

22.03.29

4 Deputy M.R. Higgins of the Minister for External Relations and Financial Services regarding assets of Russian oligarchs (OQ.48/2022)

Following reports that Russian oligarchs have tried, and may have succeeded, in transferring their U.K. assets into irrevocable trusts, will the Minister advise Members whether any Russian oligarchs (on the various sanctions lists) have evaded their UK and Jersey assets being frozen or seized, through the use of Jersey trusts; and, if so, how has this been allowed to happen?

Senator I.J. Gorst (The Minister for External Relations and Financial Services):

The Deputy will be familiar that we have set up a taskforce to examine customer relationships associated with Russia and Belarus and entities and assets where there is a link to Jersey. The work naturally has particular focus on sanctioned individuals and would include the examination of any structure linked to those individuals, including trusts. The taskforce continues to carry out its work and I have committed to publishing appropriate and relevant monthly statistics, the first set of which will be published next week. The Deputy will be familiar with the fact we cannot comment on any active cases, including those that might involve trusts, so I cannot answer this question concerning any active investigations that may be ongoing. More generally, of course, we have made the financial services industry aware of their relevant sanctions obligations, published with the J.F.S.C. (Jersey Financial Services Commission) a joint risk statement concerning customer relationships associated with Russia and Belarus on 18th March. We have particularly highlighted the circumventing provisions in sanctions legislation if a person participates in an activity knowing that the object is to evade sanctions.

3.4.1 Deputy M.R. Higgins:

Is it not the case, Minister, that weaknesses have been found in the system and that many companies are having to have increased supervision because of perhaps laxness in the past? Will the Minister tell us what things have been found in terms of systemic problems? I say systemic, it may only involve a few but there are certainly cases. Will he give us indications of what they have found so far?

Senator I.J. Gorst:

The Deputy realises that in answer to his direct question it puts me in a very difficult position because if there are ongoing cases, which his question is really about, then it is inappropriate for me to comment on them in the public domain. The work of the taskforce, which was published and will be further published this week, is categorising industry and it is not saying that there are systemic issues but it is categorising the work that they do with firms that have a high level of Russian assets that they administer or a high level of Russian P.E.P.s (politically exposed person) that are U.B.O.s (ultimate beneficial owner). They are taking a very appropriate risk-based approach and we are doing that in conjunction of course with the U.K. and the taskforce that we have in Jersey, works very closely and in conjunction with the taskforce in the United Kingdom and across Western Europe.

3.4.2 Deputy G.P. Southern:

Could I ask what new measures are in place, if any, to increase over and above the normal know-your-client measures already in place? In particular, have there been any extra enforcement officers employed in order to satisfy that our measures are sufficient?

Senator I.J. Gorst:

If I take the last part of that question first, resources and individuals have been added and allocated to the taskforce work, not only in my department and in the sanctions area but in the J.F.S.C. and right across all of the agencies that are involved in this taskforce work, ensuring, firstly, that sanctions are appropriately implemented and that there are not the loopholes, which I know the Deputy is rightly concerned about. Secondly, if there has been inappropriate activity they are rightfully brought to justice through the Jersey court system; so that is in answer to the second part. The first part, the Deputy will know from answers that I have previously given in this place, that there are already enhanced requirements for all Russian and Belarusian facing individuals or structures.

3.4.3 Deputy G.P. Southern:

The question remains: what new measures, if any, are in place?

Senator I.J. Gorst:

It does not quite work like that. The Deputy can laugh and show his ignorance if he wishes to but of course it does not quite work like that, as he well ... I do not know if he wishes for a point of clarification, Sir.

The Greffier of the States (in the Chair):

No, you cannot do a point of clarification on a question. I think the Deputy needs to listen to the answer.

Senator I.J. Gorst:

Arising out of the Island-wide risk review, the national risk assessment, as I informed Members at the last States sitting, enhanced procedures were put in place for all Russian and Belarusian-faced either U.B.O.s or structures or where there was a major connection. Those enhanced procedures are not just straightforward, they go to the level of expertise in the individual firm, the way that they have been supervised and can provide confidence to the supervisor. They go to the complexity of the individual structure, they also of course go to the relationships that the U.B.O. might have. They are very complex but they are greatly enhanced from other normal business.

3.4.4 Deputy K.F. Morel:

I was just thinking as a slight aside it might be worth explaining some of the acronyms used, just for the public record for the acronyms. My question is the taskforce that the Minister mentioned in his response to Deputy Higgins, what legal powers does it have to compel the provision of documents to the taskforce to uncover the reality behind these charges, which naturally are many-layered and often created to hide things? What legal powers does the taskforce have?

Senator I.J. Gorst:

There is a very great difference between appropriate confidentiality and the accusation that something is created to hide things. As the Deputy knows, because he was involved in scrutinising the new sanctions legislation before he became the Assistant Minister for Economic Development, Tourism, Sport and Culture, there are legal powers that I have as Minister to compel the production of information in regard to sanctions. There are legal powers that the law officers have, there are legal powers that the Financial Intelligence Unit have, and there are legal powers that the J.F.S.C. have. There are legal powers in place to make sure that information is provided and that people are acting appropriately and where they might be found not to act appropriately that they are brought to justice.

3.4.5 Deputy K.F. Morel:

Excuse my ignorance, could the Minister confirm that all those legal powers for all those different individuals and authorities sit within the taskforce as well? I apologise for my ignorance on this but I just want to ensure the taskforce has legal powers.

Senator I.J. Gorst:

Yes, they do and that of course was the underlying purpose of creating the taskforce, was to make sure that the legal or the authorities, as we refer to them, which are the ones that I have just described, were working very closely together, appropriately with strict lines of demarcation and operational independence but that they were brought together so that we could not have things slipping between the net, as it were.

3.4.6 Senator S.W. Pallett:

A more general question, and I hope there is a very simple answer to this. Can I ask the Minister whether he believes the asset-freezing legislation in Jersey was adequate to deal with the sanctions imposed by the U.K. Government on Russian companies and individuals and, if not, is he doing anything to strengthen that legislation?

Senator I.J. Gorst:

You could say this is a benefit of Brexit but I would not possibly say that. Of course the sanctions legislation was amended and we have a brand new piece of up-to-date appropriate sanctions legislation arising out of the fact that the U.K. left the European Union and it meets best practice and of course follows U.K. best practice as well.

3.4.7 Senator S.W. Pallett:

Does the new legislation fill any potential loopholes that may have allowed Russian companies or individuals to run away with their assets before they were frozen?

Senator I.J. Gorst:

Sanctions legislation applies to sanctioned individuals and companies where sanctions are in place. I think that is as much as I can say without wanting to be drawn into other actions that members of the taskforce might be taking.

3.4.8 Deputy M.R. Higgins:

The Minister is being very evasive on all of these areas, perhaps he can tell Members how many billions of pounds of Russian assets have been discovered so far through the work of the taskforce but are based in Jersey?

Senator I.J. Gorst:

I have a question from Senator Mézec about the total amount of current frozen assets, and I intend to answer that question later in the Order Paper. I will be, as I indicated in my opening response, rather than being evasive I am doing the reverse. For the first time we will be publishing amounts of frozen assets in Jersey, the number of notifications and I will be doing that and updating the public on a monthly basis, but I will be firstly answering Senator Mézec's question later this morning.

Deputy M.R. Higgins:

But since he will not answer my question, can I ask another one then?

The Greffier of the States (in the Chair):

Deputy, that is enough, thank you.