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A low-angle, upward-looking photograph of several modern skyscrapers with glass facades against a clear blue sky. A flag with red and white sections is flying from a tall pole in the center of the frame. The bottom portion of the image is overlaid with a semi-transparent red gradient.

FinReg Update

Guernsey

1 January to 31 March 2025

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Quick Fire Updates

1. MONEYVAL – successful outcome

In February 2025, the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) published its [Anti-money laundering and counter-terrorist financing measures \(Guernsey\) \(Fifth Round Mutual Evaluation Report\)](#) (the **Report**), following its on-site inspection in April 2024.

The Bailiwick of Guernsey (the **Bailiwick**) has achieved a highly successful outcome from its MONEYVAL evaluation. The Bailiwick's anti-money laundering regime was assessed as being compliant or largely compliant in each of MONEYVAL's 40 Technical Compliance Ratings, and either a high, substantial or moderate level of effectiveness in ten of the 11 Immediate Outcome categories.

The States of Guernsey's (the **States**) [response to the Report](#) noted that *'the Bailiwick was one of a very small number of jurisdictions to receive more than one top rating of 'High'',* (achieved for the immediate outcomes of: implementation of sanctions on both terrorist financing and oversight of non-profit organisations; and financing of proliferation of weapons of mass destruction).

The Guernsey Financial Services Commission (the **Commission**) [welcomed the Report's findings](#) and commented, *'The report recognises and reaffirms that Guernsey is a safe and secure jurisdiction that does not tolerate financial crime.'*

2. Client money – Thematic Review (Fiduciary)

The Commission has published the findings from its [2024 Thematic Review: Client Money - Fiduciary](#) (the **Fiduciary Thematic**) which focused on the effectiveness of client money controls by fiduciary licensees.

The Fiduciary Thematic noted that the sector largely demonstrates good practice around the operation of client money accounts and that, overall, licensees:

- segregate and reconcile client money in line with the Fiduciary Rules and Guidance, 2021 (the **Fiduciary Rules**)
- hold client money (mostly) in an Approved Bank¹, and
- demonstrate a robust control environment to ensure the safety of client money, noting the use of detailed checklists and clear signposting to help mitigate risks and reduce errors.

The Fiduciary Thematic identified that not all licensees:

- demonstrate an understanding of the classification of, and difference between, a 'Client Bank Account'² and a 'Client Entity Bank Account'³, which is crucial due to the higher

operational risks associated with pooled client bank accounts given the increased risk of co-mingling

- ensure adequate levels of oversight to reduce the risk of client accounts becoming overdrawn, and
- had sought the required modification or derogation from the Fiduciary Rules before placing client money in non-Approved Banks.⁴

The Commission also published its Thematic Review on [client money in the investment sector](#). Please see our recent [Funds Updater](#) which reported on these findings.

3. Insurance reserving – Thematic Review

The Commission has published findings from its 2024 [Thematic Review of Insurance Reserving](#) (the **Insurance Thematic**) which focused on the reserving methodology and practices implemented by licensed general insurers.

The Insurance Thematic noted several areas of good practice, with most firms being well-structured and supported by knowledgeable and experienced staff and systems. In general, reserving methodology met the Commission's expectations, with strategic policies and controls in place regarding both setting of the initial reserves and also the reserve updating function in the life of the claims file.

The Insurance Thematic identified areas firms should consider, as part of their governance of claims reserves, including:

- ensuring sufficient oversight of fronting insurers and outsourced claims functions
- ensuring the regular review and updating of case reserves to reflect emerging experience
- maintaining up-to-date reserving policies and considering the impact of inflation over time, and
- considering whether reserving procedures and controls should be tailored to the individual policy type, where these are notably distinct.

4. Financial Crime Return Rules - consultation

In February 2025, the Commission issued a [consultation](#) on proposed amendments to the Financial Crime Return Rules (the **FC Return Rules**). The proposed changes include a requirement that:

- *prescribed businesses* file both an annual financial crime risk return (**FCRR**) and an annual prescribed business return, and
- licensees under *the Lending, Credit and Finance (Bailiwick of*

¹ Rule 6.1 of the Fiduciary Rules defines 'Approved Bank'.

² Rule 6.1 of the Fiduciary Rules defines 'Client Bank Account' as an account held by a licensed fiduciary at an approved bank which holds, or is intended to hold, money on behalf of one or more clients.

³ Rule 6.1 of the Fiduciary Rules defines 'Client Entity Bank Account' as an account at an approved bank, in the name of the client or a client-related entity and which is not in the name of a licensed fiduciary.

⁴ A licensee that wishes to hold client money outside an Approved Bank for a particular reason must submit a request to the Commission for modification of the Fiduciary Rules.

Guernsey) Law, 2022 (the **LCF Law**) undertaking money services business (unless undertaking only currency exchange and/or cheque cashing) or informal money or value transfer services, complete a quarterly financial flows return (placing these businesses on an equal footing with banks which must report this data quarterly).

The proposed amendments will also clarify the requirements under the FC Return Rules that:

- insurance managers report all insurance management business, regardless of the type of insurance business conducted by the insurers managed
- insurers and insurance intermediaries undertaking long term (life) and general (non-life) business only need report long term (life) business
- licensed incorporated cell companies and their incorporated cells that are also licensed and undertake supervised business each complete a separate FCRR, and
- licensees under the LCF Law which are not subject to financial crime supervision (ie those providing services ancillary to credit or providing credit only in respect of general insurance premium financing) are not required to submit an FCRR.

The consultation closed on **17 March 2025**.

5. Beneficial ownership - update

As part of the Bailiwick's commitment to extend access to the information held on its Register of Beneficial Ownership of Legal Persons (the **Register of Beneficial Ownership**) to those with a '*legitimate interest*', the States Policy and Resources Committee (P&R) has recently published a **policy letter** setting out its proposals, together with the draft legislation, namely the **Criminal Justice (Proceeds of Crime) (Access to Beneficial Ownership Information) (Amendment) Ordinance, 2025** (the **draft Ordinance**).

The policy letter proposes giving Bailiwick obliged entities⁵ (OEs) access to the Register of Beneficial Ownership, provided that it is for a **lawful purpose**, ie to assist the OE to carry out its due diligence on its customers or prospective customers.

The draft Ordinance will come into force on being made, but no application for information may be made until **three months** after the Ordinance comes into force.

The policy letter will be considered by the States on **9 April 2025**.

6. Bank Resolution Authority – update

In our previous quarterly **FinReg Update**, we reported that P&R had published proposals to establish a bank resolution authority for the Bailiwick. The proposals were approved by the States on **7 February 2025**.

The draft **Bank Resolution (Bailiwick of Guernsey) Law, 2025** (the **draft Law**) has now been published. The draft Law makes provision for the resolution of banks in the Bailiwick, where 'resolution' means a process whereby a bank of systemic importance which is failing is not necessarily wound up in liquidation proceedings but can have its shares, business or undertaking transferred to another entity with a view to prevention of failure and continuity of services.

7. Takeover Code - update

In our previous quarterly **FinReg Update**, we reported that the UK Takeover Panel had published a draft amended Takeover Code (the **amended Code**).

The amended Code came into force on **3 February 2025**, with a transition period of **two years** for companies that will cease to be subject to the Code following these changes.

Please see our **Guide – The Takeover Code in Guernsey** for an overview of the principal elements of the Code and its application to Guernsey companies.

8. Sanctions – legislative amendments

The UK has recently enacted the **Sanctions (EU Exit) (Miscellaneous Amendments) (No. 2) Regulations 2024**.

The principal effects of these amendments upon the sanctions regime in the Bailiwick include:

- clarification that:
 - prohibitions on making funds or economic resources available to any person for the benefit of a designated person extend to legal persons owned or controlled by that designated person
 - the prohibition on the provision of trust services under the Russia (Sanctions) (EU Exit) Regulations 2019 applies to acting as a nominee shareholder where that involves a trust or similar arrangement
- the introduction of a new exemption (for non-UN designated persons) to allow payments that a designated person is required to make to certain authorities such as the Guernsey Registry or the Commission
- extending the scope of licensing purposes (for non-UN designated persons), to include licensing related to the implementation of judicial decisions and licensing for certain insolvency positions, and
- the application of reporting obligations to art dealers and letting agents, with effect from **15 May 2025**.

Further details are found **here**, together with links to other guidance and advisory documents issued by the UK Office of Financial Sanctions Implementation.

⁵ ie, financial services business and prescribed businesses.

9. Sanctions – update

P&R has published an [update in relation to Russian sanctions](#) notified in Guernsey since Russia invaded Ukraine in March 2022. The update shows little change since P&R's survey in late 2023, which identified that bank deposits totalling £4.7 million had been frozen in the Bailiwick. Most notifications related to assets linked to the Bailiwick's fiduciary sector but located outside of the Bailiwick.

P&R has also updated its guide '[Licences in respect of financial sanctions](#)'. The revised guidance clarifies that, where a licence is issued, this should not be taken as implied permission to carry out any related activity that is outside the scope of the licence. P&R has issued a revised [template](#) to be used when requesting a licence under the Bailiwick's sanctions framework.

10. AML/CFT/CPF Handbook - update

The [Handbook on Countering Financial Crime](#) has been updated to reflect recent changes to the Financial Action Task Force's (FATF) list of jurisdictions under increased monitoring.

11. Financial Ombudsman - news

The Channel Islands Financial Ombudsman received 128 complaints in quarter 4 of 2024, of which 76 fell within its remit. Current account and health and emergency home insurance were the product areas most frequently complained about. Complaints principally related to poor administration or delay and in some cases fraud and non-payment of claims. Further details are found [here](#).

12. Data Protection - breaches

The Office of the Data Protection Authority (the [ODPA](#)) reported that, in the fourth quarter of 2024, it received 33 personal data breach reports. One breach involved the loss of an unencrypted USB storage device, causing the ODPA to issue a reminder that when using an external storage device, it should be appropriately encrypted to minimise the risk of unauthorised access. Further details are available [here](#).

The ODPA has issued a [Public Statement](#) following the failure by a data controller to take reasonable steps to ensure the security and resilience of its processing systems, as required under the Data Protection (Bailiwick of Guernsey) Law, 2017.

The data controller had also failed to develop an IT disaster recovery plan to ensure the resilience and continuity of IT services and so protect personal data stored on the systems.

13. Data Protection – other news

Following the report of a suspected data scraping incident, the ODPA has issued [guidance to mitigate the risks from data scraping](#). Data scraping is the automated extraction of data from websites hosting publicly accessible personal data and selling the harvested data for profit.

14. Guernsey Competition and Regulatory Authority – revised guidance

The Guernsey Competition and Regulatory Authority has published revised [procedural guidance for mergers and acquisitions](#) relating to the process of notifying a proposed merger, as well as a [Shortened Merger Application Form](#) for use when making an application for a 'preliminary review' of a prospective merger or acquisition.

15. MO FinReg Updates

In addition to our quarterly Guernsey FinReg Update, similar updates are provided by our colleagues in Jersey, the Cayman Islands and British Virgin Islands.

The most recent Regulatory Update for Jersey is available [here](#), for the Cayman Islands [here](#) and for the British Virgin Islands [here](#).

16. MO FinReg Forum

If you would like to participate in our quarterly FinReg Forum, which provides updates on similar matters for each of Guernsey, Jersey (where the forum is hosted) and from time to time the Isle of Man (provided by Cains), please do get in touch.

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