



Economic and International Development Panel

Government Plan Review

Witness: The Minister for External Relations

Thursday, 12th September 2019

Panel:

Deputy K.F. Morel of St. Lawrence (Chairman)

Senator K.L. Moore

Deputy D. Johnson of St. Mary

Witnesses:

The Minister for External Relations

Group Director, External Relations

Group Director, Financial Services and Digital

Principal External Relations Officer, Global Markets

[10:01]

Deputy K.F. Morel of St. Lawrence (Chairman):

Thank you, Minister, for coming in without your hard copy of the Government Plan. Yes, we are here for the first of possibly 2 - if we do not need the second one we will let you know - hearings about your group. Before we get started we will just start as we always do by introducing ourselves around the table.

Deputy D. Johnson of St. Mary (Vice-Chairman):

David Johnson, Deputy of St. Mary, Vice-Chairman.

Deputy K.F. Morel:

Kirsten Morel, Deputy of St. Lawrence, Chairman of the Panel.

Senator K.L. Moore:

Kristina Moore, member of the Panel.

The Minister for External Relations:

Ian Gorst, Minister for External Relations.

Group Director, External Relations:

Kate Nutt, Group Director at External Relations.

Group Director, Financial Services and Digital:

Richard Corrigan, Group Director, Financial Services and Digital.

Principal External Relations Officer, Global Markets:

Rebecca Millar, Principal External Relations Officer, Global Markets.

Deputy K.F. Morel:

Thank you very much. Thank you all for coming in. We will just get straight down to it because we have got an hour and a half and I think quite a lot to get through, though I have just been told for confidentiality reasons half of my questions are not going to be answered. But that is okay.

The Minister for External Relations:

I would be very surprised but, anyway, yes, if that is the case.

Deputy K.F. Morel:

I will start off by just saying ... just asking basically, you have asked, as a department, for about £5 million of extra funding, I believe?

The Minister for External Relations:

Yes, if we are going to take external relations separate from financial services that is exactly right, Chair. There is about just over £5 million over the 4 years but perhaps this was not helped by the categorisation in the Government Plan. That is not ... its growth in the base budget is not growth in what we have actually been spending but we have been spending that from contingency rather than having it allocated in our base. When you look at the overall increase between base and contingencies and the new base in 2020 it is a much smaller number, just under a couple of hundred thousand.

Deputy K.F. Morel:

In which case, I was going to ask as well what the overall base budget was for ... or is for this year, 2019?

The Minister for External Relations:

It is just over £1.7 million.

Deputy K.F. Morel:

For the?

The Minister for External Relations:

For 2019. The base ...

Deputy K.F. Morel:

For the whole of external relations?

The Minister for External Relations:

Yes.

Deputy K.F. Morel:

That will rise to how much in 2020?

The Minister for External Relations:

The base budget in 2020 will be 2.9, but that comes to my point that from contingencies in 2019. We are spending on top of that 1.7 an extra 1 million anyway dealing with Brexit and external relations global markets type work, which then get us to that roughly 200,000 extra that we are really asking for.

Deputy K.F. Morel:

I have noticed how everyone I have spoken to, whether Ministers or leaders of external organisations, the amount they are actually asking for is much, much less than the figures I see on the pages. It seems to be a theme.

The Minister for External Relations:

I do not mind, we can say I am asking for an extra £1.2 million, it does not bother me. I have a perfectly colourable explanation of why I think it is critically important. So I am happy to deal with either number. Context is everything.

Senator K.L. Moore:

Is that the figure that was requested by the department or has there been some negotiation to achieve this figure?

The Minister for External Relations:

That is a good question. So it has been an iterative process and what all departments were asked to do when they brought forward their bids for new money or contingencies being put into base was do a business case and then they were asked to look at reprofiling that to see if it could be spent later during the course of the year, whether they would be able to spend it, because, as you know, departments historically do not actually spend their full budgets and therefore you can end up in some departments with underspend. You will see there is a slight ... you might see some slight variance of figures throughout the Government Plan. That is just basically reprofiling. But both senior officials have assured that the work that I have requested be undertaken can be undertaken with the money that is now being allocated. When it comes to financial services and J.F.L. (Jersey Finance Limited) we might have a different conversation about that because they did ask for more money and we will explain why we did not give them the full amount that they asked for.

Deputy K.F. Morel:

Overall, again looking at the whole 4 years, about £500,000 less than you actually requested has been provided within the Government Plan. Are you happy with that?

The Minister for External Relations:

Well, you see, I am taking a purist view of what the Government Plan is. The Government Plan is an annual plan. There is a school of thought that suggests it is an envelope for 4 years but that is not what the law says. Every year Ministers and Members will have to vote on the actual allocation per department and it is fair to say that because of uncertainty it may be that we need to ask for more money in future years. But, as I say, this was a profiling exercise. If you look at some of the new money that we have asked for - if I use your terminology, Chair - for global markets and extra staff, there is less in future years. That may be because some of those posts we do not need because Brexit has settled down. So I am satisfied with the envelope that is in the Government Plan, but we may need to come back for more.

Deputy K.F. Morel:

Specifically for next year it is about £165,000 less than you requested.

The Minister for External Relations:

That, I have been assured, and maybe you wish to have the assurance verbally from my senior officer, that the work that I want to be undertaken can be undertaken within the budget request in the Government Plan. I do not know if you want to ...

Group Director, External Relations:

Well, for External Relations, I think it is about 49,000 less than we bid for but, yes, I can confirm that within the overarching envelope ...

Deputy K.F. Morel:

Well, I am also including the A.M.L. (Anti-Money Laundering) work.

Group Director, External Relations:

Yes, which is ...

The Minister for External Relations:

Richard will give that ...

Group Director, External Relations:

From E.R.'s (External Relations) perspective we can do it.

The Minister for External Relations:

Richard can give that confirmation.

Group Director, Financial Services and Digital:

Yes, within the A.M.L. aspect, part of that is an onward grant to J.F.S.C. (Jersey Financial Services Commission) so that they can resource up more around A.M.L. supervision and the J.F.S.C. has a reserves position and ultimately will transition costs back to the industry over the period of this sort of 3 or 4-year cycle. So we are just asking for a bit more of that transition burden to sit on the J.F.S.C. rather than to sit on Government. They are getting a large part of what we have asked for but not quite everything we have asked for. But it still allows us to deliver the full plan.

Deputy K.F. Morel:

Minister, looking at the External Relations Department overall, can you give a brief synopsis of how you intend to spend the additional investment. What are your main categories of spend?

The Minister for External Relations:

Okay. Shall we work from the premise of the base budget to the base budget. So we will be spending a bit more on the London office, about 125 and then the vast majority of the rest is on staffing, some of whom we already have on contract being funded from contingency so we are talking about, overall between base 2019 and 2020, 14 new people. We have got a little more ...

we are creating a new bilateral co-operation fund. That is doing things like funding the Jersey Rwandan artwork that will be delivered around C.H.O.G.M (Commonwealth Heads of Government Meeting) in Rwanda next year. It is that sort of small amounts of money on top of but the vast majority is staff.

Deputy K.F. Morel:

Okay. I was thinking you were going to answer something along the lines of you would use to build market strategies, some of it will used for Brexit, some of it will be used ...

The Minister for External Relations:

Those staff will be doing those pieces of work but I am being absolutely clear, because I know sometimes Members get upset about employing people, it will be, by its very nature, employing people. As I say, the majority of whom are already employed but they are on short-term contracts.

Deputy K.F. Morel:

One question I was going to ask is how many more people, if any, will you employ over the coming year and then forwards?

The Minister for External Relations:

That is a good question because the reality is 11 are already on short-term contracts, so in actual fact there are just 3 new posts and they are more junior posts. So admin interns and just an external relations officer.

Deputy K.F. Morel:

Again, I do not want to put anyone in an awkward situation, one of the posts is being graded up a couple of grades, I wanted to ask why that was the case?

The Minister for External Relations:

So we have got Brexit, we have our Brussels office which leads the E.U. (European Union) engagement in the commission and we have our office in Caen. We did think about whether post-Brexit or in the run up to Brexit we needed to put more resource into Brussels and we might need to revisit that in 2020, 2021 but the strategy we are following is creating a new E.U. engagement team which will be an individual here, an individual in London and an individual currently based in the Netherlands, Amsterdam. They will be touring around the capitals and engaging with the U.K. (United Kingdom) embassies in the capitals and various ministries in the capitals. That upgrade is for an individual ... we are creating, in effect, a new more senior head of E.U. engagement post and there is somebody currently in post there.

Deputy K.F. Morel:

It is interesting that as far as France is concerned you staying with purely the Caen office, is that correct?

The Minister for External Relations:

Not entirely, no. What we are seeing is that you will have the Caen office really important for regional engagement, and we are seeing that regional engagement being very valuable in the run up to Brexit because a number of regional politicians have, in the past and currently, senior posts and are influential in Paris. We need to maintain that. The new E.U. engagement team will have interaction with the British Embassy in Paris and will be using that engagement across the Government from the embassy in effect. So we are trying to ... rather than creating a new office in Paris, trying to use existing infrastructure that the U.K. has and, in a way, piggybacking off the back of that, much in the same way that we have been doing in Nairobi.

Deputy K.F. Morel:

We will come to Nairobi. But those 3 will have 26 other countries beyond France to deal with as well.

The Minister for External Relations:

They will.

[10:15]

Deputy K.F. Morel:

So in that sense relations in Paris, will they ... priority is not the right word but will that be more of a focus than Hungary, for instance, or ...

The Minister for External Relations:

Yes, so we have priority European partners and they are probably the same as everybody's priority European partners. It is Germany, it is France and for us Ireland is an important as well.

Deputy K.F. Morel:

Then why Amsterdam? Given that there is no political head ...

The Minister for External Relations:

When I say "based", is living in Amsterdam rather than say ... this is a much more flexible working position. We expect this person to be spending days or weeks in Paris, we expect them to be

spending days or weeks in Berlin and Dublin as well, so you could pick ... Amsterdam actually is very well connected from a transport hub point of view.

Deputy K.F. Morel:

I need to get myself back on track. I have noticed when you made the economic cases for the work that you would like to do, and this is also looking at the Jersey Finance growth, et cetera, and the A.M.L., there are a lot of words used but very few figures in terms of return on investment. You even mentioned E.V.A. (Economic Value Added) at one point but do not really give any figures about what the E.V.A. is expected to be. While the words are persuasive, there is no question, why are there so few actual calculations about return on investment in your business cases?

The Minister for External Relations:

I think we need to separate out very much external relations from that because, as you know, foreign offices around the globe ... it is very difficult to actually calculate directly the value added of signing a double taxation agreement, because that value added ends up happening in individual firms who do not necessarily always, for competitive reasons, want to talk about that value added. With Jersey Finance, of course, that is slightly different. They have probably the same issues about finding out and knowing exactly what business is being written but it is much more on a global nature when they do their annual surveys and reviews. It is also employment numbers, funds under management, banking deposits, they have been a little bit of a proxy for all of that in the past, that comes out of the Statistics Unit and J.F.L. but I think you ask a very good question because the Chief Officer and I have been challenging and saying: "Jobs might have been a good indicator in the past but as technology is transforming the service industry jobs is not going to be a good measure of the future so we are going to need to find new ways of measuring the value of what is being delivered." We could argue that all of this money simply delivers a steady state and without it ... you will have seen in the report around the McKinsey work and their analysis about jobs that would have lost had we not put that money in and had we not done this jurisdictional work. So it is difficult to quantify what might have happened in the negative if we had not done it rather than saying it is all attributable to the positive investment. It is a good question that we are just working on how we can challenge those matrix.

Group Director, Financial Services and Digital:

So we are asking Jersey Finance to look at how is money spent and how do they determine value for money on what has been spent. The economic value add is a more recent development with Jersey Finance and it is to try and look at if they had brought, say, an inward investment opportunity into the Island, so a new fund manager is located in, what is the salary bill for that new fund manager, what level of income tax and social security contributions are being paid from them and looking at that as economic value to the Government of Jersey, it is more money into the public purse.

Similarly, if they have created value for member firms of Jersey Finance, for example, they have been asked to help with the creation of a new fund structure or a new private wealth structure and that has generated £50,000 of fees for company A, as a law firm, then noting that down because that is economic value they have created for their membership which helps to keep people in work who pay tax, the ultimate benefit back to Government. It is not perfect, it is fair to say, so we are trying to get a combination of the macro figures, G.V.A. (Gross Value Added), productivity and assets under management, total deposits per sector as well as some of those more sort of micro measures underneath that as well so that we can try and hold them accountable for a range of measures. I think the finance sector has been challenged on things like productivity. It takes the same number of people to run a bank when interest rates are at 5% as when interest rates are at 0.5% but the productivity drops, the bank productivity falls substantially in a very low interest rate environment. So productivity itself is not necessarily the best measure in financial services, there are other measures that we need to consider and apply so we will look at a range of those in our conversations with Jersey Finance around the effectiveness of what they are doing.

Deputy K.F. Morel:

We mentioned Nairobi and that was one place, for instance, where I was interested in what you expected to be the return on investment. Now, you mentioned with double taxation agreements it is difficult to tell but at the same time you have chosen certain countries to enter into double tax agreements over others. There must be a sense that calculations have been made somewhere to take country A over country B when it comes to entering into double taxation agreements.

The Minister for External Relations:

Yes, and it is not just a financial calculation either. It is all sorts of factors. It might be where ... it might be an existing centre, so we know that Nairobi is an existing finance centre for East Africa. It might be existing business links with Jersey and finance institutions. A member of the Commonwealth, English speaking, rule of law, all of these things come into our consideration. As you know, all the work we have been doing with Nairobi about the repatriation of the funds and the frack ... so this is an individual who was employed in Jersey as a Jersey person and for personal reasons was moving out to Nairobi and that really aligned with our increasing Africa engagement strategy as well. Only last week while Richard and I were in South Africa officials were in Nairobi negotiating a D.T.A. (Double Tax Agreement). It is fair to say that we would not have got that timeline for negotiation without that individual on the ground engaging, because some countries are notoriously difficult to get decisions out of and timelines to be stuck to, particularly when we think about the turmoil that there was in the finance ministry in Nairobi just a few weeks ago where people were arrested. But we were able, because of the work of that individual, to maintain that timeline and made really good progress last week as well. Now, can I give you a pound, shilling and pence return on that? No, I cannot.

Deputy K.F. Morel:

That is fair enough. I am going off into other bits, I do apologise to my colleagues. I have notes all over the place and I pick them up and go with them. One of the things that I did pick up, and I apologise I do not know how much I am meant to or not say, is there is mention of the Infrastructure Investment Fund which is mentioned in the Government Plan overall. It is also mentioned in your business case in terms of, I believe, attracting people to invest in that fund. Could you expand on that?

The Minister for External Relations:

I think it is fair to say that that idea is in early form and, as far as I am aware, there has not been yet a detailed piece of work about how that would function. I am of the view that you just have to be careful about how you are labelling and describing something because I think it has been, from time to time, labelled as a sort of wealth fund and others times labelled as an infrastructure investment fund. To my mind they are 2 quite different things so we should not confuse them. If you are looking at an infrastructure investment fund, which is the connection here, there is an argument that says you could create a fund and others may want to join in with that fund in investing in infrastructure in the Island. There is no doubt that in some of the markets where we operate there would be interest in joining such a fund. I know as I have travelled around the world people have asked me: "What can we buy in Jersey?" Historically I have said: "No, no, we are not selling things, we are not asking you for that sort of investment, what we are saying is you can protect your investment elsewhere around the world by using Jersey and Jersey structure." It is a new idea, I do not think there is very much detail yet being provided but if it were to be created then it stands to reason that for that sort of fund there would potentially be interest from the markets where we operate and act. It is a political decision about whether that is a good thing or not.

Deputy K.F. Morel:

The reason I ask is because it is one of the question marks in the Government Plan. They keep mentioning the Infrastructure Fund but there is zero detail to go alongside it, and what I mentioned here is one of the first bits of detail I could glean about it. It is interesting.

Senator K.L. Moore:

So the question is should this perhaps be put to the Assembly next year when there is more detail? Is this a little premature for us to make a consideration?

The Minister for External Relations:

Well, my understanding is that a detailed proposal for an infrastructure investment fund would come to the Assembly, and that is exactly as it should be. I do not think the Assembly is being asked to consider anything that it will not have the final say on. All of the details will in fact be provided.

Deputy K.F. Morel:

If we could just go back to the offices, as in the Brussels office, the Caen office, the London office, are you able to give figures of how much is spent for each office?

The Minister for External Relations:

If I do the base budget for 2019, C.I.B.O. (Channels Islands Brussels Office) is 360,000, that is joint of course with Guernsey.

Deputy K.F. Morel:

That is each or between each?

The Minister for External Relations:

That is what we pay, yes. Caen is 110 and the Jersey office base budget is 425 but we always have to add extra to that from top up grants. Another thing we do in here in increasing the base budget is making sure we do not need to, as far as possible, do that in the future.

Deputy K.F. Morel:

You said the Jersey office, you meant the London office, I take it?

The Minister for External Relations:

Sorry, yes, the Jersey London office. Yes, the Jersey office is, of course, considerably more than that.

Deputy K.F. Morel:

Yes, last I checked, yes.

The Minister for External Relations:

You wanted to know what the Nairobi F.C.O. (Foreign and Commonwealth Office) desk costs, is that roughly about 10,000?

Group Director, External Relations:

The desk costs are approximately £5,000 a year.

The Deputy of St. Mary:

Sorry, before we leave Nairobi, I know that the Deputy of Grouville's title, Minister for International Relations has a ...

The Minister for External Relations:

International Development.

The Deputy of St. Mary:

Sorry, yes. Has created a criteria about which countries she should be assisting. Does that extend to the countries you view when you consider having a presence there?

The Minister for External Relations:

The criteria that you would expect for a development agency are around the human development index, are around where Jersey Overseas Aid rightly might have experience, which is why they are reprofiling how they spend. What we are looking at, of course, and we do talk about the work that they are doing right across Africa and we work closely and liaise with them but ours is much more economic in focus than it is development aid.

The Deputy of St. Mary:

Without casting aspersion on any particular country, there are some signs their reputation is not as good as it might be, are we concerned about our own risk?

The Minister for External Relations:

Yes, we are. But from an aid agency you want to try and work in countries where you think you can add greatest value for every pound that you are spending. In the global markets team there is a ... what is it called?

Group Director, External Relations:

We look at the corruption index when we look at assessing countries, the matrix.

[10:30]

The Minister for External Relations:

Yes, but there is a team that includes global market overseas, the co-ordination group - that it is - and so that helps co-ordinate the work of both global markets and J.O.A. (Jersey Overseas Aid) to make sure we both know what the other is doing and where there is any crossover or economies that can be delivered. But your point, which I think is what Kate was just picking up, is about corruption and risk in those countries and we do, in our matrix of target countries, use that.

Deputy K.F. Morel:

Kind of going back over stuff a little bit. As far as the future partnership is concerned, in negotiations with the U.K., between the U.K and the E.U., and Jersey's involvement in them, how deep is our involvement in those negotiations and how much from your funding goes towards supporting that, or is just a cost to the London office and no more.

The Minister for External Relations:

No, it is right across ... it is going to be across government. The previous U.K. Government was very much focused on the future economic partnership because they obviously were trying to deliver the withdrawal agreement, which would have meant that they had left the European Union and then had 2 years to negotiate the future economic partnership. They had set out an operating matrix of how they were going to approach it and the various categories under that. We developed an approach which mirrored it where it was necessary, so we set up the 3 workstreams, goods and borders, digital services and security partnership and allocated that to various officials across departments, with a co-ordination from External Relations. There was a lot of gathering of information that took place. From my meetings yesterday, the new Government is not so much focused on the future economic partnership; they are focused on leaving the E.U. as soon as possible and getting the continuity trade agreements in place. A Minister openly said to me ... well, he did not use the term "back burner", but: "We are not focusing on that, so do not necessarily worry about that so much. We are just focusing on leaving." So there has been a slight change of emphasis there. The truth of the matter is that it affects G.H.E.(Growth, Housing and Environment). It affects us, Richard, Financial Services and Digital. It affects Justice and Home Affairs. That work in itself, and we know this from engagement with the Swiss who engage with Europe on a bilateral basis, never stops. There is always some new directive coming out of Brussels, which you then have to engage with and decide how you are going to either comply or not and what effect it might have on market access.

Deputy K.F. Morel:

You are right about it being cross government at our end. How do you co-ordinate the spending across the Government, ensuring that the other departments are using it as intended, using the money as effectively as it could be used? From our perspective, how do you provide Scrutiny with the ability to look at that spend?

The Minister for External Relations:

We, from a Government perspective, will need to think about how we work with you to scrutinise it and whether the Brexit Panel continuing is the right way of doing so. The truth of the matter, I think, is it probably will be better than expecting each panel to pick up with each department what they are doing, rather have each Minister coming forward and talking about their particular Brexit or future

economic partnership work would seem to me to be the best approach. Each department have put in bids for what they think roughly they are going to require to deliver that work. I do not know if you want to say any more about that.

Group Director, External Relations:

The only thing is that going forward with the Government Plan we will be managing it in a different way. At the moment external relations basically oversees Brexit funding. I get monthly reports from all departments about how the money is being spent in line with the original business cases that were submitted. As the Minister said, with the Government Plan it will be a different approach and departments will be very much responsible for their own accounting. I completely agree with the Minister, external relations has the co-ordination role and the oversight role of the programme. It would make sense for reporting still to be managed through the Brexit Scrutiny Panel.

Deputy K.F. Morel:

If you have the figures it would be even better. Looking at the Global Market Strategy, this is obviously trying to take us into the very new world and this is obviously something that you have been championing over the year that I have been a States Member. How much of your funding do you see going towards supporting that Global Market Strategy?

The Minister for External Relations:

Broken down for 2020, under the commercial case, it is 610,000 and travel.

Deputy K.F. Morel:

Which kind of warps your output spent in the E.U. and our relationship with the E.U. The one thing that struck me as I read through your business case was while it clarifies that there are considerable challenges in terms of Jersey's relations with the E.U., you do not seem to be backing that up with investment. Investment seems to be going to the wider world, as opposed to trying to ensure that we are ...

The Minister for External Relations:

I am just going to check where the E.U. team is sitting in these numbers.

Group Director, External Relations:

That is not the base budget. So this will include some of the contingency funded Brexit team at the moment. This will be some of the Amsterdam post.

The Minister for External Relations:

I would say that is a slightly unfair categorisation of how we are spending our money, but you may disagree with me. So 3 new posts, including one uplifted post. It is not new, but is an uplifted one to a more senior. Then the other 2 fully new posts, which are dealing with E.U. engagement, on top of the existing money in C.I.B.O. and Caen. If we go back to, and you will have read it in some of the business cases, the strategic refresh and what our strategy is. It is about protecting existing markets and all of Brexit. That is why we have created the new E.U. Engagement Team. It is also very quickly trying to switch as fast as we can from protecting existing markets to bolstering and increasing our new markets. Therefore, it is probably the correct allocation. We should be seeing a lot of money allocated to Global Market Strategy, because that is where our future is, even though we have to continue to manage our existing relationship and a new relationship with the E.U. As I said earlier, I am satisfied with the strategy for 2020. As we go through 2020, hopefully the future economic relationship becomes clearer. It may not, but hopefully it will become clearer and it may mean that I am having to ask fellow Ministers for more money to strengthen the Brussels office, in particular, during 2021.

Deputy K.F. Morel:

It is interesting you talk in terms of markets and obviously the Global Market Strategy, I understand that. Where I am coming from on this is that there are potentially threats from a constitutional perspective, both in London and Brussels or Paris. There are no threats at a constitutional level from anywhere in the Global Market Strategy, particularly. You could argue maybe the U.S. (United States) is a threat to our constitutional status but I doubt it.

The Minister for External Relations:

No, I do not think so.

Deputy K.F. Morel:

In terms of markets, I understand what you are saying, but in terms of danger to Jersey's autonomy, constitutional position, I would argue that London and Brussels are far greater threats to that. That is why I ask about the weighting towards the Global Market Strategy.

The Minister for External Relations:

Okay. That then is a slightly different question and therefore answer. Of course, we have to deal with threats and the urgent and important. Sometimes governments have not been very good at that, putting money into where they think the future is. We have always tried to do that, which is why we created Digital Jersey at a time when other people were not doing that and created the Global Market Strategy at a time before it became absolutely apparent that it was a necessary thing to do. If we are, and rightly, concerned about the threats to our autonomy and constitution, if we think about the actual break down of the money: what is the majority of the spend in the London

office going on? It is on building and maintaining that relationship and fighting off any constitutional issue in London. C.I.B.O. office has got a very similar aim: new E.U. engagement team doing the same thing across capitals. I take your point that is 3 people against 27. We have always been that sort of ... we have a limited resource and we have to employ it in the best way we can. Also then officials here in Jersey as well, whose vast majority of time is taken up nowadays with Brexit and those constitutional arguments and protection of economy. If you split it like that then I could be making your argument that I am not putting enough into the new global markets to protect jobs and build the economy.

Deputy K.F. Morel:

Yes. The argument I am making is that you need a stable platform in order to be able to have an effective Global Market Strategy.

The Minister for External Relations:

Yes.

Deputy K.F. Morel:

I just wanted to check ...

Group Director, Financial Services and Digital:

Could I add to that? There is a lot of work that goes on, just at the departmental level, engaging with the likes of H.M. (Her Majesty's) Treasury or in Kate's area with the Foreign Commonwealth Office, around their work programmes and making sure that we maintain market access and we maintain a level of appropriate equivalence with the U.K. and the E.U. in matters relating to financial services and indeed to other areas of the economy, so that we do not get to the constitutional challenge or some sort of major impasse that blocks our ability to trade where we would wish to. A lot of that is embedded just in base budgets. It is what we are doing quite routinely, day in day out, securing market access to Europe under A.I.F.M.D. (Alternative Investment Fund Management Directive), for example, having a responsible approach towards the fourth and fifth Money Laundering Directives. All of those things are embedded in departmental work. That is bolstering the ties with the U.K. and the ties with the European Union, so we are seen as a good neighbour and do not need to get to the intensive care part of the process where it becomes much more critical.

Deputy K.F. Morel:

That makes sense, absolutely.

The Minister for External Relations:

You could argue that the whole A.M.L. and C.F.T. (Countering Financing of Terrorism) funding, which is a new request, is doing exactly that.

Deputy K.F. Morel:

Absolutely, no question. We were about to get to A.M.L. and C.F.T. funding. Just before we do though, how much do you believe we spend in terms of foreign exchange every year?

The Minister for External Relations:

In External Relations?

Deputy K.F. Morel:

Yes, External Relations, so not Jersey Finance.

The Minister for External Relations:

No. So Jersey Finance, part of their bid is to cover that devaluation.

Deputy K.F. Morel:

I know and that is what made me think I do not see that in your bid.

The Minister for External Relations:

That is it. No, that is right, because we are very careful with funds. The C.I.B.O. office have a small reserve within which we expect them to deal with fluctuations of currency. The desk in Nairobi is a new venture but it is a relatively small amount, so we should be able to manage with fluctuations there. The same again with the Caen Office. I am not quite sure exactly what their reserves are but we expect them to have the same approach.

Deputy K.F. Morel:

Do you attempt to monitor the fluctuations as such and see how much extra spend is being lost or being gained, in theory, through ... because obviously you are working in potentially different currencies now, euros, dollar. I do not know, what are you operating in Nairobi, I guess it could be in Kenyan currency.

The Minister for External Relations:

Shilling.

Deputy K.F. Morel:

I was going to say shilling, but then I suddenly thought Uganda but that is also the shilling. So, yes, you have a much greater risk in that sense, much greater exposure.

Group Director, External Relations:

In terms of the euro exposure, that is covered. All the offices have regular board meetings and part of the proper financial planning is reviewed on a quarterly basis.

[10:45]

So we do look at the position, we look at whether there are sufficient funds and sufficient reserves and whether there are going to be any issues in terms of delivery. As the Minister said, in terms of Kenya, it is a very small operation and it is very new, but we will obviously start to do the same sort of due diligence around that operation.

Senator K.L. Moore:

Could I just go back to the Infrastructure Fund question? It was very interesting and helpful ...

The Minister for External Relations:

I think they are best put to the Chief Minister, as I am sure you are aware.

Senator K.L. Moore:

Okay. We will gladly do that.

The Minister for External Relations:

Unless it is directly about whether there would be investment from foreign markets that we would be pitching for.

Senator K.L. Moore:

My question does relate to that.

The Minister for External Relations:

Okay.

Senator K.L. Moore:

I appreciate that this appears to be an idea in its embryonic stages at the moment, but the fundamental question I have is: how viable do you think or do you feel this is as a sales proposition to international investors in a situation where we do not have, as an Island, a clear vision for our future infrastructure? For example, the Fort Regent swimming pool is about to be demolished and for the moment it will be grassed over because we have no idea what we are going to put on that site. Where is the sales pitch to an international investor in those circumstances?

The Minister for External Relations:

You are absolutely right, the sales pitch is not yet there. Investors are looking for return and they are looking to mitigate risk as far as possible and maximise return. Any person that operates a fund knows that they have to understand the market they are operating in and then raise funds in a way that attracts investment. When I say that there is a lot of detailed work to be done before we get anywhere near setting up the Infrastructure Investment Fund that detailed work is not just about the mechanics of how a fund would operate, you have to have a strategy of investment and you have to have some certainty about that strategy of investment. The worst possible thing for us as an Island would be to set up such a fund without all the pre-approvals in place from the Assembly and States Members say: “No, we do not think the Infrastructure Investment Fund should take that piece of land and build that whatever the strategy is for Fort Regent.” Those things will have to be in place first, otherwise the risk would be sadly too great, because we do not have a good history of making decisions on those difficult sites, to attract investment anyway. Conversely, if we absolutely got it right, I am not so sure that we would need to be going too far off Island to attract investors. From my conversations with individuals, there are plenty of individuals with considerable amounts of money that if that strategy was in place and such a fund was in place, Jersey residents would want to invest in it, because they would see it as a positive contribution back to their community. I am not sure we are going to need to be going out very far at all.

Deputy K.F. Morel:

Can I just bring you back to the finances, so to speak? One thing that I found interesting was looking across the 4 years, if we look at the U.K. and the E.U. posts, we have the same sum, 380,602 for the 4 years. For global markets promotional strategy we have got the same sum, 20 for each year for the 4 years. Same with the membership cost, but that is not so bad. The bilateral co-operation fund, 50 across the 4 years. Your figures do not take into account any R.P.I. (Retail Price Index), et cetera. At the end of the day, that 380,602 is going to be worth less in 4 years’ time than it is today. How come you are building in a reduction in your own funding over those years?

The Minister for External Relations:

I suppose it comes back to where we started, that I have - and other Ministers may have taken a different approach - taken the Government Plan at face value, that it is a one year plan and each year will have to be approved subsequently in the Assembly, masquerading as a 4-year rolling plan, whatever that means. There is flexibility to come back. Work that we are doing in external relations and in financial services may be largely the same but there will be a lot more pressure to do a lot more by the time we get to 2023. You are right, there is not any R.P.I. increase in these bids nor in financial services as well. You would know from speaking to J.F.L. that they would be expecting increases throughout the course of this plan. The other point to make, of course, is that centrally in

government they are seeking to consider where efficiencies can be made and they will be asking departments, as all governments do, to do the same for less or more for the same.

Deputy K.F. Morel:

Strange, is it not? They always ask the same for less, more for the same, and yet the amount we spend every year goes up and up and up, well beyond R.P.I.

The Minister for External Relations:

Yes.

Deputy K.F. Morel:

Always saying it, but never doing it.

The Minister for External Relations:

You know from looking at the plan, they are making savings and efficiencies in various areas and then spending it in other areas where there are perceived needs in the community or investments that need to be made.

Deputy K.F. Morel:

Can I just ask, before moving on to the A.M.L. side of things, how have you ensured that there is no duplication between what you are asking for, particularly in areas related to tax, and the tax policy at the Treasury side of things? I use that specifically but, in general, how do you make sure there is no duplication elsewhere in Government for the work you are trying to do?

The Minister for External Relations:

There is, by the very nature, cross over between what we are doing, both external relations and financial services, so engagement with the O.E.C.D. (Organisation for Economic Co-operation and Development), with MONEYVAL and with tax matters, because it is not just a technical tax issue. If we look, even, at engagement with the E.U. on substance, that requires external relations input, because there is diplomacy; financial services input, because it is crossing over the entire finance industry; the international tax policy people, because they are dealing with that particular bit and, in this case, industry as well. There is always that cross over. You could call that duplication.

Deputy K.F. Morel:

I am trying to make sure that where there is cross over how you make sure there is no duplication within that cross over.

The Minister for External Relations:

We very carefully allocate and divide up the work. In these international arenas as well, we sometimes even go one step further and try and divide up one between the 3 Islands, because invariably we are doing that work together. There is always an on-going discussion about whether we could better monitor that duplication that might happen by asking ourselves whether the international tax policy is sitting in the right place. Various Ministers in various departments will make a case as to why they think it should stay where it is. My view is that it needs to be absolutely co-ordinated with what we are doing. I personally think there is a case for moving it but that has not found favour with other Ministers in other departments. So we monitor it in the best way that we can to make sure there is not the duplication.

Deputy K.F. Morel:

Losing the Brexit co-ordination role, do you think that opens up greater risk for duplication?

The Minister for External Relations:

That is talking about the way that individual departments will be doing the future economic partnership.

Deputy K.F. Morel:

Yes, as you said you have monthly meetings.

The Minister for External Relations:

It was not easy to get to this point, it still needs to be co-ordinated by External Relations, the work that is happening across departments. Yes, they have the policy expertise and they will do the work but we have to continue to co-ordinate it through External Relations, otherwise there will be duplication and departments will not be able to see the whole picture. Yes, it has to carry on. I do not know if you want to add anything.

Group Director, External Relations:

I would also say External Relations' role is very important for the co-ordination side. Over the last 3 years we have built up a lot of expertise within the team, particularly international trade. That was a gap that we had. So External Relations, while they are co-ordinating the overall programme, are also undertaking a lot of the core work as well. We have got to a position, I think by virtue of Brexit and the process that we went through with the economic substance work, where we have got into a really good rhythm and we have got a really good set of officials that work naturally very well together. So certainly between external relations, financial services, the taxes offices and other parts of Government there is not a huge amount of duplication. It works well.

Deputy K.F. Morel:

As well as good officials. Those officials, do they operate appropriate checks and balances to ensure that there is no duplication? Do you have systems to make sure that that does not happen?

Group Director, External Relations:

Within Brexit we have an established programme, from 2016 until now. Then looking forward as well we have a new programme that we are putting in place. With the economic substance work as well, there was a programme that was structured around that area and that made sure that there was appropriate monitoring. We have Ministerial oversight as well. We have the International Advisory Group and the Brexit Ministerial Group. These groups function to also provide additional checks and balances on the work the departments are undertaking.

Deputy K.F. Morel:

Thank you.

The Minister for External Relations:

You just pick up on a good point, which I will just mention. Of course, in the U.K., post-Brexit, they divided up the Foreign Office, which is what External Relation is, and said that future trade is going to be so important we will take the Foreign Office people dealing with trade and create the Department for International Trade. When you go to the Foreign Office, one half is the F.C.O. and the other half is Department for International Trade. We are taking the view that we are still mirroring the old approach and that is a Department for External Relations is also the Department for International Trade. So we are doing both of those things.

Deputy K.F. Morel:

I appreciate that. Moving on to A.M.L., would you mind just giving us an overview of why this has come up, what is importance of the A.M.L./C.F.T.? I should say for the record that is Anti-Money Laundering and Countering Financing of Terrorism. You have put in a growth bid there. I would like to start with why you are doing this? What is the importance of it? Base budgets as they currently are? The amount it fluctuates over 4 years? Why is that? Those are the sorts of questions I am interested in looking at.

The Minister for External Relations:

Okay. I will give you a higher level view of why. From a policy perspective, I have asked them to do it. We have always, for the last number of years now, sought when going into reviews by international independent bodies to attain the very highest standard. F.A.T.F. (Financial Action Task Force) and MONEYVAL and the way that they are carrying out their reviews under this latest round is much more rigorous and much more challenging. We have looked at the reviews they have done to day and you have seen some of the commentary in the business case. We are going to be seeing,

because we know what has been happening in plenary sessions and also what has been leaked to the media, some really difficult review rounds from other jurisdictions. We have looked at what we are doing, we are undertaking the national risk assessment and if we are going to meet the new approach then we have to put resource into it and make sure that we start early in order to have the evidence to show that we are meeting the standards. It has moved on from legislation processes. It is all about the evidence now that you are operating to the standard. That is why we have made this request. There is money being spent in 2019. We have the national risk assessment money coming from contingency, about 170. There are 2 or 3 other amounts; it is something like 800,000 in 2019. We have given money to the J.F.S.C., an operational matter that they are dealing with, to get that started now.

[11:00]

We have had the help of independent individuals, who have sat on MONEYVAL assessments in the past, to come and look at our processes. For me, it falls back into this: so where is the value added? It is a lot of money. If we continue in a steady state and we get a reasonable result, we are not going to reach the high standards that we have reached in the past, if we are realistic, but getting through and passing and doing reasonable well, is where we will probably end up, particularly in light of what we have seen happening to others going into special measures and going into a year of intensive oversight, et cetera. So it is really important from a policy perspective. It is one of those things that we do not see much of. If we get it wrong it is catastrophic. If we get it right, well we just carry on with business as usual. Richard, do you want to say a bit more about the detail?

Group Director, Financial Services and Digital:

If we go back to the last MONEYVAL assessment that we had, Jersey had an outstanding report. It was compliant or largely compliant in 48 or 49 measures. That was commonly known as the fourth round of evaluations. F.A.T.F. and the various regional bodies are now in the fifth round of evaluations. The bar has risen to a much, much more significant level. Jurisdictions that had passed, maybe not passed with flying colours the way that we did last time around, but passed nonetheless, are now finding themselves on the side of a fail. The Isle of Man was in a fail position and very narrowly missed going on an E.U. blacklist because of that fail. Cayman Islands have had a very challenging report. A variety of other, I would say, peer jurisdictions, in terms of what they do - I would not necessarily rank them as peers in terms of how they do it perhaps - are falling by the wayside. Some of that I cannot share because we have seen the draft reports at plenary; they are not finalised and in public yet, but you will see reports. Malta's report was discussed at the last MONEYVAL plenary and there was a leaked version of the Malta report in the public domain, which is damaging in terms of the reputation for Malta. Cyprus and Gibraltar, their reports come to the MONEYVAL plenary later this year. So we are looking at those and saying while at an aggregate

level we do not see ourselves being replicated in some of these assessments, there are elements where we say: "That is interesting because we could not necessarily demonstrate as we would like to in that particular category and we need to look at how we resource it." So rather than wait for the assessors to come in, give us a report and then risk being in that sort of fail and subsequent blacklisting phase, we want to take the action now. The action we are taking is through the national risk assessment process that has been under way for almost 2 years now, and we will publish our national risk assessment in the spring of next year. But as you go along that N.R.A. (National Risk Assessment) process, it is an introspective process. You are looking at the jurisdiction. You are looking at what we do and saying: "Is this going to meet the required standard?" and, therefore, what we can do as we go along to improve our performance against some of those standards. That is the origin, really, of this bid to say: "We cannot carry on doing this just as part of the financial services unit anymore, we need a dedicated resource." That is the background of creating this directorate within Government with the political responsibility into the Minister for External Relations. The A.M.L. supervision effort of the Jersey Financial Services Commission needs to be stepped up from where it has been because we are facing a much sterner test going forwards. They need to collect richer data. They need to be able to assess that data more widely. So there is extra resource going to go in there if the bid is approved. Then also in the States of Jersey Police where they would receive S.A.R.s (Subject Access Requests), you know, what is the strategic overview of those S.A.R.s? Rather than looking at them on a piecemeal basis, what trends are we seeing and how does that change our response to them as a jurisdiction? So that is what the A.M.L./C.F.T. bid really brings together. It is the early findings of the national risk assessment of where we feel we need to step up. You may recall 2, probably 3 years ago almost now, certainly when the Senator was Minister for Home Affairs, extra money went into an element of the States of Jersey Police then but also into the Attorney General's area to create an economic crimes confiscation unit. They have had some successes. There is not as much on the prosecution side as one might like to see and, therefore, rather than pointing the finger at the prosecution side, we need to say they are at the tail end of a pretty extensive process, so we need to work our way back through that and say we have had some good quality prosecutions and some landmark prosecutions and assets being repatriated, but if there is an expectation that as a cross-border centre there should be more, then are the prosecutors seeing enough raw material to work with in terms of the investigations that are coming through and the ability to find reasons to prosecute? If there are not enough investigations, are we seeing enough reports of suspicious activity and are those insightful enough? Are we squeezing the juice out of those as we should be as a jurisdiction? So if MONEYVAL come in and say: "You are a cross-border centre, you intermediate £1.4 trillion of assets, but you have not had many prosecutions. We think you are ineffective" as a consequence, we can point to it and say: "Hang on, there are the prosecutions, there are the investigations, there are the reports. We are a clean jurisdiction to start with." We cannot just say that by virtue of a modest number of prosecutions at the tail end. So this is about being able to demonstrate with evidence and with better strategic analysis, and also with

the right resources to execute, how Jersey takes these responsibilities seriously and ensures that we are in the position of passing this next round of assessment rather than in a position that competitive jurisdictions have found themselves in.

The Deputy of St. Mary:

Can I ask when the next MONEYVAL assessment is?

Group Director, Financial Services and Digital:

We are working to quarter 4, 2021. The latest murmurings from MONEYVAL is probably early 2022, but I would rather work on the basis that they might rock up a bit early rather than take the extra 3 months as a grace period and adjust our plans out accordingly.

The Deputy of St. Mary:

You mentioned the Isle of Man just now, about how near they were to failing. Are they being viewed at the same time or similar time?

Group Director, Financial Services and Digital:

So they have already been assessed by MONEYVAL and the report went to plenary. It was agreed that they had essentially a fail.

The Deputy of St. Mary:

Okay. Is the further one coming then? No?

Group Director, Financial Services and Digital:

So they were reassessed 12 months on with a view to whether they go on to this black list or not. As I say, they narrowly escaped that, but they have a huge action plan in place now to bring themselves up to standard over a period and they are being monitored in doing so. I think it was a phrase that we heard last week, was it not, from one of the African banks, the governor of a central bank, who had said: "You worry about the cost of compliance, just look at the cost of non-compliance." That is exactly the position that the Isle of Man has found itself in. They are having to pour huge sums of money into regulator, government, prosecution areas because they have been caught short in the initial review.

The Deputy of St. Mary:

So bearing in mind I am in the Isle of Man on Monday, is there much ...?

The Minister for External Relations:

Do not mention it. [Laughter]

The Deputy of St. Mary:

Do they come to the likes of Jersey for assistance in sorting their problems out? Do we assist them?

Group Director, Financial Services and Digital:

We talk to all of the jurisdictions. So Guernsey are about 6 months ahead of us in terms of when they are likely to be assessed by MONEYVAL, so we are talking to them in terms of what are the interim findings within their national risk assessment as well. So the jurisdictions do talk to each other. Certainly, with the Isle of Man we have been keen to learn from their report and their practical experience of dealing with MONEYVAL to help us be as match fit as possible. So we do collaborate. We look to try and have a similarly effective regime. We are certainly not looking for arbitrage between the jurisdictions in terms of standards, but the Isle of Man were very much at the first wave of this fifth round of assessments and Jersey is at the very back of this fifth round. So there is probably less tolerance from the assessors. If we were in an Isle of Man position, we would probably find ourselves on the black list because their view would be you are being assessed 3 years after the Isle of Man, you should have learnt along the way. So, our fifth round assessment is probably going to be a bit tougher as a consequence because they would have expected us to have observed what is happening elsewhere and made sure that the same mistakes are not happening here.

The Deputy of St. Mary:

Okay. Sorry, just carrying on, I am aware that we are well regulating those organisations so we are complying, so we do not have the reason for prosecuting. But does that mean that we are getting more assiduous in our prosecution or better evidence gathering, which is ... cuts across other Home Affairs Departments already, I think?

Group Director, Financial Services and Digital:

It is all of the above. There are pressures on policing and other areas operationally, so we want to make sure that the resource that we have around financial crime is a dedicated, ring-fenced resource that serves this very specific purpose because of the risk of being on a black list and the economic harm that would do to our largest industry sector. We want to make sure the resources we have are dedicated, ring-fenced resources here and are not being pulled into other things. That gives us the best chance of showing we have the right level of resource, we have the right level of professionalism and application and technical competence in that resource to deliver to the international standard that is expected.

The Deputy of St. Mary:

Just following on to the financial court bit, there is reference to a financial court here. Could you explain a bit more what that is? Is it motivated by MONEYVAL or is it motivated by general disquiet that at present J.F.S.C. is judge, jury and executioner, the lot?

Group Director, Financial Services and Digital:

So there is an element of that. I think there is a concern in some quarters that the J.F.S.C. will go through its process, reach a decision and then apply the ultimate sanction. So there is an element of the process of review, whether that is civil or criminal in different cases. Where we have had criminal cases ... I think there was a prominent case earlier this year relating to money laundering that was happening on-Island in relation to drugs, and the jurats did not find in the money laundering element of it, whereas there is a train of thought that that was money laundering. So, you know, have we got in all levels ... this is all about having the up to date knowledge and the expectations of international standards. Are we able to not just prosecute but equally at a judiciary level are we happy that the judiciary understands the contemporary requirements that are upon us as well? To what extent can we help them work with peers to understand the issues around financial crime that are prevalent at the moment as well?

The Deputy of St. Mary:

So when you refer to financial court, this will be under the present civil system or the system as is and people dedicated to that rather than anything else?

Group Director, Financial Services and Digital:

Yes. No one is proposing radical changes to the way that we administer justice in the jurisdiction, but might it be possible to do more training with jurats, for example? There are some changes in the physical layout of the court buildings that will allow for different types of trial to be executed more quickly because the space is available to do it. That is something the Attorney General has been very keen to see happening. We will be able to take cases through the process more quickly. Then also from a financial services standpoint, where you may have disputes over trusts or disputes over an element of corporate law, we are very capable as a jurisdiction to be able to take those forward. But are there specialist cases where we may need to bring in expertise from elsewhere and, if so, how do we go about doing that, that will all feature as part of the ultimate national risk assessment, and also some of the feedback we are getting from other parties. So the Minister mentioned feedback from outside. We have had a former Attorney General of Israel ... Israel had an outstanding MONEYVAL assessment in this fifth round and really is an exemplar in terms of tackling some of these issues. We have had him come over earlier in the year as a critical friend. He is back in November to help us with our national risk assessment workshop. We will ask him to help to comment on the final version of our national risk assessment report and action plan so that we have some independent counsel and a critical friend helping us so that we do not just develop an

Island view on this, we have a much more international view from someone who really has demonstrated expertise in the field.

The Deputy of St. Mary:

The fact we are even employing him is ... will earn us brownie points presumably?

Group Director, Financial Services and Digital:

Yes, just the brownie points of it, but the fact that we are going internationally to credible individuals that are part of the assessment circuit for the Financial Action Task Force, that all helps. Again, it is an indication of how serious that we take this and that we are not just taking an insular view, we are taking a much more global view of our responsibilities because we are a global financial centre.

The Deputy of St. Mary:

Okay, thanks.

The Minister for External Relations:

It had occurred to me overnight that it might be ... because we obviously knew you would be asking about this, it might be that you might want to meet that individual and have a conversation on his thoughts about the national risk assessment and where this is going.

The Deputy of St. Mary:

Yes.

Group Director, Financial Services and Digital:

We certainly ahead of any publication of the national risk assessment report will be coming forward to the panel anyway just as part of that open dialogue to talk about findings, talk about the action plan and to talk about what we will be publishing. So there will be much more detail on that in the early part of next year.

Senator K.L. Moore:

Will money from the C.O.C.F., the Criminal Offences Confiscation Fund, be used to fund some of those changes in the implementation of the court, for example?

Group Director, Financial Services and Digital:

So there are some considerations of whether we can use C.O.C.F. It is not, as you probably recall, ideal for recurring expenditure. It should really be for obviously capital or one-off elements. Obviously, there is no capital elements to these bids and essentially what we are looking for here is recurring expenditure. But if we can find maybe a short-term way of priming the pump, the C.O.C.F.

is a potential avenue. It has not been used for the 2019 money because while there is money in the C.O.C.F. some of it is earmarked for other projects already. I think the Attorney General is waiting for a next raft of money from a prosecution case to come in, which I think will be round about late October/November of this year.

[11:15]

Deputy K.F. Morel:

Assuming he wins it.

Group Director, Financial Services and Digital:

Well, the case has been won and there is an asset-sharing agreement in place. I think this is more around the physical transfer of the money rather than any uncertainty about prosecution, yes.

Senator K.L. Moore:

Okay, that is interesting. Obviously, the nature of that fund is lumpy and unpredictable because of the nature of where the assets are coming from. Yet in the Government Plan it is highlighted as a potential source of funds for capital expenditure going forward. It is either that or borrowing. So given that there are already potential avenues for that money to be used, it indicates that by process of elimination this is going to be largely a borrowing source for future capital spending.

Group Director, Financial Services and Digital:

So my concern as far as the anti-money laundering responsibilities are required, which are, you know, for the Minister, is that we fulfil our international obligations to run a clean financial centre and if we find evidence of wrongdoing to investigate, prosecute, confiscate, repatriate as appropriate and, therefore, meet those international standards. If that puts money into the Criminal Offences Confiscation Fund and, indeed, the civil equivalent of that that can be used for other purposes, that is great. That should never be the reason that we are doing things in the first place. We should be doing it because the international expectation is that we do this well. So from an accountant's perspective how it is used is a separate consideration. This is about making sure we hit the international standards. Therefore, this is very much around revenue expenditure rather than capital.

Deputy K.F. Morel:

Going back to look at the figures, you have been allocated £115,000 less than you bid for for the year ahead.

Group Director, Financial Services and Digital:

Yes.

Deputy K.F. Morel:

From your perspective, it is interesting, obviously never having been through the process of Government Plans in any way. Have you any idea how they decided that you needed £115,000 less than you were asking for?

Group Director, Financial Services and Digital:

So we looked at bids from ... you will see that the ...

Deputy K.F. Morel:

By they I am assuming the chief executive or someone. I do not know who decides these things.

Group Director, Financial Services and Digital:

Yes. Ultimately, this is the Council of Ministers' plan, so civil servants have helped bring it all together, work around bids for new money, efficiencies in existing money and so on, but ultimately it is a plan that the Ministers are bringing forward for approval. The grant or the monies for A.M.L./C.F.T. are going out partly to the Jersey Financial Services Commission, partly to the States of Jersey Police and part will be retained within my department to build this new financial crime directorate. The J.F.S.C. component is a grant from Government to the commission and the reason that the bid tails off over the period of the plan or is intended to tail off is because the J.F.S.C. will transition the costs of supervision to the industry that they are supervising. So what this means is that the transition is just going to have to be done slightly differently in that the J.F.S.C. will need to absorb a little bit more of it from their reserves position and find organisational efficiencies rather than get the full amount that they had asked for from the Government.

Deputy K.F. Morel:

How do you expect the J.F.S.C. to transition to zero input from the Government?

Group Director, Financial Services and Digital:

Sorry, to transition ...?

Deputy K.F. Morel:

How do you expect the J.F.S.C. ... where are they going to get their money from, basically?

Group Director, Financial Services and Digital:

The J.F.S.C. sits on round about £5 million, £5.5 million of reserves. They have somewhere in the order of £14 million to £15 million of annual revenue. This is about priorities in much the same way

the Government Plan on a much grander scale is around how we choose to prioritise expenditure. It sometimes is easy to come back cap in hand to Government saying: "We need this and we need that." We cannot meet every request in terms of yes/no. We cannot meet every request in terms of the full ask. That has been the case here to say there is a limit on what the spending envelope overall should be and, therefore, very few have got everything that has been asked for as part of the Government Plan process. We have to find a way to deliver the objectives but to do it in the most financially efficient manner that we can.

Deputy K.F. Morel:

Is there a concern that ... you mentioned MONEYVAL, et cetera, being concerned about the lack of prosecutions. I assume that the J.F.S.C., one of their sources of income is through sanctions on companies that have transgressed in some way, shape or form.

Group Director, Financial Services and Digital:

Yes.

Deputy K.F. Morel:

Is there a concern that what we are creating is a system which is hunting prosecutions, whether it is within the J.F.S.C. or within the criminal element of it? You know, are we incentivising prosecuting people?

Group Director, Financial Services and Digital:

I would say yes and no because at the end of the day if we bring the right business into the jurisdiction and we manage it effectively, then there is no cause to prosecute or to levy civil penalties and so on.

Deputy K.F. Morel:

Which means the J.F.S.C. will get less money.

Group Director, Financial Services and Digital:

Yes, but the civil penalties ... and this is something the Minister and I spoke about just after the recent fine that the J.F.S.C. charged against a local firm, is that we have a very close overlay to make sure that we are satisfied that the commission is not using this as some sort of revenue-earning opportunity for itself ...

Deputy K.F. Morel:

Yes, that is the concern.

Group Director, Financial Services and Digital:

... and that it is applying those penalties after thorough investigation, after the strongest possible governance within the commission as a body and that the level of sanction, the level of fine, is commensurate with the underlying issue. So we are very mindful of that. It is not to incentivise fines being levied, but equally fines have to be dissuasive. You are looking ultimately for a change of behaviour and, as I say, it is back to the cost of compliance versus the cost of non-compliance.

Deputy K.F. Morel:

Who polices the commission?

Group Director, Financial Services and Digital:

So there is a self-policing element through the board of commissioners in terms of the decision-making process and there are steps of independence in that decision making, but ultimately it can be judicially reviewed in terms of the decisions that they make. On a more day to day matter around their scope of activity and work programme and so on, that is ultimately with the Minister and I would help as the senior official in how we discharge those responsibilities.

The Minister for External Relations:

We very much only agree to allow the introduction of civil penalties on the understanding that when they levy the penalty we would then go and understand the reasonableness of that particular penalty, and that is something that, as Richard said, we would need to now do, them having levied their very first penalty. We have to remember that, okay, we have always approached this from, I suppose, a lawyer approach around meeting the standards. So if there is no prosecutions, there is nothing going awry. But we now have it in a position of the reviewers are going to say: "Well, you prove that", back to Richard's point and David's point, so you have to put a lot more work in. If there is a suspicious activity report, what work have you done to review them and how can you evidence that you have done that review? Equally, quite frankly, we look at other competitor jurisdictions with similar centres. If they are showing they have greater numbers of prosecutions and the business is similar, then the reviewers will say: "Well, why are you not at a similar level?" So it is not that we ... I expect there will be more prosecutions and we have seen that as soon as we put that early money in, but it is also that we can evidence that there was not a need for a prosecution in this particular case. The reviewers can pick up any file or any S.A.R. and say: "What did you do with that?" even to the extent of: "How did you follow it up extraterritorially?"

Group Director, Financial Services and Digital:

Yes, in much the same way, if no one was being fined for speeding in the next 3 months, would you take it that we have solved the problem of speeding motorists in the Island? I am sure you would not at face value. You would look back and say: "Did we stop doing speed checks?" and everything

else, and that is exactly on a grander scale what MONEYVAL is expecting of us. If we are not prosecuting, we are not seeing enough prosecutions and confiscations: "Are you doing the other things that would lead to that and are you doing them sufficiently robustly?"

Deputy K.F. Morel:

I am someone who is saying I am not sure the analogy works because when I drive my car I am the only driver of that car, whereas when I run a company there are other directors and there are others there as well to keep me in check, so I am not sure that ...

Group Director, Financial Services and Digital:

Yes, but you have ... there are individual responsibilities you have as a principal person. You are, as an individual, regulated by the J.F.S.C. and have personal responsibilities under the law.

Deputy K.F. Morel:

That is correct but you also have other directors to make sure, you know, to ensure that every company has that kind of element of compliance.

The Deputy of St. Mary:

On this point, am I right in saying they were only introduced at the beginning of the last Assembly?

Group Director, Financial Services and Digital:

That is right, yes.

The Deputy of St. Mary:

Because I think I was involved in that, and prior to that there was only the nuclear option of criminal prosecution and closing the company down, nothing in between, and it was necessary to ...?

Group Director, Financial Services and Digital:

Yes, it is to give a range of powers to the authorities to be able to police this effectively. So being able to levy penalties against individual directors and principal persons who have acted inappropriately, to consider sanctions around barring them from the industry, to place restrictions on the licences of financial services firms, to fine those firms as well, there are a whole range of powers and penalties there, the intention being that they can be proportionate but dissuasive.

The Deputy of St. Mary:

Yes, and that increased range of penalties hopefully gives some comfort to MONEYVAL that, yes, we are doing our job.

Group Director, Financial Services and Digital:

Yes.

The Minister for External Relations:

That is right.

Deputy K.F. Morel:

Can I just ask what other options did you look at other than creating this directorate? Did you look at any other options? Because obviously you say that basically it has been led by the J.F.S.C. as such until now, or in conjunction with you guys. You now want to create this directorate. Were there other ways? Did you consider other means of doing it?

Group Director, Financial Services and Digital:

So the directorate is about creating additional dedicated resource towards this. So previously the financial services ... sorry, the financial crime responsibility sat within the financial services unit of Government. We already had that within Government. That was a small team of 4 people who were doing everything from bringing forward changes in the trust law, market access under A.I.F.M.D., Brexit-related planning, and we were identifying through the national risk assessment that there was a whole power of work for us to do on this that we are not going to be able to do just as part of that small unit any longer. It needs to be split out and the process of preparing for review, going through the review, and then dealing with the recommendations of the review is an ongoing effort of its own. Also holding all the agencies accountable, so if extra money is going in, we expect an uplift in performance, so holding them accountable as well. That now became a dedicated requirement rather than something to do within a much smaller team.

Deputy K.F. Morel:

You have come to the figure of £360,000 per annum for 3 people, one director and 2 lead policy advisers. How did you reach that figure?

Group Director, Financial Services and Digital:

Based on what we have been able to pay for similar roles in Government, practical experience of hiring, looking at H.M. Treasury and equivalent salaries across there for people that are in their F.A.T.F. and illicit sanctions branch. So we have had comparables there.

Deputy K.F. Morel:

So we are talking on average that is £120,000 each, but I assume the director will be paid a lot more than the lead policy adviser, so that is a hell of a salary they are going to be on.

Group Director, Financial Services and Digital:

There will be some differences there, yes, but those salaries, if you are a M.L.R.O. (Money Laundering Reporting Officer), if you are a head of compliance out in the private sector, you will be earning substantially in excess of that. So this is not necessarily about Government paying top dollar, this is about paying for the right talent and from the right places. Because while somebody may be a great head of compliance in a trust company or a bank, their view is very much a narrow view of the operations of that organisation, not a more holistic view of international standards and how you create a framework at an Island level to ensure that the Island complies with them rather than a single firm complies with them.

Deputy K.F. Morel:

Have you benchmarked this against the private sector?

Group Director, Financial Services and Digital:

Yes, we have.

Deputy K.F. Morel:

So you are looking at £180,000 for the director, that sort of thing, possibly more, £200,000 for the director?

Group Director, Financial Services and Digital:

No, no, no, no, no.

Deputy K.F. Morel:

I am just trying to work that out because you have not allocated how much a lead policy adviser is but ...

Group Director, Financial Services and Digital:

Yes, but we are going through the recruitment process at the moment. I am satisfied that we have adequate means in terms of what we are asking for here in this bid and also some of the existing resources at our disposal.

Deputy K.F. Morel:

I was interested as well that you talk about getting someone in from H.M. Treasury. I do not know if that is the lead policy advisers or the director, possibly both. I found that interesting because the A.M.L./C.F.T. pressures come from the O.E.C.D. and from the E.U. rather than the U.K.. Would it not make more sense to get someone who is of the mindset of those bureaucracies rather than the U.K. bureaucracy, which is a very different mindset?

Group Director, Financial Services and Digital:

Yes, so we might well end up appointing someone with Financial Action Task Force experience. The H.M. Treasury point, however, is the U.K. is one of only a handful of countries in the world that have passed this fifth round with an outstanding report. So hiring ...

Deputy K.F. Morel:

Which is hilarious given the money laundering that goes on through London, as we know.

Group Director, Financial Services and Digital:

Well, yes, but at the end they have been objectively assessed. There are some criticisms around that but would you wish to hire somebody that has prepared the U.K. for what ultimately was an outstanding report?

Deputy K.F. Morel:

My concern is that when I see what happens with the U.K. and the E.U. in terms of negotiations, the U.K. comes from a rather belligerent attitude, which in my view is actually replicated by this ...

Group Director, Financial Services and Digital:

Let us wait ...

Deputy K.F. Morel:

... hiring from H.M. Treasury.

Group Director, Financial Services and Digital:

Yes, we have done very well in terms of our compliance thus far on a whole range of issues, both with MONEYVAL, what we have done around beneficial ownership, substance, lots of other things. I think we understand the kind of person that we need in these roles, and let us see where the hiring process takes us to. But I have every confidence that what we do will be accretive to our efforts and will ensure that we can fulfil our international obligations.

Deputy K.F. Morel:

Very quickly, and I do apologise ...

The Minister for External Relations:

One minute.

Deputy K.F. Morel:

We have one minute, I know, for the whole of the Jersey Finance. **[Laughter]**

The Minister for External Relations:

That must mean you have no questions, Chair, does it?

Deputy K.F. Morel:

Well, I do not have too many questions because we have spoken to Jersey Finance already.

The Minister for External Relations:

Yes, I know, I appreciate that, yes.

Deputy K.F. Morel:

Do you want to give us a quick breakdown on Jersey Finance and highlight any...?

Group Director, Financial Services and Digital:

Yes.

The Minister for External Relations:

Well, you have explained quite a bit.

Deputy K.F. Morel:

He does not like the limelight being taken.

The Minister for External Relations:

No, you are holding the Minister to account. I hold the officials to account, not the other way round.

Deputy K.F. Morel:

I was just trying to lighten the mood.

The Minister for External Relations:

That is fine and you have got fed up of hearing my voice anyway. It is just straightforward, is it not?
It is the funding of the U.S. office.

[11:30]

It is the offsetting of inflation ... exchange rate, sorry, exposure of about 1.8, 180, and then 250 because now that they are fully staffed the money that they have used from not filling posts can go towards marketing ventures.

Deputy K.F. Morel:

I found that was interesting because £250,000 seemed to be a large amount of money saved from not filling posts, so I wondered if that was an increase in the amount. So they were saying that when we ... you know, we have had this money spare, we passed it on to marketing and P.R. (public relations) activities. It just seemed like a large amount of money to have spare in the past so I wondered if they had ...

The Minister for External Relations:

A lot of their expense is staffing and so we have that, what, £5 million plus a million from subs. You can soon get to that point, you know, 2 or 3 posts in permanent position can soon get to £250,000. I think it is absolutely right that they are seeking to have people in post and, therefore, they just need this. I think with the other bids that they asked for that we did not submit it makes that amount look more reasonable.

Deputy K.F. Morel:

Obviously, they have a Hong Kong office?

The Minister for External Relations:

They do, yes.

Deputy K.F. Morel:

That is not jointly with the Government, is it?

The Minister for External Relations:

No.

Deputy K.F. Morel:

Are you satisfied that they have plans in place should things go particularly wrong in Hong Kong as they are at the moment?

The Minister for External Relations:

I have just asked Richard not to speak but, of course, in his former role he was responsible for the oversight of these former offices and they do have robust plans in place for those individuals should there be issues like this. By their very nature they have to do that because of some of the markets in which they operate.

Deputy K.F. Morel:

I just wanted one last question going back to the J.F.S.C. because one thing I did not get was the J.F.S.C. is asking for a lot of stuff ...

The Minister for External Relations:

I thought you would be pleased with that value, Chair, compared to the question that you were asking ...

Deputy K.F. Morel:

That was actually my question was what ... no, I was going to ask what value checking do you do to make ... [Laughter]

The Minister for External Relations:

... or something, 12 for 650, was it not?

Deputy K.F. Morel:

What do you do to make sure that the J.F.S.C. is operating efficiently and is providing value for money? Because with these independent organisations I imagine it is quite difficult to do.

The Minister for External Relations:

They are, of course, independently audited but from a ... a head of the financial services section, head of the J.F.S.C. or C.E.O. (chief executive officer) or D.G. (director general) of the J.F.S.C. meet regularly and we ... I am trying to think of the timescale when we asked them to go back and do some zero-based budgeting and provide analysis of that.

Group Director, Financial Services and Digital:

They are in the process of that at the moment. So they are ...

Deputy K.F. Morel:

So they have gone back to the beginning?

Group Director, Financial Services and Digital:

Yes, so looking at a zero-based budget for them. They are held accountable partly by Government and partly by the industry who are paying the supervisory fees and challenging as to cost of doing business and so on, so there is a degree of accountability there as well as their own governance mechanisms internally. We look at comparisons where we can against other regulators in similar jurisdictions and do we think it feels that it is providing value for money. The C. and A.G. (Comptroller and Auditor General) is available to go in to review independently the organisation and they are independently audited.

Deputy K.F. Morel:

Have they done that recently?

Group Director, Financial Services and Digital:

They have not had cause to, and the C. and A.G. has had a busy work programme, so that might be something for the new incoming C. and A.G. at some point. The accounts are independently audited. They change the auditors periodically again as part of good governance.

Deputy K.F. Morel:

The accountants do not look for value for money, they just ...

Group Director, Financial Services and Digital:

No, but they are looking that money is appropriately spent, the right controls and so on exist.

The Minister for External Relations:

We could have an argument about that, Chair, but we have no time.

Deputy K.F. Morel:

Yes, fair enough.

The Minister for External Relations:

But they do look at that. Reasonableness is an important element of their consideration.

Deputy K.F. Morel:

Brilliant. Thank you very much. Sorry to have rushed through the end. I managed to get my timing wrong there.

The Minister for External Relations:

It is okay.

Deputy K.F. Morel:

But thank you very much indeed. I call this meeting to a close. Do you mind, all of you, just hanging on for a couple of minutes. I have a couple of things I would like to ask about.

The Minister for External Relations:

Yes, fine, yes.

[11:34]