

3.9 Deputy K.C. Lewis of the Minister for Treasury and Resources regarding the operation of any ‘Vulture Funds’ in or through Jersey:

Will the Minister advise whether he is aware of any “Vulture Funds” operating in or through Jersey, whereby outstanding Third World debts are purchased by companies which then seek to recoup the full amount of the debt plus penalties? If so, would the Minister assure Members that such funds will be prohibited from operating within the Jersey financial system?

Senator T.A. Le Sueur (The Minister for Treasury and Resources:

No, Sir, I am not aware of any “Vulture Funds” operating in or through Jersey. Nor would I or Jersey Finance Limited wish to see any such activities carried on in or through Jersey. Having said that, it is difficult to give any categorical assurance that no such activities could occur in Jersey. The Jersey Financial Services Commission has assured me that within the limits of their powers they will discourage any such activity where it is known to them. However, the memorandum and articles of association of a company are usually so widely drawn as permits a variety of activities, not all of which will come under the direct scrutiny of the J.F.S.C. I would hope that all those engaged in the finance industry would be watchful and seek to discourage any activities of this nature. I am grateful to the Jersey Finance Limited for their support in this way. I should perhaps add that debt restructuring is a common activity in all jurisdictions, including Jersey, and is normally used for legitimate commercial purposes. Any attempt to try to legislate against “Vulture Funds” specifically would be extremely difficult without closing the door to a whole range of legitimate corporate debt restructuring. I would prefer to rely on the desire of responsible members of our finances services industry to ensure that “Vulture Fund” activities do not occur in Jersey and Jersey Finance Limited, and the Jersey Financial Services Commission, share that view.

3.9.1 Deputy K.C. Lewis:

I thank the Minister for his reply, Sir, and I take great comfort from that. The Minister is no doubt aware that “Vulture Funds” are in clear breach of international debt cancellation agreements. Further to that, recently a British Virgin Island based company did in fact buy the debt owed to Romania for just a few million dollars and then sued Zambia for the full amount, thereby negating all the good work done by organisations such as our own Overseas Aid. I believe they got about 48 million dollars. Will the Minister undertake to block any future funds that attempt to come through Jersey? Thank you, Sir.

Senator T.A. Le Sueur:

Yes, I am aware of the Romanian case that the Deputy talked about, and I am reassured by the stance taken by the local industry. In terms of blocking funds coming in, when it is clear what the funds are being used for, yes, Sir, I am sure we can take whatever steps are within our power to do that. But I would repeat that very often these things come more or less under the radar, and it is not always as easy as might be assumed to detect them.