

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT
BY DEPUTY M.R. HIGGINS OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 30th NOVEMBER 2010**

Question

Will the Minister provide members with the figures (as supplied by the Jersey Financial Services Commission to the International Monetary Fund) relating to the level of upstreaming of deposits in sterling and foreign currency from banks resident in Jersey to their offices in London and to the money markets in London on a monthly basis from January 2007 to the present day?

Answer

The following table shows in diagrammatic for the data held by the JFSC in respect to the Deputies question.

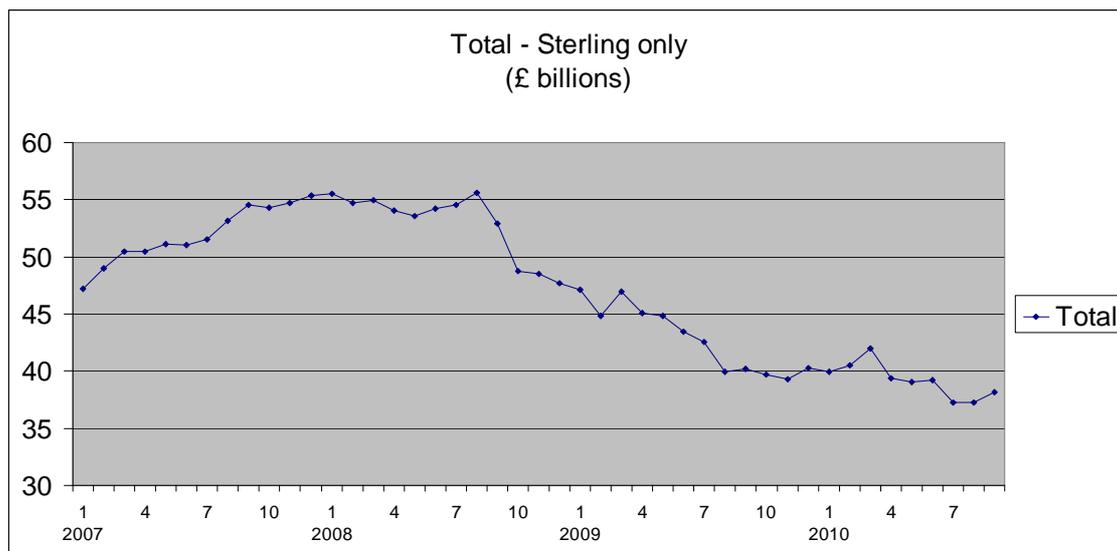


Table 1 as supplied by the JFSC on 24 November 2010.

The offshore banking model, which garners deposits in a finance centre that generates far more funds than can usefully be used in the local economy, and feeds, or up-streams- the majority of these into its parent banking group, typically for use onshore - has been the subject of recent review by the UK authorities.

This review was in conjunction with the UK's FSA developing more stringent rules on liquidity management, which might have led to up-streamed deposits from offshore subsidiaries losing their usefulness. However, the announcement detailed below has appeared on the FSA's website recently, which would appear to reflect a reversal of its previous approach and, therefore, a reduced threat to the Jersey banking model.

18 November 2010 - Enhanced liquidity regime

The Financial Services Authority (FSA) published its enhanced liquidity regime in October 2009 which introduced both tougher qualitative and quantitative standards for firms. At that stage the FSA took the decision not to tighten quantitative standards.

Since then, the Basel Committee has moved further towards introducing minimum global liquidity requirements that would be implemented through EU law. The FSA will consider how best to calibrate the UK regime once these international proposals have been finalised.

Given this development, the FSA does not believe it is appropriate to set industry-wide transition requirements for the UK's larger banks at this stage, although they should expect to at least meet any new international standards by the currently proposed implementation date of 1 January 2015.