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4.3 Deputy K.C. Lewis of St. Saviour of the Chief Minister regarding the level of personal information required of Islanders by Jersey banks: [9718]

What representations, if any, has the Chief Minister received regarding the level of personal information required of Islanders by local banks; can he advise whether Islanders are being asked to provide much more information than previously and, if that is case, is he aware of the reasons why?

Senator I.J. Gorst (The Chief Minister):

Could I ask Senator Ozouf to answer this question, as it falls within his remit?

Senator P.F.C. Ozouf (Assistant Chief Minister - rapporteur):

Jersey banks are required to comply with legislation that protects the Island from the threat of money laundering and terrorist financing. This legislation is implemented, so to be in accordance with the international standard set by bodies such as the F.A.T.F. (Financial Action Task Force) and the O.E.C.D. (Organisation for Economic Co-operation and Development). I am sure that Deputy Lewis will be aware of the recent results of the assessment by MONEYVAL in 2015 against those standards and of the high standards of conduct expected by our banks and in Jersey generally and the high marks that Jersey got. I cannot really say whether specific Islanders have been asked in very recent times to provide more information than they were previously; however, recent changes to legislation should not really change the impact on banks that were required to effectively undertake K.Y.C. (Know Your Customer) and A.M.L. (Anti-Money Laundering) checks. It is up to individual banks to decide how they approach and implement the requirements. Given the international focus on this whole area and the actions taken by the regulators - all of the international focus on this issue, fines of 300 billion by the US to certain banks for non-compliance of these issues - there is never before more importance than, effectively, banks knowing who their customers are and, now, the additional information of where their tax domicile, or where their tax residency is.

The Bailiff:

Assistant Chief Minister, K.Y.C., A.M.L., just for the benefit of the listening public.

Senator P.F.C. Ozouf:

I am sorry. K.Y.C., know your customer and anti-money laundering.

4.3.1 Deputy K.C. Lewis:

I think we are all very much aware of the world situation and funds going from one country to another, but local Islanders having presented passports, utility bills, many years ago to open accounts, some people have been with the same bank 40, 50 years. Is the Assistant Minister aware that many people have been very upset by banks recently demanding yet more personal details, including social security number, income tax number and very personal details of any income coming in whatsoever - I am not sure how they can check social security number and income tax number without breaching data protection - with some customers having their accounts shut down because they did not respond to a request. Does the Minister agree that this is unjust?

Senator P.F.C. Ozouf:

I do not and I will have to consult with my colleague, the Minister for Treasury and Resources. It is a requirement, as I am sure the Deputy knows, that income information is shared internationally by a competent authority; this Assembly is passing shortly the new international standard of the F.A.T.C.A. (Foreign Account Tax Compliance Act) arrangements whereby information on income

must be shared with other authorities, and particularly, in the first instance, the United States and the United Kingdom. There is now an international standard, which the Minister for External Relations has before the Assembly shortly, which was signed in Berlin at the end of 2014. It is normal that banks will be collecting information and they will be ... the good news is they will be able to be populating people's tax returns so that they do not have to go and fill that information themselves. That means that, for example, people can have a tax return automatically filled in, like Deputy Wickenden and I saw in Estonia, which means that, for example, bank interest automatically is on the tax return, so the individual, who has nothing to hide, does not have to do anything at all. We can expect more compliance and more information to be held by banks, so that anti-money laundering, tax evasion, can be dealt with.

4.3.2 Deputy S.M. Wickenden of St. Helier:

I am glad the Assistant Minister mentioned Estonia. Estonia currently use additional I.D. (identification) or an e-residency programme that the financial services use within their K.Y.C. Could the Assistant Minister give us his views on that and whether he is working with our financial services to look into this solution?

Senator P.F.C. Ozouf:

I think Deputy Wickenden might know the answer to that question, and the answer is: yes. That is the only thing that I would say. I think that all of us are frustrated, perhaps, in needing to take a utility bill and most of the Members of the Assembly will be P.E.P.s, that is politically exposed persons and, of course, there is enhanced due diligence on P.E.P.s, that means people in political office and, effectively, what Deputy Wickenden is saying is that if we can have a verified and vetted universal identifier that will mean that the banks do not have to ... the J.F.S.C. (Jersey Financial Services Commission) accepts it and we are in discussion with the J.F.S.C. That means that we will not have to do the sort of old-fashioned kind of checks of taking in passports, because there will be a central database of knowing vetted and verified individuals, which will also be able to be rolled out for government services.

The Bailiff:

Can we come back to Deputy Kevin Lewis's question please?

Deputy M. Tadier:

May I raise a point of order?

The Bailiff:

Excuse me, Deputy, I am talking. That was right at the very edges of the margins, Deputy Wickenden, and to turn it into a question from the Assistant Minister to the Minister about his own subject is not appropriate.

Deputy M. Tadier:

I think you just ruled on the point of order I was going to raise, Sir.

4.3.3 Deputy T.A. Vallois of St. John:

Could the Assistant Chief Minister advise what he would recommend for people to do, who have experienced issues where they have provided such sensitive information to the banks and been advised that their accounts have been closed down, because they have not provided the information, and the information has been lost? There have been many applications to the Data

Protection Commissioner with regards to this particular situation and there are serious concerns about the sensitive information going missing.

Senator P.F.C. Ozouf:

First of all, the banks are all subject to, of course, the most stringent oversight by the Financial Services Commission, who are, of course, the regulator and they will be, of course, being assessed on to their compliance with the standards of knowing who their customers are. There is an ombudsman now, so people do have that additional ability to complain in the ... I am not exactly sure it does not fall within my remit, but I certainly think that that is an option and I will correct it if it is not right that they cannot ask the ombudsman. But, certainly, there have been banks, and let us be frank about it, that have been having to do some pretty serious due diligence on their whole portfolio of clients, and that has caused a number of people to be concerned. I understand why Deputy Lewis is asking the question. People at banks ... I have banked with my bank for 46 years but they still want to know my passport and have 2 utility bills. I never say do they know who I am, but I assume they do. But they need to make this requirement. Deputy Wickenden's question, I know you ruled it inappropriate, but having a verified and central database of people, knowing who they are, that is being held by the J.F.S.C., can be relied upon by banks, is going to be a much better solution.

4.3.4 Senator S.C. Ferguson:

Given that most of us, or a lot of us, have 2, or 3, accounts at the banks, and given that some of us have already given 2, or 3, copies of our passport, does not the Assistant Minister consider that some of this demanding of information is somewhat Orwellian and, perhaps, over the top?

Senator P.F.C. Ozouf:

I, certainly, have had views expressed in forthright terms from different clients at different banks that the approach, in implementing the stringent requirements of the international community, have varied. It is up to the individual banks to apply those standards in their own way and they will be assessed. The point I would make to Senator Ferguson is that people have a choice. If a bank does not ... they are not nationalised banks. We cannot tell them what to do. They have to comply with the standards and if a bank is being, effectively, repeated in terms of their requests, then customers will make choices about who they will deal with. There are banks that will deal with the absolute requirements of the letter of the regulations, but will implement it in an appropriate way, rather than repeated requesting of information that has already been received. The market place will be well aware of those banks that are doing a friendly job in difficult circumstances, but a correct job, and those that are basically doing it inefficiently.

4.3.5 Senator S.C. Ferguson:

But is the Minister aware that a number of our clearing banks are, in fact, branches of the main U.K. company and, therefore, are using U.K. money laundering rules and not Jersey money laundering rules?

Senator P.F.C. Ozouf:

Of course I am aware of the banks being branches or subsidiaries. That is the whole debate that is going on and we are seeing a whole series of changes with our financial institutions with the ring-fencing arrangements. There is a whole series of different changes. But this is not the jurisdiction of the United Kingdom, this is Jersey. We have our own regulatory authority and our own regulatory authority which, if I may say, does a splendid and excellent job, as evidenced by the MONEYVAL report, and it is not simply the lifting of U.K. regulations into Jersey. It is the Jersey approach, by

Jersey institutions, and they do that job. We collect much more information than other places; beneficial ownership registers, all the rest of it. We stand to stay an exemplar jurisdiction, may I say, better than some other jurisdictions, and that is why we are growing as a finance centre.

4.3.6 Deputy K.C. Lewis:

We are all aware of the K.Y.C. and know your clients, and I am sure everybody is against any kind of money laundering and terrorist money coming to the Island. But I am talking about local customers that have been with the bank 40, or 50 years, who are being unjustly criticised. I am glad that Senator Ferguson mentioned Orwellian, because Big Brother certainly came to mind with banks going to have access to income tax details. That is very worrying indeed. But most people that contact me just think that the demands are over the top, because they already have the passport and utility bills and to keep demanding more and more information is unnecessary, insulting and intrusive and downright rude. Does the Minister not agree?

Senator P.F.C. Ozouf:

I do not know why Deputy Lewis is surprised. This Assembly has debated, and has had explained to it, the new standards that are required that banks have to put information to the Jersey Tax Authority and exchange that information automatically with the United Kingdom and the United States; and now the international standards that were signed in Berlin, all of the multilateral convention on mutual assistance, *et cetera*, and that that information is going to be transmitted to the relevant tax authority. So, therefore, an old record that had somebody without their tax residency being known did need to update their records. That information does need to be gathered and there is an obligation to report that. Deputy Lewis, if he wants to come into the Financial Services Unit to understand what is going on, that is the world that we live in. We have to collect information on income ...

The Bailiff:

Try and keep the answer short.

Senator P.F.C. Ozouf:

... put it to the Tax Authority and it must be basically transferred to the relevant competent authority around the world. There is no place for hiding income anymore. That is why we are growing as a finance centre because we do it properly.