

The Chairman of the Economic Affairs Scrutiny Panel regarding the establishment of a Sub-Panel to investigate money laundering

6.1 Deputy G.P. Southern:

The Economic Affairs Scrutiny Panel has been seeking a suitable topic to investigate in order that it may fulfil its duties in respect of scrutiny of our largest industry, the financial services sector. It has noted with interest the provisions of the draft Money Laundering (Jersey) Order 200-, which has been developed from the Money Laundering (Jersey) Order 1999, in response to new directives from the financial action task force on money laundering. In particular, it is aware of the adoption of a risk-based customer due diligence approach, which has been the subject of some debate. The Panel is aware of the need to rigorously protect the reputation of the Island and its financial services industry. Consequently, the Panel has agreed to form a sub-Panel to conduct a Scrutiny review into aspects of the implementation of this measure and other developments on the preservation of the Island's integrity. The 2003 inspection by the IMF (International Monetary Fund) recommended additional resourcing requirements for the enforcement of the regulatory regime. Therefore, my Panel will undertake an independent assessment of how these requirements have been delivered prior to the forthcoming inspection by the IMF due to take place in the second quarter of 2008. Terms of Reference are currently being drafted and the Panel will make every endeavour to limit the scope of the investigation so that it can report back to the Assembly by the end of January 2008. The sub-Panel will consist of myself, Deputy Ferguson, Deputy Breckon, Connétable Jackson and Deputy Lewis.

6.1.1 Senator J.L. Perchard:

Will the Chairman of the Economic Affairs Scrutiny Panel inform the Assembly if Jersey's arch critic, Mr. Richard Murphy, had any involvement or indeed any input into the drafting of the draft Terms of Reference for this review and, if so, why? Why would the Deputy seek the assistance from someone who so actively tries to destroy our finance industry, the very person who was the primary author of the document from the Tax Justice Network which was a catalogue of lies about Jersey's finance industry?

Deputy G.P. Southern:

May I first of all assure the Members that I do not intend to apply for the post of Environmental Chairman in Scrutiny. I am quite happy to stay as the Chairman of the Economic Affairs Scrutiny Panel. I will repeat that the Terms of Reference are currently being drafted, have not been finalised, and state that, yes, the issues are the subject of intense debate, internationally and nationally, and not least by organisations like Tax Justice Network. They are equally the subject of debate within the industry and the subject of intense focus. It is, I believe, appropriate that we do examine these changes at this moment now in between 2 IMF reports so that we can fulfil our remit within the financial services sector.

6.1.2 Senator J.L. Perchard:

Can I ask for clarification of the question I asked? I asked the Deputy if Mr. Richard Murphy had had any involvement or indeed any input into drafting the draft Terms of Reference of which I have seen a copy. Has Richard Murphy - yes or no - had an interest in assisting the Chairman in drafting the draft Terms of Reference?

Deputy G.P. Southern:

I can frankly say that I have had discussions with the Tax Justice Network on this subject.
[Members: Oh!]

Senator J.L. Perchard:

Shame on you.

Deputy G.P. Southern:

And repeat that the issues raised are the focus of both local and international interest.

6.1.3 Deputy I.J. Gorst of St. Clement:

Bearing in mind the fact that Scrutiny prides itself on being the voice of the people and representing the people, could the Chairman confirm to us how many individuals have contacted the Panel and requested that this review be undertaken, or how many individuals representing organisations whose views are well known?

Deputy G.P. Southern:

This review has not been brought about by public demand. It has been brought about by our desire to look at and examine aspects of our major industry. The Economic Affairs Scrutiny Panel cannot, after 18 months, I believe, continue without having examined aspects of our major industry and examine aspects of what are relatively minor industries on the Island.

Deputy I.J. Gorst

So, can I take that as that no individuals have requested this review?

6.1.4 Senator P.F.C. Ozouf:

Just as I as Minister must disclose all correspondence between various different bodies, would the Chairman agree to disclose the correspondence that he has had between Mr. Richard Murphy and himself and his Panel, in respect of drafting the Terms of Reference? Would he also please confirm what were the second and third topics of investigation that he was considering carrying out for financial services, as in the first sentence, he says he has been trying to find suitable topics. What were the other topics which fell short of the first slot?

Deputy G.P. Southern:

The first slot might have included examining Jersey Finance Limited and its funding, but that has been put on the back bench. In terms of releasing documentation, I have no problem with that.

6.1.5 Deputy P.V.F. Le Claire:

My question really follows the last question much along the same lines. What aspects of the International Monetary Fund and the last report were examined by the Scrutiny Panel before they decided to choose this particular line, and why did they choose this particular line?

Deputy G.P. Southern:

The 2003 IMF report made many suggestions, many of which have been acted upon but, in particular, it made recommendations about the level of staffing and resource that were required by the Financial Crimes Unit and we shall examine whether that level of resource was indeed delivered and how effective it has been delivered. As to the reasons why, this is an ongoing consultation by the finance services industry about changes recommended by an international body which have serious repercussions for the way in which we conduct business on the Island, and it is appropriate, and I think the timing is right, so that we can fit this investigation in and report back in time for the forthcoming IMF inspection.

6.1.6 Deputy J.A. Hilton of St. Helier:

Firstly, could the Deputy please confirm the Members of the sub-Panel that he is going to set up?

Deputy G.P. Southern:

For the sake of those who have missed it, the sub-Panel will consist of myself, Deputy Ferguson, Deputy Breckon, Connétable Jackson and Deputy Lewis. So, it is the Economic Affairs Scrutiny Panel with one addition, the distinguished Chairman of PAC (Public Accounts Committee).

6.1.7 Deputy J.A. Hilton:

A follow-up question; it is a question I would have liked to have asked the Deputy previously. From the names that he has given, it would appear that 3 members of both those Panels looking into those issues are either members of the Jersey Democratic Alliance or have had a previous association with that party - Deputy Breckon, Deputy Lewis, and Deputy Southern, so my question is, I would like the Deputy to tell the Assembly and also the public of Jersey, how he is going to produce a completely unbiased and transparent report into these issues.

Deputy K.C. Lewis:

Can I just point out that I am an independent and not a member of any party?

Deputy J.A. Hilton:

Deputy Lewis was a member of the Jersey Democratic Alliance before he stood for election in 2005 and then transferred to the Centre Party.

The Bailiff:

We must allow Deputy Southern to answer the question that has been put.

Deputy G.P. Southern:

I believe that, yes, I am a member of the Jersey Democratic Alliance as, I believe, Deputy Lewis was for a short while before he was elected, and that membership of a political organisation does not preclude anybody in any jurisdiction anywhere from fulfilling the duties, professional duties, attached to Scrutiny in an independent and rigorous manner, in any way whatsoever, and I stand by that.

6.1.8 Senator F.H. Walker:

I would like to ask the Chairman how, when it is so well known that the Tax Justice Network, not just Mr. Richard Murphy, is dedicated to bringing down Jersey's finance industry, how he can justify appointing him as an allegedly impartial adviser to assist in the drawing up of the Terms of Reference? Who else, Sir, also has advised the Chairman and, indeed perhaps, the Panel on the Terms of Reference and do the Panel have any plans to appoint Mr. Murphy or any other representative of the Tax Justice Network as an advisor during their deliberations? Finally, does the Chairman not think that they are, in effect, trying to pre-empt the IMF and this assessment should be left to the hands of the real experts, who are the IMF? Finally, is it not the case that any review which has any association with Mr. Richard Murphy or Tax Justice Network will lack any credibility whatsoever?

Deputy G.P. Southern:

There is no question of me appointing any advisors at this stage. We are looking for a forensic accountant to assist us with our duties, obviously. I have not appointed Richard Murphy as my advisor. I have had conversations with Richard Murphy and I have **[Interruption]**

The Bailiff:

I think that comment, Senator Perchard, must be withdrawn please.

Senator J.L. Perchard:

I will withdraw that comment.

Deputy G.P. Southern:

Thank you. I intend to rigorously and independently look out for the interests of Jersey in doing Scrutiny, performing Scrutiny, on this vital and important issue. Nor will I be unduly influenced by any pressures or any considerations coming from Tax Justice Network. I will maintain, and I believe I can, a rigorous impartiality and examine the evidence. However, it must be admitted that the issues that we will be looking at involving money laundering are serious ones that the

financial services industry itself has under constant supervision and vigilance. It is an important issue and I believe we should and can do this in a proper manner.

Senator F.H. Walker:

The Chairman has not answered my question. I did ask does he or the Panel intend to appoint any representative of Tax Justice Network as an advisor, not whether they have, whether they intend to.

Deputy G.P. Southern:

Well, that is a Panel decision, but it is not my intention at this stage, or nor would it be in the future to appoint any member of Tax Justice Network to be an advisor to that Panel.

The Bailiff:

Very well. That completes the time allowed. I am sorry, Deputy. We have more than extended the period permitted by Standing Orders.