



FINREG UPDATE GUERNSEY

OCTOBER TO DECEMBER 2025

LEGAL
GOVERNANCE
CONSULTING

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Quick Fire Updates

1. Digital Finance Consultation

As part of its broader **Digital Finance Initiative**, the Guernsey Financial Services Commission (**Commission**) has issued a **consultation paper** titled *Supporting Growth with Digital Finance* (**Consultation**).

The Consultation aims to encourage innovation and the growth of digital finance in Guernsey, while safeguarding investor protection and financial integrity. It sets out practical proposals to update Guernsey's regulatory framework in key areas, including:

- **Virtual asset service provider (VASP) regime:** the removal of the blanket restriction on VASPs offering services to retail customers
- **Stablecoins:** the introduction of a dedicated framework for privately issued stablecoins, issued by persons licensed by the Commission as a 'Financial Firm Business' (Part III) under the Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022 (**LCF Law**)
- **Tokenisation of funds:** permitting the use of a *public* blockchain as the register of fund unitholders in a Guernsey collective investment scheme, subject to meeting applicable fund rules (currently only private blockchain is permitted)
- **Tokenised securities:** clarification that non-fund tokenised securities are treated as any other Category 2 controlled investment (general securities and derivatives) under the Protection of Investors (Bailiwick of Guernsey) Law, 2020 (**POI Law**), and not as virtual assets under the LCF Law
- **Digital asset custody:** clarification of the regulatory treatment of digital asset custody, including amendments allowing custodians already licensed under the POI Law to hold non-security digital assets without additional licensing
- **Blockchain in insurance:** supporting blockchain-based insurance contracts, and
- **Financial crime controls:** enhancing anti-financial crime compliance through technology.

Responses to the consultation can be made via the Commission's Engagement Hub, by email or in person by **6 March 2026**.

2. Innovation Sandbox with Concierge Support

The proposals in the above Consultation complement the Commission's **Innovation Sandbox and Concierge service**, which was launched in October as part of its **Digital Finance Initiative**.

The Sandbox offers a controlled environment for firms to develop and test innovative products and services, such as blockchain, tokenisation and AI-driven solutions, under tailored licensing conditions.

Access to the Sandbox is via a tailored pathway for firms developing novel financial products, beginning with a Concierge Connect Form. Each participant receives a dedicated regulatory contact and support throughout the process, with ongoing guidance provided via the Commission's online portal.

3. Pro-growth Regulatory Agenda

In a recent speech entitled *Enabling Growth – Digital and Sustainable Finance* delivered to the fiduciary sector, the Commission's Director General, William Mason, set out a pro-growth regulatory agenda placing economic growth and financial stability ahead of the 'precautionary principle'. Key takeaways from the speech include:

- **Digital Finance:** strong encouragement for widespread adoption of Artificial Intelligence (**AI**) across all sectors, and
- **Financial stability:** long-term stability is best achieved via sustained economic growth, not by eliminating all risk.

4. Sustainability - Code of Corporate Governance and Anti-Greenwashing Guidance

The Commission has published its **feedback statement** (**Statement**) following a **consultation** on sustainability practices in Guernsey's financial sector.

The Statement sets out amendments to the **Finance Sector Code of Corporate Governance**, effective on **1 February 2026**. These changes expand board responsibilities beyond climate-related risks to include broader environmental sustainability risks, such as biodiversity. Boards must consider these risks to determine materiality and reassess periodically as business models and external factors evolve.

Equivalent changes apply to insurers requiring consideration of risks to both the insurer and its portfolio, without restricting assets choices.

The amendments aim to ensure informed decision-making and strengthen Guernsey's reputation as a responsible international financial centre.

The Statement also confirms that **new Anti-Greenwashing Guidance** (**Guidance**) will take effect on **1 February 2026**. The Guidance reinforces existing obligations under the Minimum Criteria for Licensing, making clear that sustainability claims must be fair, clear and not misleading.

The Guidance demonstrates the Commission's commitment to tackling greenwashing while avoiding unnecessary burdens for well-managed firms.

5. Thematic Review – Investment Sector

The Commission has published its **thematic review** (**Review**) on how investment firms monitor and comply with the intermediary and correspondent relationship requirements under the Handbook on Countering Financial Crime (AML/CFT/CPF) (**Handbook**). Most Bailiwick firms demonstrate strong awareness of intermediary risks and embedded effective controls; only a small minority had weaker documentation.

The Review identified six key areas for improvement:

- correct classification of intermediary relationships (section 9.8, the Handbook)

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- comprehensive risk assessments, ensuring only low-risk relationships qualify as intermediary relationships
- that written confirmations from regulated intermediaries contain all attestations required by the Handbook (Rule 9.47), with documented rationale for any deviations
- inclusion of intermediary relationships in the compliance monitoring programme
- appropriate treatment of central securities depositories (CSDs), and
- board-level understanding and oversight of money laundering, terrorist financing and proliferation financing risks.

The Commission is currently updating the Handbook to take account of Moneyval recommendations and will consider providing any additional guidance on intermediary and correspondent relationships, drawing on both the findings in the Review and international best practices.

6. Equity Release

The Commission has announced that, from **1 January 2026**, a new regulatory regime under the LCF Law will govern equity release products for residential property located in the Bailiwick. The regime will cover both lifetime mortgages and home reversion plans.

Firms wishing to offer or support these products require a Part II licence under the LCF Law, with existing licensees able to apply for a variation. UK equity release providers authorised by the Financial Conduct Authority may be eligible for equivalence, provided that the customer is advised by a locally licensed adviser.

Application and annual fees will be discounted by 50% for the first three years of the regime to support further market development. Further details are available [here](#).

7. Commission's Fees 2026

The Commission has published its fees for 2026, following its [consultation](#) in September.

The Commission is proceeding with a 3.9% inflation-linked increase, effective **1 January 2026**, ensuring continued investment in regulatory resources and oversight.

Other notable changes include:

- the recalibration of the tiered fee structure for fiduciaries to ensure proportionality and fairness
- a new banded fee model for prescribed businesses based on business size, replacing the per employee fee, simplifying and making costs more proportionate, and
- the introduction of *ad-hoc* 'user pays' fees for specific approvals from the Commission, such as changes of designated administrator or transfers of business.

8. Handbook Updates

Recent updates to the Handbook have removed South Africa from Appendix I (higher-risk jurisdictions). Burkina Faso, Mozambique and Nigeria remain listed in Appendix I despite being dropped from the FATF's increased monitoring list, as they continue to appear as high risk on other relevant external sources.

9. Sanctions – General Licence and UK Sanctions List

A new general licence under the Bailiwick's Russia sanctions regime permits the transfer of trusteeship of a 'sanctioned trust' to a new trustee holding a full fiduciary licence under the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2020.

The licence also allows any necessary ancillary steps to complete the transfer. However, it does not override asset-freezing rules - transfers of frozen assets still require a specific licence from the Policy & Resources Committee (P&R).

Anyone relying on the general licence must notify P&R in advance and obtain written confirmation from the Commission that it has no objection. After the transfer, the new trustee must immediately inform both P&R and the Commission.

From **28 January 2026**, the OFSI's 'Consolidated List of Asset Freeze Targets' will no longer be updated. Going forward, the [UK Sanctions List](#), published by the Foreign, Commonwealth and Development Office, will be the sole authoritative source for UK sanctions designations. Read more [here](#).

10. Commission's InsuranceTalks

The Commission is launching a new series of insurance training sessions throughout 2026, starting with the first event on **27 January 2026**.

The sessions will cover several, diverse and relevant insurance-related topics, from reinsurance and the ORSA process, to financial crime in insurance. They will provide insightful discussions led by seasoned professionals working in Guernsey's insurance industry, as well as subject matter experts from the Commission. Sessions will be delivered in a variety of formats: dynamic panel discussions, fireside chats, and focussed lecture-style sessions.

Registration details are available [here](#).

11. Data protection - Breaches/News

The Office of the Data Protection Authority (ODPA) has reported a continued rise in self-reported personal data breaches, with an increase in average severity, and has taken enforcement actions:

- **Breach statistics:** there were 62 self-reported breaches in the third quarter, an increase from previous quarters. Of these, 20 were high-risk, compared to 14 and eight in the last two quarters. Further details available [here](#).

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- **Sanctions and Enforcement:**

- The Medical Specialist Group has been fined £100,000 for failing to implement fundamental information security measures to ensure an appropriate level of security of special category data, ie medical information, which demands the highest level of protection against cyber attacks
- Fresh Dental received an enforcement order following a successful phishing attack. The ODPA identified:
 - multiple technical failings in security measures
 - lack of appropriate cyber security training for staff
 - failure to conduct penetration testing prior to the breach, and
 - no formal agreement with its IT provider on handling personal data as a third-party processor, and
- The Ladies' College has been ordered to undertake specific actions to improve the security of personal data that it processes, following unauthorised access to its systems which were subsequently encrypted with ransomware.

In other news:

- **AI Guidance:** the ODPA has published a '[Ten-step practical AI guidance](#)' to help people and organisations understand how AI should handle personal data responsibly and how to use AI in a way that respects individuals' rights, complies with privacy laws and maintains trust to ensure transparency, lawful basis, fairness, accountability and secure handling of personal data when deploying AI systems.
- **2026 Fees:** annual registration fees from **1 January 2026** will be increased by 3.7%, in line with the annual change in the Retail Price Index, excluding mortgage interest payments as of June 2025.
- **Launch of Joint Investigation:** the ODPA and data protection authorities in Jersey, the Isle of Man and the UK are jointly investigating a June 2025 cyber incident that compromised data of the trade union Prospect Custodian Trustees Ltd, which impacted approximately 3,000 Bailiwick residents. This investigation marks the first joint action between the jurisdictions' authorities and underscores the regulators commitment to collaborate on protecting peoples' data rights across jurisdictions.

Further details are available on the [ODPA's website](#).

12. Financial Ombudsman - News

The Channel Islands Financial Ombudsman received 159 complaints in quarter 3 of 2025, of which 115 fell within its remit. Current accounts, health insurance and home emergency insurance were the product areas most frequently complained

about. Complaints principally related to fraud, suspension of service and poor administration. Further details are available [here](#).

13. 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 Caribbean [here](#).

14. 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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