

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY D.J. DE SOUSA OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 5th JULY 2011**

Question

Has the Chief Minister assessed the possible implications for Jersey if Greece was to default on its debts and the Euro was to cease to exist, in view of concerns expressed in this regard by the Bank of England and in light of Jersey's dependency on the finance industry and, if so, would he give members details?

Answer

I visited Brussels on the 27th June and met with senior European Commission officials and heard at first hand the action being taken in response to the Greece sovereign debt crisis.

Here in Jersey the Financial Services Commission is monitoring the possible impact on the regulated financial institutions of Greece defaulting on its debts. As the banks in Jersey are primarily deposit gatherers rather than major lenders there is understood to be very little direct exposure to Greek debt. The impact of a default by Greece can be expected to be felt more by some if not all of the parent banks. However, as was the case with the global financial crisis, we can take comfort in the strength of those parent banks and the degree of oversight being exercised by the parental supervisory authorities.

There is every reason to expect that the European Central Bank and the Euro zone countries will continue to take all necessary measures to support the Euro. However, should the Euro cease to exist it would then be replaced by national currencies. This change and its possible influence on the holding of other currencies such as pound sterling or the US Dollar might be expected to provide business opportunities as well as challenges for the finance industry. There is no reason to expect that this will have an adverse effect on the deposit gathering by the Jersey banks and insofar as the UK and pound sterling are seen as more attractive options this could have an advantage for Jersey with its close complementary relationship with the City of London.

The position on the crisis in Greece will continue to be closely monitored and in this having an office in Brussels is proving to be of great value.