

TCSP Supervisory College Protocol

This document sets out the necessary steps to be taken to facilitate a Supervisory College for Trust and Corporate Services Providers, by Group of International Financial Centre Supervisors (“GIFCS”).

Key Objective

The key objective of a College is to facilitate the effective supervision, by relevant regulatory bodies, of a TCSP which has a presence in a number of GIFCS jurisdictions. This will be achieved through the appropriate consideration of all significant risk elements faced by the Group including, amongst others as appropriate, Governance, Strategy, Operational Risk including data and cyber security, financial position including PII cover and Records management. Supervisory Colleges will also seek to achieve a core and common objective of understanding and mitigating systemic risks.

It is also envisaged that the results of these Colleges would result in the evolution of macro-prudential tools and indicators, which GIFCS may include within the Standard.

Supervisory Colleges for TCSPs

The primary function for the conduct of a Supervisory College is to facilitate the sharing of information on an ongoing basis of TCSP Groups. Such information is shared under the provisions of the GIFCS MMOU.

Pre-College activity, roles and responsibilities:

GIFCS Chairman’s roles and responsibilities:

- (1) During the GIFCS Plenary, discuss with GIFCS Supervisors in order to:
 - (1.1) Identify the target TCSP(s) which will be subject to the next College(s).
 - (1.2) Ascertain from all Supervisors whether the target TCSP(s) has a presence in their jurisdiction. From this information, confirm which jurisdictions will join the College(s). Colleges are open to all GIFCS Members that have a nexus to a subject TCSP Group and have provided necessary information. Observers will not normally be permitted to attend Colleges, unless it is agreed in exceptional cases by all College Supervisors.
 - (1.3) Agree College Chair, or Co-Chair, date and venue. The decision of whether to appoint a Chair or Co-Chair rests with the GIFCS Chairman and will be decided on a case by case basis dependent on factors such as the availability of resources and nature, scale and complexity of the College.

- (2) If 1.1 - 1.3 are not finalised at the Plenary, GIFCS Chairman to hold a conference call with relevant College Supervisors to agree as soon as is practical.

College Chair's roles and responsibilities:

- (1) At least 10 weeks prior to a College, where no co-chair has been appointed the College Chair elects a deputy Chair;
- (2) College Chair/s to arrange a conference call between College Supervisors to discuss and reach an agreement on:
 - (a) whether the TCSP should be invited to the College.
 - (b) how and where data in relation to the College should be kept and when the data should be destroyed.
- (3) If it is decided that the TCSP should be invited to the College, ensure that a letter is sent out to the TCSP at least 8 weeks prior to the date of the College [NB the TCSP invite letter may be issued by the Chair/s, or the jurisdiction hosting the meeting, or the jurisdiction which supervises the largest group entity; to be decided on a College by College basis].

In the letter, the TCSP should be invited to attend the College, and should they agree to attend should be invited to deliver a presentation which covers the following areas:

- ✓ Group structure chart and breakdown of key personnel / directors by jurisdiction.
 - ✓ Key performance measures (revenue, staffing, turn over, etc.).
 - ✓ Compliance and risk management framework.
 - ✓ Group business strategy and areas of priority including significant projects¹.
 - ✓ Perceived level of regulatory engagement by jurisdiction.
 - ✓ Group Professional Indemnity Insurance arrangements.
 - ✓ Disclosure of any litigation impacting the Group.
 - ✓ Overview of any other supervisory concerns/focus.
- (4) Where College Supervisors elect not to invite the target TCSP Group, no notification of the College will be given to the TCSP Group unless there are other extenuating circumstances.
 - (5) Request Supervisors to provide specific information (see "Supervisors' roles and responsibilities" below) at least 6 weeks before the College; to be submitted 2 weeks prior to College.
 - (6) Develop and dispatch an agenda no later than 2 weeks before the Supervisory College.

¹ This should include any material challenges being experienced or expected as well as strategies to address these challenges.

- (7) Based on the information received from participating supervisory jurisdictions, prepare a presentation in order to facilitate comparative analysis of the TCSP. This should include a summary of the TCSP's business activities, financial soundness, compliance issues/concerns and potential risks and impact to future supervision. This analysis is aimed at assisting effective group discussion during the College.

Participating Jurisdiction Supervisors' roles and responsibilities:

- (1) Prior to the GIFCS Plenary, consider which TCSPs they wish to propose to be subject of the next College(s).
- (2) At least 2 weeks before the College, submit a presentation to be shared at the College to the College Chair/s, broadly covering the following:
 - ✓ A brief statement of TCSP regulatory and supervisory history (including brief timeline of establishment and highlights since first supervised);
 - ✓ Regulatory risk weighting (impact and probability risk);
 - ✓ Ownership structure chart and disclosed Group structure chart (to determine any variances in how the TCSPs within a group are held and related);
 - ✓ Organisational structure chart which details key personnel and directors;
 - ✓ An overview of the TCSP's significant activities and scope of TCSP business undertaken within their jurisdiction;
 - ✓ Summary of TCSP financial position;
 - ✓ Overview of current and future strategy (where known);
 - ✓ Overview of current TCSP significant projects;
 - ✓ Group PII coverage and individual TCSP PII coverage;
 - ✓ Summary of any known litigation;
 - ✓ Data Security and Cyber Crime overview;
 - ✓ Summary of AML/CFT compliance; and
 - ✓ any other relevant information.

It is anticipated that each jurisdictional presentation will be c. 10 minutes long.

Activities During the College

College Chair/s roles and responsibilities:

- (1) Lead the College meeting as per the agenda;
- (2) Invite College Supervisors to discuss and consider, at least the following:
 - ✓ any evidence of regulatory arbitrage and approaches on how to address this;
 - ✓ any evidence that the risk and/or compliance culture of the Group is not sustainable;
 - ✓ any supervisory action and potential crisis management responses, where a coordinated approach is appropriate and agreed; and

- ✓ identify any other underlying risks and external factors relevant to TCSPs generally that may require a macro response (including for crisis management) amongst GIFCS Supervisors and more widely.

(3) At the end of the meeting, provide a summary of the College discussion, together with agreement of any action items, which can include observations that could improve future Colleges. This summary can also address the need for coordinated approaches to certain risks that pose an immediate threat to Supervisors or jurisdictions.

College Supervisors:

To deliver the pre-prepared jurisdiction presentation and participate in the College.

TCSP:

If invited and participating, will deliver a presentation to cover the information requested in the invitation letter.

Post-College Activity

College Chair/s roles and responsibilities:

- (1) Consider whether there should be any further changes to the College Protocol;
- (2) Provide an outcome note to be circulated to all participating Supervisors;
- (3) Ensure action points arising from the College, if any, are carried out and completed; and
- (4) Ensure that information received from College Supervisors and TCSPs is maintained and/ or destroyed as agreed.

30 November 2017