Jersey (SoJ) Draft Digital Policy Framework. The achievement of the objectives set out in the paper should help to ensure that Jersey is well placed to handle the growing spread of digital technology, and to benefit from the potential efficiencies and opportunities it represents.

The JFSC stands ready to, where appropriate, support the achievement of the Government's digital policy goals. The JFSC has already taken a number of steps in this regard, for example by working closely with the Government on the regulation of virtual currencies, responding to Industry calls for greater clarity on the use of electronic customer identification tools and by making it clear that the JFSC expects regulated persons to protect customer information and have appropriate cyber security arrangements in place.

The JFSC works closely with Government, Digital Jersey and relevant industry bodies to make sure that the regulatory framework for financial services remains appropriate to new digital innovations, including 'Fintech' and 'Regtech'. The JFSC has also increased its engagement with the digital industry and established a webpage offering help and support to innovative financial services businesses.

The financial services industry, both in Jersey and internationally, continues to adapt to a wide range of factors. In recent times one of the most important of those factors, especially internationally, has been the development and adoption of new technologies that have enabled financial services to be provided in a more efficient or effective way. This Fintech revolution is something that the JFSC continues to monitor, both in terms of activity currently occurring in Jersey or international developments which will inevitably find their way here.

These new Fintech products and services have the potential to generate significant benefits and efficiencies for customers, Industry and Jersey as a whole. However, these new developments can also generate new sources or forms of risk. As the financial services regulator we continually need to consider these risks and rewards, and make sure that the regulatory regime provides appropriate levels of protection against the risk, whilst also enabling these new products of services to flourish. The JFSC can point to a long history of success in appropriately identifying and managing these risks, and we will continue to adopt a proportionate and appropriate approach to the regulation of new products and services offered in Jersey – working collaboratively with the Government and other agencies as necessary.

With regard to the questions listed in the consultation document, we have commented below on the questions/sections of most relevance to the JFSC's role and remit.



## Response to consultation questions

### A favourable environment for emerging technologies

<b>Question 16</b>	What role does government and/or Digital Jersey have, and what steps should they take, in keeping track of developments in emerging technology areas? Give details.
<b>Answer</b>	The JFSC is supportive of the Government and Digital Jersey’s current approach of ensuring that fundamental infrastructure and skills are in place, whilst simultaneously focusing on key areas of potential growth that are identified through robust and well considered analysis. The JFSC is happy to be involved in discussions about a regulatory sandbox. At this stage we continue to monitor the developments of regulatory sandboxes in a small number of other jurisdictions, but we have not identified a pressing need for such a proposition in Jersey at this stage.

<b>Question 17</b>	Other than those mentioned in the draft framework, are there any emerging technology areas that would be appropriate to Jersey’s technology agenda, and that government should be actively tracking? Give details.
<b>Answer</b>	No

<b>Question 18</b>	Do you have any further comments that you would like to make on this strategic goal? Give details.
<b>Answer</b>	No

### A Responsive Regulatory Environment

<b>Question 19</b>	What do you consider to be the right balance between aligning Jersey’s regulation and legislation with international standards, and seeking to differentiate ourselves? Give details.
<b>Answer</b>	Maintaining and strengthening international market access for the financial services sector is a priority for the JFSC, Government and a number of other stakeholders. Achieving this involves consideration and analysis of a number of complex and strategic issues in partnerships with a wide range of stakeholders. In many cases this involves a consideration of international standards and the overall strategic positioning of Jersey.



<b>Answer (continued)</b>	<p>From the finance sector perspective, we would stress that the alignment with international standards and the need to “differentiate ourselves” are not mutually exclusive. In particular, with Jersey taking a conscious decision to compete on quality, the adoption of international standards is something that helps to differentiate Jersey from others. However, as a small island nation, with an economy focused on a relatively small number of niche areas, and with international or regional standards covering a wide number of areas (both within and outside of the financial sector), it is not always possible or appropriate to recognise and adopt all of those standards.</p> <p>With respect to digital policy, Fintech and other related areas, such as cyber security, it may in some cases be appropriate or necessary to adopt international standards in order to ensure that Jersey maintains or enhances its reputation and level of economic activity. Indeed, there may even be a case for exceeding these international standards in some cases as a way of “differentiating ourselves”. The approach in any of these areas needs to be considered on a case-by-case basis and will involve an assessment of the costs (including the opportunity costs) and benefits of the proposed approach.</p>
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<b>Question 21</b>	Do you have any further comments that you would like to make on this strategic goal? Give details.
<b>Answer</b>	The JFSC will continue to work closely with Government, Industry and other stakeholders to ensure that the legislative and regulatory framework in the financial services sector enables the development and adoption of Fintech and Regtech, as appropriate to the level and type of activity anticipated or currently taking place. As part of this work, the JFSC engages with and monitors the actions of other regulators and international standard setters as appropriate.

## A Robust Cyber Security Framework

<b>Question 22</b>	What do you think the most appropriate role for government is in helping to ensure an appropriate level of cyber security in Jersey? Give details.
<b>Answer</b>	<p>The JFSC believes that an appropriate level of cyber security is necessary to ensure both the maintenance of Jersey’s position as a leading international finance centre and the achievement of the strategic goals set out in this framework. We believe that government has a key role to play in helping to achieve this, but note that it will not be able to achieve this by itself: a range of other agencies have a role to play in this, as do private sector firms and individual islanders. The JFSC is one of those agencies that has a role to play, and we have already taken a number of steps in this area, including issuing a “Dear CEO” letter to regulated firms, participating in the “Cyber Security Task Force” and being involved in relevant industry events.</p> <p>We believe that the most appropriate role for the Government is to establish a comprehensive cyber security strategy and to oversee its implementation in partnership with other agencies. In some areas it is likely that the Government or other agencies will need to take a range of steps to ensure that such a strategy is</p>

	<p>successfully implemented (for example, through appropriately protecting information held by Government, setting standards for key industry sectors, and providing help and support to businesses, individuals and other organisations).</p> <p>We also note that other jurisdictions and regional bodies are establishing robust and comprehensive cyber security frameworks, and that Jersey will need to ensure that it can at least provide comparable levels of cyber security protection.</p>
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<b>Question 23</b>	Do you have any further comments that you would like to make on this strategic goal? Give details.
<b>Answer</b>	No

### Other comments

<b>Question 27</b>	Do you have any further comments in relation to the draft Digital Policy Framework that you feel have not been addressed in this consultation? If so, give details.
<b>Answer</b>	No