

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT
BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON TUESDAY 11th MARCH 2008

Question

- “(i) Will the Minister inform members of the extent to which Jersey Finance’s plans for future growth of the finance sector are dependent on the securitisation market which has now contracted due to the sub-prime and Northern Rock crises?
- (ii) Will he further indicate to members what estimates he has for growth in the finance sector in 2008 and 2009 today, and how this compares with previous estimates?
- (iii) Is the Minister confident that the economic case for the building of a new finance centre with over 500,000 sq. ft. of office space at the Waterfront is unaffected by these recent developments?

Answer

Jersey Finance’s role is to facilitate product development as well as to work to promote the finance industry in order to respond to the challenges and opportunities facing the finance sector. This assists in the strategic development of the finance sector. However, the finance industry is extremely diversified and strategic development does not rely solely on the securitisation market. For example, one area where work is currently being undertaken by Economic Development and Jersey Finance is into developing a foundation product. It is anticipated that introducing such a product to Jersey will permit the Island’s trust company businesses to have increased success in reaching out to investors in civil law jurisdictions where trusts are not fully understood. In the area of securitisation itself, mortgages receivables which are the products at the heart of the sub-prime issue are only one part of a diversified securitisation market including other types of receivables such as credit card receivables and hire purchase receivables.

However, we are clearly in a time of uncertainty and no-one across the world claims to be able to accurately predict the full effect of the sub-prime issue and the degree to which it will spread to and affect other financial markets. In Jersey, there are no governmental growth estimates for the finance sector. However the Statistics Unit publishes a Survey of Financial Institutions each year. The last report was made in July 2007 using data collected in the previous few months before the sub-prime issue had impacted significantly on world markets. Further data will be collected over the next few months which may give a more accurate picture of the effect so far as well as the sector’s expectations of profits for 2008.

There are also figures prepared by the Jersey Financial Services Commission which show that at the end of 2007, year on year, the amount of funds under administration were up 37% to £246billion, funds under management were up 27% to £79bn, and bank deposits were up 12% to £212bn. However, although these figures show strong growth they probably do not reflect the effect of the sub-prime issue. The Economic Development Department will continue to monitor the performance of the finance sector and respond in an appropriate manner to developments.

Turning to the third part of the question, the Minister for Economic Development is not responsible for the Waterfront Enterprise Board (“WEB”) WEB report to the Chief Ministers Department. However, in order to assist the States, I am informed of the following by WEB.

The developer has approached potential occupants for the proposed offices to be constructed within the Esplanade Quarter both at Head Office and at the local level subsequent to the sub-prime issues in the US and Europe. The developer is confident that sufficient demand exists to fill the space over the proposed

period of construction and indeed the demand is such that construction may need to be accelerated. This demand has been independently verified by consultants of international standing.

The developers will be building between four and six buildings immediately that planning permission is granted to satisfy the short term demand and these buildings can be delivered within two years from commencement.

The developer is strongly financed with high equity funds and low leverage and has a history of developing mixed use schemes much larger than proposed at the Esplanade Quarter. The developer is a long term holder and manager of schemes that it constructs and is fully committed to a long term presence in the Island already demonstrated by its activities within the site from Liberation Square to Castle Street.”