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FinReg Update

Jersey – Q4 2025

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Quick Fire Updates

1. COBO Update

The Government consulted on repealing the Control of Borrowing (COBO) framework (COB Law 1947 and COB Order 1958) between July and September 2025. Drafting of replacement legislation is expected to take around six months, with a 12–24 month transition for Jersey Private Funds (JPFs) and digital products. Initial benefits may be seen from 2026, with full transition into 2027.

What's it about?

The proposal is to retire COBO, removing the historic consent step and placing necessary regulatory powers directly into product laws and the Financial Services (Jersey) Law 1998. Ongoing COBO conditions will be retired, with targeted alternatives for JPFs and digital assets. Entities holding a COBO consent at repeal will remain in good standing.

How does this affect me or my regulated business?

No immediate action is required. Firms should identify where COBO consents feature in their workflows and prepare to remove duplicative steps once the new regime is in force. JPF and digital asset providers should watch for further guidance on replacement oversight mechanisms.

2. A limited exemption for local lending under the Article 4A of the Proceeds of Crime (Low Risk Financial Services Business) (Jersey) Order 2024 came into force on 3 September 2025.

What's it all about?

This exemption only applies to local lending, so all lenders and borrowers must be either individuals ordinarily resident in Jersey, or companies incorporated in Jersey where every member and director is ordinarily resident in Jersey, and holds their shares for their own benefit.

In order to benefit from the exemption, you must:

- only be registered for lending under Schedule 2, and if a company, the sole purpose must be to lend to local borrowers;
- not publicly solicit, advertise or promote lending (although the use of brokers is permitted);
- money lent must be from an individual or company's own funds; and
- money must be paid to and from accounts held with a bank regulated by the JFSC.

How does this affect me or my regulated business?

This is a limited exemption, and so while it exempts persons from the requirement to have an MLRO/MLCO, policies and procedures, and conduct a business risk assessment, you must still register with the JFSC and conduct CDD on an initial and ongoing basis, including risk assessing customers. As such, you will still need to have processes in place to ensure these

requirements, and the strict exemption requirements, are complied with.

If you provide services to any local lenders, please note they are no longer able to appoint an AMLSP. If you are registered under Schedule 2 but seeking to rely on the exemption, then please contact your Supervisor. Note that registration with the JFSC will still be required.

Specific local lending FAQs are available on the JFSC website for further guidance.

3. Proposed Enhancements to the JFSC AML Handbook

The Jersey Financial Services Commission (JFSC) has proposed a number of enhancements to the AML/CFT/CPF Handbook, published for consultation in June 2025 and scheduled to take effect on 1 January 2026. These updates are part of the JFSC's response to MONEYVAL's 2024 evaluation and aim to improve clarity, consistency, and proportionality across the regulatory framework.

What's it all about?

The proposed changes are not a complete overhaul, but refinements aimed to ensure more consistent application and ease of use. Some key developments include:

- Expanded guidance on identifying "control through other means";
- Two new Codes of Practice relating to Enhanced Due Diligence on complex structures;
- Supplementary guidance around Digital ID, PEPs, and ongoing monitoring across the full customer lifecycle;
- Stricter criteria for applying CDD exemptions in low-risk scenarios;
- New sector-specific guidance for VASPs and DNFBPs; and,
- Replacing Section 17 Prescribed NPO with a standalone NPO CFT Handbook.

How does this affect me or my regulated business?

Firms can begin preparing now by conducting a gap analysis against the proposed Handbook updates, reviewing internal AML/CFT/CPF policies, and planning staff training on the upcoming changes. Stay alert for further JFSC updates, particularly the mapping tools, to help support a smooth transition ahead of the 1 January 2026 implementation date.

4. Update to AMLSP Schedule 2 application process

What's it all about?

The JFSC Guide to the AMLSP application process has always distinguished between registration for relevant activities

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conducted by a 'legal person' or by a person in relation to a 'legal arrangement', but this distinction was addressed in the revised Guide published on 6 October 2025.

How does this affect me or my regulated business?

The registration of trusts as 'legal arrangements' is therefore no longer required, so a trustee's registration will now apply both to activities conducted as a 'legal person' in its personal capacity in acting as a trustee, and to activities conducted in its capacity as trustee. Trusts that are registered as 'legal arrangements' will therefore now be de-registered.

However, this distinction still applies in relation to Limited Partnerships, so the position remains as follows:

- A person who carries on a relevant activity by acting in its personal capacity as a general partner, should apply to register as a 'legal person'; and
- A GP of limited partnerships that carry on relevant activities should apply, in its capacity as GP of each limited partnership for which it acts as GP, to register as a 'legal arrangement'.

It seems likely, however, that discussion on this point will continue, as this 'capacity' distinction is not made in relation to other registration requirements, such as under the Financial Services (Jersey) Law.

5. Motor Finance Commissions Under Scrutiny by the Ombudsman

The issue of motor finance commissions has come under increased scrutiny following recent UK court decisions, most notably *Johnson v FirstRand Bank* (Court of Appeal 2024, Supreme Court 2025), and is now drawing attention from the Channel Islands Financial Ombudsman (CIFO). The UK's FCA has also launched a consultation on a potential redress scheme, signalling that regulatory attention is likely to intensify through 2025 and beyond.

What's it all about?

These cases focused on undisclosed commissions paid by lenders to motor finance brokers, often linked to the customer's interest rate. The Supreme Court ruled that while not all brokers owe fiduciary duties, failure to disclose commissions can still create an "unfair relationship" under consumer credit law.

Although the Channel Islands do not have identical credit legislation, similar principles of fairness and transparency will underpin CIFO's approach to local complaints. Commission and markup practices that lacked clear disclosure are likely to attract scrutiny and potential awards of compensation, particularly where customers may not have understood how broker incentives affected pricing.

How does this affect me or my regulated business?

Affected firms should review their historic commission and pricing models to assess any potential exposure to complaints. Current contracts should be reviewed to ensure they contain full and prominent disclosure of any payments or incentives made to brokers. Taking proactive steps now will reduce regulatory risk and demonstrate good governance ahead of any CIFO investigation or regulatory intervention in this space.

6. Competitiveness programme

In April, the Government of Jersey announced its Financial Services Competitiveness Programme, a strategic initiative to boost Jersey's global competitiveness as an IFC. The programme is structured around four core work streams:

International tax strategy

- Revenue Jersey is developing a forward-looking tax strategy to reinforce Jersey's position as a leading IFC.

Business and regulatory environment

- The Government and JFSC are focusing initially on near-term, on-island improvements to ease doing business, but they are also developing medium and longer-term reforms.
- Mourant has been supporting that work and a number of initiatives are in train. One of the most significant projects is the proposal to reform Jersey's control of borrowing framework. Others include the JFSC's Sound Business Practice Policy, Schedule 2, and Reliance.

External growth strategy

- External consultants are currently conducting a global market review to identify strategic opportunities and competitive gaps, aimed at shaping investment priorities for Jersey's financial sector over the next decade.

Future competitiveness and regulation

The Government, working in partnership with external experts, is preparing a report to inform and guide strategic Government actions focused on enhancing long-term resilience.

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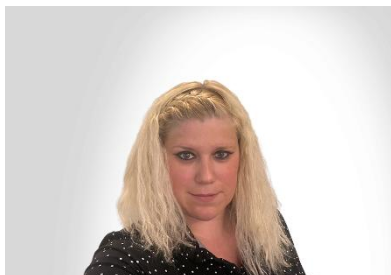
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