



Economic and International Affairs Scrutiny Panel

Quarterly Public Hearing

Witness: The Minister for External Relations

Wednesday, 24th July 2024

Panel:

Deputy M. Tadier of St. Brelade (Chair)

Deputy K.M. Wilson of St. Clement

Deputy M.B. Andrews of St. Helier North

Witnesses:

Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter, The Minister for External Relations

Deputy E. Millar of St. John, St. Lawrence and Trinity, Assistant Minister for External Relations

Ms. K. Nutt, Chief Officer, Ministry of External Relations

Mr. T. Le Feuvre, Director of External Relations

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

Mr. G. Pearmain, Director of Financial Crime Strategy

[14:08]

Deputy M. Tadier of St. Brelade (Chair):

Good afternoon, Minister and the team. We are pleased to have you with us for this quarterly hearing of the Economic and International Affairs Scrutiny Panel. We will go through the formalities first, if that is okay. So I will introduce myself and the panel and then I will ask you to do the same, please, for the record. I am Deputy Montfort Tadier. I am the chair of this panel.

Deputy K.M. Wilson of St. Clement:

Deputy Karen Wilson, a member of the panel.

Deputy M.B. Andrews of St. Helier North:

Deputy Max Andrews, a member of the panel.

Deputy M. Tadier:

Deputy Southern gives his apologies today.

The Minister for External Relations:

I am Ian Gorst, Minister for External Relations, and I am joined online by one of my Assistant Ministers.

Assistant Minister for External Relations:

Deputy Elaine Millar.

The Minister for External Relations:

I am joined by officials from Financial Services, Financial Crime and External Relations and they can introduce themselves.

Chief Officer, Ministry of External Relations:

Kate Nutt, Chief Officer, External Relations.

Director of External Relations:

Tom Le Feuvre, Director of External Relations.

Director of Financial Crime Strategy:

George Pearmain, Director of Financial Crime Strategy.

Director of Financial Services:

Helen De La Cour, Director of Financial Services.

Deputy M. Tadier:

Thank you. Thanks again to the Minister for Treasury, here, I guess, in an External Relations capacity as well, for joining us online. We appreciate that. Just to draw your attention ... you have done these many times before and it does not really need saying but just for the record, there is a statement in front of you, which I think you understand. You are able to speak freely here so long as what you say you believe to be true and will continue. We know that today has been a big day for you all and we know that you have had a big presentation this morning. We will get on to that in due course. The first matter I do want to talk about though is questions around double taxation, which did come up in the States recently. Could you talk us through the process for forming double

taxation agreements? For example, what the timeframe for these is on average and maybe how it is decided which double tax agreements we enter into, how and when.

The Minister for External Relations:

Thanks. That was just an official who should have been joining us but has now got pulled into something else. As you know, we have got 50 full D.T.A.s (double taxation agreements) and 14 partial D.T.A.s. The partial D.T.A.s are largely attached to tax information exchange agreements. Completing tax information exchange agreements was really following the international standard at the time. That has been largely replaced either by Common Reporting Standard and F.A.T.C.A. (Foreign Account Tax Compliance Act) is still in place. I suppose it is a 2-pronged position with regard to double taxation agreements. One is where we might be engaging in business and the other is around people-to-people exchanges. The thing I should say is that in order to sign any international agreement like this you need to have 2 willing parties and I think it is fair to say that we perhaps do not have as many double taxation agreements as some either sovereign states or even some sub-sovereign states because of the way that our business taxation has been structured historically. We sign them, of course, under entrustment from the United Kingdom because we are sub-sovereign so we can only enter into them once the U.K. (United Kingdom) has used the model of entrustment and said: "Yes, you can go away and negotiate." They are negotiated, though, by ourselves and the other party to the agreement. How long do they take to negotiate? Really, how long is a piece of string. Some can be done really quickly, and I will just ask Tom to talk about the technical detail of it. Others can take years and they can take ... even though they potentially are relatively straightforward to negotiate, once the 2 parties have negotiated you have still got the domestic parliamentary or ministerial processes in-country and that can take in some cases years. Tom, do you want to add a little bit more about the practicalities?

Director of External Relations:

Yes, very happy to. Jersey typically negotiates along the lines of the O.E.C.D. (Organisation for Economic Co-operation and Development) model convention but there are other models out there. Where we have 2 partners that both their treaties are largely based on the O.E.C.D. model convention then that tends to be a quicker negotiation because there is greater similarity between the 2 sides' initial texts. As I say, there are other models though. There is a U.N. (United Nations) model convention. Developing countries tend to be quite focused on that U.N. model convention. There are also regional ones. Africa has a number of regional blocs that have particular models. The greater the variance at the outset then, logically, the longer the negotiation can take. Then it is also the case, as the Minister has said, not uncommon for some jurisdictions to take quite some time between the technical business of the officials having negotiated the provisions of the treaty and the presentation of that treaty, legal review and the ratification. In some jurisdictions, ratification can take a good long time. Jersey typically has not been one of those jurisdictions. We have been

reasonably swift at that and I would say that I think that is an advantage of our system. Treaty partners know that when we negotiate with them they can look online and see that we proceed with ratification reasonably swiftly. Just on how do we pick them, as the Minister said not everybody wants a double taxation agreement network, although I think there has been a trend towards, and not everybody wants one with us. We cannot absolutely pick anywhere. It has to be with partners who want to talk to us. I think we have done a good job of trying to focus on partners where we think that is possible. In that we have been guided by things like the McKinsey review. You will have seen that in recent years we have moved beyond Europe and we have really been focusing on the Middle East and Africa in line with the recommendations of that report for the development of growth markets for our financial services industry. It is also the case that we try to maintain a little bit of flexibility because in some cases you might find a jurisdiction that approaches us a little bit out of the blue or an opportunity arises. We always want to be able to try and be agile and responsive and to seize that opportunity if we find the momentum.

[14:15]

Deputy M. Tadier:

Great. Can I ask is the imperative usually from a business perspective or a personal taxation perspective or do the elements of both feature in the design of the double taxation?

The Minister for External Relations:

It is both and it has to be both for the reasons that we have just explained. I think you asked me a question in the States recently about Portugal. That again, there would be great benefit there to Portuguese citizens living here in Jersey, of which we know there is a substantial number, and some Islanders living in Portugal, but that is one of those cases where you have got to have 2 willing parties. We have made the case quite clearly on a number of occasions that we would be desirous of entering into a D.T.A. That at this point is not being reciprocated from Lisbon.

Deputy M. Tadier:

Do you know why?

The Minister for External Relations:

Well, it comes back down to we are only a small place. They are more used to dealing with larger countries and so although we sometimes look at large states and think they have got ample capacity to do everything, they also are resource constrained and they will be ... like we want to enter into treaties with larger partners and bigger countries, even states like Portugal will take the same view.

Deputy M. Tadier:

Yes. Can I ask what role the consuls might play in those, especially when it is feeding back from what we might call diaspora communities and thinking of other communities, not just the Portuguese in Jersey but there are ...

The Minister for External Relations:

It is a good question and I think that one of the roles that the consuls can play in regard to this - and I had a conversation with a member of the public today about a slightly different issue but involving the honorary consul - they can be also useful in lobbying on behalf of their citizens who are living in Jersey, whether that be getting a visa into Schengen and all of the requirements there or whether it be encouraging the negotiation of a double taxation agreement or negotiating an agreement around driving licences, for example. We try to use all of those levers that we have got.

Deputy M. Tadier:

Thank you. This will be the last question from me on this part. Are there any double taxation agreements being progressed that you can tell us about at the moment?

Director of External Relations:

We will have 2 that will be coming to the States Assembly shortly. As a panel, I think you have been notified through the department but just for the purpose of this hearing that is an amendment to our double taxation agreement with Mauritius and it is an amendment to our double taxation agreement with Ireland. Both of those are what we call B.E.P.S. amendments. That stands for base erosion and profit shifting. There is a big initiative of the O.E.C.D. to make sure that treaties are adapted to comply with those standards. That requires a bilateral negotiation and we have done that with those 2 partners. I am hopeful that we will also in coming months be able to present some full double taxation agreements to the Assembly. I probably will not say more on that now because it is subject to the intergovernmental discussion and it depends on the other treaty partner, but suffice it to say we have some really positive negotiations where we have achieved good outcomes and we are getting towards that final stage of doing the legal review and being able to present them, so hopefully more to come, which is a positive from our perspective.

Deputy M. Tadier:

Thank you. I appreciate the answers there. Any questions from the panel?

Deputy M.B. Andrews:

Yes, one from me, Chair. I just want to ask you, Minister, what are the benefits of having a double taxation agreement for, say, a state's citizens and what may be the consequence of not having one as well?

The Minister for External Relations:

They are all about ensuring that income and payments do not get taxed twice, as the name suggests quite simply. The benefit is that you can reach agreement with another country on how you are going to treat income arising from one or the other country. It is about avoiding paying tax here in Jersey and, in the Portuguese situation, in Portugal as well and that is on all sorts of income. It could be dividends, royalty income, general employment income.

Deputy M.B. Andrews:

Thank you very much, Minister.

Deputy M. Tadier:

Presumably the downside then is there is a reputational damage, the citizens are inconvenienced and businesses are inconvenienced?

The Minister for External Relations:

Yes, the downside is that you have an added cost of living in one place or potentially the other place. Tom, do you want to add anything?

Director of External Relations:

Yes, just to absolutely support everything the Minister said there. The other aspect can be that what you hope to achieve, you do not always achieve, but what you can achieve is that you get a preferential rate in the treaty. You have a situation where someone who would be a Jersey resident or indeed a Jersey company would be able to access the lower rate of taxation that is contained within the bilateral treaty as opposed to the general rate of taxation on what they call withholding taxes, which are those, as the Minister said, that apply across borders. Generally speaking, we want to be in a position where living and working and doing your business in Jersey is the best place to do that and if we have a competitive treaty network with good rates then that helps that. The other aspect, of course, is you get more certainty around the treaty rate. The international treaty takes precedence over the local changes and that means if you are a business or an individual making long-term decisions, if you have got a treaty in place you have a better chance that that is the rate that you will pay as opposed to being subject to ongoing changes at the domestic level.

Deputy K.M. Wilson:

That was my question, which was are there any advantages.

The Minister for External Relations:

You have got the advantage as well, Tom, about the tax residency, so it makes it certain about length of time. There is also dispute resolution, so all of those. It just about the ease of being able to live in each other's country in a way.

Deputy M. Tadier:

Thank you. If you are happy, we will move on to talk about *l'ordre du jour*, shall we say, which is MONEYVAL, and we know you are well primed for that already. I am going to hand over to Deputy Andrews to start the questioning on that.

Deputy M.B. Andrews:

Thank you very much, Chair. Minister, when did you become aware of the MONEYVAL results and what was your initial impression on hearing the results?

The Minister for External Relations:

Well, of course being part of the Government Minister responsible, I get to see the report and I am involved in the process all way through. I have been involved in the process for a great number of years now. I also see the first cut, as it were, when the assessment team have left. They left back in November, George, was it?

Director of Financial Crime Strategy:

October.

The Minister for External Relations:

October. They were here for 2 weeks. They gave us their initial brief report then and then they worked on that and, as the Minister responsible, I was able to see those reports but of course could not say anything to anyone about it. The thing I suppose I should say is it is a process. The assessors come, they do all of their interviews. Well, before that, of course, they have lots and lots of documentation that we send over to them and questionnaires. They ask for more documentation and then they use all of that documentation as a basis for their onsite visit. We have a feel for how things are going as we go through this process. We see areas where perhaps the assessment team we do not think have fully understood and we make a case one way or the other. I personally as Minister responsible have known for some time. George will remind me exactly when it was that I got the first cut.

Director of Financial Crime Strategy:

November.

The Minister for External Relations:

November, of where we might be landing in the report that is published today.

Deputy M.B. Andrews:

As you mentioned, Minister, there is a series of dialogue between the Government and the assessment team if there are any concerns raised by the Government. During that process, did any officials raise concerns with the assessment team where maybe they made a judgment that you happened to challenge?

The Minister for External Relations:

Well, it is a dynamic process. Some of the things in any initial report can be a misunderstanding about a situation. Jersey holds complex structures and we have complex cross-border flows, so that is not surprising. George will be able to draw on his experience when he has visited other jurisdictions and been on their assessment team where things have been corrected. It is a dynamic process throughout this period, even down to grammatical errors and punctuation, for example. George, do you want to just talk a little bit about maybe not the experience but the process full stop, if that would be helpful?

Director of Financial Crime Strategy:

I think the first thing to mention is it is a technical process and is required by the statute to be technical. There is obviously the political involvement in oversight and management of the process. The technical process is carried out by officials only. Whenever you are doing an evaluation, either an Island evaluation or when you are evaluating another country, I will be speaking to an equivalent official in a foreign government or someone from a financial intelligence unit or a supervisor. There will be an element of briefing to the political leaders, which is absolutely normal, and there will be an element of discussing and strategy at a political level but the actual engagement is there. There is obviously the report at the end of it is 400 pages long. There is a huge amount of stuff that you have to work through. Some of it may be genuine disagreement with the assessment team where you hold different views to them on the effectiveness of the regime. That is worked out through multiple meetings in the process and usually where you end up is a compromise position or you may reach the end of the process and not agree with the conclusion of the assessment team. There are a few very limited areas where that is the case. Most of it, though, in reality is an understanding conversation in that they may have written something by misunderstanding your situation and that is just a process of iteration with them to make sure that the report is as accurate as possible. For us, we commend the assessment team thoroughly in trying to reach really the same goal the country wants, an accurate report that is factually correct. You might not always agree on the opinion but that is just the way that it works. That probably gives you a bit of an outline of the political and the official engagement.

Deputy M. Tadier:

Can I just ask, that process you are talking about does that happen between October and May, October and now?

Director of Financial Crime Strategy:

Exactly that.

Deputy M. Tadier:

It is not set in stone in October but you know globally the headlines and the ...

Director of Financial Crime Strategy:

You broadly know where you are going and the ratings may be given. They may not be firm. They can move and they do move, so it is a process really that you go through but the parts of the process are heavily set in stone by the way the MONEYVAL procedures work. You have a very set number of days to comment at each time and the same applies to the assessment team as for us and it is the MONEYVAL secretariat who sit in the middle who have to apply that fairly across all reports. It is a bit like we play any game, a game of tennis or a game of football, and the rules have to be adhered to to make sure it is fair.

Deputy M. Tadier:

Apart from you, apart from Government, are there any other bodies representing the industry, for example, that would intervene in that process?

Director of Financial Crime Strategy:

Not the industry. The requirement of the statute is that it has to be protected to only official level, so that is authority public sector level.

Deputy M. Tadier:

The regulator?

Director of Financial Crime Strategy:

And the regulator. Our agencies are involved in that conversation and they are all part of our MONEYVAL preparation group, as we explained in the briefing. They have been involved throughout and that is very much a consultation. If it is an area that is particularly around supervision, they will lead on that answer. We will all discuss it and there will be an element to make sure we are approaching this consistently but as it is their specialist area that is the way they represent themselves.

Deputy M. Tadier:

Have you been able to change any of the ratings substantively in that period where you disagree?

Director of Financial Crime Strategy:

I cannot talk about any of the process before my publication unfortunately, because that is part of the confidentiality side of it, but I think what can be said is there is always a degree of movement from when you start drafting a report to the end. That even happens, as we said this morning, right up until all the countries in the MONEYVAL membership are commenting and debating in the plenary in Strasbourg and things can move at the last minute and indeed they do.

The Minister for External Relations:

You can go to the plenary with a report that the assessment team is happy with, that the secretariat is happy with but you can still have member states arguing for a different result on a particular evaluation and that can be won or lost by how you argue your case on the floor of the plenary right at the end.

Deputy K.M. Wilson:

Does that mean that you have to supply additional evidence in order to make your case around that, so it is almost ... as you say it is an iterative process until you get to that final point?

Director of Financial Crime Strategy:

Absolutely. We strengthen our argument as we go through and that will involve an element of us presenting our best arguments and then it is decided by consensus, so it is just whether the room is broadly in agreement with the position of the assessment team. It would have to be the other way round and take at least 3 countries to block something being adopted as a change. Yes, it is further refining and putting forward your argument.

Deputy M.B. Andrews:

Minister, could you just outline what the specific results are for Jersey's MONEYVAL assessment?

The Minister for External Relations:

The answer of course is, no, I cannot because it is not quite that straightforward. My overall analysis of the report is that it is a good report but fighting financial crime is best described as a journey.

[14:30]

It is never complete. One always has to be, to use simplistic terms, on one's guard because those who are seeking to financially benefit from crime are changing their methodology of using centres

like Jersey as they are to use centres around the globe. George and the professionals talk about typologies and trying to think about this is how they have done it in the past but this could be, in this case, this. We can never be complacent about it. The important thing is that we are committed to upholding international standards. The review is broken down into the technical compliance, which is technical compliance with the 40 F.A.T.F. (Financial Action Task Force) recommendations and then it is broken down into how well you are effectively ... your technical compliance, is it effective at fighting financial crime? If you take those results overall, they are good but we would expect there to be recommendations for improvement and changes that are necessary and we saw that as well in this report.

Deputy M.B. Andrews:

Do you believe Jersey has exceeded expectations?

The Minister for External Relations:

I do not think that is how we can approach these evaluations. We remind ourselves that at the end of financial crime are individuals. This idea that you could have white collar crime and it was a victimless crime is an idea for the birds. Something like between 80 and 90 per cent - George will correct me - of all crime committed around the globe is to gain financial benefit. If we look at that statistic we see that real people are impacted and hurt and their lives are torn apart by ... in pursuing crime that would give financial benefit to another. You take human trafficking. Human trafficking you always think is about the people being trafficked, and of course they are the ones at the really tough end, but it is about money. It is about people further up the pyramid seeking to make money. When they have got that money, what are they going to do with it? They want to get it into the financial system. That is why our protections are so important. That is why a good report is important, but it is also a learning process. We can learn from what the assessors are saying about our processes and our systems.

Deputy M.B. Andrews:

Would you say the messaging was quite clear for people to understand about the importance of protecting citizens from some of the things that you have just mentioned or would you say there was maybe more emphasis on the regulation aspect?

The Minister for External Relations:

Well, that also is a good question, Deputy. George invited some international experts over today for the launch of the report and one of them was reminding everybody at the launch, but I had a conversation with him afterwards as well, that to some extent that was the basis of why F.A.T.F. was founded, to ensure that banks were on the right side of the fence and to ensure that we remove banking secrecy - we never had banking secrecy in Jersey of course - but also reminding ourselves

that at its heart this is about individuals and the effect of crime on individuals. Perhaps that has left the narrative and we need to regain that narrative, because that is actually what this is all about. It is not about whether a supervisor has ticked a box or somebody in Hill Street has got a paper copy of a driving licence, for example. It is about making sure we can defend ourselves as much as is possible, because it is an evolving landscape, at this point in time to ensure that we are not used by bad actors.

Deputy M. Tadier:

Can we just look at some of the individual areas for improvement? Let us not gloss over the fact that Jersey has got a good initial ranking for risk, which we know is one of only 3 jurisdictions. If I look specifically at immediate outcomes 3, 4, 6 and 7, the first 2 deal with supervision, preventative measures and then financial intelligence, money laundering investigation and prosecution. These are areas that, shall we say, only scored moderately, so they are areas for perhaps some significant improvements. Could you talk to us about those, please?

The Minister for External Relations:

Your question is a fair question. They are areas for significant improvement. We have got plans in place and those agencies that are directly involved have got plans in place, but it goes to underline how difficult it is in some of these particular areas to fight crime. George can talk about those particular moderates.

Director of Financial Crime Strategy:

I think the first thing to say is that the moderates in I.O.s (immediate outcomes) 3 and 4 were expected. That is because that has been the global direction of travel for some time and it was outlined again this morning in the public event that most countries around the world have only achieved moderate ratings. The question was quite rightly posed: does that mean that the approach of trying to supervise the sector globally is not working? To some extent, that is a conclusion that is being drawn. The F.A.T.F., the standard setter, is searching as to what it is looking for. We expected the rating. I think there are only 4 jurisdictions in the world who have a substantial rating, but there are still important recommendations in that area that we need to address and they are ones we have known about. They have been included as a priority in the ministerial priorities action plan that is published today. A lot of the things around the approach to supervision and the approach to enforcement will be impacted by the strategic review of the regulatory environment, which the Minister may want to speak to in a second. I will move to I.O.s 6 and 7, which is a bit more of a simpler answer and I think it is a less political answer. In those areas the report broadly confirms that we are on the right track in terms of the work we are already doing but more needs to be done. The F.I.U. (Financial Intelligence Unit), as you know, has been subject to legislative change, structural change and investment over a number of years. We need to do more of that and we need

to go further. It is only in its current stages of just separating from being an arm of the States of Jersey Police. It is now an independent function in law. It will become more independent as we go into next year as it takes on its own premises and ends up using more of its own technology around analysis and intelligence, its work around disseminating intelligence and working with the industry on building a greater intelligence body. The report basically endorses that approach as a whole and that is something that has been in the ministerial strategy for some time and there is continued focus on trying to obtain the funding the F.I.U. needs in the Government Plan processes. For investigations and prosecutions the story is similar but slightly different. I think the reason I say it is slightly different is the world is struggling to get well qualified investigators and prosecutors. It is a difficult area. Forensic accountants, who are often used in this, are very difficult to find to bring in for cases. These cases that we deal with in Jersey are really very large. They go across multiple jurisdictions. They can often involve many hundreds of thousands of boxes of files if they were physically produced to examine and that requires both the use of human resource and technology to analyse. The report basically says that we have the capability to do all of that. We just need to do more to get the cases to the stage of prosecution, which of course is a decision for the Attorney General to take. It is says there is no fundamental deficiencies, nothing is missing, do more and you should see results in due course, but the report is also very clear that we have not yet seen the results that are expected on the risk profile. That is something that Government and the Island are very cognisant of and we will watch and wait for at an appropriate level, which is a kind of strategic monitoring level. We have to remember that particularly with prosecution that is an independent function exercised independently. It is a prosecution authority. We will keep monitoring that those resources are there to bring us to that stage of prosecution and make sure that those cases come through.

Deputy K.M. Wilson:

Can I just drill down, Minister, on a couple of those areas? I think the first thing is we should get your view on what the consequences of the assessment are for the financial services industry itself.

The Minister for External Relations:

I think it is a positive one. I think it reinforces the message that Jersey is committed to international standards and complying with international standards and that there are no fundamental deficiencies but it equally picks up on these areas where we need to make changes, we need to ensure that there is appropriate resource and we need to ensure that we are managing and mitigating risk in an appropriate way. Yes, it is positive. We just need to be clear that if we were sitting here today and the assessors were saying: "We do not think you have got all of those foundations in place and we are going to put you in intensive measures for the next 12 months with the idea of putting you on the grey list" that would be extremely difficult for us. We know that big international institutions want to operate in places that, like they want to, meet the highest international standards. We sit here in

a good place but we equally do not go to extremes. We recognise that it is a journey and we recognise that we, like all financial centres and F.A.T.F. itself, need to think is it really dealing with the risks in the system and is it making improvements and, at its basic level, are its processes and assessments stopping criminals accessing the financial system.

Deputy K.M. Wilson:

On the issue of the impact of increased supervision on the industry, what is your assessment of that, given what you have just said?

The Minister for External Relations:

Supervision is about ensuring that industry is dealing with the risks that come with the business that it is undertaking and the supervisor is regulating to make sure it has got processes and procedures in place to understand the risk of the business that any given institution is managing. If we come to I.O. 1 at a national level that says that we do understand that risk and that understanding is across industry and that we are co-ordinated in how we are approaching that risk, but does it say we should think about, in effect, the supervisory and regulatory environment, then, yes, it does, which is why, as George said, we have got the action plan in place. One of those actions, which deals with the idea of supervision, is a regulatory environment review but rather than pointing fingers, what that needs to do and what that will do is look at the legislative base. It will look at how we are regulating. Are we suitably regulating in a place-based approach? Is it having the outcomes that we want? Where that action is taking place or Jersey is being used inappropriately, is that flowing through the system? Are people being sanctioned, are people being prosecuted? We will do this review, which will look at what is happening internationally. It will engage with stakeholders, some of whom have got ideas and questions about how we are currently supervising and regulating. The report picks up on some of that: are we using technology; are we getting rid of duplication? For example, if somebody brings a piece of business to Jersey, we currently require them to provide C.D.D. (customer due diligence), so the customer knowledge stuff, to all of the service providers, even though they might all be based in Jersey. We can all see that is not taking a risk-based approach. What is important is that everybody in that chain understands who it is that is doing the business, what the reason for the business is, where the funds are coming from and where the funds are going to. We have got to get back to where is the risk and then how we are dealing with that risk and how we are mitigating that risk and not, as is probably the situation more globally if we look at the moderate rating across the globe, looking at: "Okay, well, have you ticked this box and you have got this documentation?"

[14:45]

Director of Financial Crime Strategy:

I just want to make a point on what the report says on supervision so it is clear. It says that the J.F.S.C. (Jersey Financial Services Commission) should make use of more full-scope examinations or thematic inspections or offsite monitoring tools. What it gives there is a number of options to increase the way in which they supervise. It does not suggest that across the board the amount of supervision should increase. It gives them a number of options to reconsider their supervisory approach, so we would not want it to be thought that this is automatically going to mean that firms will be seeing more supervisors more regularly. One of the conversation we have with them a lot is how they could use technology to target their supervision in a more risk-based manner and that is something that they are actively considering and it is something that is an evolving picture worldwide. It is not going to mean that there will be an increase in supervisors. Indeed, increasing the number of supervisors would be problematic because that would increase the cost base as well. These are all things that have to be take into consideration.

Deputy K.M. Wilson:

Is this something that will form part of your strategic review that you are talking about so people will be able to see the detail of what is involved in that?

The Minister for External Relations:

Yes.

Deputy K.M. Wilson:

You mentioned earlier on that it is going to be forthcoming but have you got any indication of when people would be likely to see that.

The Minister for External Relations:

Helen, you might want to talk about the timing. We will be starting it in the second half of the year. We will want to engage experts to look at the international environment and we will probably want to engage local firms to think about the local aspects of it or the Jersey-centric aspects of it. It is going to take some time because it has got to be done in partnership, there has got to be full consultation. We think probably we will have something towards the middle of next year but that does not mean to say that we will not be able to take action in some areas or make some changes as we go along the way, as we build a consensus about changes that could improve.

Director of Financial Services:

As the Minister says, it is a significant project to look at this holistically to make sure we get the framework right that meets the international standards but enables that ease of doing business that we may have lost a little bit along the way. We have formed a group or we will be forming very shortly a group to look at competitiveness, so we will be tackling some of those earlier challenges

that we can take on now that do not have the same cost and resource implications. We will deal with those first and then for the bigger challenges we wait for the review.

Deputy K.M. Wilson:

Okay. Over the next 12 months we can at least start to see some output from the work?

Director of Financial Services:

Yes, and the engagement. You will see the engagement start to happen to make sure that we are looking at the right things.

Deputy K.M. Wilson:

Okay, thank you. In terms of the capability of the Financial Intelligence Unit, we heard that it has been increasing over the last 12 months, 2 years. How does this impact the MONEYVAL assessment?

Director of Financial Crime Strategy:

Quite significantly. Financial intelligence is kind of a core of everything that sits in the upper immediate outcomes. The F.I.U. during the evaluation process was probably involved in the most meetings of any of the bodies. Your capability to build and use financial intelligence effectively is really significant. We have identified that for a few years, which is why we started taking action back in 2020 to move their structure and resources, so it really is quite a significant factor to everything that we are doing. We are in a good place with the F.I.U. now. There is a new director - or not new now, he has been here over 16 months or so - with significant international intelligence experience. He is changing the approach from what was an operational, law enforcement, investigative unit really to an intelligence body. That will still require further training and resources domestically to bring other staff up to that level and we are currently at the stage of investing in specialist technology to allow them to do financial analysis across specific areas. There is also the need to build a different relationship with the industry. There is this phenomenon known as public private partnerships, or P.P.P.s, where broadly the view is that if you can build a different relationship with particularly the financial services industry, the sharing of intelligence will allow you to do much more prevention and it is the view that prevention is better than cure. If you can understand more at the beginning around where the risks are on a public-private basis, that should prevent things coming to the stage where you are seeing things coming through the door that may be of criminal intent. Those are all areas.

Deputy K.M. Wilson:

Thank you for that, George. Are you likely as a result to see more criminal prosecutions coming forward?

Director of Financial Crime Strategy:

It is difficult to say. As was said this morning in the panel, we do not consider it as an issue in identifying where criminality is. The factors that sit behind whether a prosecution is brought or not are varied and many. I think what we will see is an increasing ability to identify. Whether or not that results in prosecutions being brought here or elsewhere ... because it does not necessarily matter if a prosecution is not brought in Jersey. If our information is passed to a foreign authority and action is taken there, ultimately that has resulted in something that is positive for the global fight against financial crime. I think we will see ability for us to demonstrate how our work is cracking down on more financial crime and I do think that probably will lead to an increase in prosecutions, but the only person who will be able to tell you that authoritatively is the Attorney General.

The Minister for External Relations:

As he reminded the audience today, he still has the 2 tests.

Deputy M. Tadier:

Can I ask about the number of prosecutions? At the briefing, 2 prosecutions were given as an example but are they the only 2 that have happened recently?

Director of Financial Crime Strategy:

In the report the prosecutions that are referred to there are the ones that have come to a conclusion, so those are the ones that have happened inside the reporting period. The report is not able to speak about anything that is ongoing and we cannot speak about that here.

Deputy M. Tadier:

That reporting was, remind us, 5 years?

Director of Financial Crime Strategy:

Five years, yes, correct. The ones that were given as examples are good ones but they predominantly relate to what we would call local financial crime. One is the organised crime gang coming in and buying a number of high value things, which was quite easily looked at, and the other one that was talked about I think was the drug and laundering through a local jeweller.

Deputy M. Tadier:

To be fair, neither of those are to do with the finance industry, are they?

Director of Financial Crime Strategy:

They are not and that is what the assessors say. They say that they would be expecting to see more where the finance industry is used as an intermediary. What they were able to see is that

there is plenty of work going on around the investigation of those cases but they have not yet reached that stage of a decision for prosecution. There are plenty of those cases in the field of investigation; they have just not reached that point. It is almost the way we are describing it as a point in time assessment. In due course it would be expected. When MONEYVAL come back, if the situation in 2029 and 2030 is the same and there is still nothing that involves the finance industry, I think we will be having a very difficult story to say but that is not the expectation and nor was it with the assessment team.

Deputy K.M. Wilson:

Just on that finally from me, as a result of the assessment will there be any changes to the investigation processes that will be put in place?

Director of Financial Crime Strategy:

The high level action plan addresses a number of areas of changes that have already been agreed between the Government and the Attorney General because, of course, again the unit is independent inside his office. Those changes are around just developing the structure to be more effective and looking to be more of an investigative unit rather than a subgroup of lawyers inside a prosecutorial department. There is the intention to bring forward new legislative powers to allow the F.I.U. specific powers for investigation, which previously they got from the secondment of police officers into the F.I.U. In the next 12 months I would imagine, at least by the end of next year, there will be legislation in that area, which will be worked on collaboratively with the Attorney General.

Deputy M. Tadier:

Can I go back to one of the points about supervision and preventative measures? Did the report identify or are you more generally aware of any products or services or even companies that carry higher inherent risk in their business?

The Minister for External Relations:

You can carry on because that really encompasses the national risk assessment.

Director of Financial Crime Strategy:

The Minister is correct. The report identifies that the national risk assessment identifies areas where the risk is higher and the good news is the report endorses that risk assessment, saying that it is a reasonable set of conclusions. We refreshed those risk assessments just before the onsite last year, so there are a number of areas. I directed the panel to the September, October 2023 money laundering risk update and there were a number of areas pointed out in there that are at the higher risk, but broadly when you look at it on a sectoral basis you still have a grouping of banks and T.C.S.P.s (trust or company service providers) that are up in the higher area. I am using my hand

as a gesture to show what is a heat map that we use. Near there is also the fund sector, with lawyers slightly further below. There is also now identified risks around other areas like virtual assets. We know from the risk assessment and our specific risk assessment that our virtual asset service provider community in Jersey is very small, 5 operators at the time of doing it. Most of them are not doing, for example, wholesale virtual currency exchange, which is an area that is higher risk. The report identifies it because that is the Island's approach.

Deputy M. Tadier:

When you talk about virtual assets, are you talking about cryptocurrency is that?

Director of Financial Crime Strategy:

Correct, cryptocurrency. The F.A.T.F. developed a definition of virtual assets which is broader than just cryptocurrency, for example. It includes things like initial coin offerings, so people who create different types of coins for example, N.F.T.s (non-fungible tokens) would be in there, for example, and a whole variety of other things that are technically described in there but I would not be able to describe to you in person because that is not my thing. Virtual assets is a broader definition than just crypto but all of those can be used effectively as a representation of money and, therefore, can be used as a way to conduct money laundering.

Deputy K.M. Wilson:

Sorry, I did say that was the final question but there is a final final. You mentioned earlier about the adoption of technologies in terms of helping the industry through this. What kind of appetites do people have to adopt and embrace the technology in support of this?

The Minister for External Relations:

Generally speaking, I think people are very eager to adopt technology but the reticence comes from them needing comfort that the regulator is going to be happy with the technology that they adopt, that it is carrying out the function that they can both agree it is carrying out, for all the reasons that we know. George, in your previous guise before you came back from F.A.T.F., you did some work thinking about digital I.D.s (identifications) for Jersey and we have just picked that up again and that is in our work plan. It is technology in institutions but it is also technology enablement within the regulator. We know that we will be making changes to the register. We will be giving access to obliged entities. That will be a technological link for people to have access to information. That will also move forward for legitimate interest and we are working on that from a European standard perspective. There are all sorts of things that technology could help with. If we go down the Esplanade we see some of our big banks are already using technology and A.I. (artificial intelligence) to look at trends across their customer base and looking at those trends, gathering that information

helps them think about the risks and see risks and patterns that they might not have seen when everything was just paper-based.

Director of Financial Services:

I just entirely endorse what you have said on the comfort that the industry is looking for on the technology that they do adopt. We made an amendment to the Money Laundering (Jersey) Order - was it last year - around the use of electronic C.D.D.s you can do there but we have not gone so far as to endorse it to a company or provider. I expect that is what the industry are looking for, the comfort to know whatever they engage with will be suitable for the regulator.

Deputy K.M. Wilson:

As part of your strategic review, Minister, would that be something that you would address?

The Minister for External Relations:

Yes.

Director of Financial Crime Strategy:

I think it is worth mentioning on the technology side that some of the ways we collect data are still quite cumbersome. For example, all the data we use in risk assessments is still submitted through, effectively, Excel documents or datasheets with some schematics, but there are better ways to do this now. The slight difficulty we get with this, and what happened when we looked at this previously, is it is good to use technology and try to ease things but everyone in the industry will have a slightly different view of which technology or how things should be used. For governments it is tough for them to be technology neutral while the technology is enabling. That tends to be a bit of a difficulty for governments to get through because they want to be open but then you will have a very large stakeholder, for example a large bank, that says: "We just will not do it that way because we have invested huge amounts of money in this route." It is a difficult set of decisions but it is something that I think we need to be more forward thinking on and we are seeing other countries who certainly are more forward thinking and something the review allows to be looked at.

[15:00]

The Minister for External Relations:

Some of those large institutions just adopt the technology from their home account as well, so we need to be able to factor that into our thinking and give that some form of accreditation as well.

Deputy M. Tadier:

I think we will move on to talk about J.F.S.C.

Deputy K.M. Wilson:

Minister, can you briefly outline the purpose of the Jersey Financial Services Commission and your interactions with this as Minister?

The Minister for External Relations:

Well, it is governed by the law, the Financial Services Commission (Jersey) Law 1998. You see there that law has been in place a long time and that is another reason why I have announced the strategic review of the regulatory environment. It is responsible for the supervision and development of financial services provided in or from within Jersey.

Deputy K.M. Wilson:

Can you just explain for the benefit of the public what role it plays in cultivating business in the Island?

The Minister for External Relations:

The regulator is a risk-based regulator. Within the M.O.U. (memorandum of understanding) between Government and Jersey there is a clause in there that it should be regulating for jobs and growth and this is one of the areas that we will pick up in the strategic review: do we have a regulatory environment that is facilitating growth and innovation? As I have said, and as we all know because we are contacted by various stakeholders across the Island, there is a view in some quarters that we are not getting that right and this is why we need to do that review.

Deputy K.M. Wilson:

Does that follow that it has a role to play in cultivating the reputation of the Island in relation to its activities?

The Minister for External Relations:

It is fundamental to ensuring that we meet international standards, as we have just seen in the publication of the mutual evaluation report. They are also, of course, responsible for the Companies Registry. That registry has remained relatively flat with 30,000-odd registered companies on there. There is a question for us to ask as an Island: should we be seeking to see registration of companies in Jersey growing? I think the answer to that question is yes but within this framework that we are developing about fighting financial crime. I think there are other areas that we can all point to that say, yes, the base is following the international standard. Within that approach to the international standard and showing that we can comply with it, how do we grow our finance industry, and they have an important part in doing that, just as we do in Government in reviewing our legislation and making amendments where appropriate. The ease of doing business is another thing that lots of

people talk to us about across industry. Again, Government and regulator have a role to play in that ease of doing business and it comes to the heart of some of the questions you have been asking up to now about the use of technology.

Deputy K.M. Wilson:

Thank you.

Deputy M. Tadier:

I have got 2 questions about the productivity of the finance industry in recent years. Could you talk to us about the general value and productivity of the finance industry and as to whether it has increased or which direction it is going in?

The Minister for External Relations:

We know that over the recent past due to low interest rates the technical productivity, which is employees per G.V.A. (gross value added), has declined because we know that the profitability has declined because we have had low interest rates. Ironically, a time of high interest rates causes difficulty for Islanders with a cost of living crisis but it makes the finance industry much more profitable, so we will see that productivity level increase. We have made those cases. When we had low interest rates people pooh-pooed us and said: "Do not be ridiculous." Now we are going to see that increased productivity, we should not take that really as a proper indication. What we should be thinking about is how are we driving out duplication. How are we dealing with technology, as you have just been saying, Deputy. But I am absolutely clear the financial services industry is the bedrock of our economy. The latest business tendency survey shows that they remain optimistic, that they are seeing increased profits, and this is another reason why having a good MONEYVAL report is fundamental to seeing continued growth in that sector. The G.V.A. of the finance industry is just around 40 per cent, 42 per cent. George, I do not know if you have got that slide there but anyway, but that is direct G.V.A. Once you had in indirect G.V.A. it jumps up to around 70 per cent, so it is absolutely fundamental. Have we always made the case for the golden thread between financial services, high standard of living and the ability for Government to provide services based on the income from financial services? I do not think we have, so I think that is a job of work that we need to continue doing and a case we need to continue making.

Deputy M. Tadier:

Some of this in the context of Pillar 2, which we are scrutinising separately or there is a joint Scrutiny Panel so we will not go directly into that today, but insofar as the next question might need to be mindful of that, in terms of the productivity on the one hand in the finance industry and then the tax yield that Government may therefore expect from the finance industry, bearing in mind not all

elements of that are taxed directly, what is the link between those 2 and the anticipated tax yield maybe in terms of the industry if it is more productive?

The Minister for External Relations:

I am obviously not going to ... we are literally days away from publishing the Government Plan, which will have a base case scenario for income arising out of Pillar 2, but that is only a base case. There is potential for considerable upside on that, which I have said. That will obviously increase the direct tax from the financial services industry as a proportion of overall taxation that the Government receives. Tom is kindly slipping me a note here.

Deputy M. Tadier:

We can keep it more high level because we are not necessarily looking for figures.

The Minister for External Relations:

I was not going to give you numbers.

Deputy M. Tadier:

I guess what I am asking is obviously there are businesses in Jersey that are taxed, there are businesses that are not taxed. For the ones that are not taxed for example, the argument has always been that we get the benefit through job creation and if we can create either lots of jobs or jobs which are paying and, therefore, taxed and charged social security. But there is also a counterweight, I suppose, around productivity, which is to try to get fewer jobs put at higher value so there may be productivity that does not involve jobs. Ultimately what I am asking is how does Government get the yield if there is increased productivity which is not necessarily being taxed directly?

The Minister for External Relations:

As you know, once you have implemented Pillar 2 - and we are due to lodge the legislation at some point next week, I think it is, if we are still on that trajectory - that will bring 1,400 existing companies and operators in Jersey who are either currently paying at 10 or not paying any tax at all. So just by a simple compliance with Pillar 2, the O.E.C.D. approach to taxing those large multinationals, we are going to see an improvement, but while that is a good thing we do also need to focus on - which I think is the core of your question - how do we maintain profitability in financial services and not necessarily grow the number of people employed in these services. It is what we have been doing over generations, which is ensuring that we have got higher value people either moving here or being maintained here. We also remind ourselves that that is a global competition as well. We are seeing member states seeking to attract higher value people from a financial perspective - I am making no determination about them as individuals, we are just talking about G.V.A. here -

elsewhere across Europe as well. So we are in a global race for that but we are being, I think, reasonably successful in encouraging funds and hedge funds and individuals involved in those hedge funds to Jersey. We are seeing an increased use of Jersey by U.S. (United States) funds, that is the point Tom was just reminding me of, and we think that will continue post-Pillar 2 as well. But that is our strategy, to get to the heart of your question.

Deputy M. Tadier:

So you are talking about 2(1)(e)s in part of that answer?

The Minister for External Relations:

As part of it, yes, but not just that because the work about funds from the U.S.A. (United States of America) and hedge funds coming here and an individual setting their funds up is the individual might come and bring their fund but then they ultimately employ others in a high value role as well.

Deputy M. Tadier:

Are you anticipating something similar to Pillar 2 being applied to personal income tax for the likes of 2(1)(e)s? Are those conversations being had?

The Minister for External Relations:

Those conversations are ongoing at the U.N. and at the O.E.C.D. but they are in a nascent state. They were still quite theoretical when Tom and I were in the U.S. At the spring meetings of the World Bank and I.M.F. (International Monetary Fund) they were just starting to talk about what it might look like and those conversations of course have gained traction because it is quite attractive to governments to say: "We could take the 3,000 billionaires around the world" You are slightly above to some extent, not in every case, some of the people that are coming to Jersey but there are some ... you are talking about these 3,000 billionaires. The question is most of the arguments made about a global tax on the super wealthy are about what you are going to do with the money. Okay, you could develop a framework to tax them, although I think it is difficult. What then individual states do with that money is a matter for those individual states. There is still a way to go on that conversation.

Deputy M. Tadier:

I am sure they would find something to do with it, would they not? That is not the hardest part.

The Minister for External Relations:

They would, but the proponents of this model are saying we should be using this money to help the world go carbon neutral, for example.

Deputy M. Tadier:

Thanks for that, and no doubt we will come back to some of that in a different format with a different panel. I think we are doing fairly well, which makes me wonder whether we are doing it correctly. I am going to move on to external relations visits. I think we have done all the questions. Did I miss you out, Max?

Deputy K.M. Wilson:

It was just 10.

Deputy M. Tadier:

There was a question 10, sorry. Let us finish that question.

Deputy M.B. Andrews:

Minister, following on from an oral question in the States Assembly about the publication of credit lenders and their rates and terms, I was wondering whether any conversations have taken place between yourself and the Consumer Council?

The Minister for External Relations:

I have not personally had time to do that yet, but the latest statistics of course that we have around the differential between the U.K. and Jersey mortgage rates, which still goes back to April and I understand anecdotally that that has been reduced further, is we have seen a traction of the differential now to on average about 0.7. We understand, I think, why there are those differentials. It is fair to say we know that the banks are committed to offering the lowest rate mortgages that they can within the constraints that there are, but that is a meeting that we still need to organise.

Deputy M.B. Andrews:

Can I ask, Minister, obviously Islanders are fully aware when there is plenty of news coverage about the rates being higher in Jersey compared to the U.K., so what actions did you take to liaise with the banks, to communicate to them and to make them fully aware of how you felt about the way ahead?

The Minister for External Relations:

Firstly, let me be clear, probably through engagement with banking institutions for many a year, I understand why there might be a differential, and how Jersey banks are not banks based in the United Kingdom. We have had the changes around ringfencing; that has made a differential.

[15:15]

They buy money on the money markets at a set rate; they have savers as well that they have been giving increased rates to; they have diseconomies of scale as well. All of these are factored into the mortgage rate that they can offer. My predecessor in this role for financial services is sat there and has not said very much so far but she maybe will talk about the engagement that she had with the banks at the time that this started to become a public issue and the differential widened as we saw interest rates remain higher for longer. Elaine, I do not know if you want to say anything more?

Assistant Minister for External Relations:

Would you mind just repeating the question because the sound slightly went there? I have been trying to listen to it but the sound was slightly odd when Deputy Andrews asked his question.

The Minister for External Relations:

Do you want me to answer it for you? It was the engagement that you had with the banks around the differential in mortgage rates and passing on when interest rates either went up or down. I know that you met with them and you wrote to them.

Assistant Minister for External Relations:

I wrote to them I think at the start of last year. It was not specifically about the differential between Jersey and the U.K., and I think most of them have responded on that to the more recent survey. I spoke to them particularly about, because interest rates had gone up so quickly, how they were dealing with customers who may be struggling with mortgages. The response was generally: "We are keeping a very close eye on it." At that stage they were saying they did not have a big arrears history and they were working very co-operatively with customers, because the last thing a bank wants is a bad debt. Enforcement in Jersey is very uncomfortable and very complicated, so I think the banks do work very sympathetically if people are struggling. The banks would rather work with them and get them over the hump than end up with having to take over a house and force somebody out of their home. So that was the interaction I had with them, but I think there are all sorts of reasons for the differential. It is partly because we are a small Island, there are different risks, there are different concentration risks and there are different legal structures. They all have different reasons for why there are differential rates between Jersey and the U.K.

Deputy M.B. Andrews:

Thank you very much, Minister.

The Minister for External Relations:

I continue to have conversations with the banks in my general meetings with them.

Deputy K.M. Wilson:

Minister, we understand you have had a busy schedule of overseas visits, and there is a list in front of me here. For the benefit of the public to just outline to Jersey: welcomed delegates to the annual political summit, British Irish Council Summit in the Isle of Man; French ambassador visit to Jersey; D Day anniversary in Normandy; Deputy Millar going to the Qatar Economic Forum; and then a whole host of meetings with French, Nigerian, Rwandan and Kuwaiti representatives. Can you highlight for us what the purpose of these meetings were?

The Minister for External Relations:

Each one would obviously have a slightly different purpose. If we look at what the Government's priorities are they are to continue to increase engagement with our French neighbours and that is why you will see the engagements there. I think since the start of the year I will have met the French ambassador on 3 occasions, one of which was an inbound visit which was very successful. We are proactively seeking to improve that relationship for all the reasons that hopefully the panel knows and understands. We are also prioritising - again, as you would expect - engagement with the new Government in the United Kingdom over the next quarter. I have already had 2 visits to the U.K. since the new Government and attended events where I have spoken to members of the new Government last week or the week before when in one of those I went and spoke to the Prime Minister. That is the second time now I will have spoken to him, once before he was the Prime Minister in Normandy. But since then I met, alongside my Guernsey counterpart, Tulip Siddiq, the Economic Secretary to the Treasury and the City Minister, and others as well. We have really got those 2 important priorities that we are delivering but we also have our global engagement strategy as well and so some of the other engagements that you noted there which were more global were really based on that. For some of those that is about signing treaties; we are in the process of negotiating - or Tom is - a couple of bilateral investment treaties and we are seeking to negotiate others with states in the Middle East. Of course until the change of Government one of the priorities of the previous government was a free trade agreement with the G.C.C. (Gulf Cooperation Council) which is of course another reason why we would have engaged there. I hope that gives you a rough canter through.

Deputy M. Tadier:

Can I ask a question about Rwanda? You had a meeting with Rwandan representatives on 7th May. Does the new U.K. Government's decision to scrap their Rwanda bill have any implications for Jersey? Are there any knock-on effects?

The Minister for External Relations:

No, it does not. I spoke to the High Commissioner of Rwanda at an event again last week, I think it was, in London and it has no implications at all in that regard. A new M.O.U. was signed arising out of the inbound visit here to Jersey and officials are continuing to work to that M.O.U. together.

Deputy M. Tadier:

What is the relationship that Jersey is establishing and what is the nature of it with Rwanda?

The Minister for External Relations:

I was going to say it is twofold but it is more than that. As you know, we have supported them in thinking about the creation of a finance centre in Kigali. That has been going on for a number of years and we are continuing to engage at a governmental level but also at a J.F.L. (Jersey Finance Ltd) level in that regard. We engage at an educational level, so there has been exchanges there; we engage at a J.O.A. (Jersey Overseas Aid) level, there has been exchanges there and a long, long history of engagement and support in that regard; and we engage at a business level and that is part of one of the bilateral investment treaties that Tom is in the process of negotiating with them as well.

Deputy M. Tadier:

Is the relationship that they have with the Democratic Republic of Congo causing any problems to the stability of business in Rwanda?

The Minister for External Relations:

I am not aware that it is. Slightly outside of my remit but we know that obviously there is sometimes friction in that relationship.

Deputy M. Tadier:

Thank you. I will let you ask question 13, if you are happy with that?

Deputy M. B. Andrews:

Yes, thank you, Chair. I know there have been some concerns raised before the general election in the U.K. if we were to see a U.K. Labour Government and now we do see a U.K. Labour Government. Minister, my question to you is this: what does a U.K. Labour Government mean for the Island?

The Minister for External Relations:

Well, let me be clear, I have not personally raised concerns about a U.K. Labour Government. We in Jersey have worked with Labour governments in the past, we have worked with Conservative governments, we have worked with coalition governments that have involved Conservatives and Liberal Democrats. We take the incoming Government at their word, we look at their manifesto; there is lots of alignment there in what they are seeking to do in the United Kingdom to deliver economic growth. Really most of our conversation to date has been about economic growth and for

us it is how we can support the U.K. in their seeking to deliver economic growth. If you look in their manifesto it is quite clear that they say that they want to work with the Crown Dependencies and the Overseas Territories and we welcome that working with.

Deputy M.B. Andrews:

With Jersey being an offshore financial centre, alongside the other bailiwicks, there has been concerns I think raised by some people in industry in anticipation of if we were to see a Labour Government would there perhaps be enforcement against the bailiwicks or potential changes to how the bailiwicks would regulate. Do you believe that potentially could be the case and could that be the message that the U.K. Government is sending to the bailiwicks?

The Minister for External Relations:

Well, as I say, if we look in the manifesto, the manifesto is clear that they will seek to work with Crown Dependencies and Overseas Territories, particularly on matters when it comes to transparency. A report that has just been published today, an independent peer review assessment, says that the model that we have for holding, managing and exchanging beneficial ownership information is a model which, in effect, others could follow and is functioning well. The challenge, I suppose, for us is perhaps a political one, making sure that we engage frequently and appropriately with the new Government to ensure that they have an understanding of that. We want to work with them. We have the information here in Jersey; we want to understand what are the things that they think we could work with them more proactively than perhaps we have in the past. But we remind ourselves already U.K. law enforcement agencies have access to information on our register of beneficial ownership, in some cases in as little as an hour. It is making sure that there is a joined-up approach and that we continue to have that engagement and those conversations, but we also remind ourselves that is not a specific Labour new Government thing; they were views held in the previous government.

Deputy M.B. Andrews:

Minister, before the House of Commons reconstituted there was a number of politicians who made public statements about Jersey and Guernsey and they really focused on Jersey's beneficial ownership and the element of transparency. Why do you believe those concerns were raised before the House of Commons reconstituted, and do you believe this MONEYVAL assessment that has recently been undertaken will provide clarity for politicians in the U.K.?

The Minister for External Relations:

It is not a new thing for Members of the United Kingdom Parliament to raise these issues. We seek to at all times engage positively and proactively and to fully understand what the concerns are that others might have about our system. Of course this report helps because it is independently peer

reviewed, so it is not just us and others saying: “Well, you would say that, would you not?” No, this is independent people who have peer reviewed our system and say that it works well and we have got accurate information on our register, which is exchanged with U.K. law enforcement agencies, but that does not mean to say there is not more that we can do. We are doing the obliged entities, we will be working through legitimate interest access. What is important for us is to keep engaging and making the case. For some people it is a simple matter of we believe information should be in the public domain, whether that information is accurate or it is less than accurate. That is a polite way of putting how some of the information that is held on some public registers might be perceived.

Director of Financial Crime Strategy:

I just want to add on the international context, it is important to recognise that the U.K. is pretty limited now as being one of the few countries that is pursuing a fully public register. There are a number of E.U. (European Union) member states that have reduced access in line with the E.U. Court judgment, and I think what we are seeing is a more balanced approach across the E.U. to privacy rights versus access; that is where this legitimate interest conversation is going. The U.K. is in a very unique position, and that was reflected on this morning by one of our experts. Elsewhere in the world there is no conversation around these public registers. It is not a topic of conversation really anywhere else apart from in the U.K. at the moment. There are benefits and negatives to the ways in which you set registers up. One of the points that was made by the Minister and also by our experts is our register is set up in a very different way from the U.K.’s register and for different aims. I think we can achieve those same goals of giving information to the people who need it in different ways.

The Minister for External Relations:

But that does not mean to say that we do not engage. It is critically important that we continue to engage and have the conversations and the dialogue.

[15:30]

Chief Officer, Ministry of External Relations:

I was just going to say, one of the important things in respect of your question, Deputy, what does a Labour Government mean for us, it is not just talking about one particular set of issues. It is really important that a new Government understands Jersey in the wider sense. I would also say that, as I think the Minister referenced, prior to the election we engaged with the now Foreign Secretary, we engaged with the Trade Secretary, the Chancellor, the D.E.F.R.A. (Department for Environment, Food and Rural Affairs) Secretary. We have already spoken to a lot of the politicians now in those key roles and that is important to make sure they understand the full picture.

The Minister for External Relations:

But there has been a big turnover and this goes to the point that our work is never done. We will keep explaining and having conversations and engaging.

Deputy M. Tadier:

If I were being less than serious I would say we may never know what a Labour Government would do because it is a hypothetical question in the U.K.

The Minister for External Relations:

In the same way that we never know what any government elsewhere is going to do.

Deputy M. Tadier:

True. The point is I do not think we necessarily have a Labour Government.

The Minister for External Relations:

I was not going to say that, Chair.

Deputy M. Tadier:

You would not say that. It might cause a diplomatic incident. There is a question I guess more generally around where the conversation is going around tax avoidance. We know that while the MONEYVAL is focused on money laundering and terrorist financing, there are conversations ... and this, of course, is the whole basis for Pillar 2 about the spirit of how Government and taxation and products and services that Government pays for is funded is moving. Where do you think that conversation is heading for centres like ours?

The Minister for External Relations:

It is again a good question, Chair, and I am not sure if you were driving at this but the report does talk about tax and tax avoidance and the work that we do around that. It is something that we need to continue thinking about and working on because we might explain or pass information to other countries where we think that proceeds might be the result of tax evasion, but other countries may deal with that as a civil matter rather than as a criminal matter. We do need to engage more on this area, and I think international standard setters are going to think more about that; George as well. But it is to my mind going to be more of an emerging theme around this as well. Tom will know in his neck of the woods when it comes to international treaties they are thinking much more about supporting collection when it comes to taxes. That is another slightly different issue but it is still an important one. It is perhaps a challenging one for us but we continue to make the case that we expect the tax to be paid in the country where the money is being generated, we expect the tax to be paid in the country where the money is being invested and complying with the requirements of

those countries. We do not add an extra layer of tax, other than as our regime currently stands and as our regime will be in compliance with Pillar 2.

Deputy M. Tadier:

Great. I think we have come to time. There might be one or 2 questions outstanding that if you are happy for us to send them over as written questions I think they could probably be dealt with. Some are technical questions about internal processes between our panel and the department, so they do not necessarily need to be on public record anyway. But if I can just ask the panel, have you got any final questions for the Minister or the department?

Deputy K.M. Wilson:

No, thank you.

Deputy M.B. Andrews:

No.

Deputy M. Tadier:

Likewise, do you have any questions for us?

The Minister for External Relations:

No. If there are any issues with relaying of information with the panel do let us know because if there any we would like to resolve them.

Deputy M. Tadier:

I do not think there are; it is just to clarify some of the mechanisms. I thank you, Minister and your team. I know you have had a busy day so we appreciate your time.

[15:34]