



Economic and International Affairs Scrutiny Panel

Quarterly Hearing

Witness: Assistant Chief Minister with Responsibility for Financial Services

Friday, 21st April 2023

Panel:

Deputy M.R. Scott of St. Brelade (Chair)

Connétable M. O'D. Troy of St. Clement

Connétable R. Honeycombe of St. Ouen

Witnesses:

Deputy E. Millar of St. John, St. Lawrence and Trinity, Assistant Chief Minister with Responsibility for Financial Services

Mr. R. Corrigan, Chief Officer, Department for the Economy

Mr. G. Pearmain, Director of Financial Crime Strategy

Ms. H. De La Cour, Acting Director, Financial Services

[10:31]

Deputy M.R. Scott of St. Brelade (Chair):

Welcome to this quarterly hearing of the Economic and International Affairs Scrutiny Panel. The aims of this hearing are to understand the ministerial responsibility for financial services, to gather evidence specific to the legislative priorities and the ongoing work of the Minister for Financial Services, to gather evidence on items of the ministerial delivery plan and to gather evidence regarding the upcoming legislation for MONEYVAL. I would like to draw everyone's attention to the following. This hearing is to be filmed and streamed live and the recording and transcript will be published afterwards on the States Assembly website. All electronic devices, including mobile phones, should be switched to silent, please. We do not have any members of the public present,

so I do not need to say anything there. For the purposes of the recording and the transcript, I would be grateful if everyone who speaks could ensure that you state your name and role, so we can begin with introductions. I will start with suggesting that the panel members introduce themselves, followed by the ministerial team. I will point out that of the 3 members of the Economic and International Affairs Panel, we have 2 online, and I will start with them, please.

Connétable M. O'D. Troy of St. Clement:

I am Marcus Troy, Constable of St. Clement.

Connétable R. Honeycombe of St. Ouen:

Richard Honeycombe, the Connétable of St. Ouen.

Deputy M.R. Scott:

I am Deputy Moz Scott. I am the Chair of the Economic and International Affairs Panel.

Assistant Chief Minister with Responsibility for Financial Services:

Deputy Elaine Millar, Assistant Chief Minister with Responsibility for Financial Services.

Chief Officer, Department for the Economy:

Richard Corrigan, Chief Officer at the Department for the Economy. My apologies for being a few minutes late. We were interviewing with media around Operation Nectar.

Acting Director, Financial Services:

Helen De La Cour, Acting Director, Financial Services.

Director of Financial Crime Strategy:

George Pearmain, Director of Financial Crime Strategy.

Deputy M.R. Scott:

Thank you very much. We also have in attendance our panel officers.

Panel Officer:

Peter Lamy Committee and Panel Officer.

Deputy M.R. Scott:

I believe we have Janice online as well. Before this meeting commences, I would like to point out we have got one hour scheduled for it and quite a few areas of questioning, so if questions remain at the end of the hearing or if there is a need for more detail, we will send these to the ministerial

team afterwards. I also will point out in case you are wondering why Constable Honeycombe is saying a bit less, he is attending while recovering from, or hopefully recovering from, a health condition. We are conserving his energy, so Constable Troy and I will be asking the main questions. To start with, I would be grateful, Minister, if you could please explain the background of your appointment as Assistant Chief Minister with Responsibility for Financial Services.

Assistant Chief Minister with Responsibility for Financial Services:

I think the background is simply that when Deputy Ozouf withdrew from the financial services portfolio, there were those discussions and the Chief Minister appointed ... decided to establish a ministerial group, which I chair. I chair that group but I am the Minister ... I am being styled as the Minister for Financial Services as I chair that group and have been carrying out the main responsibility for it. In February, myself and Ian Gorst, Deputy Gorst, were appointed as Assistant Chief Ministers with Responsibility for Financial Services, pending the formal transfer of financial services from the portfolio with external relations to the Chief Minister, and I believe the order to do that was made on 14th March. Sorry, I have written the dates down because it is quite convoluted. The Chief Minister gave notice to the States of the intention to move financial services to the Chief Minister from the external relations portfolio on 14th March and the order was made on 5th April and is now in effect. Myself and Deputy Gorst will now be formally delegated responsibility for financial services. We are doing so as Assistant Chief Ministers. The delegation has been prepared but has not yet been signed. In the interim period, before the transfer of financial services to the Chief Minister, I was appointed as an Assistant Minister to the Minister for External Relations and Financial Services with Responsibility for Financial Services under that. There have been various appointments and ministerial decisions to effect all those things but I think we are now in a position where I am Minister for Financial Services with the ministerial group. We are still establishing how we will work those out. For example, while I have main responsibility particularly for things like MONEYVAL, Deputy Gorst has a particular interest in sustainable finance, so he will be leading on that aspect of the work in future. Deputy Morel has a particular interest in the local economy and services, banking and financial services, being provided in the local economy and indeed the position of local financial services businesses, as businesses, and the Chief Minister is maintaining an overview although clearly she has an interest in various aspects.

Deputy M.R. Scott:

Perhaps I could just clarify this. You chair a committee that has responsibility for financial services?

Assistant Chief Minister with Responsibility for Financial Services:

Yes. It is a ministerial group.

Deputy M.R. Scott:

It is a ministerial group and Deputy Morel is a member of that group because I did not ... I thought initially ...

Assistant Chief Minister with Responsibility for Financial Services:

Apologies. Yes, the ministerial group comprises the Chief Minister, Deputy Morel as Deputy Chief Minister, and then myself and Deputy Gorst as Assistant Chief Ministers.

Deputy M.R. Scott:

I am conscious that the Chief Minister does not have a background in finance. Could you please explain why the portfolio has been transferred to her and what authority she has to make decisions in respect of financial services in addition to you and Deputy Gorst? How does this work out in terms of ministerial decisions?

Assistant Chief Minister with Responsibility for Financial Services:

Well, I think the transfer from the external relations portfolio to the Chief Minister is simply indicative of how important we see financial services as a Government, how important it is to them and to the economy, and that is why it has been moved into the chief ministerial portfolio overall. I do not think the Chief Minister would make decisions on her own without consulting the rest of us and I think any significant decisions would be made in consultation with the members of the group, but I have full responsibility. I meet with officers regularly. I have been meeting with financial services officers, so the officers with me today. We have been trying to do that weekly. It has been a bit more difficult with Easter and various travel commitments but I meet with the officers regularly and then the ministerial group has only ... again just with everybody's movements, we have only met a couple of times formally but that will be regularised as we go forward. Things have happened very quickly relatively speaking and we are still just setting up all those arrangements.

Deputy M.R. Scott:

All right. I will, because of time limitations, be asking for questions to be kept brief, please. Could you please let me know, therefore, is there some sort of protocol that governs who makes decisions about what? You were saying that you do not think that the Chief Minister will make decisions on her own, but is there an actual written agreement between you about whether ...

Assistant Chief Minister with Responsibility for Financial Services:

There is nothing in writing. I think we would all rely on each other to consult where appropriate.

Deputy M.R. Scott:

So how are officers to understand who has authority in the circumstances of any one of you communicating a decision?

Assistant Chief Minister with Responsibility for Financial Services:

I think the officers ... I am the main port of call for the officers but if the Chief Minister wished to discuss a particular aspect she, of course, would be free to do so.

Deputy M.R. Scott:

How will you be providing sufficient focus to this important ministerial portfolio while remaining Minister for Social Security?

Assistant Chief Minister with Responsibility for Financial Services:

I think that is where the ministerial group comes into play because there will be elements that will be done ... for example, sustainable finance will be done by Deputy Gorst. Yes, it is busy but I am confident that I have a very good team at Social Security. I have spent time there. We have a very wide ministerial plan, it is very well established in Social Security. I think we have a clearly established ministerial plan in Financial Services. The officers are very capable and are working hard on delivering all of those and so far I am managing, I feel, to spread my time between the 2. I feel I have an advantage in terms of the financial services brief because I worked in the industry for such a long time and I am familiar with it. I am not going to claim recent knowledge other than in respect of the Viscount's part in that, but I do, I think, have a good understanding of the industry and I think the appointment has been reasonably well received.

Deputy M.R. Scott:

You said you have just had a couple of meetings, this group. Could you just explain, given the importance of financial services, whether you have developed a schedule of meeting as a group in respect of ...

Assistant Chief Minister with Responsibility for Financial Services:

We are aiming to meeting monthly. In terms of a formal oversight group meeting, if you like, we will meet monthly. That is my plan. We have had informal meetings. For example, I might meet the Chief Minister to discuss things, general matters, questions, and Deputy Gorst and I may discuss sustainable finance. Deputy Morel has come to ... I have been having meetings with each of the well, I have a programme of meetings with the main clearing banks. Deputy Morel has come to one of those and he is intending to come to others, I believe.

Assistant Chief Minister with Responsibility for Financial Services:

I think you are straying off the topic. We just wanted to know ... if you do not mind, Minister. I just need to get through our question list.

Assistant Chief Minister with Responsibility for Financial Services:

Apologies.

Deputy M.R. Scott:

No problem. You mentioned Deputy Gorst's role in terms of the financial services portfolio, his focus on sustainable finance. Is there any other area that he is ...

Assistant Chief Minister with Responsibility for Financial Services:

Deputy Gorst has excellent background. Not leading as such. He will lead on the sustainable finance but he is again very experienced and he is a very good sounding board.

Deputy M.R. Scott:

Thanks, Minister.

Assistant Chief Minister with Responsibility for Financial Services:

Sorry. Just stop me if I go on too long.

Deputy M.R. Scott:

Sorry, but I just need you to keep the questions concise.

Assistant Chief Minister with Responsibility for Financial Services:

I am sorry.

Deputy M.R. Scott:

We have got quite a few questions to get through.

Assistant Chief Minister with Responsibility for Financial Services:

I understand.

Deputy M.R. Scott:

You will get used to this and so will we. Will you be publishing your own ministerial ... because at the moment we have got a combined ministerial delivery plan between the Minister for External Relations and the Minister for International Finance. Will you be publishing your own ministerial delivery plan for this year, Assistant Chief Minister?

Assistant Chief Minister with Responsibility for Financial Services:

I was not intending to do one for this year. I think we have an established plan for this year, which was set towards the end of last year. I do not see any reason to diversify from that plan. I think the

things on the current plan are all things that we need to focus on for this year. I have not identified any other priorities.

Chief Officer, Department for the Economy:

Minister and Chair, if I might add, the Chief Minister's ministerial delivery plan has been republished. That includes all items related to financial services that previously were part of the Minister for External Relations and Financial Services delivery plan.

Deputy M.R. Scott:

The delivery plan that has been published that combines the Minister for External Relations portfolio with the financial services portfolio, am I to understand that the financial services element is now extracted and it has been combined with the delivery plan for the Chief Minister?

Chief Officer, Department for the Economy:

It has, yes, and has been republished. We can send a copy.

[10:45]

Deputy M.R. Scott:

We would very much appreciate copies, thank you.

Chief Officer, Department for the Economy:

Yes, we will do that.

Assistant Chief Minister with Responsibility for Financial Services:

But it is the same plan, nothing has been changed.

Chief Officer, Department for the Economy:

Yes, it is the same plan.

Deputy M.R. Scott:

But you have divided it?

Chief Officer, Department for the Economy:

Yes.

Deputy M.R. Scott:

Fine. Will you be altering any actions outlined by the previous Minister for External Relations and Financial Services in his ministerial delivery plan in any way that you are aware of?

Assistant Chief Minister with Responsibility for Financial Services:

I do not believe so, no.

Deputy M.R. Scott:

Okay, thank you. I am going to move to Constable Troy, who is going to be asking you some questions about consumer lending. Sorry, Constable Troy, you are on mute at the moment.

The Connétable of St. Clement:

Yes, I had some background noise before. I apologise for that. I am in the parish hall. Consumer lending. The panel was previously informed that consultation was taking place on consumer lending legislation. Could you outline how this is progressing and which industry groups have been consulted and have you had consumer representation?

Assistant Chief Minister with Responsibility for Financial Services:

Can I ask my officer to update you on that because he will be more au fait with the details than I am?

The Connétable of St. Clement:

Fine.

Chief Officer, Department for the Economy:

Yes. So the commitment is to bring legislation to the Assembly by the end of 2023. Draft legislation is due to be consulted on late spring, early summer of 2023 in line with that timetable. There will be a consultation period of around 10 weeks. We think that is sufficient time to capture the views of consumers as the end customer for these products but also those industry sectors that may be affected, for example the car sales sector, to ensure that we have captured all of their feedback. We will bring all of that together in a feedback paper to be published in early autumn 2023 to make refinements to the draft legislation before lodging around about October of this year. The follow-on from that will then be the code of practice and guidance notes from the J.F.S.C. (Jersey Financial Services Commission) once legislation is passed and that then creates the effective regulatory regime around the intent and purpose of the legislation itself.

Deputy M.R. Scott:

I do not believe you have quite answered all that question. You said that consultation is to take place. We were told that one had taken place to some extent and there was an industry group that is consulted with.

Chief Officer, Department for the Economy:

That is correct. What I said is that we are consulting on the draft legislation, which is the next stage of the process: "Here is the draft legislation, we are now consulting on the draft legislation."

Deputy M.R. Scott:

You are producing this draft legislation but to arrive at that you have consulted with who?

Acting Director, Financial Services:

Some banks, some finance providers. At this stage we have not reached out to the consumer but there will be a programme of engagement to make sure that they are targeted.

Deputy M.R. Scott:

So at this point you have not consulted with anybody, consumer representation. Thank you.

Chief Officer, Department for the Economy:

In the earlier stages of this the Jersey Consumer Council were involved as a proxy for consumers.

Assistant Chief Minister with Responsibility for Financial Services:

I would just like to add because this is something that is really a ... I do not like to use the word "passion" but this is a bit of a passion project for me because I have been trying to ... I worked on this when I was Viscount because I feel very, very strongly and we will absolutely not be taking our foot off the pedal on this one. Trading Standards were also involved in our discussions. I was involved at Viscount and it really is a project that I will absolutely be throwing my weight behind, such as it is.

Deputy M.R. Scott:

Thank you. Constable Troy, back to you.

The Connétable of St. Clement:

Yes, back to me. Within the delivery plan, consumer lending is linked with the implementation of a comprehensive framework for pension regulation. Why is that necessary?

Deputy M.R. Scott:

Could you explain why? We are referring to paragraph 10.3 of the delivery plan. It states that the ministerial action is enhancing consumer protections through implementing a consumer lending legislation and a comprehensive framework for pension regulation.

Assistant Chief Minister with Responsibility for Financial Services:

Those are 2 different elements. The consumer lending is seeking to protect borrowers. We do not have consumer lending regulation at the moment. Then the pension regulation is a different aspect, which among other things will I think change the regulatory framework and will also bring pension providers and administrators into the scope of the Channel Islands Financial Services Ombudsman. I think that is also part of the plan. It is 2 different protections.

The Connétable of St. Clement:

Yes. Do you envisage having a consumer lending regulator for the benefit of that?

Assistant Chief Minister with Responsibility for Financial Services:

The Financial Services Commission will be the regulator. The likelihood is that we will create a new class of regulators under the Financial Services Law. That is a familiar framework. There are many businesses ... the banks are completely supportive of this. It will have very little impact on the banks but it will bring independent regulators into scope.

The Connétable of St. Clement:

It begs the question when is the legislation going to be lodged for debate? When will it be laid?

Chief Officer, Department for the Economy:

We wish to have legislation approved by the end of this year, so that would mean a lodging round about October of 2023 and further reference to Scrutiny ahead of lodging.

Deputy M.R. Scott:

Just to follow up, I think you said something about that you already had prepared draft legislation.

Chief Officer, Department for the Economy:

There is draft legislation to be consulted on in early summer.

Deputy M.R. Scott:

You have actually got a document, you have got drafting instructions? What have you prepared so far?

Chief Officer, Department for the Economy:

There is drafting instructions and there will be then draft legislation to be consulted on in due course.

Deputy M.R. Scott:

Could the panel please have a copy of the drafting instructions?

Chief Officer, Department for the Economy:

Yes, you can.

Deputy M.R. Scott:

Great. Have any of the other panel members got any further questions at this stage? No. Okay, fine. Then it is back to me and I am going to move on to the subject of fintech. The panel was previously informed that work was under way to enhance the ability for local firms to take advantage of fintech. What further legislation or amendments of legislation have been identified in this regard?

Assistant Chief Minister with Responsibility for Financial Services:

Richard, would you like to expand on that, please?

Chief Officer, Department for the Economy:

Yes. What we see as the role of Government in this space is to be using fintech as an enabler for more efficient and effective conduct of financial services business. For example, accelerating the adoption of digital identity via financial services firms, looking at changes within the money laundering order and the accompanying J.F.S.C. A.M.L. (anti-money laundering) handbook, looking to publish technical guidance on minimum standards for digital identity solutions and helping to get industry and the regulator in a position of mutual confidence around a shift away from capturing wet signatures on documents to moving into a place of digital identity and digital signature of documents. Helen, is there anything you want to add to that?

Acting Director, Financial Services:

No, I do not think so.

Deputy M.R. Scott:

Some organisations are already using digital signature. What are you contemplating in terms of encouraging this use?

Chief Officer, Department for the Economy:

We are trying to promote greater use because you are right, some are effectively early adopters. This is not new technology, I hasten to add, by any stretch, but nevertheless it has not been as widely adopted as we would like. We are trying to understand the barriers to that much more

widespread adoption across financial services firms. Part of that we have identified as being a regulatory challenge in terms of the interpretation of the A.M.L. handbook and this belief that the best way of identifying and certifying is having actual physical documents rather than digital versions of those documents.

Director of Financial Crime Strategy:

If I might add on that, part of this requires change inside the institutions and that requires them to take time to make these changes. The Government can do so much in publishing guidance and legislation but the enablement has to be inside the institutions and that is very much the focus of the work that we are doing at the moment.

Deputy M.R. Scott:

What are the priority points of fintech legislation for you this year?

Chief Officer, Department for the Economy:

A key part of this is around digital identity. We did some work ...

Deputy M.R. Scott:

It is the money laundering order, you said?

Chief Officer, Department for the Economy:

We have made various changes to money laundering legislation. Some of this in the J.F.S.C.'s own A.M.L. handbook. You can create legislation but ultimately it is how you give effect to that regime in a practical sense. That is very much the statutory responsibilities that sit with the Jersey Financial Services Commission and their ongoing interactions with industry and industry being confident in how those issues will be regulated in the normal course of business.

Deputy M.R. Scott:

Thank you. In terms of digital ID, the panel does understand there is some legislative pieces, however, and I think to some extent you have outlined these. It is the money laundering order. Is there anything else we need to anticipate that might be impacted by this particular project?

Acting Director, Financial Services:

Not at this stage, no.

Deputy M.R. Scott:

No. Okay.

Director of Financial Crime Strategy:

I should just be clear on the money laundering order change. The money laundering order is going to be ... the change is going to be ... it is very niche in terms of what is being done. It will not necessarily change what was already permitted under the regime but we hope it will move more firms to adoption. The real change will occur when firms review the J.F.S.C.'s A.M.L./C.F.T. handbook and change their activities. There are now also a number of digital ID providers both on-Island and off-Island who are being more commonly used by service providers, so we are starting to see a change. However, that will inevitably take time.

Deputy M.R. Scott:

This specific change, the niche change, when might we expect to see that?

Director of Financial Crime Strategy:

The M.L.O. (money laundering order) amendments are in draft and in finalisation. They are a series of linked M.L.O. amendments, which link broadly to MONEYVAL changes, which are now being consulted on. It is the next month or so. So the change will be made broadly I think in the ... probably the order will be ready to be made, dependent on the responses to consultation, in early June, I would expect.

Deputy M.R. Scott:

With this change, do you envisage it primarily aiding consumers, the industry or regulators?

Assistant Chief Minister with Responsibility for Financial Services:

All of the above, because I think if you can get to a stage where ... there are some countries that are very well advanced in terms of digital ID and if they have a fund with lots of investors and you try to bring it to Jersey all the investors are told: "Well, you have got to go and get certified copy passports because that is what Jersey needs." It does not help. There is more than ... there is digital ID, there is looking at how we can transfer digital IDs en masse. One of the things that may be relevant is the U.K. (United Kingdom) has entered into a digital economy agreement with Singapore, so we are interested to see how that might work. In terms of data flows, cross-jurisdictional data flows where we can accept a digital ID that is valid in another country and it is trying to set the standards for digital IDs that we are happy with here. As I think George said, there will be a process before we can put the law in place. The regulators have to then do their piece in terms of interpretation of what is acceptable to them and then we need the industry to get on board and I suppose adopt the technology that we need, but it should be in everyone's interest.

Deputy M.R. Scott:

Thank you. I am going to move on to open banking that was referred to in the delivery plan. Could you outline the principles, benefits or risks of open banking and what actions you are taking to enable it?

Assistant Chief Minister with Responsibility for Financial Services:

Again, I will have to ask for support on this one.

Chief Officer, Department for the Economy:

I would say we are very much in the early stages of that, having just completed the banking review and going through the process of discussing it now with other stakeholders across Jersey Finance and the J.F.S.C. Ministers are meeting with banks on a range of topics at the moment, working systematically through the clearing banks. There have been some other priority issues, as you might have also picked up on the public domain, around access to retail banking services and in particular access to credit cards and they have taken a higher priority in those conversations of late than the transition towards and the progress we would like to make on open banking.

Deputy M.R. Scott:

I was trying to see if we have got a question coming up about the credit cards and I believe we have. In terms of us seeing any kind of paper or proposals to discuss as a panel, when might we be expecting that?

Chief Officer, Department for the Economy:

Nothing substantive at the moment on open banking. On the banking review, we certainly offer a private briefing on the banking review and the findings that we have had on that so far and the work that we are taking through 2023 to improve the relationships, the service delivery and generally the wellbeing of the banking sector here on-Island.

Deputy M.R. Scott:

Right. Has anything changed in terms of the delivery plan and when you anticipate delivering the content?

Chief Officer, Department for the Economy:

On open banking specifically or generally on banking? The banking review remains very much in line with the timetable. Open banking is slightly further down that because of some of these other issues that we want to overcome that have a greater immediacy to them. That said, you cannot defer the strategic stuff indefinitely otherwise you will never make that strategic progress that you wish.

Deputy M.R. Scott:

In terms of deferral, by 3 months or a quarter?

Chief Officer, Department for the Economy:

Say 3 months, yes.

Deputy M.R. Scott:

Okay. The delivery plan also identifies amendments to implement the international standards regarding regulation of virtual assets. We note that elements of virtual asset regulation for which we now use the acronym V.A.S.P.s (virtual asset service providers) ... I am not very good at "Vs". I am really sorry, it is my south London background.

[11:00]

The V.A.S.P.s regime was included in P.113/2022 regarding proceeds of crime, so we understand elements were included in that. Is there further legislation to be brought forward in relation to the V.A.S.P.S regime or proceeds of crime?

Director of Financial Crime Strategy:

The legislation you refer to, Chair, is legislation which was enabling legislation to bring the full definition of V.A.S.P. into the A.M.L./C.F.T. scope. The Minister signed off earlier this week a consultation paper, which is now published on gov.je, around what is known as the travel rule in the V.A.S.P. world. The travel rule - and you will be familiar with this from mainstream finance - is originator and beneficiary information being provided along with a transfer of virtual assets. That is a quite complex technical ability for those providing virtual asset services to give but critically it is now formally part of the F.A.T.F. (Financial Action Task Force) standards and a requirement for us to bring in. The consultation has been released and is open, I believe, until broadly around the I think it is until mid to the end of May and we will be very happy to provide a separate part of the consultation paper to the panel and if the panel have any further questions we can address them directly.

Deputy M.R. Scott:

Thank you. Bearing in mind this consultation period and your timetable, when might we be anticipating the regulation, the legislation?

Director of Financial Crime Strategy:

Obviously with all consultations we will need to receive and consider the responses with Ministers. Depending on the responses ... and I should highlight we have a relatively small V.A.S.P. community

in Jersey, 6 providers of virtual asset exchange, so we can target them directly and we know who they are. If there are no major concerns with the legislation the intention would be to put it forward for ministerial lodging as soon as possible. I should be clear, it is done by regulation, so I would hope it could potentially be for debate by the States before the summer recess.

Deputy M.R. Scott:

Is there existing legislation say in the U.K. or another jurisdiction that you expect this to be based on?

Director of Financial Crime Strategy:

All jurisdictions are on a journey to implement V.A.S.P. regimes. We have a similar piece of legislation in relation to money value transfer services, so normal money transfer. We are using that money value transfer legislation to include this. That is the most appropriate way in Jersey legislation. It broadly achieves the same end goal as the U.K., for example, and other jurisdictions like Gibraltar. We have engaged specialist advisers as well, because it is a specialist subject, who have worked with countries like the U.K., Gibraltar and I.F.C.s (international finance centres) to provide us with advice as to how to implement. That has all been part of the formation of the consultation paper.

Deputy M.R. Scott:

Thank you. In relation to enhancing fintech, we have recently held briefings with the Minister for Economic Development, Tourism, Sport and Culture and his Assistant Ministers on development of policy, including digital economy strategy as well as a future economy programme. Could you outline, please, what collaboration you have on the development of these strategies in terms of their interlinkage with your financial services portfolio?

Chief Officer, Department for the Economy:

Digital Jersey and Jersey Finance and J.F.S.C. and Government are all actively working together around that agenda. The digital economy strategy encompasses a much broader range than just financial services and is very much focused around how we get increased digitisation of existing economic sectors. Finance is no different in that regard. In the financial services space we recognise that many of the tools of the trade are actually there; it is about getting those adopted. I think that speaks to the answer that we gave a few moments ago around providing the necessary confidence both in legislation and in regulatory handbooks to encourage adoption of those tools in financial services. Beyond that I think we have adopted a cautious approach, as George described, around that. The relatively small number of providers in that space I think reflects the generally conservative view that we have adopted around areas like tokenisation and cryptocurrency. We are

very mindful of some of the typology risks for A.M.L./C.F.T. inherent in those areas and our desire to make sure that we uphold the Island's good reputation internationally.

Deputy M.R. Scott:

Nevertheless, in terms of it being a small part of the digital economy strategy, of course the security, cybersecurity and the security of the actual information that is being retained, is quite fundamental to the success of the industry and its reputation. Are you inputting into the strategy in that way?

Chief Officer, Department for the Economy:

There are the standards that the J.F.S.C. will hold around financial services business and around the data protection and cybersecurity measures that individual firms are taking, in the event of an incident that those incidents are properly reported, recourse is understood and gaps and flaws are closed out. Government have also made the investment in the cyber response team for Jersey and that will also help in the case of, we hope in the first instance, taking measures to help to prevent the likelihood of such an event occurring, but I think it is also fair to say that you can never be 100 per cent secure and it would be rather foolhardy to forecast such a level of protection. Therefore, should something happen, the C.E.R.T. (Cyber Emergency Response Team) would be on standby to assist an organisation with the recovery of access to systems and recovery of data should it have been comprised.

Deputy M.R. Scott:

How will Government be looking into the training programmes and content produced by the C.E.R.T. to ensure that you do have adequate prevention of incidents?

Chief Officer, Department for the Economy:

The responsibility for prevention first of all sits with regulated entities and is supervised appropriately by the J.F.S.C. What we are trying to do is raise public awareness around people's own personal data governance but also how data is governed within individual institutions and then promote an effective cybersecurity regime through the work of the C.E.R.T. and then to help to intervene. Should something happen and have a data incident, the C.E.R.T. can be involved in helping to advise that company alongside any other specialists that it may bring in. There are training tools, both for the C.E.R.T. themselves and for industry. They are recommending through their general engagement with the industry sectors what steps can be taken and again encouraging firms to have basic levels of cybersecurity, the cyber essentials programme for example, across all parts of the economy so that businesses are conducting operations with data as safely and securely as possible.

Deputy M.R. Scott:

Can I just clarify that, please? Were you suggesting that J.F.S.C. would be effectively overseeing the adequacy of the content or is that Government?

Chief Officer, Department for the Economy:

As a regulated entity, there is a responsibility not just for prudential matters but also for conduct-related matters and how you are managing and appropriately dealing with incidents should they arise. Cyber is one such risk incident that could affect a regulated entity. The formal regulator for data protection of course is Jersey Office of the Information Commissioner and the work that they do in terms of the data protection legislation that exists in the jurisdiction and their ability to act accordingly.

Deputy M.R. Scott:

Thank you. I am going to pass back to Constable Troy who is going to be asking some questions on sustainable finance. Deputy Gorst is not here, so I am going to have to let you ...

The Connétable of St. Clement:

Sustainable finance is more and more relevant and reputational these days. We are informed that consultation of a strategic road map for sustainable finance will be taking place this spring. Could you let us know how this is progressing and whether it is being carried out by Government or by external consultants? Is the consultation open to the wider public or is it targeted via a specific body or individual firms?

Assistant Chief Minister with Responsibility for Financial Services:

There is various strands going on. In sustainable finance there is elements of does Jersey want to be ... well, I think there are 2 things we need to do. The first is to look at the role of the financial services industry in funding Jersey's own sustainable ambitions in terms of does it help provide funding for people, loans for people to buy heat pumps or funding for major government initiatives? Does it help with that, but also do we want Jersey to be an international finance centre that is a centre of excellence for sustainable finance and ensuring that you are investing in the right places? We have to accept in all of that that we cannot just ... if we wanted funds to withdraw funding from the likes of BP then we might find we do not get green products coming forward for the same initiative. Sorry, I am digressing. Among other things we launched towards the end of March a sustainable finance ambassador group. We went out to the local industry and at that launch event around 50 people came. They will be sustainable finance ambassadors and champions within their own businesses with any interest and they will be working with Government to help us develop and inform policy for sustainable finance as well as to promote it and build platforms and networks for more sustainable finance work. It will meet quarterly. It is distinct from ... maybe you have seen the newly formed Jersey Association of Sustainability Practitioners, which is cross-sectoral, and the

Carbon Neutral Net Zero Alliance, which again is across all business sectors. In terms of supporting the policy work, Ministers and officials are working in partnership together. The financial services officer lead for sustainable finance is involved on the carbon neutral road map programme board and the strategy group for longer-term financing. I think I am probably straying off track.

Deputy M.R. Scott:

Yes. I think the question was basically can you outline how this consultation is progressing. Is the work being carried out by Government or externally?

Chief Officer, Department for the Economy:

Yes, it is within Government. The consultation will be out round about mid-year with a feedback paper to be published in the autumn. That will then set in place a comprehensive road map for sustainable finance in the jurisdiction. The work so far has been informed by Jersey Finance's "Jersey for Good" campaign over an expanded 2-year period, the jurisdictional audit results of Jersey by the Financial Centres for Sustainability group and also independent research that we commissioned through PwC as well, which again also dovetails in with the broader work around future economy that Deputy Morel is responsible for.

Deputy M.R. Scott:

The Constable, I believe, also said ... I did not quite understand the response to the question myself about the consultation. Is it open to the wider public or is it targeted via a specific body or to individual firms?

Chief Officer, Department for the Economy:

We always look for our consultations to go to the broadest possible audience. It is not a closed community of ...

Deputy M.R. Scott:

Do you have a mixture of particular firms who you think are going to be leading in sustainable?

Chief Officer, Department for the Economy:

No, there will be those that are active in that space at the moment. There are others that may wish to become much more active in that space. When we consult on this we will go out through the usual channels of Government channels, Jersey Finance, through the various trade associations, the Chamber of Commerce, Institute of Directors and to the public at large to capture the broadest range of views we can.

Assistant Chief Minister with Responsibility for Financial Services:

Can I say that Deputy Gorst is on leave today and he is out of Island and he did offer to dial in but I said I thought we could manage it among ourselves.

Deputy M.R. Scott:

You are regretting it now.

Assistant Chief Minister with Responsibility for Financial Services:

I did not want him to have to interrupt his leave.

Deputy M.R. Scott:

No problem. I will just go back to you, Constable Troy, mindful of time.

The Connétable of St. Clement:

I do get that you are going to the Institute of Bankers, the Institute of Directors, et cetera, but what are the potential elements of the legislative and/or regulatory framework for sustainable finance? When would you lodge that if that is your intent?

Chief Officer, Department for the Economy:

There is nothing conclusive at this stage. We are consulting on a long-term plan for sustainable finance for Jersey. I think what we should recall is there is a significant amount of E.S.G. (environmental, social, governance) green finance business already going through the jurisdiction because Jersey's structures are so versatile they lend themselves to a whole range of investment scenarios. We know that in the Jersey private equity and private equity infrastructure funds sectors that that is a growing demand of the underlying investors and therefore it is a theme that is much more prevalent among investment managers as well. There is a huge amount that is happening naturally. What we want to do is to ensure that we are continuing to cultivate that and indeed hoping to grow more of a share of international business for Jersey by having the right regulatory and legislative underpinnings if indeed those are needed.

The Connétable of St. Clement:

You might want to note, and it is a little rhythm for St. Clements, we have moved a lot of our trust money to sustainable companies and we are getting better returns. I just throw that in. We are not leading the way but we are along with the best of them. Thank you.

Deputy M.R. Scott:

The question was were you aware of it, because if you were not you are now. I am going to say I am going to request that people answering the questions try and limit their answers to about one

minute now, just so that we can cover them all. We are going to go back to the Constable who is going to ask you about MONEYVAL.

The Connétable of St. Clement:

MONEYVAL and what is the Minister's role?

Assistant Chief Minister with Responsibility for Financial Services:

The Minister's role, I think, is to provide oversight and support. It is not a political process. I think it is just to make sure that the officers are generally heading in the right direction and that they maintain timescales. I am confident they are doing that. George is leading that work. We have recently submitted a technical compliance submission, which was a mammoth piece of work, 2 years in the making, involving co-operation across 20 separate bodies and authorities, including Government.

[11:15]

We are now aiming to submit ... the effectiveness questionnaire will be submitted next week. In terms of submission of material we are, I think, in a very good place and I would like to really congratulate George and everybody who has been involved in that, and Helen and Richard, because it really has been a huge piece of work.

Deputy M.R. Scott:

Can I just confirm that the onsite evaluation is still due to take place, what, September, October?

Director of Financial Crime Strategy:

27th September to 10th October. It is a date that is seared on my mind.

Deputy M.R. Scott:

That is enough, right, thank you. Back to Constable Troy.

The Connétable of St. Clement:

We understand that there are a number of requirements in preparation for the MONEYVAL assessment but you seem to be confident that you are on track. Could you outline what, if anything, remains outstanding?

Assistant Chief Minister with Responsibility for Financial Services:

I think I should let George do that because he has the overview.

Director of Financial Crime Strategy:

In terms of business that would mainly concern the Scrutiny Panel and any parliamentary business, there are 6 pieces of legislation left, 3 are by order. We have talked about one, the money laundering order. There is a separate order that relates to information to be provided by trustees and that is just clarifying some wording where trustees have to provide to different broadly law enforcement authorities information if they are under some form of investigation or the information is required. There is an Appointed Day Act to bring in a really critical piece of legislation. That is the financial intelligence unit regulations, which were adopted under the previous Assembly early last year. The 2 kind of more substantive parts are the Proceeds of Crime Law amendments. These are, I would say, miscellaneous amendments. They are changes which tidy things up. They are not fundamental per se. They introduce some notions around how we conduct national risk assessments and also how we domestically co-operate and co-ordinate between the Government and authorities on financial crime. Finally there are the regulations that we mentioned earlier in relation to the V.A.S.P.s scenario, which also apply to money value transfer services as well to the extent they are not covered by existing legislation. Those are the remaining pieces of legislation, Connétable.

Assistant Chief Minister with Responsibility for Financial Services:

Can I just add, Constable and Chair, that we are very appreciative that the panel have been very supportive of the legislation that we have had to bring forward so far in terms of MONEYVAL preparation, but we know you understand the importance of it.

Deputy M.R. Scott:

Thank you. I will go back to the Constable.

The Connétable of St. Clement:

My part A, any actions that risk not being introduced in time for the assessment, seems to be answered. It seems to me that you are on track and you are confident you are going to have everything in order in time.

Director of Financial Crime Strategy:

I think there is an important point that I should clarify, Connétable. As we have briefed on before, there are 2 parts to the assessment, technical compliance, which are laws and regulations, and effectiveness. While we are confident that our technical compliance will be in a good state, up there among the best countries in the world on technical compliance, effectiveness is a different matter. That takes time for changes to build in and indeed we will be challenged on our effectiveness in a number of areas through the evaluation. I think we have reason to be confident on some areas and other areas where we will be found to have areas where we need to invest in improvement. Now, the Minister has mentioned critically that MONEYVAL itself is a technical exercise. It is. It is for the technicians to explain how our regime works at the moment, but after that comes a very political

exercise, which is around how Ministers will react to the recommendations of the report. Therefore, the panel can reasonably expect that during particularly 2024 and afterwards, the Government will be asked to make a number of significant decisions around how we move forward with financial crime regulation. That is something that is going to be an ongoing process. Really MONEYVAL is a process that you live with between evaluations. It is a permanent almost auditing process for your effectiveness.

Deputy M.R. Scott:

If I could just ask a follow-up, please, Constable. I think what you are pointing out is that the Government could be challenged or Jersey could be challenged in terms of the effectiveness of the measures that it is taking. There is that sort of risk to some extent that the Island does not pass the evaluation insofar as the assessment as such is saying: "You have got all these bits of legislation on your books but we are not so convinced that actually they are going to be meaningful." How are you mitigating that risk?

Director of Financial Crime Strategy:

The first thing to say is it is not a pass/fail exercise. There is, of course, different consequences, the most public being the grey listing. The aim is to find yourself in a position where you do not obviously meet that scenario and we can be confident we are doing all the efforts that we can to try to avoid that situation, but there are areas we have already identified, for example the resources applied to the supervision of financial institutions and the financial services community, the resources applied to financial intelligence and our ability to investigate complex cross-border financial crime, where there will be reason, quite rightly, to reflect. We are mitigating that by having already identified much in our national risk assessment documents those vulnerabilities and those documents are published. We are taking actions to try to plug those gaps at the moment. However, they take time, particularly you will appreciate with complex cross-border investigations. These take a long time, they require a lot of international co-operation and they are very complex. All of this is about a much more medium to long-term effort of improvement rather than immediate improvement. What we really want to put across to the MONEYVAL evaluation team, which is in line with all political commitments, is that Jersey, like other jurisdictions, are on a journey but the political commitment is very much there to maintain those higher standards. We will achieve those standards as we have for many years before over time.

Deputy M.R. Scott:

Thank you. Back to the Constable.

The Connétable of St. Clement:

I am going to go slightly off-script, Chair. I am going to ask whether the Abramovich situation gives you any concerns with the lead-up to the MONEYVAL evaluation?

Director of Financial Crime Strategy:

It is not possible for me to talk about any cases that are currently live.

The Connétable of St. Clement:

Okay, fair enough. Then we will go with the original question here. We understand that work is being undertaken concerning legal persons and arrangements such as identification of various types of these. Can you outline what actions you are taking on this topic?

Director of Financial Crime Strategy:

I am in a great position. Helen is Acting Director of Financial Services but until a few days ago she was working on this directly. I will pass to Helen, if I may.

Acting Director, Financial Services:

Yes, of course. As part of our general overview of risk in Jersey and specific work on the MONEYVAL preparations, we have produced, in draft at the moment, a legal persons and arrangements risk assessment that looks across the board at any type of legal person or arrangement that can be created in Jersey as well as non-Jersey companies that are administered from here. We have used a World Bank tool to then assess the risks that arise from those different entity types. We have worked with a working group made up of industry experts, the Financial Intelligence Unit, the J.F.S.C., our own Law Officers' Department to make sure that we get broad feedback. Sorry, I do not know if I said, industry experts as well, to make sure that we have got the input we need and that we have got a fair and balanced overview of what has gone on. We are waiting for feedback from those working group members at the moment to feed into the final version that we can share with you, probably in the next few weeks.

Director of Financial Crime Strategy:

We should say, Constable, the intention is to publish that report publicly. It is a very substantive study, including gaining data from 22,000 trusts and 29,000 companies directly and it will be a very comprehensive understanding of what goes on inside the Jersey industry. We would expect publication of that in May and at the latest June, I think, depending on any final signoffs.

Deputy M.R. Scott:

Is that likely to generate any further work?

Director of Financial Crime Strategy:

Yes. I always say the one certainty with risk assessments is more risk assessments, but it presents a number of recommended actions around how we can further tighten any vulnerabilities that exist in the area. They are fairly niche, I think, the areas that we need to change on and I would say that the conclusions at the moment broadly support a view we have held for at least I would say about 5 years, which is that the regime we have in Jersey is broadly very effective at mitigating against the misuse of trusts and legal persons. There are, however, as always, some areas where you will want to reflect and change the regime.

Deputy M.R. Scott:

Okay. No doubt we will hear from you. When might we hear more about that specifically?

Director of Financial Crime Strategy:

I would say June would be the best time for us to brief you. We want to make sure that it is published with the greatest level of agreement and consensus between the parties. That is how these reports are always best delivered.

Deputy M.R. Scott:

Great. Okay. Constable, have you got anything to say before we move on to the next section?

The Connétable of St. Clement:

No, that is fine. That is great, thank you.

Deputy M.R. Scott:

Thank you. Right, okay, so we are 5 minutes towards the end of the hearing. I have got 5 questions here, I think. I just want to check, would you be able to stay on for another 5 minutes if we overrun?

Assistant Chief Minister with Responsibility for Financial Services:

Yes, that is okay.

Deputy M.R. Scott:

Okay, and Constables? Great. Well, I will try and gallop through it and maybe you can help too in terms of your responses. Could you outline the implications that the O.E.C.D. (Office of Economic Co-operation and Development) 2-pillar tax initiative will have upon the financial services in Jersey?

Chief Officer, Department for the Economy:

That is very much a matter principally for the Minister for Treasury and Resources. The Council of Ministers will be discussing the Government's approach to the O.E.C.D. pillar 1, pillar 2 initiatives in the coming weeks and will, therefore, make a statement and decide on the legislative action that

they wish to take as a consequence of that. It would not be for officers to predetermine any of those discussions.

Deputy M.R. Scott:

Could you just confirm then, will he be responsible for forming any regulatory controls or legislation in this regard or will the Minister?

Chief Officer, Department for the Economy:

Principally those will be fiscal matters, certainly on the tax, and therefore the Minister for Treasury and Resources.

Deputy M.R. Scott:

Okay. Then here is the question we have all been waiting for. The panel has noticed calls for the creation of a centralised electoral register to enable credit card operation in Jersey. What actions will you be taking to aid the finance industry in maintaining Islanders' access to credit cards?

Assistant Chief Minister with Responsibility for Financial Services:

We are talking to the banks. I mentioned earlier a programme of meetings with the banks. The absence of an electoral roll has come up as being one of the barriers. We are looking at that. In fact, we had a meeting yesterday and it came up and we are trying to see if we can find a workaround in the immediate term to a centralised register, but it is something that I did ask at the meeting how we get that on to the list and what we do about getting a centralised register on to the list. I know that there are numerous complexities around it, or not complexities but various people will have different thoughts about harmonising.

Deputy M.R. Scott:

Just to be clear then, is the intention to create such a centralised electoral register at this point?

Chief Officer, Department for the Economy:

That is being explored. I think the issue with credit cards is broader than just a central electoral register. Jersey and the other Crown Dependencies, who we talk to on this topic and other topics around access to retail financial services, are small and individual markets. Therefore, for a UK bank or a global bank to be servicing markets of that size with such nuances to them is operationally challenging and disproportionately expensive. That said, the discussions that the Minister is having with those banks is very much along the lines of: "You have chosen to do business in our jurisdiction and we expect Islanders to be able to avail of the full range of services that you offer." There was a constructive dialogue with the clearing banks in particular along those lines to ensure that we safeguard existing provision and ideally over time extend provision available to Islanders.

Assistant Chief Minister with Responsibility for Financial Services:

I think my sense from the banks is that the banks locally do want to find a way to make sure this can work but, as Richard said, there are numerous ... each bank so far has a different reason as to why it is becoming problematic for them.

Deputy M.R. Scott:

When might we hear back from you in terms of possible ways forward?

Chief Officer, Department for the Economy:

The electoral roll issue is not a Department for the Economy matter. That is part of Cabinet Office and they are taking that aspect forward and looking to see how we get to a central electoral register. Obviously the industry engagement part is very much with us and talking to the banks individually, understanding how they are structured for provision of such services and emphasising the importance that we see of those services being provided to Islanders, and ensuring that Jersey's regime is as familiar to those banks as it reasonably can be, such that the operating environment that different legislation might give rise to is something that they can be familiar with and confident in.

Deputy M.R. Scott:

Could we have a timeframe, please?

Chief Officer, Department for the Economy:

The decision about provision of these services is not our decision. We cannot force the banks to provide a level of service unless we were to legislate for, and I think that would be quite an unusual step for any Administration to take. It is very much about discussion and persuasion, understanding the issues and responding to them as we can.

Assistant Chief Minister with Responsibility for Financial Services:

We are trying to see if there are other things that can be done to help.

Deputy M.R. Scott:

Thank you. What work is being done to update legislation in regard to investment business changes, please?

Acting Director, Financial Services:

There are a number of orders looking at provision of investment business. We have been having some discussions with the financial crime team to understand the implications of introducing

anything at this stage of the MONEYVAL process, but it is hopeful that these will be ready to pass to the Minister for her decision on those in the next month or so.

Deputy M.R. Scott:

Thank you very much. What update can you give on the project of the national financial crime statistics database and is this now complete?

[11:30]

Director of Financial Crime Strategy:

The statistics database project is continuing with the build stage. To be clear, this is a project to collate together in a central location statistics on how agencies fight financial crime. It is building a centralised I.T. (information technology) tool to provide regular data for a dashboard format for basically policymakers and Ministers to consider on a regular basis. It is about driving the monitoring of effectiveness. We have had some slight changes in the data that is collected from the MONEYVAL side, which is what we are basing it on. That has come from MONEYVAL. The supplier has been able to amalgamate that into their build and we are expecting a first draft of the build, a technology initial solution, due in May with a prototype to be available in June. The aim will be that we can use that tool before the MONEYVAL onsite to demonstrate how we are building something that is effectively showing policymakers and Ministers how we use statistics and data to drive our policy decisions.

Deputy M.R. Scott:

Would you be able to take the panel through that once it is ready?

Director of Financial Crime Strategy:

I am looking forward to seeing it more than anyone else, so as soon as we see it, yes, we will. Seeing this in a graphical way is usually far easier than talking about it so, yes, of course.

Deputy M.R. Scott:

Thank you. Final question, we understand a review of Jersey's banking industry to ensure it meets - I think you have already answered this question, you might be relieved to know - the needs of the financial services industry and local communities is due to take place. Can you confirm and outline this? I think you did already, so just to recap ...

Chief Officer, Department for the Economy:

Yes, a review has been completed. That has been discussed with the ministerial team and I think we are in the position to come and give a private briefing to the panel, Chair, if you wish us to do so.

Deputy M.R. Scott:

Yes, it would be interesting to know. Thank you very much for your time. I will just check that I have not missed anything here. Thank you for attending and for addressing the panel's questions. Thank you as well to all the supporting Government officers here and those who have contributed today and to members of the public who have watched this hearing. Hopefully there is more than one of you. I will declare this hearing closed. Thanks again.

[11:32]