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First for Finance

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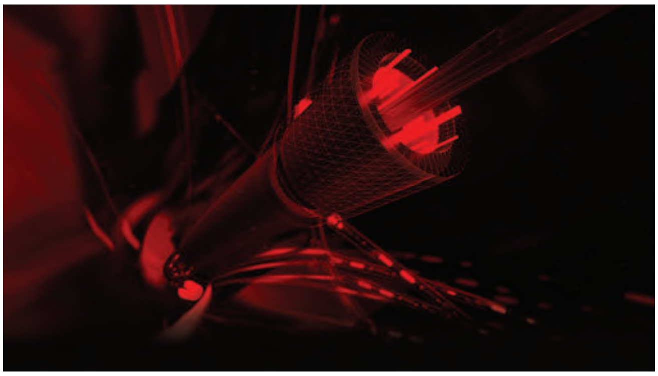

KENDRICK ROSE

RESOURCING EXCELLENCE

FINDING TALENT IN FINANCE

By Shelley Kendrick, Managing Director, Kendrick Rose

Finance is one of the biggest drivers for recruitment in Jersey, drawing talent from other sectors of the economy. Jersey's Business Tendency Report for September 2017 showed the finance sector was performing better than many other areas of the economy with six out of eight positive indicators. The report showed Finance was also strongly positive for future business, and for future employment, compared to neutral indicators for the non-finance sector.

We have seen a strong appetite for recruitment across financial services, with companies competing for the best candidates – something that feeds through the whole market as more people consider investing in new qualifications to move into the industry. As well as providing stable, well-rewarded roles for thousands of locals, financial services employ a significant number of people from outside the Island, who bring their skills and specialities to key roles.

A survey by the Jersey Chamber of Commerce found 70% of members are recruiting, and while most roles are filled within a couple of months, 45% of firms take three to 12 months to hire new staff, and 10% take over a year. 84% cite lack of available candidates as the main issue.

At Kendrick Rose we attract higher levels of top grade candidates in the early stages of their search - which allows us to speed up the process, giving you the opportunity to plan your recruitment path, potentially tailoring positions to the best talent available.

Just as Finance is changing rapidly as part of its digital transformation, financial services recruitment is changing too. Work-life balance and flexible hours are becoming as important to some candidates as salary and package. As tech and AI continue to transform the workplace, we would expect more firms to adapt in order to attract and retain the top talent.

Message

By Air Chief Marshal Sir Stephen Dalton, GCB LLD(Hon) DSc(Hon) BSc FRAeS CCMI
Lieutenant Governor of Jersey

For over 350 years, Jersey has been a trusted, trading partner with many countries around the world and today, it remains a thriving, developed and open business community, ready to face the challenges of tomorrow but firmly positioned at the heart of delivering quality global financial services.

Jersey has a strong and effective relationship with both the Government of The United Kingdom and more especially with The Crown as demonstrated by the keen and active interest of Her Majesty Queen Elizabeth II.

As the Personal Representative of Her Majesty living in Jersey, I am very conscious of the inherent desire of the people to be recognised for the propriety and ethics in which business is conducted, as well as for the respect and welcome that they extend to businessmen and women and visitors to Jersey more widely. With a very active and vibrant relationship with all Services of the United Kingdom's Armed Forces, Jersey also benefits from a highly developed, effective and close working relationship with the security and police forces of the UK.

Jersey is a major global player in the delivery of professional, reliable and highly regulated financial services. A democratic, largely self-governing Crown Dependency, Jersey provides a stable and steadfast partner and base within which and from which to conduct business. Protected by UK mandate and yet enabled to act independently to secure its trading and financial place in the global business forum, Jersey continues to work determinedly to secure and maintain a reputation for being a good place to do business.

Over the last 50 years, Jersey has established a very effective relationship and mutual respect with the City of London. Working closely with both City institutions and regulatory authorities, Jersey has developed a critical acknowledgement for its approach to global markets and investment of money. Jersey contributes significant funds to financial investments in the City and consistently and effectively facilitates the deployment of international capital, whilst being fully compliant with all global standards in international tax transparency as recognised by the OECD.

In today's world, effective and buoyant democracies want and need to demonstrate their ability to provide a sound and stable base within which business can operate efficiently and successfully. Such an environment needs to be provided by governments willing and ready to meet the needs of the contemporary business environment but strong on the rule of law and standards of practice. Jersey is firmly of that mind and committed to the delivery of professional, reliable and highly regulated legal and financial services. It is also demonstrably a great place to live and bring up young families. High calibre professionals want and deserve good quality services and facilities for their families and Jersey continues to provide high quality education, medical and sporting services and facilities, as well as a quality of life, which is the envy of many countries, for its citizens and a great environment in which to live and thrive.

Preface

By Senator Ian Gorst, Chief Minister, States of Jersey

Ten years have now passed since the start of the global financial crisis, dubbed 'The Great Recession'. During those difficult years Jersey's government followed the advice of our independent panel of economic experts and put more money into the economy, supporting businesses and jobs.

We established Jersey Business to support local firms. We commissioned a review of Jersey's financial services sector so we could maintain the success of the industry for the future and we published our Financial Services Policy Framework, setting out how government, industry and regulator would work together to shape the future direction of the industry. It is a mark of Jersey's resilience and resourcefulness that it has retained such a buoyant economy, driven by our dynamic financial services industry.

In recent years we have seen jobs growth across the sector, improved awareness of Jersey across our growth markets and new product development such as the Jersey Private Fund. We have not been immune to global contraction in the banking sector and we have seen a change in the make-up of the industry. However, we have offset this with growth in the fiduciary and funds sectors. Importantly, we have welcomed a number of new names to our Island, particularly in the alternative investment funds community. So while there may be fewer jobs in banking, there are more in funds and trusts, plus the total number of people employed in financial services is now back to previously high levels.

Like many other jurisdictions, Jersey is facing significant economic, social and environmental changes. We are accustomed to adapting as the world shifts around us. In recent years the international spotlight has been shining on financial service centres. We welcome this focus and are one of the early adopters of global transparency standards. We can see that our long term future as a successful financial centre depends on our compliance with international standards and on being recognised as compliant by all the relevant international bodies.

This approach is working. We received an outstanding Moneyval assessment in 2016 and in 2017 the OECD's Peer Review Group on Transparency rated Jersey fully compliant in all 10 of the areas reviewed. For Jersey to have been found to be entirely compliant in every single area is a fantastic achievement, underlining our commitment to combatting financial crime and tax abuse.

The EU Code Group has judged Jersey a cooperative tax jurisdiction. Their assessment followed an intensive year-long screening programme and reflects our commitment to the highest standards of tax transparency and information exchange. We have committed to working with the Code Group on their concerns over economic substance and they have accepted that commitment. We are now working together with industry and regulator, with appropriate engagement and consultation, to approach the Code Group's concerns in the same constructive manner that has served us well in the past.

We are also among the leaders in the implementation of the OECD Base Erosion and Profit Shifting (BEPS) programme. Jersey is a BEPS Associate and a member of the Inclusive Framework, set up to ensure the effective global implementation of BEPS. Jersey is contributing to the development of the BEPS programme through exchange of information, participating on an equal footing with OECD, G20 and many other countries.

In June 2017, I signed, on behalf of Jersey, the OECD's Multilateral Instrument. We were only the third jurisdiction in the world to complete the ratification of the MLI, which means Jersey became one of the earliest adopters of an international measure designed to stop multinationals from shifting profits between countries to avoid paying tax. As stated by the Director of the OECD Centre for Tax Policy and Administration, "Jersey is a forerunner in the implementation of the far-reaching reforms agreed under the BEPS Project". This is further evidence of Jersey's commitment to compliance with the international standards set by the OECD.

I have every confidence that this Island will remain an international financial services centre of choice, working together with the EU and other global organisations to meet the highest regulatory standards. It is important that we continue our programme of engagement with international organisations and that we keep valued international partners informed of our clear transparency standards. Then we will be in a good position to grasp the opportunities that come with the challenges ahead, like Brexit and other global developments.

As the Brexit process unfolds we are supporting our economy by representing Jersey's interests on the global stage. We are working with the United Kingdom government, the other Crown Dependencies, other governments and institutions on Brexit, to ensure that Jersey's voice is heard. In order to manage and maintain our successful finance industry in a changing environment, we will work together responsibly – government, industry and regulator - to sustain excellence and promote innovation; to keep our place in the world and to ensure a long term future for the industry that is so important for the services that sustain our community.

While Brexit will impact on our relationship with the EU, that is not our only relationship. Jersey has a global appeal and the fundamentals of that appeal, notably fiscal and political stability, tax neutrality, compliance with international standards and quality of service, remain unchanged.

We are focusing more effort on digitisation, both for the change it will bring to existing activity and for the opportunities it brings through technological developments like fintech and the Internet of Things. It is important to develop a clear strategic vision to embrace the digital revolution, creating an innovative, yet safe and secure environment for investors to do business.

Government, together with the industry, are actively monitoring the business environment. This is reflected in a Global Markets Strategy which is identifying business opportunities and the steps needed, like Double Taxation Agreements and Bilateral Investment Treaties, to help our industry take advantage of those opportunities.

We are focusing more effort on digitisation, both for the change it will bring to existing activity and for the opportunities it brings through technological developments like fintech and the Internet of Things

We will work hard to maintain our reputation as an internationally recognised, well-regulated jurisdiction complying with international standards. We can comply with those standards while also remaining attractive to international investors and securing a business friendly environment. The future of our economic evolution lies in our ability to adapt, innovate and introduce new technology; as well as using our traditional strengths as an International Finance Centre.

We can look to the future with the confidence that stems from decades of successful evolution in financial and professional services. Our continuing success, recognised worldwide, is underpinned by the ability of successive generations to adapt to changing market conditions and business needs. We are not complacent. We keep our eyes on the future and work together in partnership – government, industry and regulator – to reach the shared objectives that will maintain a successful industry and a strong economy.

Senator Ian Gorst

Senator Ian Gorst is Chief Minister of Jersey.

Senator Gorst was initially elected as Chief Minister on 14 November 2011 and re-elected in 2014. First elected to the States Assembly in 2005, his previous role was Minister for Social Security. He also served concurrently as Chairman of the Jersey Overseas Aid Commission.

An accountant with significant experience in private client, private equity and retail fund sectors, Senator Gorst is actively involved in the church. He is interested in overseas development and has travelled with his wife to participate in Jersey Overseas Aid Commission projects. He is also an Honorary Fellow of UNICEF UK.

Foreword

By Senator Sir Philip Bailhache, Minister for External Relations, States of Jersey

Jersey has a long and well-documented history of meeting and overcoming the challenges presented to the Island by external forces, whether these are natural, military or economic.

Photo Chris George

In recent years the growth and success of our role as a leading international finance centre has required Jersey to meet the demands of increased global scrutiny and the calls for robust regulation and transparency. We continue to identify, assess and meet those challenges, placing us among world leaders in matters of financial regulation. It is this approach that makes Jersey the attractive and respected centre for global investment that it is today.

In light of the challenges presented by Brexit, the successful development of Jersey's international identity – and ensuring that the Island is represented as an effective, globally engaged and well-regulated jurisdiction – has never been more important.

Across the last 18 months, the Ministry of External Relations has worked to mitigate the risks presented by global developments and to build an ambitious programme of political and official engagement to ensure that Jersey has continued representation within Europe, and builds lasting relationships with emerging markets.

This work has included the growth of the Brexit Unit, established shortly after the decision by the United Kingdom to leave the European Union. Through our extensive contingency planning and ongoing dialogue at Ministerial and official level with the UK Government, we have established a series of clear, achievable objectives for the Island's post-Brexit future.

Financial services are a core component of our Brexit planning and we have developed a successful workstream – alongside the other Crown Dependencies – to ensure the Island's interests are understood by HMRC and HM Treasury ahead of the Brexit negotiations.

Through the Channel Islands Brussels Office, shared with Guernsey, a series of regular engagements have been organised with key decision makers in Brussels including Permanent Representatives, Ambassadors and MEPs, conveying directly our commitment to maintaining the Island's status as a cooperative jurisdiction and good neighbour.

Although the Island will be losing the moderating influence of the UK within the EU, we also pursue an intensive strategy of country engagement to ensure that we continue to build successful relations with priority EU Member States.

In 2017 we also saw the creation of the Global Markets Team within the Ministry of External Relations, which has made bold progress in a short timeframe to develop, socialise and implement a cross-government strategy for engaging with a selected number of high-growth, priority global markets. This has included the successful delivery of a series of high-profile Ministerial visits to Africa, USA, India and the Middle East, working closely with the team at Jersey Finance to share knowledge and increase visibility.

The Global Markets team is also tasked with putting in place the legislative and treaty framework that underpins trade flows, through negotiating Double Taxation Agreements (DTAs) to provide tax certainty and Bilateral Investment Treaties (BITs) to provide investment protection. The development of these international agreements are crucial to ensure that Jersey has access to the economic partners of the future.

We also continue to meet the challenges presented by global calls for increased financial transparency and robust regulation. Through the work of the Government of Jersey, the Island has successfully engaged with the EU Code of Conduct Group on Business Taxation, being listed as a cooperative jurisdiction in November 2017. We have made commitments to the Code Group and will continue positive dialogue with them throughout 2018.

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Jersey is in a strong position as we enter a period that will see fundamental changes for the United Kingdom and Europe

In June 2017, Jersey also took the step of formally signing up to the OECD Multilateral Convention on BEPS alongside 60 other jurisdictions and in December 2017 Jersey became one of the first five jurisdictions in the world to ratify the OECD's Multilateral Instrument.

Government alone cannot meet all of the challenges presented to the Island and to our financial services sector in particular. Whilst we can provide the necessary regulatory framework and international agreements that allow our industry to meet global best practice, it is the hard work done by the Island's businesses and professionals – in pursuit of new business and in meeting the highest standards – that will ensure our continued success.

Jersey is in a strong position as we enter a period that will see fundamental changes for the United Kingdom and Europe. Whilst further challenges are inevitable, as we have often proved, we have the skill and resilience to navigate these challenges successfully, ensuring continued prosperity for the Island, our businesses and our people.

Senator Sir Philip Bailhache

Sir Philip Bailhache, Minister for External Relations, Government of Jersey.

Educated at Pembroke College, Oxford, obtaining an honours degree in jurisprudence, Sir Philip was called to the English bar in 1968 and admitted to the Jersey bar a year later.

He was appointed Attorney General in 1986, made a Queen's Counsel in 1989 and appointed Bailiff of Jersey in 1995. In 1996 he was knighted and made an Honorary Fellow of Pembroke College.

Sir Philip retired as Bailiff in 2009 and was appointed as a Commissioner of the Royal Court and a judge of the Court of Appeal in 2009. He retired from the judiciary in 2011.

He was elected as a Senator in November 2011 and subsequently appointed as Assistant Chief Minister. In 2013, he was elected Jersey's first Minister for External Relations, being re-elected to this post in 2014 following the Senatorial elections.

Introduction

By Geoff Cook, Chief Executive, Jersey Finance

Ten years on from the global financial crisis, Jersey has firmly demonstrated its resilience, stability and ability to adapt and develop successfully in a challenging world.

In a period of substantial change, which has included political fragmentation as a result of Brexit and more widely by US President Donald Trump's openly divisive agenda, protectionism has re-emerged as a threat to globalisation. Increasing demands for tax transparency, the onset of digitisation in financial services and the widespread restructuring by global banking organisations since the crisis unfolded, has seen Jersey emerge stronger, capable of meeting the highest global standards of regulation and compliance, while also championing innovation in the services it delivers to investors worldwide.

As a result, we can point to rising assets under management and administration, increasing numbers of foundations, higher levels of business from new markets such as the Gulf Cooperation Council (GCC) countries and Asia, and a skilled and experienced workforce that is at pre-crisis levels.

Clear strategy

One influencing factor that was certainly not on the agenda a decade ago, would have been the far-reaching implications of the UK's decision to leave the European Union; the impact of which remains uncertain, while negotiations continue on how the break from Europe will be concluded.

Setting aside any inevitable uncertainties about the outcome of those negotiations, investors can be reassured that our finance industry will remain in a solid position and continue to offer investors seamless continuity of service, supported by a regulatory regime which is recognised as one of the best in the world. The endorsements Jersey has been given by leading EU bodies, for instance, have not disappeared with the triggering of Article 50.

We also know that the Government of Jersey has a clear strategy for dealing positively with the effects of Brexit, while the UK Government has acknowledged in discussions that it has our best interests at heart.

As a Crown Dependency, Jersey has a strong, enduring relationship with the UK, carved out over the 800 years since the constitutional relationship with the Crown was formed. Furthermore, in more recent times, we can also point to our strong and stable partnership with the City of London during the last five decades or more, which will also remain unaffected by Britain's departure from the EU.

Against this backdrop of political uncertainty and increasing volatility, it will be absolutely vital to deliver stability in the provision of financial services, while at the same time responding to challenges in order to ensure Jersey remains competitive and creates a future-proof environment in which our world-class providers are able to provide leading edge solutions.

Innovative

During the last year therefore, there have been a number

Nicole S Glass / Shutterstock

of innovative and unique platforms implemented to enhance our offering. In the funds sector we launched the Jersey Private Fund vehicle, the result of a streamlining of our investment funds regime and designed to enable small numbers of sophisticated investors to bring their funds to market quickly and efficiently. Jersey was also selected as the jurisdiction of choice for a new global technology fund – the largest in the world when it was announced and a significant coup for our funds sector.

Market access is critical for fund managers, especially in Europe since the introduction of the Alternative Investment Fund Managers Directive (AIFMD) and Jersey has responded effectively by providing a straightforward dual approach. This enables globally-focused managers to structure both their pan-European funds through flexible and fully AIFMD-compliant National Private Placement Regimes (NPPRs) and non-European funds through a 'rest of the world' regime which meets global standards.

Meanwhile, to boost our private wealth offering, a further set of amendments to the Trusts (Jersey) Law 1984 are being progressed. When they are introduced later this year, it will be only the seventh occasion in more than 30 years that amendments have been implemented, highlighting the quality and scope of the original trust law when it was first introduced, and a reason why others have subsequently sought to mirror it.

Jersey's Charity Law also continues to be rolled out in phases highlighting our ambitions in the global philanthropy sector.

In the banking sector, which remains a pivotal focus of our offering, we updated laws in recent months to ensure banks and their customers could continue to benefit from fast and efficient cross-border payments with certain European countries, through our membership of SEPA (Single European Payments Area).

Whilst we must maintain the strongest possible regulatory standards in the fintech arena, we have nevertheless sought to blaze a trail and work together with the digital sector.

It is now more than three years since Jersey launched the first regulated bitcoin fund. Since then Jersey has implemented virtual currency regulation and has created the appropriate forward-thinking regime that creates a sound business environment for future virtual currency innovation, while ensuring there are controls to mitigate risk in this developing area.

Examples of innovation and product success are a clear theme of the articles included in this 10th edition of *Jersey ~ First for Finance.*

Future opportunities

However, what will also emerge in the following pages is an appreciation by everyone working in the financial services industry that there is no time to sit back on our accomplishments.

These views are echoed by the Government of Jersey and our regulator, the Jersey Financial Services Commission (JFSC), with whom we are working in partnership to refresh our strategy to meet future challenges and seize opportunities, including an increasing focus on overseas markets.

Daniel Lange / Shutterstock

The global finance industry also faces mounting political pressure to provide greater transparency as a means of fighting money laundering, fraud and tax evasion.

Jersey is proud of its achievements in this field. Since the introduction of the proceeds of crime legislation as far back as 1999, which made evading tax illegal, there has been a consistent series of measures designed to deliver the highest possible standards of regulation and compliance, while we have also been a willing partner to cooperation and transparency agreements with countries worldwide.

In November last year, Jersey became one of only six countries in the world to be found to be entirely tax compliant against the high standards set by the Organisation of Economic Development (OECD), following a second round of peer review assessments. The following month the European Union's Code of Conduct Group recognised Jersey as a cooperative jurisdiction following a year-long screening process.

Another important assessment was provided by MONEYVAL who evaluated our legislative and regulatory framework and gave us the joint highest rating to date of any jurisdiction assessed.

In addition to this, we were also one of the first jurisdictions to be approved by ESMA (European Securities and Markets Authority) for the granting of passport rights to market alternative investment funds into the EU when that becomes available to third countries; and we recently became only the third jurisdiction globally to have ratified the OECD's MLI (Multilateral Instrument) relating to its Base Erosion and Profit Shifting (BEPS) programme, designed to ensure profit is taxed in the jurisdiction where economic activity was generated.

We have also signed up to all cooperation and information sharing mechanisms and we have a central register of beneficial ownership that meets international standards in providing information with tax authorities globally.

We continue to receive recognition for our status from leading media organisations including *Citywealth* magazine, where we have been selected as the 'IFC of the Year' for six consecutive years, and *Wealthbriefing*, where we have been judged 'Best IFC' in their European Awards for two consecutive years.

These endorsements from leading international standard setting bodies and from the finance media add to Jersey's first-class reputation as one of the world's leading specialist finance jurisdictions, equipped with a forward-thinking approach that has kept us at the forefront of global finance for more than 50 years.

By providing quality financial services, coupled with high regulatory standards, we are able to play our part in supporting businesses, governments, families and individual investors with their high-quality international investments, generating returns and creating wealth and jobs in communities far beyond our shores; which is what sets us apart from other IFCs.

Our strong and stable partnership with the City of London during the last five decades or more, will remain unaffected by Britain's departure from the EU

Although there have been considerable changes during the last 10 years, Jersey's positive role as an IFC and the availability of its expertise in support of investors worldwide has remained a constant. We are proud of the vital contribution we make to the global economy through cross-border financial services, which we provide consistently in a well-regulated environment. There is clear evidence from the research we have undertaken of the valuable role we play.

Furthermore, every single piece of independent research that we have commissioned during the last decade has thrown up one incontrovertible trend – that among governments, institutional investors, families and ultra-high net worth investors, there is an increasing demand for safe, secure and robust ways to put their capital to work in diverse markets; and Jersey remains ideally placed to meet that demand.

Geoff Cook

Geoff Cook, Chief Executive, Jersey Finance.

As CEO of Jersey Finance, Geoff Cook works closely with governments, regulators, financial professionals and investors, to promote the Island's award-winning finance industry, whilst highlighting legal and regulatory developments, as well as innovations in products and services that make international trade and investment easier to do.

In promoting Jersey's finance industry, Geoff features in media such as the Financial Times, the Wall Street Journal, the Economist, BBC Radio, the BBC World Service and Bloomberg TV.

Geoff is a Chartered Director, a Fellow of the ifs School of Finance, a Fellow of the Chartered Institute for Securities & Investment and a Member of the Society of Trust and Estate Practitioners. Geoff is also Chairman of the Jersey Employment Trust, a locally registered charity whose primary role is to assist people with a disability to prepare, find and maintain employment in Jersey.

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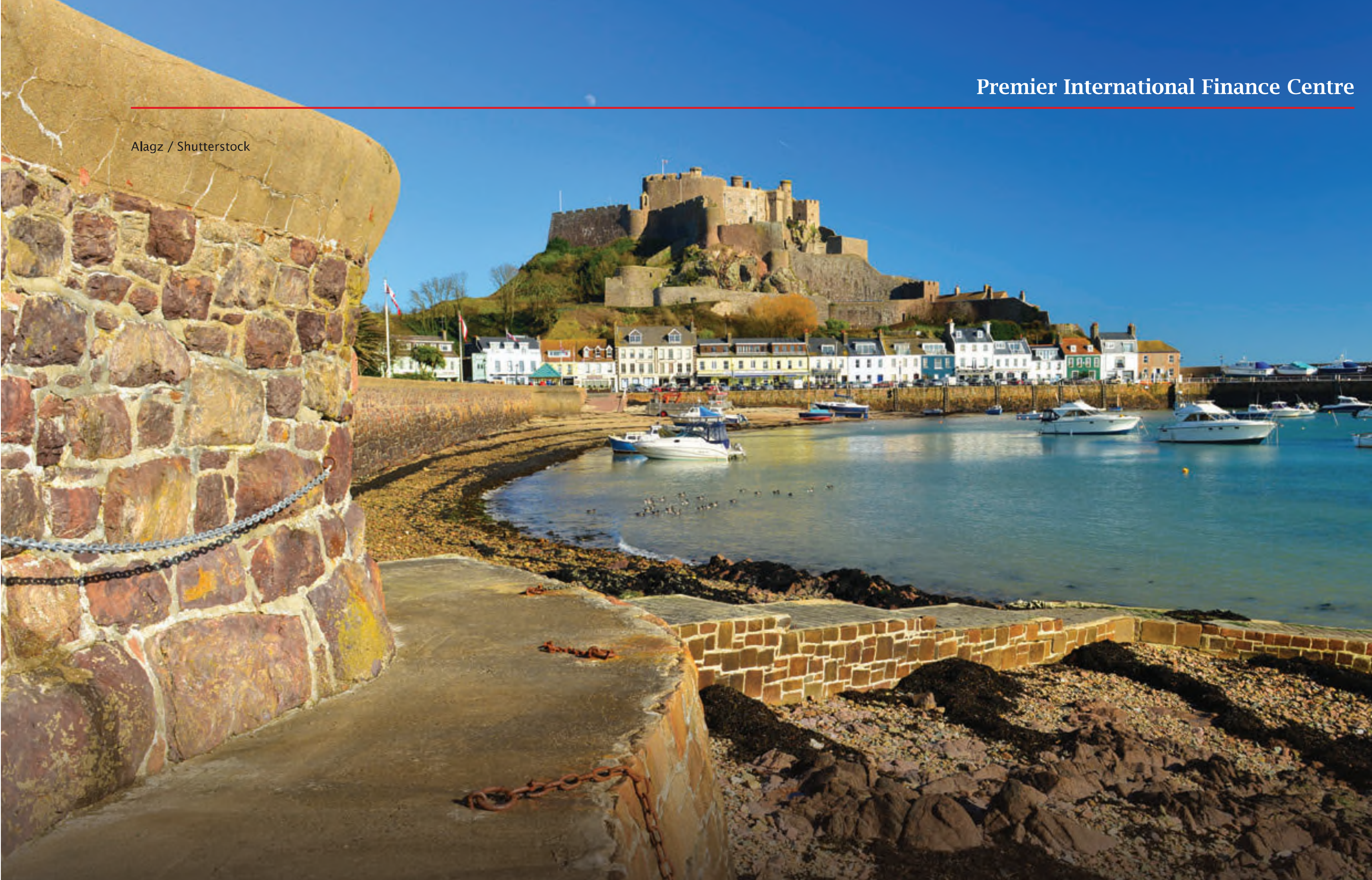

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Working with increasingly diverse international markets

By Dr Gunther Thumann

Whilst the past 12 months have been shaped largely by geopolitical fragmentation and although Britain's separation from the EU in 2019 may seem like a daunting prospect, Jersey's ability to maintain first-class financial services to and from the UK and Europe puts it in a very strong place indeed. In fact, as we look forward, these qualities should galvanise Jersey's appeal as a stable, neutral and robust gateway to Europe for investors around the world.

As a leading international finance centre (IFC), Jersey has for years been focused on building positive relationships with international markets from Europe to Asia, North America and Africa. With globalisation in the financial services industry and the constant rise of emerging economies continuing to open up a range of new opportunities, we remain committed as a jurisdiction to further strengthening these links in the future. Certainly, with Brexit now very much on the horizon, these overseas relationships are more important than ever.

Global role

Evidencing its global role, research tells us that Jersey is a conduit of €188 billion of foreign investment into the EU (excluding the UK) – as outlined in 'Jersey's Value to Europe', 2016 – and is a pipeline for almost £1/2 trillion of foreign investment into the UK, equivalent to 5% of the total stock of foreign owned assets in the country (see 'Jersey's Value to Britain', 2016). These figures are encouraging and the indications are that, as a stable and neutral location, Jersey will continue to play a supportive

emerge / Shutterstock

and positive global role in adding value to these economies and ensuring seamless, ongoing cross-border financial flows between the UK and the EU post-Brexit.

Where alternative funds are concerned, Jersey is well placed to continue to support global investment flows. As a third-country in relation to the EU, the jurisdiction's national private placement regime (NPPR) route into the EU is a proven and effective option under the Alternative Investment Fund Managers Directive (AIFMD), with more and more non-EU managers from, for example, Asia and the US electing to use Jersey as their centre of choice for fund distribution into EU countries.

Figures show that, as of December 2017, 149 alternative investment fund managers (AIFMs) had been authorised in Jersey to market into Europe through NPPRs, up 17% year-on-year, indicating clearly that the use of private placement continues to work well as a means for non-EU managers to market their funds into the EU.

At the same time, Jersey's flexible funds regime can market alternative funds all around the world, efficiently and outside the scope of AIFMD. In fact, recent research by KPMG, 'Analysis of the Jersey Alternative Funds Sector Investor Base', (Q4 2017), shows that, after Brexit, almost 75% of capital in Jersey alternative funds will come from non-EU sources.

Further research by Europe Economics, 'Jersey for Institutional Investors: A Clear Choice' (November 2017),

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We will be continuing to expand our portfolio of research throughout 2018 with a number of reports looking at specific markets and sectors

also reflects this global role. It found that of the £39 billion of pension fund assets administered in Jersey, around 40% (£16 billion) originates from outside the European time-zone.

Future trends

Being able to effectively work with key overseas markets is based on a deep understanding of current and future trends, as well as an appreciation of what matters to investors in those markets. Jersey has invested heavily in building strategic, meaningful relationships with investors' demands in mind.

Growth in Asian markets has been particularly vibrant; the 'Global Wealth Report 2017', compiled by the Boston Consulting Group, shows that Asia Pacific was the fastest growing region globally last year in terms of private financial wealth at 9.5%, with wealth in the Middle East also growing an impressive 8.5%.

Burgeoning middle classes in these markets are increasingly looking for diverse outbound investment strategies and new markets and sectors. This means that there are real opportunities right across Jersey's private wealth, funds, banking and capital markets sectors to provide high-quality specialist support.

These opportunities are highlighted in our refreshed strategic review, which underpins Jersey Finance's structured programme of activity in overseas locations. Over the past year, this programme has included continuing to embed our highly successful roadshow series in key markets.

Throughout 2017, supported by our overseas business development teams, we staged events in Lagos, Nairobi, Cape Town, Johannesburg, Dubai, Kuwait, Shanghai and Hong Kong, with the highest ever attendance recorded at those events. We also hosted receptions in Saudi Arabia for the first time in conjunction with the British Embassy in Riyadh and the British Consulate General in Jeddah.

As a result of these activities, in 2017 we also witnessed record numbers of Jersey firms investing in flyout activity to these markets. There are now around 40 member firms active in the Gulf Cooperation Council (GCC) region with many of those also expanding their reach into Greater China and a growing number also exploring opportunities in Africa.

We will be continuing to work with our established markets and we will look further afield at other potential growth markets. This includes the USA, where we are seeing specific opportunities to support fund managers and growing volumes of outbound real estate investment.

Thought-leading

Supplementing this outreach activity, in order to both better understand our core overseas markets and set Jersey apart from other IFCs as a thought-leading jurisdiction, Jersey Finance is continuing to bolster its library of evidence-based research.

Last year we published a series of white papers – including 'How to Service Chinese Wealth as it Goes Global' and 'Driving Forces Behind GCC HNW Investors' – which looked at some of the challenges faced by advisors when it comes

Shenzhen, China. Simon Poon / Shutterstock to business succession and family wealth planning in overseas markets.

These reports are proving instrumental in informing our activity in Asia. They confirmed, for example, that participants in those markets are heavily focused on succession planning and asset protection for future generations. Amongst Chinese high net worth individuals (HNWIs), legacy planning is the main priority (47%) when it comes to wealth planning, whilst more than half of professionals working with family businesses in the GCC (55%) see business succession planning as the most critical issue for GCC families today.

However, whilst there is a clear acknowledgement that wealth and succession planning is vital, other themes that clearly emerged from those reports were concerns that wealth planning might involve a loss of control over assets and that there is still much misunderstanding in terms of reporting obligations under international transparency regimes, such as the Common Reporting Standard (CRS).

Given Jersey's expertise in managing complex cross-border investments, its sound regulatory framework and its experience of working in a compliance-driven transparent environment, these are challenges that Jersey is extremely well-placed to respond to, working with investors to improve confidence and help deliver objectives securely and robustly.

We will be continuing to expand our portfolio of research throughout 2018 with a number of reports looking at specific markets and sectors.

Quality

Looking ahead, in the face of strong competition from other centres, maintaining strong relationships with stakeholders in overseas growth markets and connecting with our various audiences will be absolutely vital.

Despite protectionist fears, globalisation is continuing to shape the environment Jersey operates in and whilst greater competition and complexity in global financial markets is presenting challenges in some respects, it is also providing a number of significant opportunities.

For example, whilst Jersey has traditionally provided private and family wealth structuring solutions in the GCC, we are now seeing growing interest in alternative funds and in particular in real estate funds too.

Likewise, in China, our strong reputation for providing corporate and capital markets services has broadened to now include family business and wealth structuring and providing administrative support to major Belt and Road infrastructure initiatives.

In Africa, we are seeing considerable growth in supporting inbound infrastructure fund structuring, as well as outbound social impact and philanthropic activity. This complements our well-established reputation in the continent for private family wealth services.

Investors want top-quality products and services, high standards of regulatory oversight and clear commitments to innovation. Regarding the latter, digitisation of financial services will play a massively expanding role in coming years. We believe Jersey can deliver across these areas. Its political and economic stability, sophisticated legal and fiscal infrastructure, long-standing partnership with London and commitment to innovation and expanding its presence in new markets is balanced with an effective response to the challenge of greater transparency and an increasing focus on global compliance.

With security around flows of global capital likely to become increasingly important for institutions and individuals throughout the coming months and years, clients and their advisors will find that Jersey's forward-thinking approach, its highly-skilled workforce and expertise can provide them with the attractive cross-border solutions they need to support their international investment objectives and plans.

In an increasingly complex and diverse global market, shaped by globalisation on the one hand and fragmentation such as Brexit on the other, families, investors and governments are looking for quality IFCs to help intermediate between cross-border saving and investment. Jersey has a proven track record that it can service this demand flexibly and efficiently and will also strive to deliver first class financial services solutions for clients around the globe in the future.

Dr Gunther Thumann

Dr Gunther Thumann, Chairman, Jersey Finance.

Dr Gunther Thumann graduated summa cum laude with a Ph.D. in economics and statistics from the Friedrich Alexander University Erlangen-Nurnberg and, between 1978 and 1994, was an economist in the German civil service and subsequently senior economist for the International Monetary Fund in Washington D.C.

After joining Salomon Brothers in London as managing director, in the late 1990s he founded a consultancy specialising in central banks. In 2007 he was appointed partner, CEO and chairman of the board of Brevan Howard Capital Management in Jersey (Channel Islands) and, over his 10 years there, he built the offshore business and established the Jersey business as the hub of the Brevan Howard Group.

After retiring from Brevan Howard in January, Dr Thumann has succeeded Robert Christensen MBE who resigned as Jersey Finance Chairman when he was elected Jurat in January.

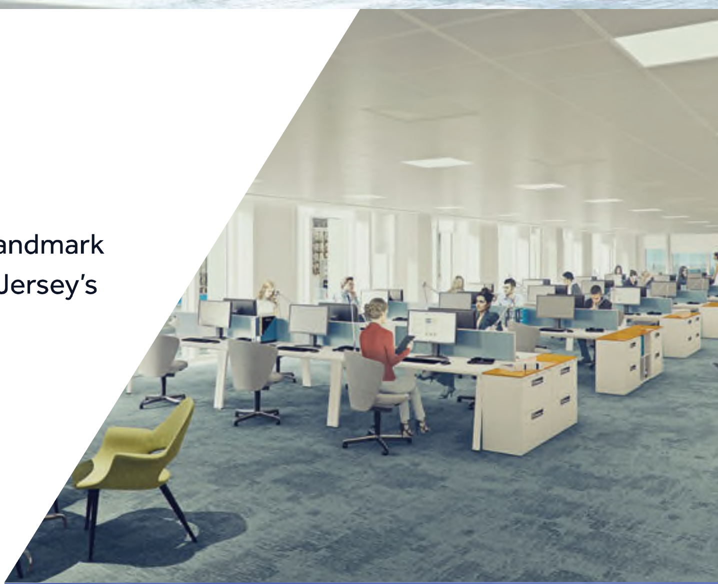

Photo Chris George

Jersey Calling

Appointed in 2017 as Chief Officer of the States of Jersey's financial services, digital and enterprise teams, Richard Corrigan and his department have been tasked with spearheading the development and implementation of the Government's strategic priorities within these key policy areas. He talked to Wayne Fessey about his role, responsibilities and the teams' current activities.

Many will know Richard from his time at Jersey Finance, which promotes Jersey as an international finance centre of excellence. For several years he was Deputy Chief Executive of Jersey Finance, joining as Global Head of Business Development after leaving Barclays, where he was a director within the wealth and investment management division.

Richard helped provide support to members of Jersey Finance in a number of international growth markets, developing close working relationships with a range of industry stakeholders. Richard said: "There were two key elements to my role at Jersey Finance. One of them was supporting our external efforts and interacting with media and other channels where we could convey our message of being a well-regulated internationally cooperative financial centre. So that was the deputy chief executive hat that I had, where I'd support or stand in for Geoff [Cook] in media and conference engagements but then on a day-to-day basis I was leading our business development effort across global markets Jersey identified as most relevant to our growth and the global economy."

Richard explained that key markets such as the GCC, Africa and Asia were an important focus: "The GCC is an attractive market for Jersey. It's a hub of very strong wealth creation, there are very low barriers to capital coming out of the GCC and investing into other markets. Also, Jersey plays an important role in carrying that sort of capital from areas of surplus into areas of opportunity. Important sectors to have benefitted from this cross-border investment would be UK & European real estate and infrastructure projects whether directly or through alternative investment fund managers.

"Beyond that, Jersey Finance has made a strong effort to grow its awareness and recognition in Africa. Several sub-Saharan African markets of South Africa, Kenya and Nigeria, are important gateways from an east, west and south African context, each very different in terms of their characteristics as economies. This again is where Jersey will be well-placed to help with capital making that journey.

"Also Asia, where from a presence in Hong Kong, Jersey Finance is keen to reach out to advisors and clients across those markets to ensure we can help them structure new-found wealth, helping them invest into opportunities in UK and European markets.

"So that was the most important part of my role at Jersey Finance, it was growing our market recognition in those areas. Again doing that through a great team of people embedded in those markets or flying out to those markets on a regular basis, to build good, long-standing relationships with professional advisors and reach into their client base and make them aware of what Jersey has to offer."

Having gained extensive experience in banking and the private sector, Richard hopes to draw upon his understanding of international markets to convey Jersey's key attributes, highlighting why it is a unique jurisdiction and what it offers the international business and investment communities.

"My current responsibilities in government are for financial services, digital economy and enterprise. Within that enterprise category we cover competition and also innovation which are sort of crosscutting strategies that affect different sectors of the economy. Jersey's financial and professional services proposition is strong and if it is to remain strong, we must embrace digitisation and find new ways to deliver our insights and capabilities. With financial services and digital in particular, because we've had a very strong financial services sector for very many years, that centre is digitising. Therefore understanding the effects of digitisation on our legacy sector and ensuring that we embrace that as government and provide the right environment in which digital businesses can flourish, both to support financial services but in some areas to replace or intermediate financial services, is clearly important as we look at some of the new entrants to the market in fintech and regtech.

"I work as part of the Chief Minister's Department and the Chief Minister has the lead responsibility for these policy areas of financial services, digital and enterprise. So I'm the lead officer in terms of making sure that we deliver the right supporting policies and legislation towards these sectors and in doing so, see that is aligned to the strategic plan of government here and ensuring a sustainable growth of our economy, development of skills on the Island and offering the widest possible employment and job advancement opportunities to our community. I couldn't possibly do it single-handedly, so I have a great team of people working around me. Individuals working in the role of lead policy advisor will pick up specific areas of financial services such as the funds offering, private wealth, banking and importantly, Jersey's governmental-led response on the agenda for identifying and prosecuting financial crime. I then have policy leads across the digital and enterprise areas as well.

"Certainly digital is more of an emerging sector. We published our Digital Policy Framework earlier in 2017 to indicate the enabling environment we wished to create across a number of areas such as cyber security. So we already have, as I think you commented in previous publications, a fantastic gigabit Internet service across the entire Island. We're nearing completion of that rollout and will embrace new technology such as 5G as an early adopter, to make sure our environment is at the leading edge of jurisdictions of our kind."

Richard explained that the financial services policy framework, the cyber security strategy, the digital policy framework and the regulatory and competition framework review action plan, constitute his teams' initial work: "It really is a cross-government effort – and I'll talk specifically about my teams and the role they play – but at the very heart it's no accident that the Chief Minister has policy responsibility for financial services, as it is our largest single economic sector.

"In a variety of international markets Jersey is known as a strong international financial centre. We haven't delivered that recognition by accident. It's come about through policy aimed directly towards the financial services sector and the quality of the laws and regulations we've enacted over time. This includes innovative and pioneering laws such as our Trusts Law of 1984, which has been the model for other trust jurisdictions around the world.

"Also, the approach we've taken on our funds sector to offer third country market access to European investors. If that business is going to be conducted here we need to create the right environment, so that's around quality of infrastructure and particularly the quality of talent that's available to financial services and professional services firms here in the Island. Clients gravitate to where there are good people, deep talent pools that can look after client interests in the long term. That therefore involves the work of our education department in terms of not just turning out bright young people into our jobs market but making sure they are well prepared for the world of work in terms of skills and balance of qualifications they've acquired through either secondary or tertiary education, or perhaps via a more professional route of obtaining qualification in accountancy, law and other sectors.

"More widely in government, the Ministry of External Relations look after Jersey's international identity with foreign countries and with the UK itself – our most important single relationship by far – but also some of our relationships with international bodies such as the OECD. Jersey has been highly rated by the OECD over many years and again our process of engagement in the OECD programme of work is very important. We've had involvement as one of the vice chairs of the OECD's Global Forum Peer Review Group on Transparency and Exchange of Information for Tax Purposes in 2013 and now vice chair of the Global Forum Working group on Automatic Exchange of Information (AEOI) for example.

"So there's cross-government effort, aside from the work of my own department, which is more around delivery of policy and legislation, which either maintains or helps to advance Jersey's position in those markets. Some of the legislation we've worked on over the past year includes the introduction of our Bank Recovery and Resolution Law, following a lead of other jurisdictions internationally in the aftermath of the global financial crisis to make the banking sector safer for those who use it and ease resolutions in the event of a bank suffering a period of significant stress. Rather than seeing that bank fail there are a range of other measures that can be taken by a resolution authority to try and ensure a bank continues or if it should fail, it has minimum impact on customers, investors and the financial system.

"Some of the more innovative work we've done has been around developing our charities law, which will help fuel Jersey's reputation as a centre for philanthropic activity. That's led to the appointment of a Charities Commissioner, which shows serious commitment to how we bring together a modern framework that supports philanthropy both locally and across borders.

"So the team itself, in terms of how it's structured, we have lead policy advisors across each of these areas. Often they come from a legal background because they're working with the law on a day-to-day basis. They will cover key areas of our financial economy, so banking, funds, private wealth structuring and an overarching approach to how government deals with financial and economic crime. We've made some very significant commitments on that agenda.

"Most recent is the commitment to exchange beneficial ownership information with the UK. We are able to fall back on a register of beneficial ownership that's been held in the Island here for the best part of 30 years. We verify beneficial ownership information, we hold that securely but it's information that we can share with law enforcement authorities through proper gateways. That's an important commitment from us to helping other countries fight financial and economic crime where it exists. We've always had a policy of cooperation on these matters and with the UK being our strongest relationship, it's entirely appropriate that the first agreement on exchange of beneficial ownership information was signed with the UK. Looking forward, we await the emergence of a global standard in much the same manner that the Common Reporting Standard has set an international norm for sharing tax information.

"Key amongst our initial tasks has been making sure we have the right balance between continuing to maintain our reputation, with a commitment around the tax and transparency agenda and sharing of beneficial ownership information, including commencement of our National Risk Assessment, which is an important part of identifying the necessary safeguards to ensure ongoing compliance with the financial action taskforce recommendations on AML and CFT. So we prioritise that in one area but then there's also those things that we do more from a developmental perspective around helping to modernise parts of the jurisdiction, to codify certain legal decisions where we think they bring greater clarity and certainty to people that want to use Jersey.

"We're currently working on the seventh package of amendments to our trust law since 1984. We're also working on Companies 11, which is a similar package of measures to keep our company's law where we want it to be internationally in terms of respect and recognition. We're considering a new LLC product for limited liability companies because of significant market demand, particularly in the US."

Another area that has engaged Richard and his team, has been supporting enhancement of the Island's funds regime that helps underpin Jersey's highly successful funds sector: "Moving Jersey's private fund structure was an important simplification of the funds regime here and was a recognition that the kind of investors that are wanting to use private funds structures, don't necessarily value high levels of regulation. They're sophisticated in their own outlook, have the ability to identify the right managers for their capital, to assess the kind of investment opportunities they want to be exposed to through those managers and negotiate with those managers the basis of investment, whether through a conventional blind pool structure or as more of a co-investor with the manager. These are institutions, pension funds, endowments and foundations from around the world that are very sophisticated in their outlook. So applying a retail level of protection and regulation to them is detrimental to their interest of creating returns for their investors. Whilst it's important there's some control and structure around the way the fund is established and managed on an ongoing basis, it's very different to the level of regulation a fund would need for safeguarding retail investors.

"It has gone very well and we've got over 40 of the new Jersey Private Funds already in place. So from a standing start back in April (2017) we've made rapid progress getting new Jersey Private Funds onto the book. And more widely Jersey's had some very significant new fundraisings during the course of 2017 – mainly from large global managers raising capital from international institutional investors – using Jersey as a platform."

Given Jersey's position as one of the world's premier IFCs and the economic importance of the sector, support of the Island's finance industry is a significant part of Richard's role. Part of his remit is to ensure Ministers are advised on proposed legislative changes and that policies concerning international issues and developments relating to Jersey's financial services industry, gain widespread exposure: "The communication happens at a variety of levels, as we engage actively through the regulator and Jersey Finance to make sure an upcoming policy and legislative agenda is well understood.

"Our people have a pretty good understanding of where our priorities are going to be over the next 12 months and where we need to work with industry and the regulator to bring those about. We'll go through a process of understanding what the policy objective is. There's a process then of consultation with interested parties, the opportunity for them to feed back through working groups and trade associations here. We have the Jersey Funds Association, Jersey Bankers Association and Jersey Association of Trust Companies and we receive consolidated feedback from them, as well as Jersey Finance.

"All this activity ensures the law of unintended consequences is minimised, that we've properly thought through situations that may arise and considered those well ahead of time so that when we eventually produce draft legislation for consultation, it's as close to the finished article as it reasonably can be but is then subject to further consultation and ultimately we converge on a final version.

"We also have to communicate across government to ensure legislation is human rights compliant. We have a process of scrutiny of new laws and policies where members of our States Assembly will look carefully to ensure what we're doing is appropriate for the Island and makes sound economic and social sense for the jurisdiction.

"All of that combined means we have a very active communication programme with the industry regulator, other government departments, elected members of our States Assembly and international standard setters as well. We're not going to subscribe to measures that boost the economy but are detrimental to our reputation because reputation's the one thing you preserve at all costs."

Regular contact between government, industry and the regulator has clearly helped facilitate the development of appropriate new legislation when required over the years, ensuring formulation of future strategies is as inclusive as possible. Jersey has been effective in constructing systemic consultation towards realising integrated strategies, with the close proximity between organisations on the Island itself inevitably enhancing levels of communication and cooperation, not only formally but also informally. Richard said: "I think in terms of government working closely with key stakeholders, we produce better policy and legislation and achieve better outcomes together. Now within that you're going to have disagreement at times and you'll need to converge on solutions to make sure that what we're doing is an aggregate in everyone's collective interest.

"I think there's a key advantage in being small – if you are looking at elements that make us successful – which confers a degree of agility upon us. There's familiarity, particularly where it's appropriate and there's also some healthy tension in those relationships as well. We don't agree on everything and it's good to have those discussions actively, it contributes to better decision making. So it would be entirely wrong for government to sit and pronounce on matters, ignorant of what the views of the regulator or industry might be. If we want a strong, sustainable, vibrant economy here, we need to get all of those measures right. So far we've been able to do that effectively and that's key for me in terms of holding the baton at this point in time, making sure we can continue to do that and deliver a good quality enabling environment for financial services."

Richard feels it is important to proactively engage with relevant organisations beyond the Island's shores towards maintaining and enhancing Jersey's reputation, remaining responsive to international initiatives, tax and legislative changes that may impact its finance industry: "As I touched on earlier, we've historically had that vice chairman role of the OECD Global Forum, which has helped us develop our framework over time, although we recently passed the baton on. In November 2017, Jersey received a compliant rating from the OECD, which is the highest rating available.

"We've had our Council of Europe MONEYVAL assessment, the outcome of which was announced early 2016. The Council of Europe has created MONEYVAL to deal with European geographic centres outside the direct membership of the Financial Action Task Force (FATF). So IFCs like ours are assessed by the Council against the 49 FATF recommendations. I was delighted to see us rated as either compliant or largely compliant on 48 of the 49 recommendations in our last MONEYVAL assessment.

"MONEYVAL will be visiting again in 2021. We already have a programme of work to deal with that assessment and one element we've just kicked off is the National Risk Assessment, where we go through a self-assessment methodology to identify where there is risk in our financial system. That again is an effort across government, the regulator, the industry. We've adopted the World Bank model for National Risk Assessment, so there's some work we'll be doing with the World Bank over the next 12 to 24 months around the effective implementation of their self-assessment model. We're then looking at outputs from that and if there are changes we need to make from a policy/legislative standpoint, we'll put those into our work programme and make sure those measures are effective well ahead of the MONEYVAL assessment."

With Jersey's digital sector offering a great deal of potential, Richard is keen to show the Island provides an ideal environment for innovators and entrepreneurs to make their mark as the sector develops: "Digital is an important sector for us. We've got a digital industry that spans telecoms, IT and startup businesses producing content – the digital content providers. There's diversity there. We want strong foundations to build the sector and that's about government creating the right policy environment for the sector to flourish.

"We, like everyone else, look at research on the impact of digitisation on the jobs market. So artificial intelligence in robotics is very much badged as the fourth industrial revolution. It would be foolish of government to think that Jersey can escape that fourth industrial revolution.

"The idea of creating a digital economy is in part defensive, because digital is impacting the delivery of financial services, our biggest economic sector. Some of that is helping to provide choice of channel to clients that use a service provider.

"With changes that we've seen for example in banking – that has impacted jobs in banking on a global basis over recent years – forecasts say that will continue. As banks become more digitalised they will need less people and there'll be a higher degree of automation in some banking services. We need to be mindful of that and think in terms of impact on a labour market here and pleased that the nature of business we do in Jersey is quite high touch business and therefore it's more difficult to commoditise, automate and digitise.

"Clients will still value dealing with a trusted advisor that has real expert knowledge but also importantly, empathy. Artificial intelligence will create and distribute intelligent solutions, what it lacks at the moment is emotional intelligence. And the quality of talent we have here and their ability to interact with clients in very complex situations, means emotional intelligence is something we need to be focused on in how we deal with combating threats posed by digital developments, whilst making sure we embrace opportunities that digital can provide and offering the right environment for new entrant to come into the market."

The traditional strengths of Jersey as a leading finance centre and its highly skilled and flexible workforce, has led to the Island creating an attractive environment for the development of fintech, ideal for incubating innovative ideas. Richard said: "Fintech and regtech are important areas, so we are making sure we look at the right policies towards those areas. For government it's more about creating the policy environment in which people can come, execute their business model and I think we have to recognise particularly the area of fintech and that many startups don't get to a point of long-term viability. There will be casualties but by embracing new entrants to the market and allowing them to operate in a sandbox-type environment up to a particular level, gives them the chance to prove their business model without undue risk on the financial services economy or the consumer.

"The regulator may choose not to fully supervise a firm to create that kind of sandbox environment. The ability of the regulator to either hold back from full supervision or create a conditioned supervisory licence, allows businesses to come in and test the market to that point, rather than being subject to full regulation from day one, which may choke off the appetite to come here and try something out. So it's making sure we manage risks but create the environment in which innovation can flourish."

As well as creating an environment conducive to attracting investment in the digital sector, Jersey is delivering support that innovative businesses and entrepreneurs involved in developing digital technologies, require: "What we've often looked to do is get the seeds of an idea from an entrepreneur and be able appropriately signpost to them ways the idea can gain support. Whether that support is in terms of constructive challenge, finding providers that may be aligned to it or have an interest in that idea or technology, finding investors that may be interested in providing seed capital to get things moving and obviously providing later-stage investing. We work with Digital Jersey in that sector and also Jersey Business, as both are able to provide advice to both startups and established businesses around how they move to the next level.

"On the Digital Jersey side we've created an environment called The Hub, a drop-in point for tech startups where they can hot desk at a nominal cost. It gives them a base, a network of people they can bounce things off, rather than having to commit early on to dedicated IT and office space.

"Obviously as a business grows it needs people and something we've recognised is Jersey has a shortage of skills in this area. We see a shortage of these skills in the UK and that's why the traditional free movement of people within Europe has meant that tech entrepreneurs from all over Europe have chosen London as a startup hub. Indeed tech investors much further afield have chosen London. So we want to position Jersey in the right way. We do not have the talent pool available to us that the UK, Singapore, Silicon Valley or Tel Aviv have but we can create the right enabling environment to grow our own tech sector in a meaningful way that's probably modest in international terms. And that's about allowing the inward migration of talent and skills from other markets. So we've worked with Digital Jersey to make sure the right support exists around licensing those that want to move to the Island to develop ideas in this sector."

"We're working to make sure Digital Jersey is appropriately supported and funded to enable it to grow the digital sector in a sustainable fashion. We have to recognise that in a relatively new sector such as digital, there may be one or two false dawns. You might find you're driven into a cul-de-sac, so what we want to do is identify if that's what we've done soon and be able to change direction or even reverse our course. So this isn't about having a very fixed strategy that we're executing, it's really about having a range of options that, depending how things develop, we're able to offer opportunity.

"We're looking closely at the whole idea about the Internet of Things (IoT). Whilst we rely heavily on our mobile devices for a range of tasks today, IoT is a new chapter where devices, sensors, home appliances etc will talk to each other and exchange data. Opportunities for practical application are diverse and Jersey needs to embrace the technology and seek out a share of the spoils.

"Flexibility is key, remaining adaptable and then seeing how these different applications may or may not develop and supporting Digital Jersey within an enabling environment, towards introducing these applications. We don't have to be at the leading edge of everything, adopting a position of fast follower is perfectly viable for us. That offers some great opportunities in terms of using Jersey as a testbed for new technology.

"We're open to ideas, open to people coming in to explore and execute those ideas and we're creating the right supporting infrastructure for them. Through the likes of Digital Jersey and Jersey Business, through Jersey Finance if it's fintech, through the regulator if it's regtech. We're making sure the different moving parts of Jersey PLC, are tuned into the opportunities and the challenges that digitisation presents."

As the Jersey government plans new strategies for telecoms and cyber security, Richard emphasised the importance of Jersey's digital policy framework remaining compliant with the EU's General Data Protection Regulation (GDPR) for maintaining access to the European economic area: "From my perspective the digital policy framework is best described as a skeletal structure. The digital policy framework is really broad in terms of ambition and policy direction, with the intention that we would hang more definition onto that through individual strategies over time. For example our cyber security strategy. If you can create the best possible environment by way of cyber security, you become an attractive place to do business. Coupled with that is your ability to collect data, hold data, process data and that's where you get into the EU GDPR regulation and how Jersey responds to that. So that sits within my team as a very important policy commitment from us to be able to deliver an equivalent – rather than necessarily an identical – regime for GDPR.

Aside from the Paradise Papers illustrating some of the consequences of a breach in security for client confidentiality, the need to ensure systems hold data securely is a prerequisite for financial services providers. In terms of resilience and cybersecurity, Jersey has a good track record in defending against potential risks and is developing its infrastructure to maintain the robust integrity of its systems in the face of increasingly sophisticated cybercrime. Richard said: "I think there is a strong awareness of cyber risk, as Jersey holds a lot of data on people that do business here. We're on the verge of being a very well-regulated environment by virtue of having a central register of beneficial ownership, yet we are ourselves open to cyber risk. So it's about awareness, it's about building the right defences, not just the right defences in terms of systems' capability but also people capability as well.

"So it's awareness, it's defence and behaviour. It's making sure there's adequate investment in that area, so you would think about financial regulators, with your FSC looking at how a business conducts itself, how it looks after its clients. An important element there is how it looks after its client's interests more widely, so how do they collect, hold and manage client data? Are they doing that securely, are they giving sufficient priority to cyber security? So it's all of those elements and then more widely it's looking at our critical infrastructure here.

"In 2016 we lost some of the connectivity on telecoms but that was restored almost immediately because we have strong resilience. That's why a lot of businesses have head offices here and also use Jersey as their recovery or business continuity site for other locations. They're confident that they have the right infrastructure here to be able to keep the business moving.

"Then the final element for us on cyber is about building the right relationships with counterparts. So we work closely with the National Cyber Security Centre in the UK and we have a growing relationship with the French Cyber Security Centre based in Rennes."

Following the results of the consultation on Jersey's Cyber Security Strategy, Richard is confident that the results will serve to further strengthen cyber resilience in the Island, increasing skills and capability, whilst encouraging greater involvement from the cyber security industry: "Cybercrime has become more and more sophisticated, so the challenge isn't reducing. Therefore it has to mean stronger resilience and a greater focus in this area over time. The focus of the regulator is to ensure that firms are preparing themselves appropriately to manage cyber risk. So from our perspective, Jersey's Cyber Security Strategy has and will deliver in those areas."

Richard's responsibilities with regard to ensuring effective competition in Jersey, has been striking the right balance towards maintaining open markets and its overall competitiveness as a centre. Progress in this area has recently been enhanced following publication of the draft Jersey Regulatory and Competition Framework Review: Action Plan: "It's important in any developed jurisdiction to have effective competition to basically make markets work effectively. To achieve that you need to consider what's the policy aim? How best is that delivered? Is it through regulation or other means, for example conditioning the licences of companies that operate in that sector?

"Do we need to regulate competition in banking locally? No, because we're satisfied the way that the banking market operates on the whole, there's effective competition across different areas of service provision. There's other sectors where you may find there's a narrow concentration of providers or indeed a monopoly provider. You can't create competition and therefore you have to effectively regulate the service provision in some way, so that monopoly position isn't being abused and doesn't turn towards anti-competitive behaviour in terms of deliberately trying to keep new entrants out of the market.

"An example is our ferry services. I think it's a reality that an island of this size that has typically one or two crossings a day to France and two to three crossings a day to the UK for passengers and freight, is actually very well-served by the ferry operator. So what is there to be gained by incentivising a second operator on that route? One might argue it brings prices down but it depends on the demand on the route. So you have to think very carefully what you want to do and how best to achieve it. The situation we have at the moment is making sure that while we have a single provider on the route that there's no barrier to somebody new coming in. That would apply across other sectors, the energy markets, the retail sector and so on.

"Our Regulatory and Competition Framework Review was a means of informing government about its policies towards effective competition in the Island and helping us work with the competition regulator who's done a very effective job. Ultimately that helps keep an appropriate lid on the cost of doing business in the Island, cost of living, the cost of structuring your business here. All important considerations about your overall competitiveness as a centre.

"We want to have open markets. At the airport, we've had an open skies policy there and that's allowed for a flourishing route network to build in comparison to other small islands of our kind. Also, it isn't always necessarily about the government's view of competition, because consumers won't be slow in letting us know if somebody's charging excessively or has a position of market dominance. Those that follow consumer interests closely, like the Jersey Consumer Council, will advocate on behalf of citizens and businesses to say we think this part of the market isn't quite working as it should, we would like it looked at. So as part of our relationship with the competition regulator here, we will look at their proposed work priorities for 2017/2018 and offer input to that process based on what we're seeing and hearing from politicians, from the public and businesses, to ensure an appropriate programme to keep effective competition in our markets."

Although Richard and his team have hit the ground running, he does not see the tempo of activity slowing down: "I think that the pace at the moment is breakneck speed across all areas. But that's good, it's vibrant, it creates a great environment for people to work within, to learn new skills, to adapt to a rapidly changing world around us. In some ways you'd like to be able to draw a breath but there's an enjoyment about the pace, the breadth of work that we're involved in.

"With financial services, I want to see us continue to protect the great reputation the Island has for financial services. The trust that international investors and businesses place in the Island as a location to do business in, we want to maintain that. We want to ensure we continue to offer growth, both economic growth and advancement opportunities for people here.

"On digital, what I want us to do is to make sure that we're embracing new technologies, new ideas. And then across enterprise more widely, which is partly competition, partly innovation, it's making sure that markets continue to work effectively and therefore ensure that Jersey remains a competitive place to do business.

"If they're unsuccessful because the idea's not quite got there, we don't want a stigma attaching to that. We want people to try and fail in a reasonably safe fashion so it doesn't cause market disruption more widely but equally we want them to be able to get up and create something new. We're not looking to back the next unicorn specifically in the tech sector but can get the genesis of some ideas there. Indeed there are some of those ideas where technology's accretive to what we currently do, because technology would be embraced by existing business here. If we need to change we can maybe change from within and create ideas that can be deployed elsewhere as well."

Richard concluded by outlining fundamental factors that he feels will unpin Jersey's development in the foreseeable future: "Historically we've been seen as well-regulated and internationally cooperative as a financial centre. I think you can apply that in other areas too. It's appropriate levels of regulation that ensures we're protecting the interest of those that want to use our jurisdiction, that confers the safety, stability and security of the centre, which are the bedrocks we've been built on. But I would like, in say 10 to 20 years' time, people adding comments like innovative, good place to do business and great talent pool. We've got great talent deployed in our financial services sector at the moment and through our education system we're building and developing some great talent in the digital sector, with coding programmes and so on. There's a great focus on education. In fact we've just released £1.4 million of additional funding to invest in our education system, at all levels, so we help create the right skills for tomorrow.

"So for me it will be about reputation, because reputation really is the acid test for all those other things, quality of talent pool and being forward-looking. I think that will differentiate the winners and losers."

Outlook

By Steve Brice

Last year was a good year for investors. A benchmark of global stocks rose almost 22% during the year, registering its strongest gain since 2009's rebound-from-recession, while global investment grade bonds rose more than 7%, marking their biggest yearly rise since 2007. Although it is tough to repeat this sterling performance – as the market correction since February and the return of volatility highlighted so vividly – the broader macroeconomic outlook suggests that 2018 is likely to be another constructive year for investors.

A synchronised pick-up in global growth, which resulted in strong corporate earnings growth and rising equity valuations last year, is likely to spill over into 2018, driving stock market performance. Meanwhile, a gradual revival of inflation in the US, Euro area and Japan, reduces the risk of excessive monetary policy tightening, supporting bonds.

A valid question we get from investors is 'Can the constructive economic environment for stocks last much longer?'. After a nine-year economic recovery from the last recession, we are clearly at a fairly late stage in the business cycle, with the US further along than the Euro area or Asia.

However, history teaches us that equities tend to see some of the strongest gains in the final stages of the business cycle. This lesson is one of the factors behind our preference for equities over bonds.

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Equities to outperform bonds

Our preference for equities is backed by fundamental drivers. The outlook for global earnings growth remains reasonably strong, driven in many regions by expansion in profit margins. This offers grounds for further equity market gains, beyond just higher valuations. Although valuations are undoubtedly above long-term averages in most regions, they are not too stretched. Historically, equity markets have, on average, delivered positive returns from similar levels of valuations.

Asia (excluding Japan) is our most preferred equity market, supported by both profit margin expansion as well as valuations that remain inexpensive relative to developed markets. We also believe emerging markets outside Asia warrant more attention, as their relatively tight correlation with commodity prices has been a key source of support over the past year. Meanwhile, the US has led a surge in corporate earnings revisions following the tax cuts late last year, cementing their status as a core holding.

Opportunities in emerging market bonds

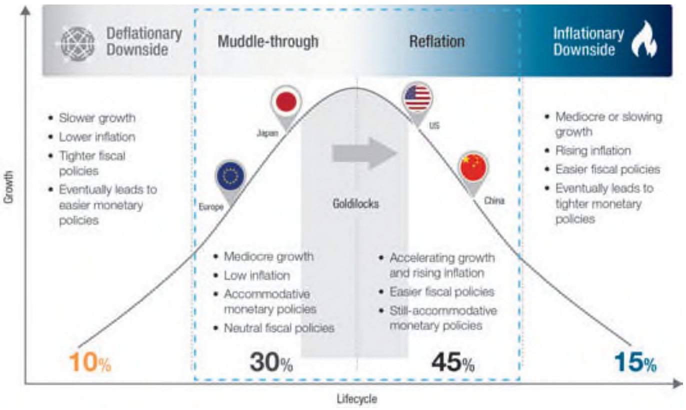
Among bonds, we prefer emerging market debt as we believe it offers an attractive balance between yield and quality. Within this broader space, emerging market USD government bonds offer a reasonably attractive yield (at c.5%) sourced from a mix of both investment grade and high yield government debt.

While emerging market bonds are sensitive to rising US Treasury yields, a modest rise in inflation means the benchmark 10-year Treasury yield is unlikely to rise

Equity	View	Valuations	Earnings	Return on Equity	Economic Data	Bond yields	Comments
Asia ex-Japan	▲	● Neutral	● Supportive	● Supportive	● Supportive	● Neutral	Earnings recovery, improving margins and attractive valuations
EM ex-Asia	◆	● Neutral	● Supportive	● Neutral	● Supportive	● Neutral	Commodity price recovery is leading to earnings recovery
Euro area	◆	● Neutral	● Neutral	● Supportive	● Supportive	● Neutral	Earnings under pressure from EUR strength; ROE improving
US	◆	● Neutral	● Supportive	● Neutral	● Supportive	● Neutral	Earnings growth has recovered; higher bond yields a drag on performance
Japan	◆	● Supportive	● Not Supportive	● Supportive	● Neutral	● Neutral	JPY strength is a drag on earnings outlook
UK	▼	● Neutral	● Neutral	● Neutral	● Neutral	● Neutral	Earnings under pressure and economic data is weak

Source: Standard Chartered.

Legend: ● Supportive ● Neutral ● Not Supportive
▲ Preferred ▼ Less Preferred ◆ Core Holding



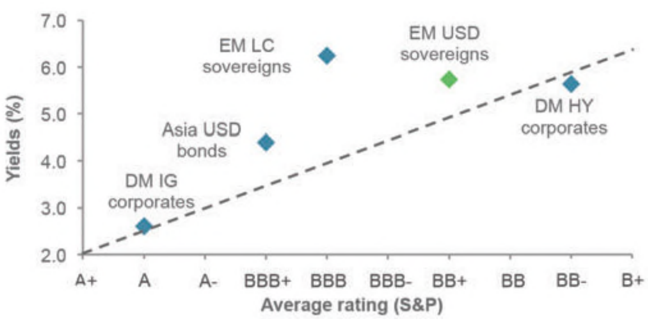
significantly above 3%. Add to that the relatively higher yield buffer offered by the emerging market USD government bonds and this makes them an attractive source of regular income.

One of the key assumptions driving our constructive view on emerging market assets is that the US dollar is likely to continue weakening modestly in 2018 – short-term reversals notwithstanding – supporting continued capital flows into emerging markets. Our weaker US dollar view is based on the belief that the European Central Bank (ECB) has a greater chance of surprising the market by withdrawing stimulus sooner than current expectations. In contrast, further Fed rate hikes are unlikely to dramatically surprise the market.

Against this backdrop, we expect the euro to extend gains, especially if the ECB remains on the path of gradually removing monetary policy accommodation. A softer US dollar is likely to be positive for emerging market currencies. Thus, there is also an opportunity to add exposure to emerging market local currency bonds.

Investors in Jersey should consider whether diversific-ation into emerging market bonds would be beneficial to their portfolio and should work with their investment advisor.

While we remain constructive on the global economic backdrop, it is extremely difficult to time the end of the business cycle. The fact that US equities and high yield bond markets have historically peaked six to nine



We are clearly at a fairly late stage in the business cycle, with the US further along than the Euro area or Asia

months ahead of a US recession, makes the investment decision even harder.

Inflation is the main risk to the ‘reflationary’ scenario, especially further into 2018. A larger-than-expected rise in inflation would mean the environment could turn too hot, forcing central banks to tighten policy sooner than expected. Given the risks, we believe there is value in entering the year favouring equities, while also starting to think about managing downside risks by allocating to alternative strategies which have lower drawdown risks and have less correlation with traditional asset classes.

Note: Information correct at the time of writing in March 2018. Market movements after the time of publication may impact on the accuracy of this information.

Steve Brice

Steve Brice, Chief Investment Strategist, Standard Chartered Private Bank.

Steve is an expert on the world economy and global markets. Based in Singapore, he is a key member of the Bank’s Global Investment Council and also acts as an adviser to the Discretionary Portfolio Management division.

Steve has over 20 years of financial markets experience in senior positions, including previous roles as Head of Global Markets (Southern Africa), Head of Research (Middle East and South Asia) and Chief Economist (SE Asia), all with Standard Chartered Bank. He started his career at I.D.E.A. Ltd, a financial consultancy in London, where he was Regional Head of FX (Europe).

Originally from the UK, Steve has a Masters from the University of Liverpool and has lived in Asia, Africa and the Middle East for the past 17 years. He is an ardent sports fan focusing on cricket, rugby and Liverpool FC.

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IFC Insight

Colin Powell CBE, Advisor on International Affairs in the Chief Minister's Department at the States of Jersey, draws on his wealth of experience over more than 50 years, to provide a unique insight into how Jersey's position as an IFC has evolved, whilst engaging and cooperating with governments and organisations worldwide to address changing market requirements – particularly over the last 10 years – often in the vanguard of setting the highest international standards of compliance and business practice.

Q. Although 1961 is often referred to as the year in which Jersey began its development as a centre for international business and finance, could you outline some of the factors that contributed to this development before this date?

A. "What was significant about 1961 was that it was the first time an international bank had sought to set up in Jersey to serve foreign clients and the first occasion when with the repeal of the interest rate limits set by the Code of 1771, the States of Jersey had taken such specific action to facilitate such business. However Jersey had long been a location of appeal to non-residents and there was a long history of experience amongst lawyers, accountants, investment advisers and the High Street Banks in handling non-resident business. In the 1920s and 1930s many UK high net worth residents were legitimately able to use a Jersey trust or company to limit exposure to UK taxation and did so to such an extent that the UK Government asked the Jersey authorities to take action to discourage the formation of companies clearly designed to avoid UK tax. UK expatriates were also using the Island as a safe place to hold bearer bonds and other investments, to an extent that banks in Jersey had to arrange for transhipment of the documents to the UK in June 1940 to ensure they did not fall into the hands of the German occupying forces.

"Following WWII, UK taxation was increased to higher levels than before the war and for some time UK residents continued to legitimately use Jersey to limit their exposure to UK taxation. UK expatriates in jurisdictions achieving or pressing for independence from the UK were also looking for a secure location for their bank deposits and investments which was close to the UK but where they were not exposed to the high rate of UK taxation on capital and income and were not subject to tax on bank interest or on their foreign source income. Jersey provided such a location.

"In 1961 there was therefore a solid base of experience and expertise in handling the financial service needs of non-residents that made Jersey the destination of choice for a number of UK Merchant Banks seeking to meet foreign client needs. There were other factors too that had an influence. Jersey's rate of tax on bank profits at 20% was for a time lower than Guernsey's rate. Also Jersey had a well developed tourism industry, better air services and service infrastructure that made it a more attractive location for bank staff.

"The problem faced by the Merchant Banks was the limit to the interest rate they could charge when investing the funds available to them, a problem that was quickly overcome through the repeal of the provisions of the 1771 Code. The repeal was proposed by Senator Cyril Le Marquand, the President of the Finance Committee, who was forward thinking and remained a driving force in the development of Jersey as an international finance centre until his death in 1980."

Q. With the removal of The Code of 1771 and its anti-usury provisions in 1961, how dramatically did the business landscape in Jersey change?

A. "The business landscape did not change dramatically through the 1960s. Tourism remained the dominant industry and by the decade's end financial services still did not account for more than 10% of the national income. However whereas in 1960 bank deposits totalled £40 million, by the end of the decade they totalled nearly £300 million. In 1960 there were just the High Street Clearing Banks and the Jersey Savings Bank. By the end of the decade 22 bank licences had been granted and in 1967 the States adopted legislation to regulate the banks and protect the interests of depositors. A tide of decolonisation left UK expatriates, many of whom took up residence in Jersey, increasingly in search of a secure home for their savings and a wide range of financial services. A greater need for financial service skills than the Island could provide also saw an influx of qualified accountants and others to satisfy the new employment needs and this added to population growth pressure on the Island, which averaged 1,000 a year over the decade."

Q. Can you tell us what gave the Island a substantial business boost 10 years later in 1971 (vis-à-vis Jersey's position within the European Community), which – alongside other factors – led to increased interest in Jersey from international business during the 1970s?

A. "At the beginning of the 1970s two events in particular helped to reinforce the Island's appeal. One was the removal of the uncertainty surrounding the Island's position vis-à-vis the then European Community following the UK decision to apply for membership. Through Protocol 3 of the Treaty of Accession of the UK it was established

Courtesy Wayne Fessey

that, while Jersey was to be part of the Customs Union for trade in goods, Jersey would not be subject to EU fiscal policies and would be outside the Community for trade in financial and other services. The second event was the decision of the UK Government to redraw the boundaries of the Sterling Area and the application of Exchange Control so that in addition to the UK only the Crown Dependencies and Gibraltar would be in the Area. For those banks that had been able to serve their Sterling Area business through the nil tax Caribbean jurisdictions there was an immediate need to establish offices within the new Sterling Area, preferably in a location with a tax on bank profits significantly lower than the UK's. Such was the demand for bank licences that a move was made by a member of the States of Jersey to postpone the licencing of banks until a report had been prepared evidencing the benefits for Island residents arising from the continued expansion of financial services.

"One of the major benefits derived from this demand for bank licences was an ability to set a policy of only licencing subsidiaries or branches of banks in the world's top 500. Also because of the pressure to gain entry, it was possible for the Jersey authorities to pursue a policy of encouraging new entrants to establish themselves through acquisition of offices that had been established by smaller banks in the 1960s and which had fallen foul of the secondary banking crisis in the UK. The arrival of a significant number of international banks helped to maintain conditions of full employment and population growth which gave rise to the adoption of the Regulation of Undertakings and Development Law in 1973 to limit the rate of job growth. Faced with these pressures there was political acceptance that what resources were available should be engaged in supporting quality institutions and business. There was therefore full political support for the policy of limiting bank licences to those who could show that they were effectively regulated by parent regulatory authorities and generally considered too big to be allowed to fail. As a result Jersey was one of very few jurisdictions to decline granting a banking licence to BCCI which collapsed in the second half of the 1970s with significant global repercussions."

Q. Why did the financial services sector experience significant growth in the 1980s and how important was the enactment in 1984 of Jersey's Trust Law (currently being enhanced with a seventh amendment) as one of a number of initiatives that lay behind Jersey's business growth at that time?

A. "By the end of the 1970s Jersey had a well established reputation as a quality international finance centre and played a significant part in the international loan business at that time. This position was given an important boost by the decision of the UK Government to remove all exchange controls in 1979 which opened the Island to more international business. This, combined with dramatic global wealth growth in the 1980s – together with the general increased convertibility of currencies – generated a considerable increase in cross-border capital movements. Jersey was faced with a situation where there was much more business seeking to take advantage of its financial services than it had resources to accommodate. This also had the effect of producing rising bank profits which were reflected in increased tax revenues, budget surpluses and the creation of a significant strategic reserve to help cope with any future downturn in tax revenues.

"The policy pursued was to give preference to accommodating the manpower needs of the established financial services such as banking, trust administration and fund management with particular regard for the profit per employee. As a result, while legislation was enacted providing for captive insurance, the Island did not encourage the development of this new sector. What had long been one of Jersey's core strengths was the formation and administration of trusts and while the profit per employee for the trust service providers was lower than that for the banks, it was recognised that there was significant spin-off to the banks from trust business. What became evident was that the attraction of a trust to residents in many jurisdictions was affected by the fact that the protection sought by settlors and beneficiaries was based on Common Law and was not to be found in any Statute. Enactment of the Jersey Trust Law in 1984 offered a solution to this problem and widened the global appeal of the Jersey trust. It was so successful that it was copied by many jurisdictions seeking to develop their trust activities."

Q. Following the Edwards Report in 1998, do you see this period as the moment when Jersey's reputation as a cooperative and compliant jurisdiction was given due recognition, with the Island benefitting from having understood the importance of adopting international standards as far back as the early 1970s?

A. "In the 1970s Jersey recognised that if it was to have a long term future as an international finance centre it needed to have greater regard for its international reputation and that this would be further assisted by focusing on quality financial institutions and quality business. At the time however there were limited international standards to be measured against. This began to change towards the end of the 1970s but initially much more in respect of financial regulation than taxation. With some major international bank failures in the 1970s the international community focused on the role of what were seen as poorly regulated offshore finance centres and the Basel Committee on Banking Supervision sought to raise the standard of regulation in these centres. They did so by the formation of the Offshore Group of Banking Supervisors in 1981 and Jersey – which had followed the Bank of England in its approach to bank regulation and was seen as a relatively well regulated centre – was appointed the second chair of the Group in 1982, a position held for the following 30 years. During that time Jersey actively supported development and implementation of the standards set by the Basle Committee and their adoption by the Offshore Group members, with the consequential enhancement of their international reputation.

"In the 1990s the international community turned its attention to the role it was believed so-called tax havens or low tax jurisdictions were playing in encouraging tax evasion through a lack of transparency and a failure to exchange information with other tax authorities. In 1998 the OECD published its Harmful Tax Initiative report which led to the listing of low tax jurisdictions and a call on such jurisdictions to commit to a new international standard on tax information exchange in 2002, a call to which Jersey responded positively. Against this background the UK came under international pressure to take action in relation to its dependent territories, pressure emanating in particular from its fellow EU Member States. The UK responded by asking former HM Treasury Official, Andrew Edwards, to review the Crown Dependencies to assess whether they were doing enough in supporting international efforts to fight financial crime, including money laundering and tax evasion. The Edwards Report was the first of what since 1998 have been a succession of assessments by international bodies seeking to ensure greater compliance with international standards, all of which have shown the Island to be a cooperative jurisdiction with a high level of compliance with the standards set and a commitment to respond positively to what recommendations have been made for further action."

Q. What were the key developments from the 1990s to the present day which led to increasing financial services activity in Jersey, extended its global reach (whilst providing benefits to the UK and EU) and helped cement the Island's position as a premier IFC?

A. "From the 1990s to the present day, Jersey's reputation as a quality finance centre providing professional services of the highest standard supported by an excellent judiciary and business friendly legislation in accord with international standards, has become increasingly recognised globally. This has reinforced the Island's appeal to those generating wealth, particularly in the Middle East and Asia, looking for security and effective wealth management. Jersey's political and fiscal stability, its tax neutrality, professional expertise and overall international reputation, has continued to enhance its role as an intermediary for capital movement mainly destined for investment in Europe. This flow of funds has benefitted the Island's economy through employment opportunities and tax revenues. It has also provided significant benefits for the City of London and other European financial markets."

Photo Chris George

Q. As the Government of Jersey remains committed to upholding international standards in the area of financial crime – following the Recommendations on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) set by the Financial Action Task Force (FATF), whilst also being regularly assessed by MONEYVAL – how does the Island ensure it effectively tackles financial crime, including the role of the Jersey Financial Crime Strategy Group (JFCSG)?

A. "Jersey has an excellent record in fighting financial crime, not just as reflected in the assessments made by international bodies such as the IMF and MONEYVAL but also in practice through assistance given to many jurisdictions in recovering proceeds from financial crime. This is based on a clearly stated political commitment to fight financial crime and discourage the use of the Island by those engaged in such crime. It is also supported by the close working relationship that exists between Government officials in the Chief Minister's Department, the Law Officers, the States of Jersey Police, the Financial Crimes Unit and the Jersey Financial Services Commission (JFSC).

This relationship is important for both the development of strategic policy in which the Jersey Financial Crime Strategy Group has a key role and for day to day operations, including cooperation with other law enforcement authorities, of which those in the UK are of particular significance. Jersey has played – and continues to play – a well recognised leading role in meeting the international call for accurate, adequate and timely information on the ultimate beneficial ownership of corporate vehicles to be both available and accessible by law enforcement authorities, which is essential for the successful pursuit and bringing to account of those engaged in financial crime.”

Q. Jersey's inclusion on the OECD's 'white list' of cooperative and compliant jurisdictions in April 2009, its appointment as one of the vice chairs of the OECD's Global Forum Peer Review Group on Transparency and Exchange of Information for Tax Purposes in 2013 and now vice chair of the Global Forum Working group on Automatic Exchange of Information (AEOI) – plus its implementation of the Common Reporting Standard (CRS), support of the Base Erosion Profit Shifting (BEPS) initiative and now its rating from the OECD's Global Forum as being fully comp - liant in tax transparency and meeting international standards – has shown the Island to be proactive rather than reactive on addressing high international standards but does early adoption risk its competitiveness as an IFC?

A. “Jersey has long taken an active and leading role in the work of the OECD in the development and effective implementation of international standards of transparency and exchange of information for tax purposes. Jersey signed its first Tax Information Exchange Agreement (TIEA) in 2002 with the USA, having that year formally committed to a new international standard set by the OECD. By 2009 Jersey had signed a sufficient number of TIEAs to be accepted by the OECD as a cooperative jurisdiction. Jersey then joined with the OECD in progressing implementation of the international standard set through the work of the Global Forum on Transparency and Exchange of Information and in 2010 was appointed one of the four vice-chairs of the Forum's Peer Review Group, charged with the assessment of jurisdictions' compliance with the new standard. At the end of 2013 Jersey relinquished that position and became one of four vice-chairs of the Forum's new AEOI Working Group charged with promoting the implementation of the new CRS for the automatic exchange of information on financial accounts. Jersey was one of some 50 jurisdictions known as CRS 'early adopters'.

“Jersey has also been among the leaders in implementation of the OECD BEPS programme. Jersey is a BEPS Associate and a member of the Inclusive Framework, the purpose of which is to ensure the effective implementation of BEPS on a global basis. As a BEPS Associate, Jersey is able to contribute to overall development of the BEPS programme through policy dialogue and exchange of information, participating on an equal footing with OECD, G20 and many other countries. Jersey is also a vice-chair of the Ad Hoc Group on Country by Country reporting. Jersey was a signatory in June 2017 of the OECD's Multilateral Instrument (MLI) and was only the third jurisdiction in the world to complete ratification of the MLI, as the process by which countries will be able to implement the OECD's anti-avoidance measures. This is one of the minimum standards underpinning the BEPS programme. It means Jersey became one of the earliest adopters of an international measure designed to stop multinationals shifting profits between countries to avoid paying tax. As publicly stated by the Director of the OECD Centre for Tax Policy and Administration, “Jersey is a forerunner in the implementation of the far-reaching reforms agreed under the BEPS Project”.

“The foregoing is ample evidence of Jersey's total commitment to compliance with international stand-ards set by the OECD. This proactive approach on tax transparency and information exchange is reflected in the fact that Jersey was recently accorded full compliance with the OECD current standards assessed by the Global Forum, which now put much greater focus on the availability and accessibility of information on beneficial ownership, a status not yet met by a number of OECD and EU Member States.

“There was concern expressed by the finance industry that the Island's proactive approach would be detrim-ental to business. In the event it is now

Photo Chris George

recognised by the industry to be an approach that has served the Island well, as more attention has been focused by the international community on evidence of compliance with the international standards. Good business has also wanted to be seen to be associated with a centre accepted by the international community and where there is assurance that through the action taken the risk of black listing can be avoided. A positive feature of the present international approach by bodies like the OECD, is its global application. In the past when action was taken against a certain list of jurisdictions, there was a risk business would be lost to other jurisdictions that avoided being so listed but which offered similar financial services. Now the international standards are being applied on a global level playing field and any country not meeting the standards is being identified. As has been stated by the international standard setters, there is now no hiding place."

Q. Does the ability of the Government of Jersey, its judiciary, the Jersey Financial Services Commission (JFSC) and the Island's finance industry, to effectively cooperate in a timely manner on reviewing fiscal policy, legislative and market developments beyond its shores and when deemed necessary create or amend its laws and legislation, remain central to realising new business opportunities?

A. "Yes this has been an important feature of Jersey's continued success as an international finance centre. That success has depended on being alive to new business opportunities and Government, in partnership with all the stakeholders, has sought to ensure through its fiscal policy the enactment of legislation and the accommodation of those with the necessary experience and expertise, an environment best suited to take advantage of those opportunities. Also of great significance in recent years, has been a proactive response to developing international standards and a general concern to reinforce the Island's reputation as a cooperative jurisdiction through independent assessments of the level of compliance with those standards to which the Government, law enforcement, the judiciary and the JFSC, all make an important contribution. Government – with the industry – are also actively monitoring the business environment. This is reflected in a Global Markets Strategy which is identifying business opportunities and the steps needed – such as through negotiation of Double Taxation Agreements and Bilateral Investment Treaties – to better ensure those opportunities can be taken advantage of to benefit Jersey."

Q. Can you outline areas currently being addressed, such as the OECD's Common Reporting Standard with the Taxation (Implementation) (International Tax Compliance) (Common Reporting Standard) (Amendment) (Jersey) Regulations 2017 and maintaining adequacy with the European Union's General Data Protection Regulation (GDPR), as Jersey looks to retain its reputation as a compliant IFC of substance serving global markets?

A. "Jersey is constantly seeking to maintain and where necessary further enhance its reputation as an IFC complying with international standards and be recognised as such by the international assessment bodies. It has done so most recently through active involvement in the development and implementation of the OECD CRS and BEPS programmes. Where the implementation of the new standards has called for legislation, as was the case with the CRS and BEPS country by country reporting, this legislation has been quickly enacted. The same positive approach is adopted by the JFSC in meeting international standards on financial regulation and generally by all relevant stakeholders in the fight against financial crime."

Q. In view of the recent publication of the European Union list of non-cooperative tax jurisdictions (set to be updated annually), how do you view the wide set of good governance criteria employed in the process?

A. "Jersey was one of 90 jurisdictions that the EU included in a screening process with the objective of producing a list of so-called non-cooperative jurisdictions. The Code of Conduct Group on Business Taxation that has managed this process considered jurisdictions against a set of criteria agreed by the EU Council. Jersey had no difficulty satisfying the Code Group that four of the criteria were fully met because they were based on international standards with which Jersey was fully compliant. Thus Jersey satisfied the requirement of compliance with the CRS on AEOI having been one of the early adopters. Jersey also met the requirement on tax information exchange on request being fully compliant with the OECD Global Forum standards. The requirement of the adoption of the Multilateral Convention on Mutual Administrative Assistance was also met, as was that of compliance with BEPS.

"Jersey faced greater difficulty in satisfying the criteria that "the jurisdiction should not facilitate offshore structures or arrangements aimed at attracting profits which do not reflect real economic activity in the jurisdiction", because there is no international standard against which to test the application of the criteria, as there is yet to be international agreement on what constitutes real economic activity or substance, particularly in respect of investment holding companies which figure most prominently in Jersey's corporate landscape. Comfort has been obtained however from EU acceptance that the fact of the absence of a corporate tax or applying a nominal corporate tax rate equal to zero or almost zero, cannot alone be a reason for concluding that a jurisdiction does not meet the requirements of the criteria.

"Jersey presented evidence to the Code Group that there was a firm policy of requiring those with a presence in the Island to have real economic activity or substance. This could be shown in the JFSC approach to what was required of those providing regulated financial services. These requirements are set out in the regulatory laws and/or in the statutory AML obligations. For those corporate activities outside the regulatory framework, the AML obligations also apply either directly or through the fund managers or trust and company service providers that administer those activities. However, in the absence of clear legal substance requirements there was uncertainty on the part of the Code Group as to whether the requirements of real economic activity or substance were met. In seeking to satisfy the Code Group on this point there is, as previously stated, the problem of the absence of international agreement on how the terms should be defined. However what is clear from the international discussions under the auspices of the OECD, is that there is a considerable range of requirements according to the nature of the corporate activities involved.

"The Code Group, reflecting what they saw as perceived gaps in Jersey's ability to satisfy the criteria, sought a commitment from Jersey – as it did of other jurisdictions it considered in a similar situation – that perceived gaps would be addressed by the end of 2018. Jersey's Government willingly provided that commitment and the Code Group duly concluded Jersey was a cooperative tax jurisdiction."

Q. Finally, what do you see as the most pressing issues facing Jersey today and how confident are you about the future and the Island's ability to be seen as a compliant IFC, whilst continuing to enhance its appeal in global markets?

A. "When considering what are the pressing issues facing Jersey today it must be remembered that over the years Jersey has always been faced with issues arising from an ever changing external environment over which the Island has no influence. Jersey's economic success has relied upon the adaptability and flexibility with which the issues have been responded to. Since 1961 the finance industry has faced many challenges arising from changes in tax rules in its main markets and development of new international standards. Simultaneously there have been many market opportunities available which the industry has taken advantage of. The finance industry has shown its ability to evolve and to respond successfully to an ever changing external environment and there is no reason to expect the future to be any different.

"An obvious current issue facing the finance industry and the Island generally is Brexit and in particular the impact on the City of London with which Jersey has long had a close and mutually beneficial complementary relationship. The current issue is the uncertainty. However, as many commentators have stated, the City's international significance and dominance in many areas is such that it is difficult to contemplate the City as other than the top international finance centre. Outside of the EU the City will have a similar focus on global markets as that of Jersey and the two will remain complementary with Jersey's strengths in areas such as trust and fund administration combining with the City's greater global reach.

"The future relationship the UK has with the EU can be expected to be mirrored in the EU approach to third countries generally. Experience to-date would suggest that when the EU reaches a conclusion on what is expected of third countries if they want to access EU markets, Jersey should be more than able to meet any EU requirements on regulatory equivalence. However in looking at the current issues and taking a view of the future success of Jersey as an IFC, one should not be hypnotised by Brexit. Jersey has a global appeal and the fundamentals of that appeal, notably fiscal and political stability, tax neutrality, compliance with international standards and quality of service, remain unchanged. The future will depend on building on that appeal, for the wealth creation and the need for wealth management will be more in Asia and Africa than in Europe.

"Of particular importance will be maintenance of a reputation as an internationally recognised, well regulated jurisdiction complying with international standards and thereby avoiding inclusion in any list of non-cooperative jurisdictions. As recent experience has shown, there is no conflict between being seen as compliant with international standards and retaining appeal for international investors and this is expected to be even more evident in the future. The regulatory regime can continue to satisfy international standards whilst retaining sufficient pragmatism and flexibility (within the international rules) to continue to create conditions of confidence for all investors.

"Complying with the international standards also does not preclude the enactment of legislation and the pursuit of policies that secure a business friendly environment. An issue here is to ensure Jersey is sufficiently fleet of foot to respond to market opportunities ahead of its competitors. Also required is the accommodation in the Island of new businesses and those with skills and experience not already sufficiently available. It will be important to continue ensuring domestic policies on such matters as immigration do not frustrate the necessary process of change and development.

"The general conclusion to reach in addressing the current issues is that, given the appropriate action, there is no reason to be other than confident that Jersey will continue to be a successful IFC of benefit to the Island through employment and tax revenues and also of benefit to its near neighbours through the capital flows so generated."

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Open for business

By John Harris

In this 10th edition of *Jersey ~ First for Finance*, it is opportune both to look forward but also cast an eye back and review the changing financial landscape and how well Jersey has responded. There is some symmetry here too, as this is the 20th year since the adoption of the Jersey Law that established the Jersey Financial Services Commission (JFSC).

In evolutionary terms Jersey's adaptability is one of its strengths and it has consistently played to that strength over the past two decades, particularly the years since the global financial crisis that erupted in 2007/8. Jersey is a niche financial hub and it is highly specialised and skilled in the services it provides and supports, yet those last 10 years have seen significant upheaval and change, initially in the shape of the financial crisis itself and more recently in the uncertainty surrounding Brexit and European equivalence.

However Jersey has responded, survived and continues to thrive. The role of the JFSC in this is to be agile enough to support business whether it is tech, digital, or traditional, with a major contribution in these endeavours being to support continued market access, such as for the funds industry through AIFMD while providing proportionate regulation. To demonstrate this, bitcoin and other cryptocurrencies have leapt out of obscurity and have become trending news stories in the last year, whereas the JFSC approved the regulation of a bitcoin fund in 2014 and

Photo Chris George

Jersey introduced legislation to regulate virtual currency exchanges for AML/CFT in 2016. The latter was introduced after extensive risk assessment and consultation and presents a pragmatic, risk-based response which is increasingly being echoed in other jurisdictions, highlighting Jersey's commitment to remaining at the forefront of innovations and new technologies. Whilst we are focused to act as a market enabler and facilitator, our first duty lies in the protection of market participants – particularly the customers of our financial services firms – and in doing so the reputation of the industry and the Island as a whole; a challenge that we are taking as seriously as ever in ever more challenging circumstances.

Education and awareness to enhance protection – a growing expectation on regulators

Last year the JFSC ran its first overt public education campaign on investment misselling which we judged to be a great success and has been recognised as such by a number of international peer regulators; we are looking to continue this good work and this year we will be leading another campaign focusing on other topical aspects of personal finance awareness, again in association with the UK based Personal Finance Association (PFS). We have general outreach initiatives like this, that look to bring awareness to vulnerable participants here and now, while also proactively bringing financial education into the school place, in line with IOSCO recommendations. To illustrate the latter we are currently visiting two-thirds of the secondary schools in Jersey on an annual basis.

Prevention via education is a powerful measure but a regulator without teeth is soon ignored. In 2015, in addition to its existing range of meaningful sanctions, the JFSC was granted the statutory power to impose civil financial penalties on regulated businesses for contraventions of JFSC Codes of Practice, which mandate the standards that a regulated business must meet when carrying on its regulated activities. In approving the civil financial penalties legislation, the States of Jersey once again showed its commitment to ensuring that the Island's financial services regulator has a full suite of powers in its arsenal and all the necessary sanctions to deter poor behaviour and to meet international regulatory standards. This year we will seek to strengthen that regime to include imposing penalties on relevant individuals for contraventions of the Codes of Practice.

Market development

At the JFSC, we are also asked by our statute to act in the best economic interests of the Island and this finds expression in many ways, not least in our collaboration with industry and government to develop Jersey's offer as an IFC. Accordingly, after much collaboration with industry and government last year, we saw the launch of the Jersey Private Fund (JPF) rationalising the private fund space in Jersey. This has been well received by industry and this year we will be undertaking a similar exercise in relation to public funds.

In 2018 we will also be enhancing our codes of practice for investment business, to better align us, where appropriate, to MiFID II standards (the influential EU standard in this arena); one area where we plan to take on an early adopter posture is to provide better protection for vulnerable investors, an initiative that industry working groups have welcomed and global peers will no doubt adopt in the coming years.

The importance of cyber-crime increases each year and with it so does our focus; we are committed to enhancing our internal protection environment and to support industry in protecting itself. As we become ever more reliant on data, to support our risk-based supervision and conform to beneficial ownership requirements, this arguably puts a target on our back. We are not alone, this is the new norm for regulators and we must have the systems and expertise to mitigate the risks that come with this new reality.

Strategically our move to be an ever more risk-based supervisor allows us to focus our efforts where they have the most effect without increasing our resource levels. In addition, a dedicated and specialist team of supervision staff now focus exclusively on examinations targeting thematic, entity risk, or event driven scenarios. This approach, driven by the learnings from events of the global financial crisis, is aimed at allowing us to maintain vigilance and react with improved agility, earlier and more efficiently than before.

Global drivers

The yardstick determined by the plethora of global standards shifts continuously and as such we must react appropriately; maintaining our reputation internationally is of paramount importance. We must continue to measure and enact an appropriate response; the recent cases of the Paradise Papers and the Brussels screening of global tax policies are examples that testify to this. Reputations are hard won and easily lost.

Regarding the adoption of the Basel III capital accord, the JFSC has completed consultation on the capital definitions and liquidity elements and will implement changes in 2018. For other elements, we will consult in 2018 on the implementation strategy, recognising the relevancies to the business models of locally incorporated banks but also the long timeline for implementation for some elements.

No section on the drivers of regulatory expectations would be complete without a look at the financial crime arena and the last 10 years have brought many changes in the AML/CFT space. Back in 2009 Jersey was assessed for compliance with the FATF Recommendations by the IMF. Shortly thereafter, Jersey joined MONEYVAL (a FATF-style regional body established under the auspices of the Council of Europe) and quickly established itself as a proactive member, attending plenary meetings three times a year and providing a number of trained assessors to participate in peer reviews. This led to our first evaluation by MONEYVAL in 2015/16, resulting in a high quality outcome in our report and placed Jersey in the highest echelon of FATF-compliant jurisdictions. We cannot long rest on those laurels though, as the new recommendations and assessment methodology place much more emphasis on effectiveness. Our next expected evaluation is not until 2021 but the work has started in earnest and we are deeply involved in the Island's response.

In this respect the Island-wide dedication to undertake National Risk Assessment (NRA) on our AML/CFT capabilities and potential vulnerabilities, coupled with our responsive reaction to implement in a timely way the accord with the UK authorities on exchange of information with relevant authorities on beneficial ownership, are both significant and demanding undertakings. With up-to-date relevant data the JFSC is better placed to contribute to the initiative to identify, assess and understand the money laundering and terrorist financing threats and vulnerabilities present in the Island as a result of the products and services offered by financial services businesses, as well as to conduct risk-based supervision.

We recently consulted with Industry on our intentions to collect individual firm specific and customer data in an organised manner on a more regular basis. During 2018 this data gathering exercise will prioritise gathering information on information relevant to compliance with the financial crime regulatory framework.

The bigger picture

Perhaps I should end on a more strategic note, for all the activities I have mentioned take place in an uncertain and shifting environment that challenges us all, not least regulators, in adapting to the pace and degree of current change in a measured and proportionate way. In this, it is impossible in this context not to consider the pending impact of Brexit and our relationship with the UK and Europe more broadly. We are watchful and focused on maintaining our good relations with our neighbours and peers but also confident that we are agile enough to react to whatever landscape the future brings.

The 20th anniversary of the JFSC's existence is for us a source of pride but also an opportunity for reflection. We have conducted ourselves in a manner which I firmly believe has served the Island well and we have every intention of continuing with the same dedication and diligence in what lies ahead. However, Einstein's maxim on the nature of insanity comes to mind in reflecting that one cannot carry on merely doing the same things and expecting a different result. If there is one quality that above all we will have occasion to prize in what lies ahead it is adaptability and we will use all our energy and effort in pursuing and deploying it to good effect.

Jersey has responded, survived and continues to thrive.

John Harris

John Harris, Director General, Jersey Financial Services Commission (JFSC).

John Harris has been the JFSC's Director General since 2006 and a Commissioner on the Board of Commissioners since 2007. He is also Registrar of the Companies Registry.

During his tenure, John has overseen significant change in both regulatory and operational terms and continues to shape the organisation. His role encompasses significant statutory, developmental, representational and international engagement responsibilities.

John's career in financial services spans more than 38 years, having worked as an international banker, government adviser and now chief regulator. Prior to the JFSC, John worked for the Government of Jersey as Director of International Finance and before this he was CEO of NatWest Offshore.

GDPR preparedness

By Paul Vane

George Bernard Shaw once said: "Progress is impossible without change, and those who cannot change their minds cannot change anything." His quote is absolutely true in every sense. Yet in a world today where our lives more increasingly revolve around technology, connectivity and information, his words could not be more fitting.

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The world is a different place to where it was when I started in the field of data protection in 2004. We have come a long way in a relatively short period of time. We are more 'connected' than ever, which means the ability to share and access information is far greater than it has ever been. We can easily access vast amounts of information from our mobile devices and use the same device to pay for goods and services.

Cameras recording our movements can be found everywhere, on your phone, in your car, or in the air. We have a plethora of social media platforms to choose from and the ability to share images and video instantly in real time. Technology is also connecting our household appliances for example, to make us more efficient and save energy. The Internet of Things (IoT) is becoming well established and technology has quickly crept up on us. Fourteen years ago, the former UK Information Commissioner famously warned that we were "sleepwalking into a surveillance society". How right he was. Everything we do is monitored somehow, whether that is through our internet search history or browsing habits, CCTV coverage – the UK has the highest concentration of CCTV cameras anywhere on the planet with one camera for every 14 people – or through social media use. The truth is we are all responsible for leaving our own digital footprint.

There is little doubt that in many ways how we conduct our day-to-day lives has been improved. However, there are important questions to ask: Are we perhaps going too far? Do we really understand the implications upon our privacy and the risks posed if those technologies are not used properly? Perhaps we should be asking much deeper questions around the ethics of the digital world?

Powerful technology giants have the world in their hands, with the ability to influence the state and socioeconomic structures, impacting global economies, cultures, societies and environments. We are also now in a world where a week does not go by without hearing about another data breach, with the recent cases of Age UK and MailChimp amongst others, affecting millions of users already this year. These examples and the many that precede them only go to demonstrate that technology advances also bring with them inevitable risks that cannot and must not be ignored.

Whilst we must embrace technological innovation and creativity, the innovators must also take more responsibility for the ethical issues surrounding the use of digital technologies. The concepts of Privacy by Design and Default in the fast approaching General Data Protection Regulation (GDPR) will go some way to help these digital actors think about privacy at an early stage. Yet they must also be led in such a way that it reflects human ethical values and cultural differences if they are to become responsible innovators.

On 25th May 2018 – as the new GDPR comes into force across Europe – Jersey's new Data Protection laws also come into effect, bringing with them the biggest global reform in data protection regulation ever seen.

Jersey has a unique opportunity and arguably a responsibility, to raise awareness of the quality of its regulatory environment and people.

We are all working hard to prepare for GDPR and everything that comes with it. However, just as technology has evolved and changed the world in which we live, the way we think about data protection must also change. It is no longer enough to look at data protection as a low-priority, administrative function. It is now a boardroom matter and central to the operations of every business. This is equally applicable to Jersey's finance industry, who arguably are well used to working in a regulated environment. With information such a valuable asset to every business, the temptation is to collect as much information as possible in order to build a valuable profile of your customer. Whilst the rules for the type of information financial services businesses collect to 'Know Your Customer' have been around for some considerable time, the term 'knowing your customer' appears to have taken on an extended meaning beyond the scope of what the legislation actually requires.

As the authority charged with regulating these laws, it is our aim to be an effective, engaging and outcome-based regulator and to promote a values-driven approach to business. For individuals, this means providing the tools and guidance to get individuals asking more questions about their personal data and challenging businesses who fail to focus on the human side of protecting their information. For businesses, it means providing guidance and support through a 'value-added' regulatory model and a risk-based approach to encourage voluntary compliance. A moral panic has ensued in the build up to GDPR implementation, particularly in respect of the scale of the fines should organisations fall foul of the law. Yet the truth is that if businesses are taking their data protection responsibilities seriously and thinking of privacy at a human and ethical level, compliance should come naturally and the penalties associated with non-compliance should never become an issue.

What we do as individuals, businesses and as an Island community over the next few years, will dictate our future and the future of the next generation. The importance of getting this right now cannot be over-emphasised. This is a real opportunity to re-engage with your customers and kick-start your thinking about data protection compliance in terms of the citizen.

At the start of my career, one piece of advice given to me that has stood the test of time was to 'Keep it simple'. Sometimes we just need to go back to the basics to understand where we need to go.

Paul Vane

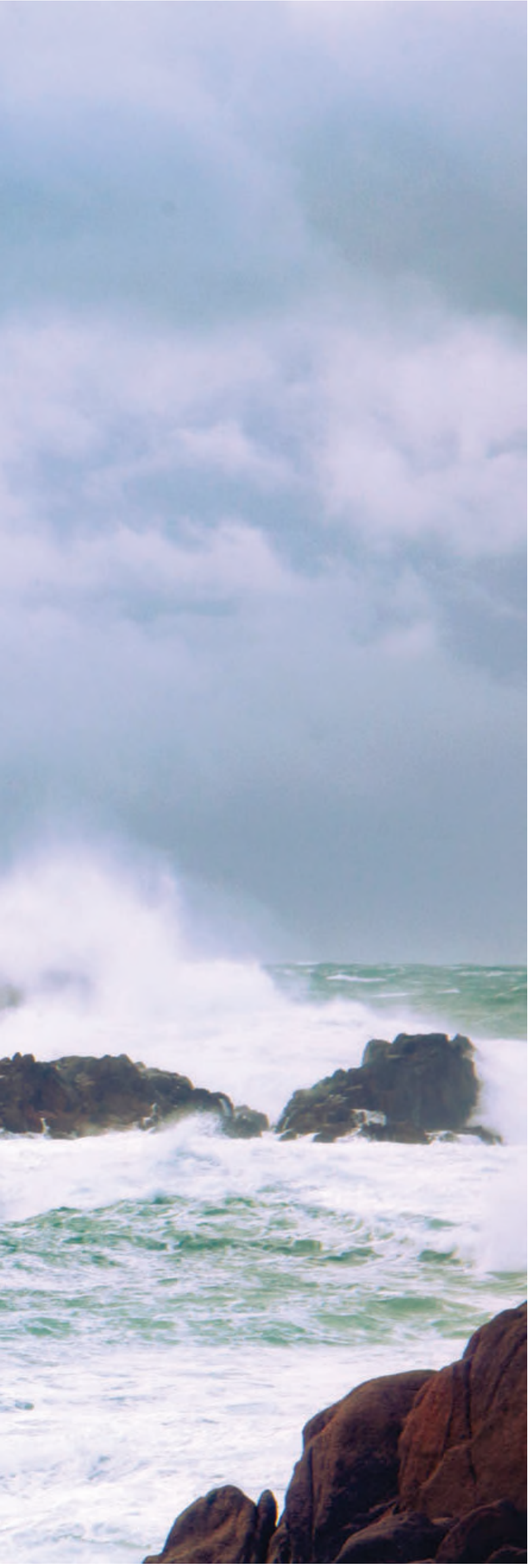
Paul Vane, Acting Information Commissioner for Jersey, Office of the Information Commissioner.

Paul is charged with regulating the Data Protection (Jersey) Law 2005 and the Freedom of Information (Jersey) Law 2011. He has an extensive regulatory background, having worked in the field of data protection and privacy as Deputy Information Commissioner since 2004 and prior to that at the Jersey Financial Services Commission and the States of Jersey Police.

Paul leads a small team at the Office of the Information Commissioner, which is growing significantly to accommodate the impending changes in the data protection legislative framework. He is passionate about his role and is looking forward to supporting the business community through the changes and into the new landscape and continuing to promote the privacy rights of individuals. In his spare time, he plays drums and runs popular local events band 'Inside Job' and enjoys spending time and travelling with his fiancée, Julie.

Global business risks are Jersey risks

The Highland Rambler / Shutterstock



By Mathew Beale and Paul Declat

In anticipation of writing this article, we reached out to some Jersey executives and asked them to tell us about the risks they had identified as likely to affect their organisations over the next 12 – 18 months. Overall – and not surprisingly – most see the business environment as highly unpredictable and believe that this level of uncertainty will continue for the foreseeable future.

The key themes of the discussions centred on the following matters:

1. Customer relationships are changing and firms look to use customer data in novel and innovative ways. Further new technologies provide new types of interactions between customers, firms and third parties but customers in May 2018 are also set to gain stronger rights over how business use their data (think GDPR).
2. The regulatory ecosystem of financial services is as ever changing and evolving. MiFID II will intentionally overhaul the trading landscape as will the fourth and fifth EU directives, also driving changes throughout the industry.
3. There is much geopolitical uncertainty and events which were unthinkable a few years ago are now a reality. A new-world order appears to be emerging with populist politicians offering simple solutions to complex problems with a worryingly growing focus on protectionism and the sovereign rights of individual countries at the expense of global relationships.
4. The outlook in the US under President Trump includes the repeal of numerous financial industry regulations, incorporating much of the Dodd-Frank financial reform legislation passed by the Obama administration in response to 2008's financial crisis. Talk of protectionist tariffs on products such as steel may trigger more extensive trade restrictions as other countries take retaliatory actions.
5. In the UK, Brexit negotiations have yet to begin in earnest but the prospect of the UK departing the EU is sending shockwaves through the financial sector and beyond amid the possibility of changing economic rules, relationships and tariffs.
6. Challenges from Russia, North Korea, the Middle East and countries within the continent of Africa and elsewhere.

In talking to these Jersey executives about the aforementioned matters, there appeared to be re-occurring operating vulnerability themes that included – but are not limited to – the following:

- Supply Chain remains one of the weakest links in risk management
- Regulation continues to add to the complexity of management
- Unmet board expectations exposed by significant incidents

Alongside these, the themes included new-world information security threats:

- Crime-as-a-Service (CaaS) - Criminal groups behind ransomware attacks and data breaches are expanding their activities and commoditising their hacking tools and services, selling them on the Dark Web to other, less sophisticated criminals
- The Internet of Things (IoT) – IoT adds unmanaged risk possibilities and IoT devices offer a way in for cyber-attacks

Photo Chris George

Ten critical problems

As organisational risk advisers, we wished to distil from this the Governance, Risk and Compliance (GRC) risk challenges. In considering the causation of the risk matters discussed, the 10 critical GRC problems highlighted were:

1. Cybersecurity and Data Privacy
2. Data and Analytics
3. Risk Management Governance and Controls
4. Conduct and Culture
5. Compliance Risk Management
6. Financial Crimes Compliance
7. Strategic Risk and Disruptions
8. Fiduciary and Investor Protection
9. Capital and Liquidity
10. Geopolitical Uncertainty

The Jersey Financial Services Commission (JFSC)

In considering risk, we should also consider other bodies and their views. In particular, on the 5th September 2016 the JFSC published its Risk Overview survey, within which the JFSC suggest that the first two of the following risks pose the most severe of the different threats facing firms in Jersey:-

1. Terrorist financing
2. Financial crime more generally (think bribery and corruption, tax evasion and facilitation, insider dealing and other predicate crimes)
3. Financial failure
4. Confidential data losses
5. Reputationally damaging products
6. Market abuse
7. Loss through malpractice or incompetence
8. Business disruption

The JFSC has said these finding would help determine its enhanced approach to their risk-based supervision of Jersey regulated entities.

Hard Decisions

In considering the aforementioned multiple risk factors, our discussions with the Jersey executives turned to capacity and the hard decisions on which direction their businesses should go.

Our conclusions on these discussions are as follows.

Which direction?

The Jersey finance industry will always face resource constraints with numerous competing priorities. With business models already under pressure, it can be difficult for regulated firms to achieve the minimum standard, let alone invest in becoming best in class, although with the rise of regtech and fintech products, firms can do old things better, introduce new products, services and find new cost-effective ways of working. However, this also creates new risks for firms because their business models may not be up to the challenge, as well as for consumers where technology use is not well understood or controlled.

The result of the rise of the regtech and fintech revolution will be that both old and new players will forge different types of connection, mainly through technological innovation and third-party service providers. With this disruptive change, the shape of markets is changing and with this the nature of risk in the system.

The message is that the rapid pace of change and development in the global marketplace provides a challenging and unpredictable operating environment for entities of all types and sizes. Further, with the speed of change, constant advances in technology and rapid responses to new market opportunities, the emerging risks can be a significant source of competitive advantage.

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Clear question

The unique aspect regarding disruptive change is that it presents a choice – which side of the change curve does a firm want to find itself? Organisations consequently need to make a conscious decision about which strategy they adopt. Either to be the disruptor, leader and or transformer, or play a waiting game, monitor the competitive landscape and react only when necessary to defend market share.

Clear choices

In consideration of the aforementioned factors, those firms that do not stay ahead of the 'change curve' become captive to events rather than charting the direction of their choice. Further, for those firms choosing not to disrupt the current situation, the challenge is when change does happen (because it will), that they are able to ensure they react quickly as an early mover.

On the last point, it seems to us that too few businesses are responding quickly enough. What we would also add to this statement is that some parts of the regulatory environment also suffers from the same state of affairs. For example, the EU's General Data Protection Regulation (GDPR) is a game changer but can other areas of law and regulation claim to challenge current and future risks in the same manner?

Clear considerations

In consideration of the outlooks examined here and in the interest of evaluating and improving the risk assessment process, there are many conventional diagnostic techniques and questions for the board and the directors along with the C-suite executives to consider when evaluating their organisation's risk assessment and process.

For the purposes of this article, we will try and simplify these into the following:

1. Know your risks
2. Know what your appetite is to the risks identified
3. Know what assets you have exposed to the risks identified
4. Know the threats and vulnerabilities (TVs) to your assets
5. Against the TVs, measure the impact and probability of risk crystallisation on your assets
6. Evaluate the outcomes and assess them against your risk appetite
7. Manage the above results using the x4 Ts – treat, transfer, tolerate and or terminate and
8. Manage and Monitor the residual risks

These and other questions can assist organisations in defining specific risks and assessing the adequacy of the processes informing risk management and board risk oversight.

We hope this synopsis provides essential insights about both the real and potential risks on the horizon for 2018 and beyond, as well as a catalyst for an updated assessment of the risks and the risk mitigation capabilities within all organisations.

Mathew Beale

Mathew Beale, Managing Director, Comsure.

Mathew is a Fellow of the Chartered Institute for Securities & Investment (FCSI). He started his career working within the asset management industry for 10 years and has since focused on financial services regulation. Between 1995 and 2002, he worked for the body now known as the Jersey Financial Services Commission, where he was responsible for the day-to-day conduct of business of regulated entities, reaching the position of Senior Compliance Manager. Since 2002, he has worked within private practice in all aspects of regulatory compliance.

From 2002 until May 2005, Mathew was a senior lecturer on the International Compliance Association's (ICA) Introductory Certificate in Compliance, the International (and UK) Diploma in Compliance and the UK Diploma in Anti-Money Laundering. During this time he co-authored the materials used by the ICA in their UK and International Diplomas in Compliance.

In April 2005 Mathew founded Comsure, that now consists of three companies: Comsure Compliance Limited, Comsure Technology Limited, Comsure Group Limited (the Comsure Group of Companies).

Paul Declat

Paul Declat, Chairman, Comsure.

Paul is a career banker who worked for Barclays Bank for 39 years, the last 25 of which were spent in the Channel Islands. Paul undertook a variety of senior roles and gained experience in most aspects of the Jersey Finance industry. His last role was as Channel Island Platform Director responsible for business risk, implementation of the strategic change agenda and business management.

Paul was an active member of the Jersey Bankers Association and was President in 2015/16. He is ACIB qualified and also holds the IOD Certificate in Company Direction.

Below: (left to right) John Harris, Jo Gorrod, Steve Meiklejohn, Geoff Cook, Richard Ingle, Felicia de Laat, Richard Corrigan, John Willman and John Riva. All photos Chris George

Jersey Finance Roundtable 2018

Participants:

Chairman: John Willman, former UK Business Editor of the *Financial Times*
Geoff Cook: Chief Executive of Jersey Finance
John Harris: Director General of the Jersey Financial Services Commission
Richard Corrigan: Chief Officer of the States of Jersey's financial services, digital and competition teams
Felicia de Laat: Partner, Mourant Ozannes LP
Jo Gorrod: Client Services Director of Equiom Jersey
Richard Ingle: Chief Executive of Standard Chartered Bank Jersey
Steve Meiklejohn: Partner of Ogier
John Riva: Head of Tax at KPMG Jersey

John Willman: The global economy is at last picking up and legislation on international financial regulation is beginning to be implemented.

Meanwhile, negotiations following the UK vote for Brexit have at last begun to progress, though with little clarity so far on the likely outcome.

In this Roundtable Discussion, I want to examine how Jersey has responded to the events of the last 12 months, discuss Jersey's international reputation and outline developments in the banking, funds and private wealth sectors. But I'd like to start by asking each of you how 2017 was for Jersey's finance industry from your perspective. Please start us off, Felicia.

Felicia de Laat: Jersey funds had a really busy year. Fund numbers and capital raised both increased. There were various headwinds though, such as the impact of the Brexit negotiations. The Paradise Papers provided annoying background noise towards the end of the year but it didn't seem to affect the launch of funds that we were working on, or make people change their choice to use Jersey. And it was still a very good year for funds, despite the headwinds.

Richard Ingle: Banks have been steadily rebuilding their balance sheets, deleveraging and refocusing since the financial crisis and interest rates are starting to creep up, which is always welcome for banks.

Central banks are starting to unwind quantitative easing and international regulatory initiatives are being implemented – some raising interesting questions. For example, sharing client data with various tax authorities around the world must be balanced against protecting client data and increasing cyber security. But banks have spent a lot of time learning from their past mistakes, particularly around conduct, so I see 2017 as a turning point which has been reflected in some encouraging bank results.

Richard Corrigan: From a government standpoint, it was good to see some of our previous efforts bearing fruit in 2017. So the work to establish Jersey as a credible global funds jurisdiction was marked early in the year with the arrival of Softbank's new Vision Fund, the world's largest fund structure and its capital raising.

The introduction of the Jersey Private Fund was the result of great work between the industry, the regulator and the government to launch something forward-thinking with an appropriate level of regulation for that type of fund structure, which doesn't stop institutional investors raising and committing their capital.

We were very pleased later in 2017 to receive the compliant rating from the OECD Global Forum peer review process, making us one of a handful of jurisdictions to have that rating. It's very important for Jersey that we can demonstrate a responsible approach to collecting information and sharing it appropriately with competent authorities around the world.

Steve Meiklejohn: I don't want to sound complacent or smug but I think we've had a good run in the private wealth sector over a number of years, notwithstanding the various headwinds such as the Paradise Papers. We rely for a lot of our work on the London intermediary market and elsewhere, and Jersey continues to be a jurisdiction of choice. Existing clients are happily restructuring in a way that will see structures administered in Jersey for some years to come. And there is still new business coming in from all parts of the globe, the Middle East in particular.

We obviously didn't want the Paradise Papers story. But if we look back to the Panama Papers and the various initiatives after their publication, it's interesting that after a week or two of extreme publicity there haven't been a

huge number of new initiatives to follow. And, of course, why should there have been – there wasn't an awful lot that was bad in what came out from Appleby, a very well-regarded firm.

John Riva: 2017 was an incredibly busy year from an international tax perspective. We successfully implemented the Common Reporting Standard and sent out all the reports in June. We implemented country-by-country reporting and sent out the first reports at the end of the year.

The Taxes Office exchanged all their rulings in accordance with BEPS Action 5, effectively discharging all Jersey's obligations under the inclusive framework for BEPS – making us one of the only jurisdictions out of more than 100 that has actually done that. At the end of the year, the EU agreed that we were a cooperative jurisdiction for tax matters (though there are still some issues to resolve in relation to the substance tests).

Jo Gorrod: In terms of administration and servicing in the fiduciary sector, the employment numbers look quite robust. We have to acknowledge that there are lots of external threats, either from the regulatory side or from continuing changes on the tax side but Jersey has positioned itself in a competitive position compared to other jurisdictions. And we're seeing enquiries from people who want to re-domicile in Jersey because they had relationships in jurisdictions that are not quite so well-respected, which makes it harder to do business. Seeing them come to Jersey is very positive from our point of view.

John Harris: I agree with everything that has been said – 2017 was a good year on the whole. As the regulator, the JFSC sees a bit of everything and the glass is certainly more than half full in terms of industry development, new lines of business and the Jersey Private Fund where we already have 90-odd and counting. Although Brexit didn't really affect Jersey directly or hugely in 2017, it will affect us because the changing relationship between the UK and the EU will have an impact downstream. Objectives that we have invested in over recent years, in terms of direct relationships with EU member states and EU institutions on our third country status for AIFMD or MiFID, are effectively on hold. They are in the long grass for the near future, which is a little bit on the negative side.

On the positive side, there was no new major international regulatory initiative in 2017. It was largely a consolidation of everything that's been taking place since the financial crisis, which has given us a much-needed regulatory pause. And I agree with Steve that the Paradise Papers were unhelpful but a case of much ado about nothing. These things will continue to come along and it will be interesting to see what Appleby can achieve in its legal moves in London to recover its data. There's a really interesting international debate to be had on whether journalists should make money from stolen data.

Geoff Cook: 2017 was a highly successful year commercially, with many of our members reporting record business. It was a year of strong employment growth, which created another 250 jobs in the financial services industry and took us back to our pre-crisis high at just over 13,000. There aren't many jurisdictions around the world to experience that strength of recovery from the biggest dislocation of the financial system in 100 years.

Touching on the reputation issues, they were challenging to deal with at the time but I think we've had a net gain because they have sparked a flight to quality. Clients who have good reputations and want to preserve them, prefer to book their business in a centre which also has a good reputation. There's been a significant amount of transfer business from other jurisdictions to Jersey, which shows how the work of our government and regulator in creating a jurisdiction of substance is paying a strong dividend.

John Willman: Jersey is in the vanguard as a jurisdiction which meets international standards on regulation and taxation. Does the wider world understand that?

Geoff Cook: It's very different by audience. We've made great strides with governments around the world, with international forums and with people who are responsible for policing the global financial system – we have a terrific reputation with them. Our own internal finance language is well understood by those audiences who see that it is backed by a big stable of advocacy research. But for the general public at home and abroad and elements of the NGO community, it's still work in progress and we need to influence those communities, because they influence politicians to take action.

Richard Ingle: I think you're right, Geoff – it needs to be the man or woman on the street that we reach. We know that while politicians privately say they understand what the virtues of a reputable centre like Jersey are, they don't say it publicly.

Steve Meiklejohn: We have meetings with ministers and members of the Lords and Commons to brief them on these issues to make sure that they've got the full facts when they go into debates. But some of them are reluctant to be associated with promoting the offshore case, for fear that they will be attacked by the media. There's still work to do.

Jo Gorrod: It's very easy for the media to suggest in their reporting that there is some unfairness – that you're being cheated by IFCs. It is very difficult to counter that.

John Riva: Some NGOs and journalists are getting better and I think Maya Forstater who has written for several NGOs is raising the level of debate. But too many NGOs are shouting from the rooftops through megaphones and businesses and politicians need to get involved. And it is important that we as IFCs are proud of the work we do and when things happen which shouldn't happen, we should call them out.

Geoff Cook: We need to reach out to people who are not connected with our world and have concerns about unfairness, inequity, inequality and the growing gap between the wealthy and the rest of the world – we are seen as working for them. We need to explain that our primary activity is putting capital to work to build a better future for tens of millions of people around the world. Our recent research on how Jersey's tax neutrality supports the financing of pensions, shows that 58 million people have a better retirement because of our role. We should say we think aggressive or abusive tax practices aren't good and we don't want to host them. And it is legitimate in times of austerity to ask whether everybody is paying their fair share of tax.

Felicia de Laat: We must engage with the media and NGOs to some extent, because there are some lone voices who make a clear case for the benefits of using IFCs but they're few and far between. We need to shift the balance so that there are more stories that put the positive side of what Jersey and other IFCs do – at present, it's pretty much one-sided.

Richard Corrigan: I think we need to move the debate away from being just about tax. At the end of the day, tax is a sharing of the proceeds of economic success or successful investments or successful trade. People need to know that trade and investment are lifting people out of poverty in developing countries around the world and that Jersey plays a role in it. Our finance industry moves capital from areas of surplus to areas of opportunity and we need a dialogue about that with the NGO community and others.

Geoff Cook: In our current strategic review, one of the four pillars is about communications and we have adopted a policy of 'verbalisation' which is designed to ensure that we describe what we do in ways that are easily understood.

We must tell them that friction-free, fast-flowing capital is a raw material of economic development and if it is withdrawn, the people who are hurt most are the poorest people on the planet.

Developing countries need capital to build their economies, infrastructure, education services and health services. If opponents are successful, they'll hurt the very communities they claim to represent.

John Harris: The narrative of those critics is that Jersey is a place where money ends up, whereas it's a place it flows through. That is what we have to explain.

Richard Corrigan: People believe there is a huge pot of money in Jersey but we take that capital and put it to good use in another market, another asset class, another part of the world. Even if money is deposited in a Jersey bank, the bank does something with it such as lending it to other customers or to its parent operations.

Intermediation is how Jersey makes its living – there isn't a cash pile sitting on the Island.

John Willman: I want to move on to discuss what is happening in Jersey's main financial sectors, starting with banking and the current Future of Banking review.

Richard Ingle: The last 10 years have seen a lot of change in our sector.

Consolidation has reduced the number of licences here from about 47 to the current level of 28, though not necessarily through the disappearance of banks – there has been consolidation within names and licences. Overall deposit values on the Island have shrunk, though there has been stability in terms of client deposits, which is a testament to Jersey's attractiveness to international depositors. And now that global banks are looking to grow and develop, it is the perfect time to make sure that we're well-positioned to capitalise from what we think some of the global players may be doing – and obviously we'd like to attract some of that to Jersey.

So 18 months ago, we launched the review to see how we can position the Island to take advantage of new trends in the sector.

Banking is a core part of Jersey's financial services ecosystem: it's half of the industry's gross value added (GVA). It feeds the other sectors such as private wealth and funds, so it's a critical part of the local economy. Jersey Finance pulled together all the banks on the Island to contribute to the review and ensure that we have a vibrant banking community which can respond to the threats while being well-positioned for future opportunities.

We're asking whether we are promoting our flexible licensing regime enough to potential new entrants as a banking jurisdiction with high quality regulation and ease of doing business. The aim is to ensure that Jersey is an attractive place for existing banks to stay and one that attracts new entrants to support the industry and the other sectors which operate in it.

Jo Gorrod: I think that it is essential for what we do in private wealth – we need a strong banking sector to be able to bank our clients. We found a few years ago that a bit of a mismatch was emerging between the risk appetite of some of our banks and trust companies but I think that has now been largely worked through.

John Harris: Some of that was a symptom of banks going through these difficult periods, trying to work out what their model is, the clients they want to deal with and the due diligence aspects of it. That also speaks to trying to make Jersey attractive to all sorts of entrants so that we can accommodate all sectors in the industry, not just the existing players.

Felicia de Laat: Banking is also complementary to the funds industry, because our fund managers want to be able to bank in Jersey. It's part of what we offer.

Steve Meiklejohn: Our finance partner has been expressing optimism around the ring-fencing that's about to come to some of Jersey's banks. I thought that was encouraging that she could see opportunities there for Jersey.

John Harris: There is a real opportunity for a renaissance in the banking sector on this Island and all the preconditions for that are in place – including regulation. We have an increasingly liberal bank licensing regime and are prepared to flex it so that an institution can serve the clientele it wants to serve, which includes digital banking. The one thing we won't accept is exposing the everyday retail client to undue risk but there are ways in which we can flex the regime to make sure it doesn't happen.

Ring-fencing has turned out to be an opportunity for Jersey. We were very worried a few years ago about the five banks that would be affected by it but four of the five have already adopted a growth model – a vote of confidence in Jersey.

John Riva: I do think that banking is the jewel in the crown for Jersey – if it wasn't for the banking sector, we'd be just like any other IFC. It differentiates us and it's absolutely essential that we maintain the banks and keep them happy here. Also, they still produce more tax than any other sector.

John Willman: Let's move on to funds. Please tell us what has been happening, Felicia.

Felicia de Laat: 2017 was a very strong year for funds. Fund-raising increased by around 15% over 2016 according to the Monterey report and the number of fund promoters in Jersey has roughly doubled over the last five years. When the AIFMD was brought in, there was huge concern about the potential impact on our funds sector and a significant amount of work was done to position us to get the best out of it. That gave us the right regulations and the national private placement regime (NPPR) is working really well for our bigger and even mid-sized funds which want to market in the EU. In truth, many fund managers really want to market to just a few EU jurisdictions, such as the UK, Netherlands, Germany and Denmark. And we can offer the rest of the world a streamlined, appropriately regulated marketing model for their purposes.

We also have the European Securities and Markets Authority opinion which says that we're first in line for a passport to market across the whole EU. It's unclear whether that will appear soon (and it almost certainly won't until Brexit has been implemented) but the passport does not seem to have worked particularly well for EU member states due to inconsistent implementation.

According to one recent report, AIFMD has resulted in high costs and limited benefit for EU funds. However, AIFMD II is in the offing which could change things, although it is unclear how at the moment.

As Richard Corrigan has already mentioned, last year saw the successful launch of the Jersey Private Fund which streamlined the processes at the private end of the market and also some notable fund launches, including CVC Capital Partners VII and Softbank's Vision Fund. For 2018, a big point of discussion is likely to be whether the finance industry has 'substance' on the Island – part of the negotiations with the EU over Jersey's status as an IFC. But the growth of the funds sector is attracting promoters and fund managers to set up staffed offices here with real substance, which is a model I would like to see more of.

John Riva: No-one has been able to define substance in our world and while I agree with Felicia on what it means for funds, what does it mean for investment holding companies? They won't rent offices and employ staff, although Jersey is where the directors meet and make the decisions. But Jersey is building a financial centre and we want to attract people to the Island because we can tax them when they are here. If an outside agency says we need more people to move here to run their businesses, that's like manna from heaven.

Felicia de Laat: Just one more issue for funds, which is Brexit. Competition is growing from Luxembourg which is marketing itself as a jurisdiction where funds can base themselves inside the EU.

Some fund managers (particularly those of debt funds) have made the move to Luxembourg, even though we think that Jersey is much better at servicing, structuring and other aspects of administration. I'm not sure what the extent of this will be but it is a concern.

John Riva: This is likely to be a consequence of the changes to international tax rules: Luxembourg must now consider the principal purpose test when businesses wish to take advantage of its tax treaties but such a test is being confused with a substance test. Therefore we have seen occasions where advisors have advised Luxembourg platform companies which have Jersey-based funds to move the whole structure to Luxembourg to provide the Luxembourg platform company with adequate substance to satisfy the principal purpose test.

However, this may not necessarily satisfy the principal purpose test and funds should also consider other non-tax issues such as any complications of doing business in Luxembourg.

Geoff Cook: It is very important to remind intermediaries and clients listening to bidding by Luxembourg for transfers of business after Brexit, that nothing has changed for Jersey and it is very likely to be just the same after the referendum settlement. It is as good as it ever was and intermediaries and clients tell us it is a cheaper, faster, simpler route to alternative investment in Europe.

John Willman: Jo, can you please tell us about what is happening in the private wealth sector.

Jo Gorrod: It has been a solid year for us in Jersey, though with nothing ground-breaking in the sector. There are a lot fewer moves between trust companies in terms of de-risking prompting changes in trusteeship but more genuine new enquiries and new structures that people want to set up. More of them are from entrepreneurial wealth generators rather than inherited wealth, so this is all really positive. And the trust sector in Jersey has gone global compared with 10 or 15 years ago – with a significant number of trust companies operating in multiple jurisdictions.

There are some issues we're having to deal with, not least the UK trust register and the tension between complying with the legislation and ensuring that data protection rules are not breached.

We're already a leader in compliance and Jersey is a leader in transparency but there is more we could do with technology in Jersey by focusing on fintech.

This is one key way that the regulator can enhance Jersey's competitive edge by supporting developments in regtech. Much could be done to make life easier for both individuals and businesses by using technology platforms to assist with the collection and management of due diligence. We have to prove identity each time for every different counter-party, which adds to the cost of doing business.

John Harris: Compliance has reached undue levels for everybody and it doesn't diminish – it grows. Some of it is well-intentioned but ill-conceived, such as the EU Register of Trusts which has issues about defining persons with a legitimate interest and access to data which is inherently private.

Meanwhile, the EU is promulgating a data protection initiative with massive penalties for letting go of people's individual data. Technology is part of the answer for the basic compliance data: who is somebody, where are they from and how do we authenticate who they say they are. That should be done once and networked. But technology isn't going to give answers for more significant judgemental factors such as how somebody does business, their conduct, their reputation and so on.

Steve Meiklejohn: I think 2018 should be a good year for private wealth because all the pillars are there: strong courts, great professional services, good legislation, tremendous trust companies.

There are some changes to trust law coming in 2018: although they're not far-reaching, they give us an opportunity to see intermediaries and talk to them about the importance to us of keeping the legislation fresh.

The charities law is now finally going to come into full effect and that will create new opportunities in international philanthropy when combined with our strong administration skills.

There is also greater confidence that the high net worth community in China is recognising the need for proper wealth structuring – and despite the distance, Jersey is well-positioned. We have the likes of Equiom and other international trust companies with strong presences out there and the banks with trust companies such as RBC and HSBC – all putting us in a good place to win business.

Richard Corrigan: I think that Jersey's approach of creating diversity of products but setting high standards at the same time, has served us very well as a jurisdiction and secured growth in new markets. And the flight to quality has increased our growth relative to other centres that we've traditionally been in competition with.

Then to Ten:

Jersey's Transparency Timeline

2009

Jersey receives favourable review in the British Crown Dependencies Review (conducted by the UK Government)

White List

The OECD places Jersey on 'White List'

OECD Global Forum Peer Review Group appoints Jersey as one of four vice chairs

IMF Top Rating

IMF rates Jersey as one of the best global international finance centres

2010

Jersey signs TIEAs with the People's Republic of China, Portugal, Turkey and Mexico

2011

Financial Stability Board (FSB) places Jersey in Group 1, which consisted of those jurisdictions 'demonstrating sufficiently strong adherence to the relevant international standards'

Global Forum Peer Review

World Bank Report publishes 'The Puppet Masters: How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It', where Jersey is cited as an exemplar of best practice in the recording and monitoring of beneficial ownership information

Zero-Ten

EU Code of Conduct Group confirms that Jersey's Zero-Ten business tax regime is code compliant

Amended Convention on Mutual Administrative Assistance in Tax Matters open for signature

2012

BEPS 2012

G20 Summit launches Base Erosion and Profit Shifting (BEPS) project

Negotiations start on Jersey/US FATCA intergovernmental agreement

2013

OECD Endorsement

Angel Gurria, Secretary General of the OECD, endorses Jersey's position on international tax transparency

British Crown Dependencies joint statement on automatic tax information exchange

Jersey signs US FATCA

UK FATCA – Jersey and UK sign intergovernmental agreement

OECD Blueprint

OECD proposes plans for tax authorities worldwide to tackle tax avoidance and evasion in response to G20 mandate

Commitment to the CRS

Jersey commits to the early adoption of the Common Reporting Standard (CRS)

Over the past decade, Jersey's forward-thinking approach and the effectiveness of cooperation between Government, the regulator and industry have helped cement Jersey's position as a leading jurisdiction in terms of global transparency and combatting financial crime.

Jersey's willingness to work with international bodies such as the OECD, IMF, FATF, MONEYVAL and ESMA, combined with its first-class regulatory and legal framework, its expert workforce and its political and economic stability, are what really set Jersey apart from other jurisdictions. This timeline highlights the major legislative and regulatory developments relating to Jersey's finance industry over the past ten years.

2014

Convention on Mutual Administrative Assistance in Tax Matters comes into force in Jersey

Jersey signs the Multilateral Competent Authority Agreement on the CRS as an early adopter

'Global Shell Games' report published, with Jersey achieving 100% compliance (with the UK at 51% compliance and US ranking lower with 25%)

2015

Jersey signs Automatic Exchange of Information Agreement with other Crown Dependencies

Jersey replaces the EUSD retention tax regime with the automatic exchange of information

2016

BEPS 2016

Jersey becomes a BEPS Associate and implements country by country reporting

Exchange of Notes with UK regarding sharing beneficial ownership information on request

First exchange of information with the UK under UK IGA (UK FATCA)

Report published by Professor Jason Sharman, 'Solving the Beneficial Ownership Conundrum: Central Registries and Licenced Intermediaries'

MONEYVAL

Assessment by the Council of Europe – of the 49 assessment areas, Jersey is rated compliant or largely compliant in 48, the joint highest score amongst all states assessed

2017

BEPS 2017

Jersey signs OECD Multilateral Convention on prevention of BEPS and becomes one of only three jurisdictions in the world (alongside Austria and the Isle of Man) to have completed its domestic ratification for the OECD's Multilateral Instrument (MLI)

CRS

Jersey's first exchange of information under CRS (replacing UK IGA)

United Nations Financial Sanctions (Jersey) Law 2017 comes into force

Jersey implements the EU Legislation (Information Accompanying Transfers of Funds) (Jersey) Regulations 2017

OECD Rating

Jersey scores top marks from the OECD on tax transparency, receiving a "fully compliant" rating

The EU Code of Conduct Group on Business Taxation determines Jersey is a cooperative tax jurisdiction

Jersey rated **48**  out of **49**

assessment areas as compliant or largely compliant

Photo Chris George

Jersey: an evolving and innovative jurisdiction

By Amy Bryant

With a track record spanning more than half a century, Jersey's finance industry has always demonstrated both a desire and an ability to evolve with the times.

Against an increasingly complex backdrop in terms of political risk, market volatility and regulatory obligations, being on the front foot, demonstrating a commitment to innovation and evidencing credentials as a forward-thinking jurisdiction, has never been more important.

With that in mind, Jersey has invested considerably in articulating a long-term strategic view which has been updated over the past year to take into account recent shifts in the landscape, notably Brexit and the pace of change as regards digital, and reinforces the rationale behind our strategy.

Working with the Government of Jersey, the Jersey Financial Services Commission (JFSC) and Digital Jersey, the review is instrumental in informing how we develop our legislative and regulatory environment, enhance our product and service platform and how we engage with key gatekeepers in London and growth markets further afield.

Fintech

Nowhere are Jersey's cutting-edge aspirations clearer than in the area of fintech. With figures suggesting that the funding of fintech start-ups has increased at a compound

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annual growth rate of 41% over the last four years and that 82% of financial institutions expect to increase fintech partnerships within the next three to five years (PwC Global FinTech Report 2017), there is only one direction of travel and it is vital that Jersey is focused on this area.

Harnessing the power of digital technologies and creating an appealing environment for fintech business has been a real driver within Jersey's finance industry for some years now. Particular emphasis has been placed on legislative innovation and responsiveness in order to attract fintech professionals to either set up operations in Jersey or use the jurisdiction as a testbed for new products.

A modern and forward-thinking Digital Policy Framework published by the Government of Jersey in 2016 outlines clearly Jersey's intentions. It cites fintech as a key area of focus, made possible by a tradition for strong social capital and the ability of the jurisdictions' highly-skilled workforce to be agile and quick to respond to opportunities.

At the same time, Jersey's government has been keen to support and encourage investment in strategic infrastructure projects, such as the development of an 'e-Gov' project and roll out of gigabit fibre connectivity to all households and businesses in Jersey, to support delivering a world-class digital eco-system.

Understanding this trend and recognising the potential opportunities presented by fintech is proving pivotal in delivering ground-breaking innovative services for Jersey's international client base, significantly transforming the finance sector and serving to contribute to the diversification of the Island's economy.

For instance, the establishment in Jersey of a fintech proposition development group working with industry, together with an active dialogue between Jersey Finance and Digital Jersey, is helping to ensure there is a constant focus on enhancing the environment in Jersey for fintech activity and that Jersey remains at the forefront of fintech developments. Jersey Finance has also established industry working groups to explore and progress opportunities in the regtech, cybersecurity, wealthtech and virtual currency space.

These efforts have resulted in a good track record of achievements already. Today there are more than 2,250 people employed in digital industries in Jersey, whilst a number of developments in recent months are shining examples of the new ground Jersey is breaking.

It is notable, for example, that the world's first ever regulated bitcoin fund - the Global Advisors Bitcoin Investment Fund – was launched in Jersey in 2014, whilst in 2016 Jersey became one of the first jurisdictions to adopt a regulatory regime for virtual currencies, creating a 'regulatory sandbox' requiring compliance with KYC and anti-money laundering rules, whilst also allowing for virtual currency innovation.

Meanwhile, last year, the world's first regulated crypto-denominated fund was established in Jersey – it trades cryptocurrencies and other 'coins' and participates in selected initial coin offerings (ICOs) – and the end of last year saw the launch of Jersey's first ICO, the ARC Reserve Currency (ARC), an asset-backed 'stablecoin' virtual currency.

All this sends out a clear message that Jersey is committed to playing a key role in the fintech space and is focused on creating a clear, certain and robust framework that is conducive to good practice.

With the UK positioning itself as a global leader on fintech development, Jersey's proximity to and close relationship with the UK stands it in good stead too. The UK boasts a specialist fintech workforce with around 1,600 fintech firms operating in the UK (UK FinTech Census 2017, EY 2017).

Jersey can look to collaborate, tap into and support that success, with a view to creating digital solutions that can transform international financial services in the future in terms of better access to services, more bespoke advice, enhanced security and more reliable due diligence.

We see, for instance, potential for businesses to explore the use of artificial intelligence (AI) in providing quick, tailored wealth planning advice or in algorithmic trading and quantitative funds. In a global environment where governance, risk and information exchange are increasingly important for firms engaging in cross-border financial business, new approaches to handling data securely and reporting regulatory information efficiently can help position Jersey very strongly indeed on the international stage.

Progressive approach

Beyond the digital space and the world of fintech, Jersey is also focused on innovation in other areas with a view to keeping on the front foot by focusing on enhancements to its suite of services and products to meet the increasingly sophisticated demands of international investors.

On the legislative front, after much consultation, amendments are due to come into force later this year to Jersey's long-standing trusts law, reflecting the jurisdiction's progressive approach to legislative innovation and its desire to keep in step with the times and the requirements of internationally mobile families and individuals.

At the same time, Jersey has set out on a journey in recent years to create a robust professional environment for philanthropy and provide a framework for advisors to deliver high-quality philanthropic advice. The final elements to Jersey's innovative Charities Law are also scheduled to come into play later this year to ultimately create a world-leading framework for the modern-day global philanthropist.

Meanwhile, in the investment funds space, Jersey's world-class funds regime has undergone a comprehensive review over the past couple of years, with the result that last year Jersey's alternative funds proposition was enhanced with the introduction of the highly innovative Jersey Private Fund vehicle – a structure reserved for limited numbers of sophisticated institutional investors.

The structure has proven incredibly popular amongst alternative fund managers, with almost 90 structures being established in the first eight months since its introduction, including the world's largest ever private equity fund. We anticipate further innovations within our funds environment in due course.

Insights

Of course, understanding our core overseas markets is also vital as we look to enhance our service and product lines in response to market demand. For that reason, we continue to build our library of evidence-based research to inform these developments and our activities in those markets, whilst also delivering insights to the market.

For instance, during 2017, Jersey Finance sought to undertake a number of reports including 'Jersey for Institutional Investors' (Europe Economics, 2017), which for the first time shone a light on the value of Jersey for institutional and pension fund investment.

It found that pension fund assets structured through Jersey are supporting more than 60 million people around the world in their retirement and is proving useful both in explaining the value Jersey brings to the global economy and in building Jersey's institutional investment business further.

Meanwhile, two separate reports published last year ('Driving Forces Behind GCC HNW Investors' and 'How to Service Chinese Wealth as it Goes Global', Hubbis, 2017) have provided invaluable insights into attitudes towards family wealth and family business succession planning, levels of understanding when it comes to international compliance and reporting requirements, as well as appreciation of the structures available to them.

Both reports are being used to tailor Jersey's approach in those markets and ensure that Jersey is ready to adapt and innovate further so that it provides a better framework and infrastructure in the future.

Communications strategy

Closer to home, we are also investing heavily in our advocacy work to ensure that our role and aims are understood locally. We are rolling out an innovative strategy to help us communicate more effectively with our local audience so that they have a better understanding of the value of our industry and our pride in being part of Jersey's success.

In particular, we are fully aware that our future as an industry is reliant on young people and it is important that we tell our story clearly and honestly, whilst adapting to ensure the industry remains an attractive career proposition. Ultimately, if we can attract and retain the best young talent, we will be in a very strong, sustainable place going forward.

This communications strategy has also been tailored to our global audiences in order to influence perceptions, promote advocacy and create a better understanding of the positive role Jersey plays for international economies.

With a firm eye on the future, Jersey is very much on the front foot to navigate an increasingly complex landscape. By focusing on digital innovation and the opportunities presented by fintech, maintaining investment in research that can deliver valuable insights and help explain our role, whilst continuing to work with key partners to develop exciting new products and services that can benefit us all, we will be well placed to adapt and maintain our position as a leading international finance centre.

Amy Bryant

Amy Bryant, Deputy CEO, Jersey Finance.

Amy joined Jersey Finance as Strategic Projects Manager in December 2011, becoming Chief Operating Officer (COO) in January 2014. In September 2017 Amy was appointed Deputy Chief Executive Officer (DCEO) of Jersey Finance.

Previous to Jersey Finance, Amy was a Tax Manager with PwC in the Channel Islands where she specialised in the taxation of offshore funds and Jersey corporate vehicles and provided international structuring advice to a global client base. Whilst working within the tax team Amy was admitted to the Chartered Institute of Taxation as a Chartered Tax Advisor. Amy initially qualified as a Chartered Accountant within PwC's Assurance team working on the audits of a number of banks, financial institutions and public sector bodies.

As DCEO at Jersey Finance, Amy's role will extend her existing responsibilities as COO and Head Of Strategic Projects to encompass CEO deputising responsibilities across the entire organisation.


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Take 10

Senior figures from Jersey's finance industry field 10 questions on developments relating to the provision of wealth management for institutions, families and high net worth individuals, examining why Jersey – with its robust regulatory and legal system, high-quality advisory services, established links with London (as the world's leading private client advisory centre) and an ability to adapt swiftly and appropriately to changing regulations – continues to be seen as an ideal choice by those looking for well-managed protection of their assets.

Alan Binnington, Director, Fiduciary Management, RBC Wealth Management.

Tim Childe, Managing Director, Head of International & Jersey Office, Quilter Cheviot.

Jonathan Giles, Managing Director, Rathbones.

Q1. What do you consider have been the key developments that we have seen in the wealth management arena over the past 10 years since the financial crisis in 2008 and what has this meant for Jersey and UK providers?

Alan Binnington: "Perhaps the most significant development over the past 10 years has been the introduction of automatic reporting of information following the introduction of FATCA by the United States and CRS by the OECD.

"There is of course a substantial cost to service providers in setting up systems to capture and transmit the relevant information but Jersey has been well-positioned to deal with this given that much of the relevant information was already held as a result of our robust regulatory and anti-money laundering framework."

Tim Childe: "The past decade has seen a transformation of the wealth management sector, driven primarily by increased regulation, but also by a greater demand by clients for communication and transparency. At the same time, too, the wealth management sector has become much more commercially aware; while a number of fiduciary firms have been acquired by private equity firms and implemented new growth strategies by looking overseas to build a range of key contacts, develop business networks and source new business opportunities. As an example of our own international growth strategy, Quilter Cheviot has opened a representative office in Dubai, which has proved very successful. The strategy has resulted in business relationships and partnerships that are much more reciprocal, enabling our business to develop by leveraging the specialist expertise of our partners at home and abroad."

Jonathan Giles: "The view from offshore has been a decade of increasing professional service firm consolidation and the growth of global footprints. The expansion through acquisition of previously one or two jurisdiction fiduciary firms into truly global enterprises has been born out of the need to compete globally and take advantage as others de-risk. For some they've expanded with a truly competitive advantage whilst others have reacted to the changing face of technology, regulation, government policy and of course client demands. Whether offshore or in the UK the drive to internationalise your business, especially into the faster growth economies, remains a core focus. In one sense Jersey has become an increasing world leader due to its desire and ability to cooperate across these moving parts and support global capital flows. Jersey has worked collectively across industry, regulation and politics to deliver a multi-award winning jurisdiction built on professional skills, commerciality and transparency."

Q2. Just how significant do you think Jersey's reputation as a high quality, well regulated, compliant and stable jurisdiction is in attracting high – and ultra-high – net worth individuals and those looking to preserve existing wealth (including wills and pensions), as well as organisations accessing its range of bespoke corporate services, from investment portfolio management to employee benefit services?

Alan Binnington: "In a world of increasing political and financial uncertainty wealthy clients look to place their assets in stable, well-regulated jurisdictions. However, political stability and sound regulation are just a part of their requirements. If assets are to be held in a corporate or fiduciary structure one needs experienced administrators and fiduciaries, along with tax advisers, investment managers and legal advisers. Given the maturity of Jersey as a financial centre the major firms in these specialist areas have a substantial, rather than token, presence on the Island."

Tim Childe: "Jersey's reputation as a high quality, well regulated, legally compliant and stable jurisdiction is key to attracting all types of business, whether high and ultra-high net worth clients, or the wholesale, institutional or corporate side of business. Jersey has been proactive in creating a legal and business environment in which the wealth management business can flourish. As a result, Jersey has a full range of service providers with the highest professional standards, who can meet all the particular needs of even those clients with the most complex requirements. In terms of proactivity, Jersey has been on the front foot with various successful initiatives designed, for example, to promote the Island as the 'Number One IFC' globally, to promote itself as an ideal place to live, work and do business (Locate Jersey) and as an internationally recognised centre for the digital industries (Digital Jersey). It is a strategy that Jersey has been developing for some time, becoming a model jurisdiction for other offshore centres to emulate. It is no surprise therefore that Jersey was chosen as the hub for Quilter Cheviot's international business."

Jonathan Giles: "An often used quote is 'May we live in interesting times'. Whether a country referendum, political elections, trade tariffs or fake news, we continue to be surprised by the outcome of 'certainties'. Within this Jersey affords investors a tried, tested and stable route to preserving and enhancing their global wealth. Great professionals with a global perspective supported by modern regulation and infrastructure."

Q3. Can you give us an insight into the impact on the operations of private banks and wealth managers of recent market developments and new technology, following a shift in focus to client service, value delivery and greater client expectations, accompanied by new regulations such as GDPR (General Data Protection Regulation)?

Alan Binnington: "The private wealth industry is likely to see an increase in the use of technology and, in particular, artificial intelligence (AI). Banking customers are now accustomed to online banking services, with the ability to monitor their accounts on a real time basis. Customers of investment management firms and trust companies are increasingly expecting their service providers to provide similar facilities. In terms of trust services this can be somewhat problematic as a beneficiary of a trust is in a different position from the holder of a bank account and may not be entitled to the same degree of disclosure. Nevertheless trust companies are likely to make increasing use of technological advances to provide their trust beneficiaries with up to date information. Artificial intelligence is also likely to speed up some of the more routine aspects of trust and company administration, hopefully freeing up staff to provide a more personal service as and when that is required. There is of course significant potential for AI to be used to support the ever-increasing focus on compliance requirements, both in terms of the collection and analysis of all-important KYC and due diligence information.

"Increased regulation will always present a challenge to business. For example GDPR, whilst having obvious benefits in terms of ensuring that data is being used correctly could slow down business processes and add to the cost of doing business. One of the advantages that smaller jurisdictions such as Jersey have over larger jurisdictions is that when new regulation is introduced there is likely to be a more direct dialogue between regulator and industry, hopefully ensuring that regulation is introduced in a proportionate manner. However much regulation, of which GDPR is an example, is in a form decided upon elsewhere and has to be introduced if the Island is to continue marketing its services."

Tim Childe: "Without a doubt, technology is essential for the future growth and development of the wealth management sector. Millennials, in particular, may be more comfortable adapting to the fast-moving potential of technology as a wealth management tool but, at Quilter Cheviot, we have been building our business and reputation on the basis of personal relationships since 1771. As such, personal relationships are the tried and tested way to provide the service our clients expect. For us, therefore, personal relationships remain the bedrock of our business. Nevertheless, as the demands of regulations and client expectation increase – and as our ways of communicating evolve – technology has become an essential tool that will enable us to achieve the best outcomes for our clients. If our ethos remains unchanged over the years, so does our commitment to ensuring we have all the technology and software necessary to provide our clients with the service they expect."

Jonathan Giles: "Technology remains both the source of certain issues as well as the solution. Whether it be cyber security, investment risk management tools, anti-money laundering screening, online client reporting or business frameworks to accommodate legislation such as GDPR, substantial financial investment, and where necessary changes in behaviour, will continue to have a significant impact on the private client world. All firms are implementing more stringent practices ensuring data is better stored with adequate processes in place to protect it and investing to improve employee training, work practices, cyber security awareness and client relationship management software."

Q4. How important will it be for the development of new business segments and future client engagement, to integrate digital tools and capabilities into current processes, with the implementation of new technology and risk management systems providing integrated approaches aligning risk and value, as the global wealth management industry addresses new standards and regulatory changes impacting front-end client experience and increasing costs?

Alan Binnington: "The maintenance of Jersey's reputation as a responsible finance centre requires private wealth businesses within the Island to ensure they have in place procedures designed to identify and manage the risks in their business. Gone are the days when all that was required was to request a copy of a customer's passport and two utility bills. Nowadays extensive research has to be carried out into the source of wealth of prospective customers and the source of the funds that they are placing with an institution. In addition, once the business has been taken on, regular checks need to be made in relation to the clients, their activities and the funds that they introduce. Fortunately technology is of increasing assistance in this area. Online search facilities are available to check the background of prospective clients from publicly available information, searching numerous databases at the same time, a task that would previously have taken a significant length of time. In addition systems are now available that will automatically screen an institution's entire list of clients on a daily basis. Such systems have been utilised by banks for some time but they are increasingly being introduced by other areas of the private wealth industry.

"The Island's regulatory framework reflects Jersey's risk appetite and businesses operating within the Island need to ensure that their compliance procedures are aligned. Inevitably there is a cost to compliance and that cost continually rises. It is only by harnessing new technology that such a cost is likely to be contained, ensuring that a reasonable balance is struck between risk, reward and value to clients."

Tim Childe: "Integrating digital tools and capabilities into our current processes is an essential part of our drive to maintain client satisfaction and to build our business. It is worth noting that in response to the growing regulatory challenges, private banks are increasingly moving upscale by looking for fewer but higher value clients. With Quilter Cheviot's broader client mix, we are able to deploy digital technologies to ensure our operations are swift and seamless, backed up by the support and security that comes with being a part of Old Mutual Wealth. As an international business, we are particularly aware of the changing nature of regulations affecting the global markets – here too, being able to adopt new rules and adapt to new best practice requirements is made easier by having the necessary technological back-up."

Jonathan Giles: "Every company in the world wants to be a technology company. Whether the business sells bananas, bank accounts or consumer brands, they all believe they will live or die by their technology. Wealth management is no different and with clients' total wealth increasing, and becoming more diversified across jurisdiction, currency, custodian and advisor, the search for technology solutions to consolidated advice and reporting continues. Technology does however go much deeper than your front office. The potential for saving money on everyday operations is as staggering as it is attainable. Cutting paperwork and automating basic processes will save the financial industry billions of pounds. It is also necessary if companies are to keep tighter control of information and comply with more stringent reporting regulations. Meanwhile, greater computing power is making high-end investment risk software affordable for ever smaller clients and increasing the market insight of portfolio managers. And all these improvements in technology will help deliver what investors are increasingly demanding: better, more personalised services at an affordable price."

Q5. Would you outline how your wealth management business is structured and conducted, with an idea of how solutions may be derived from the experience the organisation has gained over the years, rather than perhaps an off-the-shelf approach?

Alan Binnington: "RBC Wealth Management offers an integrated approach to wealth management, providing clients with banking, custody, investment, credit, trust and fiduciary services. Our well-established Wealth Management business in the British Isles (UK and Channel Islands) is underpinned by the strength and expertise of RBC's global network, enabling us to leverage the bank's research, technology and reach for the benefit of our clients.

"We've had a presence in Jersey for over 50 years now, during which time we have built a highly talented, client-focused team, with a huge amount of expertise. We are committed to truly understanding our clients' circumstances and needs, so that we can provide them with the best solutions, including – where appropriate – working with our colleagues in Capital Markets, Investor & Treasury Services and Global Asset Management."

Tim Childe: "Quilter Cheviot has built and refined its business proposition over the years as a provider of bespoke wealth management solutions. It is a strategy that can be traced back to its origins in 1771, when as a stockbroker Quilter managed clients' money. Over the years, we have grown into one of the largest discretionary fund managers, with a network of offices across the UK, Ireland, Jersey and a representative office in Dubai; we have brought on board new teams and individuals with specific skills and experience, broadening our range and expanding our technical capacity. Despite these changes, staff turnover is remarkably low, indicating that the core of our business and our teams has remained unchanged – namely, the proposition of bespoke wealth management and giving clients direct access to the investment manager handling their investment portfolio."

Jonathan Giles: "Rathbones in Jersey is the offshore subsidiary of a UK Plc, focused on the delivery of portfolio management for a range of private clients both in Jersey and across the world.

"We provide a bespoke service to each of our clients, managing their affairs according to the merits of their own situation. We gather in-depth knowledge of each client's financial situation and family affairs which in turn takes us down the path of the most suitable investment service and strategy. International clients are typically invested through fiduciary structures and we have strong working relationships with regulated offshore trust companies and advisors within the main international finance centres.

"Our ethos is simply to deliver the best service possible to clients looking for longer-term returns. We believe this is fundamental to helping our clients to take care of the future. In addition, our commitment to a bespoke approach to investment management is becoming rarer in the wealth management market. With this in mind, we have a framework of a robust and clearly defined investment process within which we give our investment managers a degree of autonomy to apply their own professional judgment and technical expertise in managing a client's wealth. Our investment managers, supported by dedicated teams, have direct contact with clients and form long and trusted relationships with them. This level of engagement is particularly important when managing a family's wealth across generations.

"Our investment framework has also evolved through personal and corporate experience, with for example our portfolio construction increasingly correlation, risk and real-return focused, an outcome of both the 2008 financial crisis and the growing demands of UHNW investors wanting to preserve their wealth in challenging times, aligning their objectives more towards consistently beating inflation rather than the stock markets."

Q6. Is your organisation addressing an increasing trend of clients looking to actively manage or be more involved in the management of their financial affairs – being more aware of compliance and risk management following the global financial crisis – and higher expectations vis-à-vis reputation, service and value?

Alan Binnington: "Clients seeking investment management services are certainly more aware of the need for active risk management. Whether this is a result of the financial crisis and various financial scandals that were precipitated by it or whether it is merely a reflection of increased knowledge of the investment world is debatable. No longer is the wealthy individual prepared to place assets with his or her stockbroker and catch up on their performance from time to time over lunch. Investment clients now expect to have regular updates on performance and are inevitably more involved in the investment process, even where the portfolio is managed on a discretionary basis, given the need for the manager to ensure that the asset allocation is in line with the client's objectives and risk tolerance.

"In the trust world, beneficiaries have a similar desire to be updated on performance but are inevitably less involved in the process given that the trustee is the client of the investment manager rather than the beneficiaries. Nevertheless the trustee still needs to ensure that the portfolio is structured in a manner consistent with the family's objectives and risk tolerance. In terms of trust formation there is an increasing desire on the part of settlors to have a greater degree of influence over the running of the trust. This is particularly the case in respect of business from new markets such as South East Asia where the trust is a less familiar concept. Jersey is well able to accommodate this through the use of settlor reserved powers or protector provisions.”

Tim Childe: “It is our experience that clients are increasingly likely to outsource the active management of their portfolios. Some clients like to take charge of their investments because they either enjoy it or they feel up to the job. Typically, however, our clients do not have the time, the inclination or the experience required to actively manage their portfolios. Increasingly, our clients have come to understand that since the global financial crisis, investment management has become a much more complex business, with serious regulatory consequences if not done properly. For the sake of speed and simplicity, too, they are less likely nowadays to opt for the more ‘creative’ tax arrangements. When looking at the overall burden of responsibility of managing investments today, clients are much more likely to see the benefits of outsourcing to the experts, who can manage their investments with speed and efficiency, and so leave them to get on with their interests, whether managing a business, a charity, travelling or other projects.”

Jonathan Giles: “We launched our Rathbone Private Office to serve larger clients who required objective advice on how to manage their significant wealth often across a range of liquid, illiquid and non-bankable assets. Classically and for example; property, investments, commercial enterprise such as the family business, other collectibles including wine, cars and art and specialist lending. A significant part of this service is the ability to view client assets on a consolidated basis allowing the client and their advisors an easy to understand insight across the entirety of their portfolios and wider assets promoting where required active dialogue and management. This significantly reduces the administrative burden of managing complex wealth across a variety of different asset classes, banks and custodians. Simply by combining our strengths with the expertise of trusted external partners, we work closely with clients and their advisers to help control all aspects of wealth. Our approach cuts through the complexity and jargon to give guidance that is refreshingly clear. We provide a clear and consolidated view of assets and independent advice that draws on long-standing expertise in wealth management.”

Q7. Following the recent appointment of a Charity Commissioner and a rise in registrations of Jersey foundations – popular for philanthropic purposes and in civil law jurisdictions in Asia and MENA (particularly for Shariah-compliant financing and family businesses where trusts may be unsuitable) – are you seeing increasing client interest in these vehicles?

Alan Binnington: “Although the Jersey foundation is unlikely to over-take the trust in terms of the vehicle of choice for wealth structuring, they are becoming increasingly popular. Although they have obvious attractions for clients who come from civil law countries where the trust is an unfamiliar concept, the historical association of the foundation with charity makes them popular for philanthropic vehicles. In addition they are of use where one wishes to create a holding structure, for example to hold the shares in a private trust company where previously a non-charitable purpose trust would have been used. They can also be used as an alternative to a private trust company, simplifying the structure by removing the additional layer of ownership that would have been required had a company acted as trustee. For families who wish to have greater involvement in the decision making process, a foundation can be a useful alternative to a trust given that family members can sit on its council, alongside a Jersey regulated service provider.”

Tim Childe: “The recent appointment of the Charity Commissioner is another welcome initiative that will help cement Jersey as a centre of excellence in this sector. At Quilter Cheviot, we are well set up to meet the more tailored investment management needs of charities and foundations. As we solely focus on investment management, we work externally with a wide range of structuring specialists who specialise in this area. Internally, we have a specialist division dedicated to the charities sector, well versed in the regulatory obligations and the investment options that this important sector faces. For example, charities typically require that their assets are invested according to ethical guidelines and we have a wide range of solutions to meet these differing needs, such as the award-winning Climate Assets Fund. We also hear anecdotally of a growing demand from clients around the world seeking more sophisticated solutions which are more culturally and societally acceptable. For example, clients in regions such as Asia, the Middle East and Africa can be very reluctant to give up control and a foundation can be a preferable alternative to a trust.”

Jonathan Giles: "As an investment manager we do not advise charities on legal structure; but we are able to use our sector experience to help discuss leadership and governance alongside their investment management requirements. We are for example seeing significant engagement with charities and philanthropists through 'impact investment' and how their investments are focused in-line with their overall objectives. Supporting charities through such targeted programmes ensures that the donation actually becomes a sustainable investment for change."

Q8. Jersey continues to maintain its high standards and levels of expertise, reviewing its Trust Law, continuing to attract and retain top wealth management professionals, whilst training future professionals within the Island to avoid skills shortages which could constrain future growth, so are there any areas that you feel may require any additional attention to ensure it adequately accommodates the development and availability of comprehensive wealth solutions?

Alan Binnington: "Locally based training for finance industry professionals is vitally important. Jersey is fortunate in having a significant pool of experienced and skilled finance professionals and has been successful in attracting skilled individuals to the Island where the necessary skills cannot be found locally. However there is a need to manage population growth and accordingly developing the necessary skills within the Island should be a priority. A significant amount is already being done, whether through professional bodies such as STEP or by educational establishments such as the Jersey International Business School, The Institute of Law and University College Jersey. Although Jersey may not be of a sufficient size to accommodate a university offering a full range of subjects, there is a case for the existing educational establishments to work even more closely together to offer courses that focus on the Island's niche areas of expertise. The advent of Digital Jersey is also to be welcomed given that as digital technology will be of increasing importance for the finance industry the development of the Island as a centre of excellence in this area can only be of benefit."

Tim Childe: "Despite being such a fantastic place to live and work, due to its small population, the challenges of recruiting for the financial services sector on Jersey are well-known. With this in mind, it makes sense to both maintain the high professional standards of our staff that our clients around the world have come to expect and to seek recruits from local people, introducing them to the sector through a system of internships and trainee roles. At Quilter Cheviot's Jersey office, we have two trainee investment managers, who are working towards the professional qualifications that will enable them to develop their careers. We also help the wider community by doing workshops on portfolio management at the Jersey International Business School, whose students range from school-leavers seeking industry qualifications to non-executive directors requiring advanced courses and networking opportunities."

Jonathan Giles: "Jersey is fortunate to retain the highest reputation for financial services. This attracts great talent to work with the jurisdiction or indeed move to Jersey. We have significant STEP and CISI professional bodies, which afford Jersey a significant advantage in educating, retaining and attracting talent across a broad range of financial services. Plus our highly skilled lawyers and accountants. I mentioned the more collective decision making in an earlier comment and so I'd continue to ask industry and politicians to ensure there is a range of educational opportunities, through schools and perhaps government supported Jersey universities, to ensure flexible learning and more industry employment direct from school for those that do not want to go into tertiary education. As a school governor and adjunct lecturer at the Jersey International Business School, I feel we need to ensure the balance of science and mathematics is managed alongside a creative and technology based curriculum. Technology will continue to be a significant factor in the evolution of the private wealth management industry and we need to increasingly embed these skills."

Q9. As it builds on its reputation as one of the world's leading jurisdictions for wealth management services, how does Jersey's mature finance industry work with global networks of specialists offering international and local expertise, to ensure understanding of clients' future financial requirements and develop structures in its arsenal that underpin effective bespoke plans for individuals, families and institutional clients, such as 'virtual' family offices for ultra-high net worth families and structures for corporate staff reward and retirement schemes?

Alan Binnington: "Preserving Jersey's position as one of the world's leading international finance centres is not an easy task. There are a number of ways in which Jersey maintains that position. First, through the work of Jersey Finance, a body that is supported by both government and industry, in keeping international advisers aware of our range of services and, importantly, listening to those advisers to ensure that the Island continues to innovate in response to the changing needs of ultra-high net worth families. Both industry and government are aligned in respect of the need to ensure the legislative process facilitates innovative solutions to those changing needs and that existing legislation is continually reviewed and kept up to date. Second, Jersey engages with international bodies such as the OECD in order to ensure that the Island complies fully with international regulatory standards, which themselves are continually changing."

Tim Childe: "Jersey has a well-established finance industry with an enviable reputation for the provision of professional services of the highest standard. Jersey is also known for being a jurisdiction that is proactive in finding business opportunities globally, in the process building a network of contacts that is invaluable to the future growth of Jersey's economy. The wealth management sector in particular owes its continued growth to an unwavering focus on the needs of the client, well proven over time as the best way to understand their current and future needs. It is only with this understanding in place that the wealth management sector can provide the bespoke solutions most suitable to clients, be they individuals, families or institutions. We are seeing a trend towards more sophisticated financial planning tools, both locally and globally, which are also useful as a way to stay abreast of regulatory trends around the world. Nevertheless, a critical part of our bespoke wealth management service is the face-to-face meeting, which remains the best way to fully understand the client and their needs."

Jonathan Giles: "Simply understanding that clients want a combination of capabilities and values is a starting point. The resilience and flexibility in Jersey's trust legislation, the ongoing evolution of Jersey's corporate services and for example the recent emergence of our leading edge foundation structures, speaks volumes for how the jurisdiction continues to tailor solutions to specific needs. With innovative technology solutions increasingly embedded into industry we are now seeing a broader ability to offer traditional face-to-face advice alongside 'on-line' relationships and reporting. As mentioned previously our Private Office service consolidates disparate assets with a report that allows effective dialogue and planning to be facilitated. Whilst currently focused on high to ultra-high net worth investors, the same principles apply to corporate relationships and ultimately retail clients. Technology will continue to scale this service. Warren Buffett once said: "the difference between successful people and very successful people is that the very successful say 'no' to almost everything." In a world where you continually feel you must try to be all things to your client I feel Jersey will bring to bear the best available advice or expertise to address requirements. Jersey Finance – and its ability to develop new markets and deepen existing relationships – will continue to have a crucial role to play in this development."

Q10. With increasing demand for sophisticated financial solutions being driven by an increase in the number of affluent investors over recent years, what do you see as key areas of opportunity within wealth management, perhaps identifying regions with the greatest potential from which future business is expected to develop in the foreseeable future?

Alan Binnington: "There has been a gradual shift in recent years in respect of the areas of the world that are generating new wealth with the focus moving from Europe and North America to the Middle East and more recently to South East Asia. In addition political uncertainty in some jurisdictions has seen the wealthy seeking more stable jurisdictions in which to manage their wealth. New markets bring new challenges. For example some of these jurisdictions are unfamiliar with the trust concept, hence the need to consider alternative structures such as foundations. Different languages and time zones may cause problems although many institutions have been able to deal with this by employing multilingual staff and introducing flexible working hours to suit the needs of clients based in other time zones. In some of the emerging markets, regulatory regimes may be below international standards which require institutions to carry out enhanced due diligence. There may be cultural differences such as, for example, the desire of trust clients from South East Asia to demand a higher degree of control over a structure than might otherwise be the case. Jersey has proved itself well able to meet these challenges, ensuring that it continues to service the ever-changing needs of international wealth management clients. At the heart of the finance industry lies considerable experience in administration, whether that be in relation to trusts, companies, employee benefit schemes, pensions or funds. Looking to the future, Jersey needs to ensure that those administrative skills are adapted and promoted as the needs of the world's wealthy change.

Tim Childe: "At Quilter Cheviot, a major development in our international growth strategy has been our new representative office in Dubai. Already, the representative Dubai office has proved a great success, now firmly established as a business model that could be replicated further afield. One of the key advantages of Dubai is that it offers greater access to international regions that have a huge potential for growth thanks to a real appetite for services that we tend to take for granted – for example, direct access to a dedicated investment manager, lower fees and direct purchasing of highly researched individual securities such as stocks and bonds. Thanks to the increasingly international outlook of our Jersey office, we can spread wider our core message of bespoke, tailored discretionary fund management."

Jonathan Giles: "Whilst we will see Asia, Africa and the Gulf, alongside other fast growing economies, continuing to generate newer wealth, we can't forget the existing developed country clients. Companies and jurisdictions best able to address both – and the increasing demographic shift to the next generation – will be set to continue or accelerate their growth. The sophistication and growth of this wealth, whether young, old or new, is now also demanding greater clarity and certainty. Private and Investment Office services will become more prevalent, built upon experienced professionals, smart technology and a 'whole of wealth' approach."

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Jersey: in STEP for 25 years

By Naomi Rive

STEP is the global professional association for practitioners who specialise in family inheritance and succession planning. Headquartered in London it operates largely through the committees of its network of 100 international Branches, based in over 95 countries and collectively works hard to improve public understanding of the issues families face in this area and promote education and higher professional standards amongst its members.

It is a testament to the private client industry in Jersey that in 2017 the STEP Jersey Branch celebrated 25 years in operation. During that time the committee has had eight chairpersons (including most recently myself) and has grown and developed – with some 1,200 members – to be the largest Branch globally outside of London.

STEP Jersey is very active as a Branch and nowhere more so than in the field of training and education for its students and members. In a typical year STEP Jersey will run nine monthly seminars and an annual conference, which together provide over half of members' annual CPD (Continuing Professional Development) requirement. In addition we have an annual dinner at which the student awards are presented. We have been delighted with the way industry has supported us through the sponsorship of these awards which reward our top students for their success in the STEP professional examinations. As we all know, a well-trained and qualified workforce is the backbone which supports our industry.

With that thought in mind, the Branch committee felt that supporting students would be a fitting way to mark our 25th anniversary year and so instigated a bursary programme to mark the occasion. There are currently two financial services degree courses available in Jersey – the BA (Hons) Financial Services offered by University College Jersey at Highlands and the BSc (Hons) International

Photo Chris George

Financial Services offered by Jersey International Business School. Until last year, however, there had been no bursaries specific to students studying for those courses. At our 25th AGM in July 2017, three students were awarded the sum of £4,000 each towards their studies and we very much look forward to following their progress.

Members of the Branch committee also sit on a number of STEP worldwide boards – Simon Morgan (VISTRA) is the current Vice-Chair of STEP Worldwide and Tony Pitcher (LGL Trustees) is a Council member – as well as committees and local working parties focusing on matters such as policy and innovation within the private client industry.

Contributing to these initiatives helps the committee in a number of ways including, not least, providing a direct means of communicating with the Government about developments in private client matters and facilitating a forum to discuss whether Jersey should respond by way of an amendment to a law or even the introduction of a new law. The financial support provided by STEP to the Jersey Finance trusts law working party in relation to the Hastings Bass amendments a few years back, is just one example of this and led to Jersey being the first jurisdiction to introduce a statutory Hastings Bass test. The Branch has also contributed to the draft Trusts (Amendment No 7) (Jersey) Law which is likely to come into force later this year and will clarify the legal position on a number of important issues.

As well as having a keen interest in Jersey's competitive position, it is right to acknowledge that the Branch feels a huge responsibility to uphold Jersey's status as a leading private client jurisdiction and is ever mindful not only of balancing the interests of settlors, beneficiaries and trustees but also safeguarding the Island's reputation. Examples of this include in the field of insolvency provisions, where – following recent case law – it was felt that rather than simply introducing an insolvency regime for trusts alone, the wider legal position in Jersey should first be considered. Equally, whilst there is considerable merit in revisiting and rebranding Jersey's non-charitable purpose trust regime, this is not something that can be dealt with without a thorough review. In the current political climate any changes could easily be misconstrued as being motivated by a desire to restrict information flows and consequently go against Jersey's efforts to be viewed as a transparent and cooperative jurisdiction.

Being alert to regulatory changes and having a constructive dialogue with the Island's regulator – the Jersey Financial

Photo Chris George

Services Commission (JFSC) – is also high on the committee's list of priorities. Not only does it ensure that the JFSC has access to industry professionals with whom it can 'stress-test' proposed reforms but it also ensures the committee can give its members early notice of changes that may impact their clients and businesses and monitor preparedness within industry. Such an approach worked well in 2017 with regard to updating the register of beneficial ownership and in 2018 there is already good engagement between industry and the JFSC in regard to the National Risk Assessment. Effective collaboration with other professional organisations within the Island, such as the Jersey Association of Trust Companies (JATCo), is also a must and helps to mitigate the impact of volunteer fatigue.

With this in mind, last year the committee decided to establish two sub-committees, one being focused on policy matters and the other being focused on events and training. The hope is that this will allow more members to become involved with STEP in Jersey and also allow the Branch to extend its reach.

There has certainly been no period, which I can remember, where the Branch's input and contribution has been sought more frequently. Over the past couple of months alone I have been approached and asked to canvass views on several issues including the UK Consultation Paper on the taxation of commercial property, the EU Code of Conduct's position on substance based taxation and most recently changes to corporate income tax returns.

In 2017 the STEP Jersey Branch celebrated 25 years in operation

Increasingly then, there is recognition that in pulling together and coordinating on these matters, Jersey can demonstrate that its private client industry is not only resilient but also versatile in the face of change; whether it be driven by international pressures, technology, competition or other factors.

STEP Jersey believes that it has an important role to play in achieving this objective and the committee strives to provide a good service to its members and the wider finance industry. Later this year we hope to launch a new social media presence which I am sure will help us enhance communications with our members as well as receive their valued feedback.

Naomi Rive

Naomi Rive is a Group Director and Head of Family Office at Highvern.

Naomi is Chair to STEP in Jersey and sits on the Jersey Finance Trusts Law Working Party. She is also a former adjunct-professor of trusts at the Jersey Institute of Law.

A lawyer by training, Naomi was called to the English Bar in 1999 and re-qualified as a Jersey Advocate in 2003. During her time as a Partner of a leading offshore law firm, Naomi provided structuring and regulatory advice to high net worth individuals, international private banks and financial services businesses.

Naomi works closely with Highvern's international client base and their independent legal, tax and investment advisers, to ensure establishment and implementation of robust and sustainable private wealth and corporate structures. Naomi has considerable experience of providing trustee services in connection with complex trust structures and sitting on the board of directors of private trust companies and private investment companies.

A recipe for success

By Robert Ayliffe

Think about the word ‘curry’. What does it mean to you? Where does it come from? Many might say that it is a type of cuisine originating from India. While that might be the case, there are many different styles of curry found around the world. Some dry, some soup-style, perhaps meat, fish or vegetarian. A common feature is the use of a complex combination of spices and herbs. Now think about the name ‘family office’. What is it? How should it be defined?

Like curry, there are many varieties. You could have your own ‘single family office’, or team up with other families to create a ‘multi-family office’. You could recruit your own employees to carry out some of the key functions in-house. Or, you could outsource some or all of the work to a specialist provider who already has the necessary resource to call upon. A common feature is a large, wealthy family group with a complex combination of holding structures and asset types.

Over the course of my career, I have had the fortune of working in SE Asia for six years across two periods, initially in Kuala Lumpur, during the late 1990s and more recently in Singapore. For anyone who has visited this part of the world, they will know how important food is to the culture of the region and that there is a huge range of tastes and culinary specialities to enjoy.

A debate often causing the strongest of polarised views in Malaysia and Singapore is about Laksa and where the best might be found. Laksa is a spicy noodle soup popular in Peranakan cuisine, a style of cooking originating in the northern Malay Peninsula and commonly associated with the Island of Penang.

There are two types of Laksa – ‘Asam Laksa’ – the sour style, fish and tamarind based version usually associated with the northern parts of Malaysia – and ‘Curry Laksa’,

Photo Chris George

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based on coconut milk usually found in southern Malaysia, Singapore and Borneo. However, which is best?

Personal preference is influenced by experience, culture, family traditions and (in the context of curry) the ingredients available at the time and place of cooking. Personal preference will equally impact the type of family office chosen.

Across the private wealth industry, everyone has a different view about how you define the term ‘family office’. In much the same way that people from Malaysia will argue about the best Laksa, ‘family office’ means different things to different people. An individual professional’s preferred definition may be biased towards their particular area of expertise and the type of service they are offering.

The client’s wants and needs may also be different. There is no typical family office model. One family’s requirements could be completely different to another. Furthermore, how many generations exist in the family and where individual family members are based, can have a significant impact on the location of the family office. Increasingly, families are becoming more global so having an office based in a time-zone-central, tax neutral location, may be essential to ensure that all family member needs can be practically managed.

Family offices can include a combination of many activities. There will be those more focused on managing a family’s bankable assets, from cash and investment portfolios, to alternative asset classes such as private equity, real estate and hedge funds. Typically, such family offices will employ predominantly investment specialists.

Others family offices may be more administratively focused. Family offices usually go hand-in-hand with a trust, foundation and/or complex corporate structure spread across multiple jurisdictions. With the increasing burden of compliance, particularly regarding the need to report under FATCA and CRS, a family office more focused on compliance, company secretarial and administrative activities may be required with professional staff from an accounting or legal background.

Some family offices may also support a family’s day-to-day lifestyles, managing boats, planes and houses around the world, ensuring all are properly maintained and serviced. This activity may even extend to a concierge-type service, where hotels, holidays and tickets to pop concerts are organised.

Increasingly, wealthy families are turning their attention to philanthropic activities. Giving something back to the community. They may look to establish a charitable foundation to support their chosen causes and look to their family office to help administer and oversee.

Some family offices may incorporate all of the aforementioned activities and requirements.

When thinking back to my time in Asia, my favourite food was frequently found on the street corner or local hawker stall centre. The street food was often delivered by small family run concessions who have served a single style of dish using a recipe handed down through generations. The chef was probably also the owner and he or she would know

Hainan Temple, a UNESCO Heritage Site, Georgetown, Penang, Malaysia.
Elena Ermakova / Shutterstock

all the regular customers by name. The stall would not be flash and glitzy and there certainly would be no air conditioning. However, you were guaranteed great quality local food at a very reasonable price.

At the other end of the scale, there were plenty of larger restaurants, typically found within a major hotel or part of a regional chain. You could discover fantastic food often served 'buffet style' with many different food styles catered for. If the restaurant were part of a chain, you would have some certainty that the same style and quality of food would be served wherever you went. While you were unlikely to meet the chef or develop any personal connection with the staff, there would be plenty of people around to help you.

Din Tai Fung was one of my favourites. This was a chain of restaurants originating from Taiwan but found across most parts of Asia and specialising in soup dumplings and noodles. Wherever you went in the region, you were guaranteed the same style of dishes.

Jersey might not be the place that you would automatically think of as a culinary centre of excellence for curry. However, it has all the right ingredients to be the location to establish your family office, whatever variety you desire.

Jersey is a leading international finance centre where the breadth and depth of industry specialists are second to none. Whatever your preferred variety might be, you can find experts across all disciplines from investment professionals, lawyers, accountants, trustees and administrators. You can set up your own 'single family office' and directly employ the specialists you need. Or, you can outsource some or all of your activities to one of the many specialist providers in this sector.

When thinking about outsourcing, Jersey has some smaller, independent trust companies and investment managers where the strength and depth of the relationship between the service provider owner and family are fundamental. Services are often uniquely tailored and highly personalised and often likened to

Across the private wealth industry, everyone has a different view about how you define the term 'family office'

a 'trusted family advisor' model. Much in the same way as the street food vendor knows all of his customers extremely well and tailors his dishes to the differing needs of his regulars.

On the other hand, most of the larger, trust and corporate services providers that are owned by major corporates, banks or private equity houses, will also have a presence in Jersey. Many will have offices around the globe and be comparable to the international hotel and restaurant chains. While such organisations might not be able to provide the same degree of flexibility in their services or allow direct interaction with the business owner, they will give access to a larger pool of resources that might be better suited to complex, multi-generational global families spread across different time zones.

Jersey can satisfy the needs of most family offices. However, if your priority is to think about food, Jersey also enjoys fantastic fresh and locally produced ingredients to produce most any recipe you desire. If you are keen on a curry, then we have our own local expert too: just speak to my friend Kerwin and sample his excellent Jersey Butter Curry Chicken.

Robert Ayliffe

Robert Ayliffe, Executive Director, Osiris Management Services.

Robert is a qualified chartered accountant with over 25 years of financial services experience. He has held senior roles in Jersey, Kuala Lumpur and London with PwC and Capita Asset Services and has recently returned to Jersey following four years working in Singapore.

Robert has extensive experience servicing clients across all key sectors of the fiduciary services industry including corporate, funds and trusts for private, corporate and institutional clients, especially those based in SE Asia. He has particular expertise with the London AIM Market and in helping with entrepreneurs and wealthy family groups in the establishment of the family office and PTC structures.

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Jersey: building on a trusted reputation

By Ian Crosby

Jersey continues to be recognised as the world's leading jurisdiction for trusts, based on a trust law which has provided the bedrock upon which its enviable reputation has been built. At the same time as preserving the stability and consistency of its trust laws, Jersey has also over the last 12 months very successfully met the challenges that the OECD and the EU have presented to the IFC community and has been consistently judged by those bodies to be a leading and compliant jurisdiction. It is on this basis that Jersey continues to build on its position as a leading International Finance Centre and the jurisdiction of choice for the provision of fiduciary and family office services.

A key element to ensuring the Island continues building upon its position as a well-regulated, cooperative and dynamic International Finance Centre, has been the coordinated efforts of the Government of Jersey, the Jersey Financial Services Commission (JFSC) and Jersey's finance industry, in embracing the intensification of international regulatory scrutiny and addressing the demands for greater tax transparency; the registration of beneficial ownership; and greater cross border cooperation.

The outcome of this coordinated effort between state, regulator and industry, has been to reinforce Jersey's global position as evidenced by increasing client activity and new instructions; transfers of activity from other finance centres; an improved profitability within the industry; and a significant growth in the number of staff employed by fiduciary and private client businesses in Jersey. All of these are key hallmarks of a successful and thriving fiduciary industry.

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Jersey is aware that to maintain its leading position as the trust jurisdiction of choice amongst global clients and their advisors, requires that it carefully safeguard its reputation across all facets of the fiduciary industry. This includes ensuring a very high standard of administration with effective governance and strong asset security; that its fiduciary workface remains responsive, skilled and innovative, that the relationship between government, regulator and business continues to be symbiotic; that the jurisdiction ensures its legislation remains modern and comprehensive and that its courts are efficient, accessible, consistent and sensible. Each one of these aspects has a vital role in the continuing success of the Jersey fiduciary industry and is recognised by regulator and government alike.

Amongst global advisers, Jersey's reputation as a trusted and safe fiduciary jurisdiction is pivotal in their confident introduction of new clients who in turn justifiably require that their matters and their assets are safeguarded within an industry that is subject to comprehensive trust regulation and codes of practice, backed up by periodic scrutiny and assessment by the highly regarded Jersey regulator. It is only in this way that clients can be content that Jersey retains its position as the preferred jurisdiction for administering fiduciary structures.


Photo Chris George

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One of the key defining features of Jersey is the continued high level of expertise found within its fiduciary industry

In contrast to many competitor jurisdictions that may only have, at best, domestic trust law but without supervisory regulation, Jersey's practitioners operate under rigorous codes of governance, requiring that they operate in a transparent and fair manner to their clients, whilst ensuring that Jersey fiduciaries manage their businesses in a financially prudent and expert manner. For clients and advisors alike, these aspects of integrity and security are fundamental. For many Jersey fiduciaries it remains a source of some amazement that a client would choose to place their matters and their assets in jeopardy by holding them in less regulated and less secure jurisdictions.

Thus one of the key defining features of Jersey is the continued high level of expertise found within its fiduciary industry. Backed by obligatory qualifications and continuing professional development, this expertise has ensured the Island has readily been able to deal with the increasing complexities of administering structures for clients. Indeed the breadth of skills required of trustees particularly includes a high level of financial acumen with a clear understanding of sometimes complex legal issues – relating not only to trust and corporate entities but also to the types of transactions a structure may be engaged in – together with an ability to mediate between opposing interested parties, beneficiaries and settlers. It also requires a current understanding of wealth management so as to secure the preservation and enhancement of assets under fiduciary administration, plus an ability to understand and react to the increasingly complex taxation laws within multiple jurisdictions.

Attributes such as these found within Jersey's fiduciary personnel, assisted by the depth of skill offered by Jersey law firms, accountancy practices and wealth management operations, sets the Island apart from many of its competitor jurisdictions. This, no doubt, has been a significant factor which over the course of this past 12 months has led to more international fiduciary businesses choosing to headquarter their global operations in Jersey.

As previously mentioned, Jersey's reputation – not only to clients and client advisers but also to global regulators and multinational regulatory organisations – has, to a significant degree, been assisted by the high regulatory standards that continue to prevail in Jersey. Sensible regulation by the JFSC to a globally accepted standard is to Jersey's advantage, satisfying our clients and interested international bodies and is a business enabler, rather than inhibitor.

In particular the States of Jersey has been proactive with regards to the industry's requirement that the trust laws which facilitate our fiduciary industry should be world class and has worked with the Island's fiduciary and legal communities on keeping that law up to date, agreeing and implementing necessary amendments.

Accordingly, through the maintenance and development of its highly successful Trusts Law – together with the other key attributes that constitute its internationally renowned fiduciary industry – Jersey is astutely maintaining its position as the trusted fiduciary jurisdiction of choice.

Ian Crosby

Ian Crosby, President, Jersey Association of Trust Companies (JATCo).

Ian is a long standing Partner with the Stonehage Fleming Group and Chairman of its Jersey operation. In addition to his Group responsibilities, he acts extensively on trust, family office and private client structuring and is the chairman of a number of family councils, funds and fund management companies.

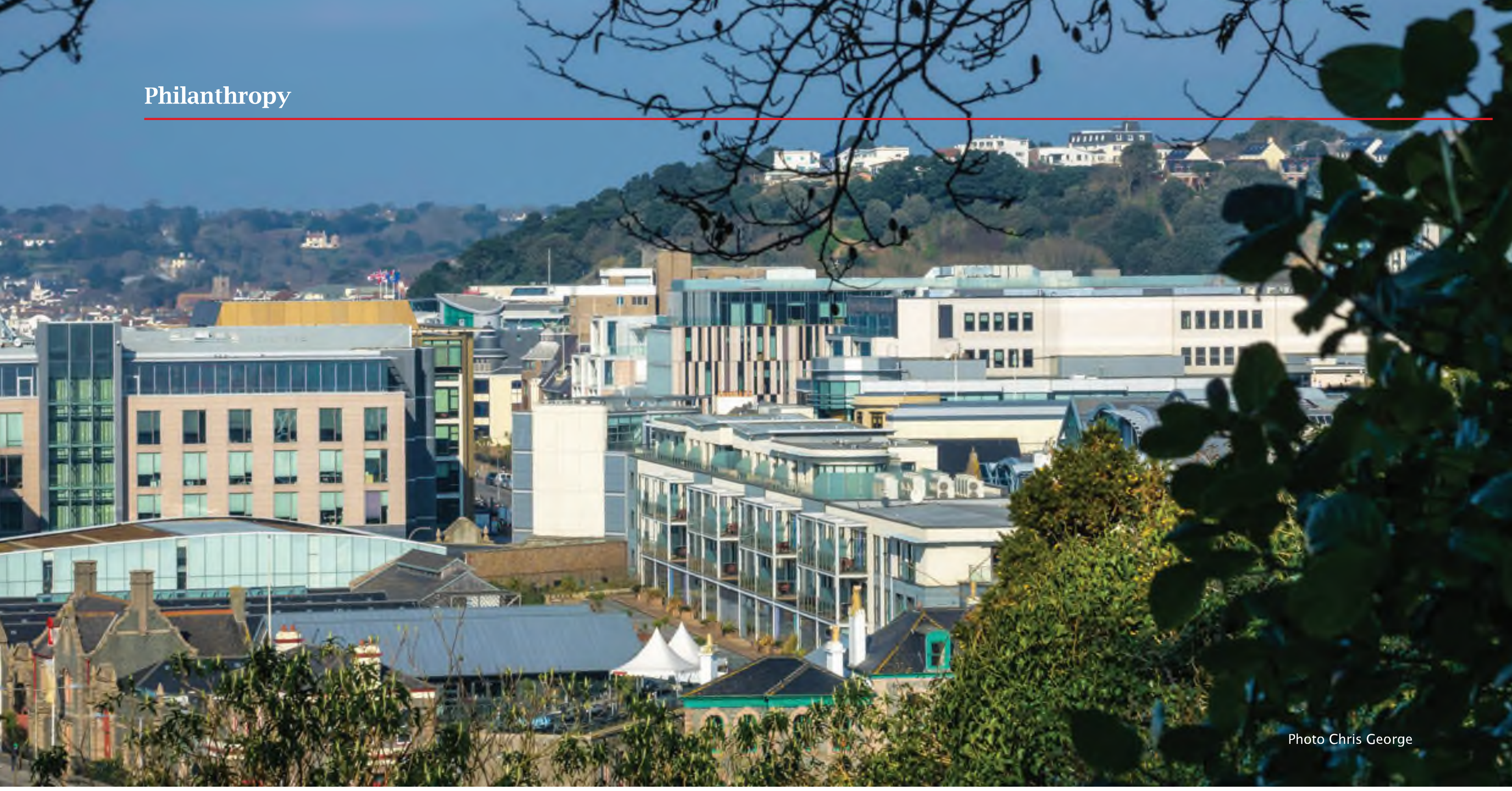

Photo Chris George

Jersey: centre of choice for international philanthropy

By Zillah Howard

For many families across the globe, deciding whether and how to engage with philanthropy is an important and very personal matter.

Some choose to donate to well-known, public charities whilst, for others, the creation of a new structure is more appropriate. This might, for example, be because they:

- identify a particular cause that really matters to them which is not being focused on by established charities, or is something that they think could be advanced more effectively with the benefit of their business skills and experience; or
- would like to establish an environment in which the next generation can be introduced to the family's wealth and values, or in which the members of an extended and diverse family can be united around shared goals and interests; or
- have particular views or concerns in relation to the public profile attaching to their philanthropy.

Why Jersey?

Jersey has an established – and growing – reputation as a location of choice for those international families who decide to create new philanthropic wealth structures.

As a mature and well-respected jurisdiction, with a depth and breadth of experience amongst its professional advisers which has been developed over more than 50 years, Jersey provides stability and a robust regulatory regime from within a readily accessible central time zone.

Jersey law trusts have been used for philanthropy for many years and were joined by the Jersey foundation in 2009. Recognising the increasing geographical reach of the Island and that some families from civil law and other backgrounds are more familiar with foundations than trusts, the Foundations (Jersey) Law 2009 introduced the foundation as a new form of legal entity (without shareholders or any other form of owners) which holds assets and enters into contracts in its own name. Jersey foundations have become established as a vehicle of choice for philanthropy, with approximately one third of all foundations having philanthropic purposes. The Charities (Jersey) Law 2014 (the 'Charities Law') complements Jersey's offering in relation to trusts and foundations by providing an innovative system of charity registration.

Flexibility of structure

Jersey trusts and foundations are both very flexible and can be tailored to each family's own requirements. This means that:

- the particular cause that a family has identified can be pursued, whether it falls within legal definitions of charity or is more broadly benevolent or altruistic but not technically charitable; and
- family members can be involved with the structure on an ongoing basis: with a foundation, for example:
- an entrepreneur might play an active role as a council member (similar to a company director), working to ensure that the foundation achieves the goals that he or she has in mind, or might become its guardian (helping to ensure that the foundation's objects are carried out);
- younger family members might be given roles designed to introduce them to the family's wealth and values at appropriate ages; or
- individual branches of a large family might appoint representatives onto a giving committee, allowing them to share and agree upon ideas as to the distribution of the foundation's property.

Public profile

Understanding that families have individual approaches to philanthropy and that some are keen to publicise their giving whilst others prefer to remain anonymous, Jersey offers a choice in relation to public profile.

From May 2018, the Charities Law offers two categories of charity registration, with registration being voluntary (albeit relevant in determining entitlement to the full range of Jersey's charitable tax reliefs and to the use of the term 'charity').

The first category is registration as a charity on the general section and is intended for those seeking to raise funds from the public. In order to protect public trust and confidence in registered charities, the general rule is that all of the material on this section will be publicly available, so that potential donors and volunteers will have access to relevant information to inform their decisions.

For those not wishing to publicise their giving initiatives, the use of Jersey trusts or foundations without the addition of a charity registration will be the preferred approach. There is no public registration of trusts in Jersey and, whilst a foundation is a registered entity, only a certain amount of information is publicly available: including the foundation's name and registered number, the name and business address of its qualified (regulated) council member and its charter but not its regulations, which can therefore be drafted freely, on a bespoke basis, to include details of the foundation's purposes and to reflect individual requirements.

Trusts and foundations established in Jersey by international philanthropists are typically funded with family moneys rather than by public donations and it is likely that many (if not most) of these – whether existing or newly created – will operate without a charity registration. Those which are not registered as charities will still qualify for exemption from Jersey income tax upon satisfaction of certain conditions – albeit not the other Jersey charitable tax reliefs – plus tax neutrality is preserved for structures with no beneficiaries and no income deriving from land and buildings in Jersey.

However, for some international families a formal registration (or 'label') as a charity is required and the second category of registration offered by the Charities Law represents a very attractive option. Designed for those structures which do not seek public donations and instead rely upon family moneys, registration on this section will result in only a limited amount of information – including the charity's registered number but not its name – being placed onto the public register. This ability to maintain a lower profile in relation to their giving initiatives is important for many families, as also is the fact that the Charity Commissioner can withhold information from the public register (for general as well as restricted section registrations) where there are concerns in relation to the safety or security of property or individuals.

Centre of choice

The ability to create structures tailored to allow families to make the difference that they want to make in the way they want to make it and the range of choices available in relation to public profile, combine to position Jersey as a centre of choice for international philanthropy.

Zillah Howard

Zillah Howard, Partner, Bedell Cristin.

With extensive experience in international private client work, Zillah provides Jersey law advice in relation to trusts, foundations and philanthropy and works with families, professional trustees and leading law firms on wealth structuring and estate planning. Her practice includes the establishment, ongoing operation and re-organisation of complex, bespoke and high value structures and the use of settlor reserved or granted powers and private trust companies.

Zillah is an active member of Jersey Finance working groups which help to shape trusts, foundations and charities law in Jersey.

Take five

With Jersey's Charity Commissioner: John Mills CBE

Jersey has established itself as a centre for global philanthropy, with a range of flexible structures – trusts, charitable trusts, non-charitable trusts and foundations – providing a range of options for philanthropic activities, supported by technical expertise in formation and management of philanthropic structures. It also has a thriving local charity sector.

Building on its existing Trust Law and Foundation Law, in 2014 Jersey brought in new legislation in the form of the Charities (Jersey) Law 2014, which, having been introduced incrementally, will have fully entered into force by the end of 2018. The law frames the definition of charitable activity within a modern legal framework that can support all international charitable enterprises. It creates a charities register and establishes the appointment of a Charities Commissioner.

Recently appointed as Jersey's first Charity Commissioner, John Mills CBE is tasked with protecting public trust and confidence in registered charities and has responsibility for determining the statutory charity test, which will determine whether an entity may be registered as a charity, as well as maintaining the register of charities.

Prior to taking up this position, he had chaired a large UK educational charity for some 18 years and has significant experience of financial services regulation in the Island and in other regulatory spheres in the UK. He has over 30 years experience of working in senior government positions including being a Member of the Prime Minister's Policy Unit, the Chief Executive of Cornwall County Council and between 1999 and 2003 Chief Executive (Policy and Resources) for the States of Jersey. In the past decade he has held several non-executive roles in Jersey and in the UK.

Here he tells us about his new role and why Jersey should now be well-placed to further enhance its position as a mature and flexible centre in the vanguard of international charitable enterprise structuring.

Q1. Following your recent appointment as Jersey's first Charity Commissioner, what has been the initial response with regard to general awareness and understanding of the nature of the role and its remit, particularly in relation to the Charities (Jersey) Law 2014 and Jersey's charities register?

A. "I continue to be very encouraged by the support I have seen from all quarters for the new charity register and the regulatory arrangements that will encompass it. This goes across the whole range, from the smallest local charity to the largest; there does seem to be common ground that the time is right for a modern regulatory approach to the whole sector."

Q2. Since taking up the position, what have been your most immediate priorities, in terms of increasing recognition of the functions of the Charity Commissioner and setting out an agenda?

A. "Since my appointment in July 2017, I have been meeting with a wide range of people in the charity sector and finance industry to hear their views about the new regulatory regime and the developing plan for the Island's first public register of charities. In February 2018, I published draft guidance that addresses how I shall approach decision-making on the charity test established by the new Law. It sets out the main principles and factors to which I will have regard in operating the law. I have had some interesting but positive feedback on the draft and will publish the final version next month [April].

"To aid the consultation process, there have been several meetings where people, especially those involved with organisations that will seek to become registered charities, can hear about the operation of the new law and ask whatever questions they wish."

Q3. How does your new role compare to the wide range of roles you have held in the public and civil service sectors and what knowledge and understanding gleaned from your past experiences with such organisations, do you think will serve you well in this new position?

A. "A public service career may not be to everyone's taste but I have been fortunate to have had a series of senior government roles that have, simply, given me a very broad range of experience about public affairs, and, especially, about how law and regulation interact with individuals and organisations.

"Specifically, my kind of work has taught me the importance of precision in articulating complex concepts and how language – words – matter. That's particularly important in the sphere of charity law but it applies across the board in any sphere of public policy."

Q4. Could you give us an outline of how you see the role currently and how it may evolve in the foreseeable future, as the new legislation reaches full implementation in the next year or so?

A. "My main immediate tasks are a) to get all the guidance on the operation of the new law in place, especially on the charity test itself and b) to get ready to receive and deal with applications for the Jersey charity register which is due to be open for business from 1st May 2018. I am confident that most applications will be able to be dealt with in a straightforward way but I also need to be ready to work through cases that may be more challenging; there is a range of rules and requirements as to what is or is not 'charitable' and what does or may not comprise 'public benefit'. I envision a fair amount of dialogue with some applicant entities, particularly to ensure that there is no doubt but that purposes are indeed charitable.

"There will be no charge for registration. The register will be public and accessible to all without charge. This is save for a restricted section for privately-funded charities that meet a requirement under the Law that they neither solicit nor receive donations from the general public. Such bodies will, however, equally have to meet the charity test in order to be registered and be subject to the Commissioner's oversight in exactly the same manner as charities on the public register. From 2019, being a registered charity will be the only means by which an entity now describing itself thus will be entitled to continue doing that and, subject to some transitional provisions, continue to obtain all the tax reliefs afforded to charities."

Q5. What do you see as some of the key benefits that Jersey will now provide with the addition of the Charity Law supported by the Charity Commissioner and how the treatment of charitable structures in Jersey may compare to that in the UK and other jurisdictions?

A. "The new law is a significant reform that impacts upon a crucial sphere of civil society in Jersey. At the moment there is little or no transparency about the charity sector in the Island generally; we don't even know its actual size and scale.

"The new public register will, over time, illumine this and enable people who wish to give to good causes to be assured that they are giving to reputable organisations that will spend their money wisely and appropriately. The factors pertaining to 'restricted section' charities will be somewhat different. The key benefit here I see as reputational for Jersey. For, say, a large family foundation, registration will give assurance, perhaps to overseas tax authorities as well as the local Tax Office in Jersey, that it is established in a proper manner for charitable purposes. The essential principles of law underpinning that will be very similar to those in all the common law jurisdictions. The key underpin is the duty put upon me by the new law to seek to protect public trust and confidence in registered charities and my aim will be to approach that in a fair but effectual way. I'm sure there will be much interest to report in a year's time, when the new arrangements are fully up and running."

Islamic finance in Jersey: current and future trends

Interior of the Al-Rifa'i Mosque in Cairo, Egypt. Anton_Ivanov / Shutterstock

By Trevor Norman

Financial institutions in Jersey have been providing services to Muslim clients – and in particular those resident in the GCC – for many years. Unlike some other western countries, Jersey has not had to make any changes to its laws to permit Islamic financial transactions or investment, thereby ensuring that conventional and Islamic financial products are governed, regulated and administered on the same basis.

Elsewhere such changes are often driven by ensuring the equality of treatment of financial contracts drafted under Shariah law (where interest, whether received or paid, is forbidden) which do not readily fit within the countries' tax laws. Jersey's position as a tax-neutral jurisdiction means that no such amendments are necessary. In addition, our other corporate laws and regulations are such that in over 20 years of structuring Shariah-compliant vehicles, I have yet to encounter a problem with a structure or contract that could not be accommodated within Jersey's laws.

2017

Historically, the two primary areas of Shariah-compliant services offered by Jersey are:

a) Private wealth management services such as the establishment and administration of trusts, foundations and private companies for individuals and family groups and
b) the establishment and administration of structured finance vehicles, such as collective investment funds, and other special purpose vehicles for the investment of capital on behalf of Islamic Financial Institutions (IFIs), or small groups of family and friends investors which are often referred to as 'club deals'.

Whilst 2016 finished with a flurry of activity, particularly in investment in UK commercial real estate by both individuals and IFIs, it was our experience that 2017 started very slowly with minimal activity across all sectors as individuals and institutions were cautious as to the possible effects of the Brexit decision in the UK, with a knock-on effect over investment sentiment for European assets. The Trump effect also led to many investors from the GCC being very cautious and delaying plans for investing into assets located in the US.

It is not possible to identify a trigger event or timing when activity picked up again but we saw a steady build up in activity in the period preceding Ramadan in late May and then an unusual level of activity during Ramadan itself, which is traditionally a very quiet period with regional businesses working shorter hours. Following the annual (lengthy) summer holidays, we were inundated with enquiries and transactions from across the region and beyond, and it seemed the UK real estate had lost none of its appeal. That was until the UK Chancellor dropped his bombshell in his autumn budget with a proposal that from April 2019 capital profits on UK real estate will be subject to Capital Gains Tax (CGT).

Many experts have pointed out that such profits are already subject to taxation in other jurisdictions across Europe and, over the longer term, rental income in the UK is likely to increase to mitigate the effect of the additional tax on individual properties. As such the overall investment returns from UK real estate should prove to continue to be attractive to the overseas investors on which the UK is highly dependent. Meanwhile, we have seen an increase in interest by regional investors in European

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real estate, utilising Jersey corporate structures rather than European corporate vehicles.

2018 and beyond

There are no indications to suggest real estate will not continue to be the predominant asset class for Muslim investors from the GCC and elsewhere but increasingly the availability of real estate assets where the activities of the tenants are not haram, i.e. prohibited in accordance with the principles of Shariah law (e.g. non-Islamic banks or financial institutions), are becoming more difficult to find. Shariah Scholars will generally approve an element of purification (or cleansing) of rental flows arising from haram activities of the tenants but these can be difficult to ascertain with any real certainty and naturally have an adverse effect on the ultimate returns paid to the investors.

Along with this pressure on the availability of appropriate real estate assets, many IFI's and their clients are looking to diversify their portfolio into new asset classes and it is for these asset classes that we anticipate Jersey entities playing an active role.

Green Sukuk

The worldwide trend towards socially responsible investment (SRI) and increasing environmental awareness has seen a marked rise in the appetite for green bonds and within the Islamic finance sector this is reflected in the potential for Green Sukuk, which speak to the underlying purposes of the sector in bringing good and avoiding harmful acts.

Malaysia has been the market leader in the issuance of Green Sukuk, with guidelines issued in 2014 for SRI. These set out that the proceeds of SRI Sukuk can be used to preserve the environment and natural resources, conserve the use of energy, promote the use of renewable energy and reduce greenhouse gas emissions.

Jersey has a long history in facilitating Sukuk structures, notably the Caravan Sukuk structure which won an award as the Innovative Product of the Year as long ago as 2004 and we are seeing renewed interest in establishing Sukuk structures through Jersey vehicles, particularly in the energy from waste and renewables sectors.

Africa

Jersey committed itself to working with Africa through Jersey Finance's report 'Jersey's Value to Africa – The role for international financial centres in delivering sustainable growth in developing countries' published in November 2014.

Many African countries have a large Muslim population but conversely have only a small and relatively informal Islamic

Dubai, UAE. Kazzazm / Shutterstock

finance sector and therefore have the potential to grow in scale and sophistication. Yet equally economic growth and financial participation will be critical which gives investment opportunities for both residents and foreign IFI's and individuals alike.

Islamic financial solutions to support both inward and outward investment will be a key part of realising the investment opportunities in Africa and Jersey is well placed to play its part in assisting with these solutions.

Gold

The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), which sets Shariah standards followed in whole or in part by IFI's around the world, approved a new standard in December 2016 setting out the Shariah parameters for trading in gold, the approved types and forms of gold and the Shariah rulings for gold-based financial products. Prior to this there had been a degree of uncertainty as to permissibility of gold as an investment product as it had been closely associated with money which cannot be traded or held as an investment.

However, the anticipated flurry of new gold based, Shariah-compliant investment structures has not materialised which may be a reflection of the volatility of gold bullion in 2017, or slow acceptance of investors of the new Standard (or both); but this is an area which deserves to be monitored in the future.

Fintech

Finally fintech, or for the purposes of this article, Islamic fintech. The Government of Jersey has identified fintech as a potential new industry sector for the Island and the first regulated bitcoin fund was given regulatory approval in 2014. However whilst the Scholars have yet to issue conclusive guidance on whether investing in bitcoin and other synthetic currencies is halal or haram, fintech is a

There are no indications to suggest real estate will not continue to be the predominant asset class for Muslim investors from the GCC and elsewhere

much wider topic and encompasses all technology that is used to give greater access to financial products for all investors.

Equality of individuals is a fundamental precept of Islam and fintech will assist in achieving this in financial services, so whilst the exact role (or roles) of Jersey in delivering Islamic fintech remain uncertain, you can be certain that Jersey will be playing a role in this sector in the near future.

Conclusion

As noted in my introduction, Muslims have been establishing structures in Jersey for several decades, either for private wealth purposes or the issuance of securities. The rationale for this is similar to that for any other group or nationality but Jersey's long-standing connections to the Middle East bring an additional benefit of experience and expertise in establishing these structures in a Shariah-compliant context, both now and for the future.

Trevor Norman

Trevor Norman, Director, VG.

Trevor Norman has more than 20 years' experience working on Shariah-compliant structures including several real estate funds, various specialist Shariah screened equity funds and the award-winning Caravan I securitisation Sukuk. A recognised expert in the field, VG has been named Best Islamic Trust Formation Services at the Global Islamic Finance Awards two years in a row (2016 and 2017).

The author of several definitive articles on Islamic finance, Trevor is a regular speaker on the subject at international conferences.

Trevor is a Fellow of The Institute of Chartered Accountants in England and Wales and a member of the Society of Trust and Estate Practitioners (STEP) and the Institute of Directors.

Jersey's global capabilities support fund managers' success

By Mike Byrne

Jersey's funds industry has been at the heart of the jurisdiction's financial services infrastructure for almost 50 years and over the past decade in particular, has evolved in response to the rapidly changing economic, regulatory and political environment. Thanks to this forward-looking approach, it remains one of the most robust elements within Jersey's range of financial services and continues to prosper, despite various challenges throughout 2017.

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On the regulatory front, specialist fund centres globally have had to contend with a growing raft of initiatives, from tax reporting measures through to the EU Alternative Investment Fund Managers Directive (AIFMD) and the OECD's Base Erosion and Profit Shifting (BEPS) project.

Jersey's funds industry has, however, continued to perform well over the past year, with a number of significant new funds – including the largest ever private equity fund and some of the biggest alternative funds ever launched – making use of Jersey's stable, tried and tested regime during 2017.

Figures from the Jersey Financial Services Commission (JFSC) show that the net asset value of regulated funds being administered in Jersey last year peaked at just over £291 billion – the highest level ever, surpassing pre-crisis levels – whilst the value of non-regulated funds serviced in Jersey, particularly through Jersey Private Fund structures, continues to rise impressively too.

Alternative asset classes account for more than three quarters of Jersey's total funds business, with private equity continuing to be Jersey's largest industry sub-sector representing around a third of alternatives business by net asset value, followed by hedge (23%) and real estate (17%).

Given the ongoing appetite amongst institutional and pension fund investors into these sectors, Jersey is very well placed in these long-term, closed ended strategies. In fact, evidencing Jersey's resilience and sustained strength

Alternative asset classes account for more than three quarters of Jersey's total funds business, with private equity continuing to be Jersey's largest industry sub-sector

in alternative asset classes, a recent study commissioned by Jersey Finance (Analysis of the Jersey Alternative Funds Sector Investor Base) found that levels of funds business in Jersey pre and post the introduction of AIFMD – a Directive that threatened much disruption – was broadly the same.

Innovation

The global landscape Jersey finds itself in this year, of course is very different from the retail orientated focus of the 1970s and 1980s. Over the years, Jersey's fund offering has shifted to reflect its specialisation in alternative funds and a need to focus specifically on the needs of sophisticated, professional investors.

The result of this evolution is a full spectrum of fund solutions, from highly regulated funds to lighter touch options for smaller groups of institutional investors. In line with this, Jersey has continued to demonstrate innovation within its funds armoury and focus on its reputation as a forward-thinking funds jurisdiction.

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Thanks to the collaborative approach of the regulator, industry and government, this resulted last year in a comprehensive review of Jersey's funds regime and the ultimate introduction of the Jersey Private Fund vehicle – a structure geared towards the needs of small numbers of professional investors needing a streamlined, quick-to-market option.

This new vehicle has been hugely successful, with more than 100 such structures launched to date – including some very large funds indeed.

Further enhancements and innovations stemming from this holistic review are anticipated this year as Jersey remains focused on supporting managers across the alternatives space.

Global markets

Particularly in light of the AIFMD – which marks its fifth anniversary this year – market access is of course a key factor in Jersey's ongoing success.

As a mature alternative funds domicile, Jersey has long found favour with investors around the world and a look at the investor registers of Jersey funds reveals sophisticated investors from a broad cross section of markets: for instance the top five sources of capital committed to Jersey funds, are the UK, US, Ireland, Luxembourg and Canada.

That said, Europe remains an important market – the research 'Jersey's Value to Europe' (2016) calculated that around a third of Jersey funds business touches the EU – and Jersey is extremely well placed to play a pivotal role in supporting non-EU (including, post-Brexit, UK) managers wanting to access EU investor capital.

Private placement into the EU is working extremely well in this AIFMD era, whilst also giving managers an element of operational flexibility without the complications and cost implications of full onshore AIFMD compliance.

Figures from Jersey's regulator indicate that more and more managers are making use of this option – the number of alternative funds being marketed into the EU in this way has grown 15% annually to 291 and the number of managers by 17% to 149 (December 2017). It is a viable option – stable, cost-effective and it works.

It is future-proof too, as private placement looks set to be around for some years yet and in the long run Jersey has the comfort of having been given ESMA's recommendation that it should be granted a third-country passport as soon as that becomes available.

At the same time, though, Jersey can also play an important role in enabling EU managers to mitigate the impact of Brexit too. It is a fact that a hugely significant proportion of investors in alternatives are based in the UK and access to the City is just as important an issue for EU managers as access to the EU is for UK managers.

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That is why Jersey has been working with regulators, governments and industry to make sure it can offer EU as well as non-EU managers the future-proof environment they need post-Brexit to realise future success, plus we know that Jersey already plays a significant and positive role in that respect. Research by Capital Economics ('Jersey's Value to Britain', 2016) shows that Jersey is responsible for channelling £1 in every £20 of foreign investment into the UK.

Meanwhile, beyond Brexit and the UK, the indications also point to a trend towards global strategies in the alternatives space. Preqin figures (Q3 2017 Updates) suggest, for example, that the proportion of private equity investors targeting vehicles with a global mandate increased from 35% to 41% year on year in 2017.

The future success of fund managers, including those in and outside of the EU, clearly lies in being able to access global markets easily and few jurisdictions, offshore or onshore, are as equipped to deliver that as efficiently and as robustly as Jersey.

The 'Analysis of Jersey's Alternative Funds Sector Investor Base' research, for example, found that, post-Brexit, 72% of capital in Jersey alternative funds will be committed from non-EU countries, reflecting that whilst Jersey is well placed to bridge the UK-EU Brexit gap, it also offers genuinely global opportunities.

Management substance

As well as being able to provide administration and servicing solutions for managers and advisors, Jersey is also proving increasingly popular as a host to asset managers, confirming its credentials as a jurisdiction of genuine asset management substance.

Driven by the criteria laid out in BEPS, considerations around 'substance' are increasingly at the heart of domiciling decisions made by managers and Jersey's proposition is compelling. Last year, Jersey's government signed up as an OECD BEPS associate and became one of the first countries in the world to bring the BEPS legislation into domestic law.

However, Jersey's commitment to substance extends back beyond BEPs. Jersey already has a presumption towards managers being able to demonstrate on the ground substance, whilst the focus is on providing a bespoke alternative funds service, not a commoditised, quasi-retail, service of the type sometimes experienced in onshore domiciles. In light of BEPs, this should give managers some much needed confidence.

Over the last five years, for instance, the community of fund managers operating in Jersey has more than doubled to now include some of the most significant hedge, real estate and private equity fund managers. Notably, Jersey has become the sixth largest hedge fund management hub globally against industry benchmarks.

Importantly, all these managers are undertaking a full spectrum of fund management, risk and portfolio management functions, plus they are supported by a large pool of skilled and readily available staff that are specialists in alternatives.

In addition, unlike certain other jurisdictions, Jersey is able to draw on a sizeable infrastructure of highly experienced and regulated fund service providers to support alternative asset managers, including a broad network of experienced non-executive directors, specialist administrators, custodians and depositaries, all backed-up by an impressively responsive and accessible regulator.

This sort of pedigree means the jurisdiction is well placed to deliver the substance required of asset managers under the BEPS initiative and AIFMD and presents Jersey with significant advantages.

Future

In an increasingly fragmented marketplace, the focus for Jersey is on working with investors and managers to enable seamless cross-border investment to continue. Ultimately, market disruption in any form is in no-one's interest and Jersey's focus will be on empowering managers to do what they do best – deliver good returns for investors and put capital to work efficiently and usefully. That must be in everyone's interest.

We will be doing that by making a real effort to differentiate ourselves in the market. Jersey's simple and transparent tax neutral environment for funds, ability to demonstrate service quality and genuine commitment to innovation, really does set it apart from other jurisdictions. Ultimately, Jersey offers a highly attractive and non-contentious opportunity for pooling international capital and giving investors and managers the confidence and certainty they need for the future.

Mike Byrne

Michael Byrne, Chairman, Jersey Funds Association (JFA).

Mike is a Partner and Asset Management leader at PwC in the Channel Islands. He brings together the firm's offerings for assurance, tax and regulatory solutions to the asset management sector.

Mike specialises in private equity, hedge funds, infrastructure and fund of funds. He has considerable expertise working in Europe and Asia.

The fundamentals of Jersey funds

By Jason Bingham

In an environment of increasing regulatory and market pressures, the introduction of the Jersey Private Funds (JPF) regime in April 2017 was seen as a positive step towards attracting new business and helping Jersey to maintain its reputation as a leading international finance centre for the funds sector. The changes were designed to phase out outdated fund products and improve its flexibility within an innovative funds regime.

In upgrading its funds offering, Jersey focused on private funds, targeting professional and institutional investors rather than the retail market. In response to demand from fund managers and investors, JPFs provide a competitive offering, reflecting the institutional nature of investors in Jersey funds. The lighter regulatory treatment of the JPF was made possible through the reliance placed on Jersey-regulated fund administrators, which must carry out appropriate due diligence in relation to the fund.

Following its introduction, the JPF regime was quickly seized upon by existing and new clients as an effective, streamlined and proportionate product for privately offered alternative investment funds. The speed and ease with which these new launches were achieved – all within 48 hours of applying to the Jersey Financial Services Commission (JFSC) – underlined their effectiveness.

Manager-led fund products

Under the Alternative Investment Fund Manager Directive (AIFMD), the regulatory focus changed from regulation of the fund, to regulation of the fund manager. However, this also introduced the possible risk of 'double regulation', where a fund and its manager are both required to comply

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with regulatory obligations, adding further administrative costs, possible delays and increased complexity. As a non-EEA jurisdiction, Jersey is not as affected by this as Luxembourg or Ireland but, given Jersey's strong commercial links to EU member states, it is important to not only offer AIFMD-compliant regulatory regimes but also fund products that make the best out of that regime.

In the wake of the implementation of the AIFMD, a number of European domiciles launched new 'manager-led' fund structures in order to attract professional and institutional investors in specialist fund classes such as real estate and private equity. These new structures were designed to offer a more flexible alternative to the rigid regime that was imposed upon Europe's alternatives fund market. As 'manager-led' vehicles they were aimed at providing a streamlined regulatory environment for a class of professional investor deemed to be sophisticated enough to carry out their own due diligence.

As is so often the case, Ireland became the early mover, launching the Irish Collective Asset-management Vehicle (ICAV) in early 2016. Guernsey then came out with its Manager Led Product (MLP) in March 2017, followed by Malta and the Notified Alternative Investment Funds (NAIF) and Luxembourg and its Reserved Alternative Investment Fund (RAIF), which was passed into local law in July 2017.

The introduction of these 'manager-led' regimes were seen as a defining moment for the funds industry in reducing costs both at the fund formation stage and throughout the life of the fund. At the same time, alignment with the EU shifted the focus towards regulating the managers of investments and not the investments themselves. The likes of the British Virgin Islands (BVI) and the Cayman Islands may feel most threatened by the new manager-led fund structures from European domiciles and the prospect of more re-domiciliation of funds from these jurisdictions may become more common.

Meanwhile, Jersey has taken its own steps to introduce the Jersey Registered Alternative Investment Fund (JRAIF), which is expected to provide investors with an impressive new vehicle, which can prosper even further once the AIFMD passport is granted.

As a manager-led product, the JRAIF is aimed at professional and sophisticated investors and will be supervised directly by the alternative investment fund manager, who in turn is authorised and supervised by the JFSC. With the JRAIF – unlike in other fund structures – the alternative fund manager is responsible for ensuring the JRAIF is AIFMD compliant. This also means that no JFSC approval, either prior to launching the fund or thereafter, will be required. The JRAIF will not be required to adhere to the code of practice for certified funds.

It is thought that the JRAIF provides a pragmatic compromise between appropriate regulatory supervision of financial vehicles and providing relief to investors, who are often stuck with the costs of dual regulation and compliance. After all, a fund is essentially a pooling vehicle and if that vehicle has been set up and is managed by an appropriately regulated and supervised fund manager, there is little need to add additional regulatory requirements to the fund vehicle itself. Furthermore, it should not be forgotten that not only the fund manager is regulated but the fund's and fund managers' bankers, custodians and administrators are also regulated entities.

Conclusion

Jersey's continued improvements in infrastructure and supportive regulations, as well as reductions in bureaucracy across its funds offering, is likely to maintain – if not improve –its domiciliation share in an increasingly competitive global marketplace. As the Jersey funds industry evolves, the governance and in-house administrative activities carried out in Jersey is likely to increase.

The best operating centres for funds will balance high-quality regulation and infrastructure with the potential for tax-efficient structuring. With investors now in the driving seat, international financial centres must give managers greater flexibility to match transparency and governance to investor profiles.

As a jurisdiction, Jersey recognises the need to continually enhance its funds environment in an evolving regulatory landscape. As well as making Jersey's regime clearer, simpler and more streamlined, it also demonstrates that the jurisdiction is committed to bringing innovative products, such as the JRAIF, to the market.

The Jersey government's determination to encourage high quality business to the Island and the support offered by the sophisticated and comprehensive infrastructure of laws and regulations, combine to promote investor confidence. Jersey's competitiveness internationally provides it with credibility and a competitive edge in a world where a jurisdiction's quality has assumed far greater importance.

Jason Bingham

Jason Bingham is Head of Real Estate at SANNE.

Jason is responsible for the strategic governance of SANNE's Real Estate division, its services and markets across the jurisdictions in which it operates.

He has more than 17 years' experience in the financial services industry administering a wide variety of real estate structures including limited partnerships, corporate structures, unit trusts and collective investment schemes. Jason joined SANNE in 2012 from State Street (formerly MIFA) where he worked in both the Jersey and London offices.

Jersey: leading the way on crypto currency

By Christopher Griffin

In 2014 Jersey stole a march on its competitor jurisdictions as a crypto friendly jurisdiction when the Island's regulator, the Jersey Financial Services Commission (JFSC), approved the launch of the world's first regulated bitcoin investment fund, GABI Plc. At the time, bitcoin was far less well known and was regarded by the mainstream as a fringe asset class.

GABI's regulatory approval as a Jersey Expert Fund was regarded by many industry commentators as a statement of intent from the Island.

Crypto funds in Jersey

Jersey's Expert Fund regime is the sweet spot of Jersey's regulatory regime in the alternative funds space, with many widely marketed alternative funds (including the $100 billion Softbank Vision Fund) seeking this regulatory stamp of approval. This type of fund can be marketed to an unlimited number of 'expert investors', the most common category of which is any person investing a minimum of $100,000.

In an asset class where regulators have often been criticised for failing to adapt existing regulatory regimes to

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suit the advance of 'crypto', the JFSC sensibly focused on some key concerns and investor protections when approving GABI:

- the source of the fund's bitcoin.
- how the fund was going to 'custody' its bitcoin.

These issues obviously present their own challenges in the digital asset space as regulators grapple with the conceptual difficulties of how to regulate something with no physical properties. To guard against money laundering and to safeguard the integrity of both the fund and Jersey's reputation as an international finance centre, the JFSC sensibly required that the fund source its bitcoin only from either 'miners', sovereign governments or regulated exchanges.

Also, the fund could only appoint crypto custodians who were regulated in their home jurisdiction and who were subject to regulatory capital requirements equivalent to Jersey's. In this way, the JFSC was able to grant the 'Expert Fund' regulatory kitemark to GABI when other jurisdictions were still struggling to get up the knowledge curve.

The launch last August of Coinshares Fund I – the closed ended venture capital fund investing in ICOs and other digital assets – was particularly notable in that, as a Jersey limited partnership, the fund could accept subscriptions in Ether and the fund was denominated in Ether. This meant the fund could then invest subscriptions directly into ICOs without any complicated conversion valuations to change investors' money from fiat currency to crypto. Coinshares Fund I also took advantage of the 'Jersey Private Fund' regime which is proving incredibly popular with managers looking for a quick route to market.

Initial Coin Offerings (ICOs)

There has been an explosion in the number of 'initial coin offerings' (or ICOs) in the last year. Founded principally on the Ethereum blockchain, the use of the 'smart contract' allows an ICO promoter to mint his own coin or token in exchange for Ether subscriptions. Tokens can be 'utility' in nature, allowing the holder access to new software or to a particular platform, or they may give the holder certain economic rights. In essence, ICOs are cryptographic crowdfunding and regulators are understandably nervous because they do not conform to traditional ways of raising capital around which the word's capital markets and securities regulations have been crafted.

All jurisdictions have scrambled to get up to speed with ICOs, with varying degrees of risk appetite. While some regulators have prohibited ICOs entirely, as others have given carte blanche to almost any ICO promoter, the JFSC have sensibly recognised there is a middle ground; ICOs are here to stay and ICOs with proper substance which are backed by a credible promoter should be nurtured.

Against this backdrop, in December 2017 we saw the launch of Jersey's first initial coin offering (ICO), the ARC Reserve Currency. ARC is an asset backed 'stablecoin' crypto currency which is designed to act like a currency without the volatility spikes one sees in other crypto currencies, like bitcoin. Against a very tight timeline – and with other competitor coins about to be launched – the JFSC ensured that the ARC coin launched ahead of time and with a degree of regulatory scrutiny which should give prospective purchasers a degree of comfort not available in other jurisdictions. Very recently, an ICO designed to raise capital for investment in a crypto currency mining operation based in the UK – AX1 token – also required the JFSC's attention.

In both instances the JFSC adopted a pragmatic approach to approving the ICOs, focusing on consumer protection and anti-money laundering and having regard to the fact that ICO promoters want to use a Jersey incorporated issuer because of Jersey's reputation as a well-regulated and reputable jurisdiction.

Accordingly, in order to give prospective ICO investors a degree of protection and comfort that may not be available in many other jurisdictions – and being mindful of the guiding principles pursuant to which the JFSC discharges its functions as the Island's financial services regulator – the JFSC has imposed on the ICO issuing company some core sensible requirements, including:

- To appoint and maintain a Jersey resident director on the board of the issuing company.
- To appoint a Jersey licensed administrator.
- To prepare and file annual audited accounts with the Jersey Companies Registry.
- To maintain and adopt adequate AML/CFT policies and procedures.
- To prepare an Information Memorandum which complies with certain content requirements required of a prospectus issued by a company under Jersey company law.
- To include in any marketing material certain prescribed consumer warnings.

Virtual currency exchanges

At a very early stage, the JFSC saw that the volume and value of trading in crypto currencies was increasing hugely, as people sought to convert their crypto into real world fiat currency and vice versa. Recognising that there was a regulatory gap, the JFSC brought enterprises providing so-called 'virtual currency exchange' (VCE) services under Jersey's regulatory umbrella back in 2016, requiring that VCEs comply with Jersey law and regulation aimed at preventing and detecting money laundering and terrorist financing.

At the same time, the JFSC recognised that many promoters of VCEs need time to road test their product

Jersey has been leading the way in its approach to crypto and digital assets

without being burdened by the full weight of regulatory compliance. The JFSC therefore allowed VCEs with turnover of less than £150,000 per calendar year to test VCE delivery mechanisms in a live environment without the normal registration requirements and associated costs.

As such, Jersey's VCE regulation balances the need to provide robust regulation with a desire to foster the development of the Island's burgeoning crypto credentials.

Established digital environment

From GABI in 2014 to AX1 in 2018, Jersey has been leading the way in its approach to crypto and digital assets. The regulator's forward thinking attitude – coupled with Jersey's flexible range of corporate vehicles – means the jurisdiction has naturally developed an exceptional pool of resident expertise to deal with the exciting opportunities opening up within the funds space through digital innovation.

The development of solutions, whether technical, legal or financial, is a key part of Jersey's ability to remain competitive and innovative and we are now reaping the rewards of that approach with a surge in crypto and other digital asset vehicles and funds choosing Jersey.

Christopher Griffin

Christopher Griffin, Partner, Carey Olsen.

Christopher has broad experience of general international corporate and funds work, particularly in private equity and hedge funds. He spearheads Carey Olsen's crypto practice, advising on the launch of Coinshares Fund I and ARC Reserve Currency, Jersey's first initial coin offering (ICO).

Christopher also advises on all aspects of fund and corporate transactions, including the legal and regulatory aspects of fund launches and joint ventures, having considerable experience in dealing with the Jersey Financial Services Commission in navigating investment vehicles through Jersey's regulatory approval process.

Funds focus

Many of the world's leading alternative investment managers choose Jersey for the establishment and administration of their funds. Simon King, Private Equity Director at Jersey's largest fund administrator, the Aztec Group, explains the appeal of Jersey and why its funds industry should be optimistic about the future.

Q. Simon, can you provide some context around the size, scale and focus of Jersey's funds industry?

A. "At last count, the value of regulated funds in Jersey was something in the region of £300 billion; a colossal figure by any measure, particularly when considering it excludes unregulated structures, such as private funds. Alternative investment asset classes, such as private equity, real estate, infrastructure and private debt, represent more than three quarters of that number.

"Perhaps the most eye-catching statistic, though, is the rate at which the industry is growing. Not only does year-on-year growth in overall funds business stand at an impressive 18% but private equity alone has seen growth of more than 30%, demonstrating just how buoyant the alternatives sector is."

Q. Where does funds business usually come from?

A. "It varies. We have a diverse pool of alternative investment managers with fund structures in Jersey, spanning different geographies, asset classes, sizes and investment strategies.

"Geographically, the UK remains our largest market, which is understandable given it's the world's largest financial centre and right on our doorstep. Elsewhere in Europe, we've seen leading players in the Nordics, France and Germany choose to domicile their funds in Jersey.

"For example, CVC, Nordic Capital and Ardian, who are among the largest private equity managers in the UK, the Nordics and Europe respectively, all use Jersey, as do a number of prominent global financial institutions such as BlackRock, HSBC and Deutsche. You can then add major specialist real estate and infrastructure managers like TH Real Estate and CBRE to the list as well, not to mention the broad range of small to medium sized managers that make up the largest proportion of the market."

Q. What about outside of Europe – are you seeing growing interest in Jersey on an international level?

A. "Absolutely. And the fact that the world's largest ever venture capital fund of $100 billion, the Vision Fund, chose Jersey is arguably the greatest endorsement of the strength and quality of our funds industry.

"It is also worth mentioning that the Vision Fund is about as international as it gets, with the fund's manager, SoftBank, having its origins in Asia but with its advisors in the UK, US and Japan, plus its investors ranging from Middle Eastern sovereign wealth funds to global tech firms such as Apple. This really is a fund that transcends borders and it's great for our industry that Jersey has been identified as the jurisdiction from which to administer it.

"Softbank aside, I've already mentioned some of the international institutions using Jersey and there is certainly confidence within the industry that this is a trend we'll continue to see play out in the future."

Q. So, what services are provided from Jersey to fund managers?

A. "Our industry's goal is to enable fund managers to focus on what they know and do best, which is making investment decisions. The local finance industry can support with everything else, from providing experienced NEDs, to securing the relevant regulatory consent, closing the fund and managing the evolving structure through its life cycle.

"Key to this is the fund administrator whose role really is both wide and varied and sees us working alongside the fund manager at the outset, to build and implement an operating platform, before taking the lead on key day-to-day activities, such as financial reporting, drawdowns, distributions and investor communications.

"The fund administrator's role will also usually extend to ensuring that the fund structure meets its regulatory obligations, including compliance with the applicable fund codes or guidance and handling the growing demands of international regulatory reporting, such as FATCA, CRS, AIFMD and Dodd Frank, to name but a few."

Q. What's the appeal of Jersey as a funds jurisdiction?

A. "I would view Jersey's appeal in three parts: experience, stability and innovation. There's some overlap between them but I think those three words really encapsulate what Jersey has to offer as a jurisdiction.

"Starting with experience. First and foremost, it's the people. Jersey is not only home to the major legal and accountancy firms and fund administrators but between them they have a long and successful track record, having spent many decades working with the world's leading alternative investment managers. This really is a differentiating factor for Jersey because there's unquestionably more choice of truly experienced service providers who understand the technical intricacies of the myriad of fund structures; something that the emerging competition is still some way off achieving. In addition, we have an experienced regulatory body overseeing compliance with a robust, yet pragmatic, regulatory framework for the Island's service providers to operate within.

"Jersey also has an unblemished record of political, economic and fiscal stability; providing fund managers with peace of mind and a high degree of certainty for the future. I would almost go as far as to say that stability is a word that's become synonymous with the Island's finance industry. Add to this a solid and mature legal system, which is, of course, something we take for granted but is a must have for managers and their investors.

"And last – but not least – innovation. Jersey is a jurisdiction that listens to what the industry wants and adapts accordingly. There's plenty of examples of this from a legal perspective, with the Island having a long history of modifying its existing laws and introducing new legislation to maintain its appeal."

Q. Tell me a bit more about innovation and how important it is?

A. "It's very important. Only fund jurisdictions that respond to the evolving needs and requirements of their client base will remain successful in a growing competitive market.

"Where innovation is key for fund managers is their speed to market, given they work in such a fast-paced sector. Perhaps the best and most recent example of Jersey facilitating this came only last year when the Island moved to consolidate their existing private funds products by introducing a single regime for funds, the Jersey Private Fund (JPF) regime.

"Building on the success of the previous products, the new JPF regime simplified the go to market process for fund managers with a sophisticated investor base, by providing a more streamlined registration process. Under the regime, there is no requirement for an offer document or auditor, provided certain criteria are met and, crucially, the fund can be established in 48 hours – a remarkably short turnaround time."

Q. Where does Jersey stand in light of Brexit?

A. "While it's too early to speculate about the impact of Brexit, what I would say is that Jersey is not and never has been an EU member state. Yet, despite this, Europe is our largest market. Even in the aftermath of AIFMD, Jersey's European manager base has continued to grow, with national private placement regimes providing a perfectly effective tried and tested alternative route into the EU alternative investment market.

"While a passport to market throughout the EU may seem attractive, in practice our market is different from the open-ended structures regulated by UCITS. Therefore, the creation of AIFMD was never going to work in the same way on closed-ended structures where most promoters are usually only marketing to a handful of EU countries. In fact, only 3% of managers are registered for sale in more than three EU member states.

"As such, opting for private placement achieves what's required at a fraction of the cost of full Directive compliance. We have been operating this way for many years now and, in that time, a very credible track-record has been established."

Q. And Jersey's prospects for the future in a few words?

A. "You won't be surprised to hear this but I would say extremely good. It's well-regulated, yet flexible and adaptable to industry developments and trends, and brings a truly unrivalled level of experience to the table. Credentials that have served Jersey so well in the past and will continue to do so in the future."

REITs & TISE
the killer combination for 2018

By Daniel Richards

Growth of 40% in new listings on The International Stock Exchange (TISE) in 2017 speaks for itself in terms of how the exchange's flexible and responsive offering is being received in the market.

More than 2,400 securities are now listed with a total market capitalisation of more than £300 billion – securities listed include trading companies, specialist debt, investment vehicles and special purpose acquisition companies.

Last year's growth is attributed by the exchange to several categories of listing, among them high yield bonds and Real Estate Investment Trusts (REITs) and the prospects for the UK REITs continue to be very positive in 2018.

One recent estimate of 2017 investment in London real estate refers to an increase of 35% to almost £24 billion over the course of the year, helped along by two landmark transactions: the £1.28 billion purchase of the 'Walkie Talkie' by the Hong Kong-based Lee Kum Kee Group and the £1.15 billion acquisition of the 'Cheesegrater' by CC land.

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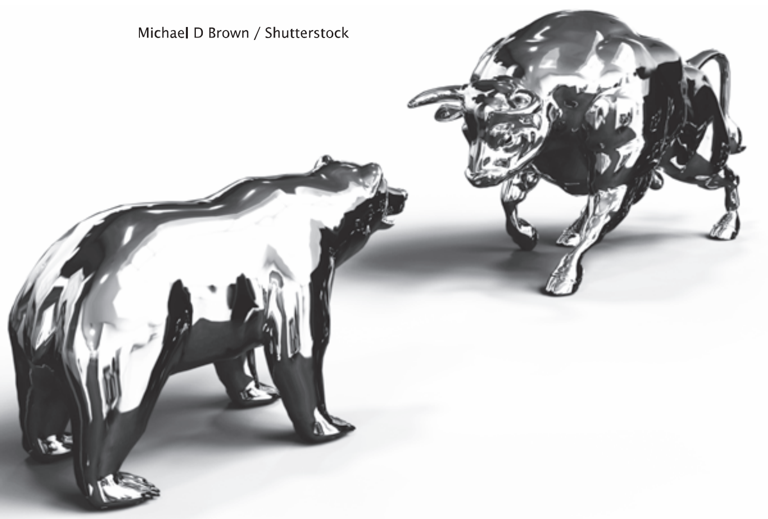

To put things into an international context, that total transaction value of £24 billion was around 50% higher than the estimate for New York real estate investment over the same period and this despite the uncertainty created by Brexit.

Aside from the clear trend of international investors benefitting from currency fluctuations to enhance value in UK acquisitions, there is also a clear statement of confidence in the long-term prospects of UK real estate assets.

As infrastructure investment into and around the capital is continuing, it seems as though UK real estate – and London real estate in particular – has not yet hit the top of the market.

The £56 billion HS2 project and the £14.8 billion Crossrail project promise not just to contribute to growth in the real economy through the multiplier effect but also have the potential to deliver further value generation in UK real estate.

They are not the only large scale capital investments – improved rail links that can carry passengers from Warwickshire to Euston in under 45 minutes have effectively put whole new regions within commuting distance of London.

All of this implies positive news for real estate, including UK REITs and by extension TISE, which is positioned to enable this investment.

UK REITs were introduced in 2007 to encourage investment in UK real estate – they can be UK or Jersey companies but must be UK tax resident, although they do not pay tax

TISE listings – growth and opportunity

By Fiona Le Poidevin, CEO of The International Stock Exchange Group

There were 705 new listings on TISE during 2017, which was an increase of 203 (40%) on the previous year and took the total number of listed securities on the Exchange to 2,511 at the end of December.

This success has its roots in a number of changes we have made in previous years, including listing the parent company of the group on our own Exchange, increasing our marketing and business development activities, modernising the rules for listing both debt and investment vehicles and rebranding to The International Stock Exchange (TISE).

The rebrand reflects our wider ambitions for the future, as well as the fact that much of our existing business is global in nature, with investors from different parts of the world investing in a range of companies, including many with operations internationally.

This includes in the high yield space, where 56 companies issued 71 high yield bonds which listed on TISE during 2017. The introduction of the Market Abuse Regulation (MAR) across the EU from July 2016 has resulted in some high yield migrations from Ireland and Luxembourg but predominantly, we are attracting new issuances. A mix of private and public, European and US companies, including such high profile names as Netflix, have chosen to list high yield bonds on TISE.

TISE also received another international endorsement last year in receiving recognition from the German regulator, BaFin, which means that TISE-listed products are now eligible 'listed' investments for German insurance companies and mutual funds. Indeed, we have recently published a new report which showcases the way in which UCITS funds from all EEA jurisdictions can invest into TISE-listed entities. This is another demonstration of the way in which a listing on TISE can enhance the distribution of a product.

We are continually assessing new opportunities to enhance our offering and how we might grow the business in the future, including increasing the number of the trading companies which list on TISE.

on profits arising from property investments. Crucially, they must also be listed on an HMRC-recognised exchange such as TISE. It is worth noting that 25% of UK REITs today utilise a TISE listing and 50% of those are companies incorporated in Jersey but managed and controlled in the UK.

The recognition of TISE's regulatory standards and oversight by HMRC – much like the recognition from the German and Australian authorities, as well as the International Organisation of Securities Commissions and the World Federation of Exchanges – provides validation to investors that they have an appropriate level of protection. That combination makes REITs a gateway for inbound infrastructure and real estate investment into the UK, supporting economic growth in related industries.

For those international investors, TISE is an attractive proposition, as it offers comparatively low fees, quick turnaround and proportionate and pragmatic regulation appropriate to the commercial needs of the specific project.

The general rule that 25% of a listed company's shares be held in public hands does not apply to TISE-listed REITs and reforms to UK rules mean that joint venture, club investment or single investor institutional REITs are eligible to be listed on TISE.

Where REITs are being established without the need to access as large a pool of investors as a London main market offering – for example – and where managers do not need to access substantial external capital, more and more asset managers are looking to TISE as a solution to their securities listing needs.

Neither TISE nor REITs are a new proposition, with 20 and 10 years' track record and market history respectively. What is new is the combination of commercial circumstances and recent rules reforms that could make them 2018's leading structure for inbound institutional investment into the UK.

Daniel Richards

Daniel Richards is a Partner in Ogier's Jersey Banking and Finance team.

He is admitted in Jersey, Luxembourg and England & Wales and spent five years in Ogier's Luxembourg team as co-founder before returning to Jersey in 2016.

Daniel has extensive experience in all aspects of private capital-structuring and finance in Jersey and Luxembourg. He acts for finance parties and private capital asset managers in relation to international investment structures across a broad range of asset classes.

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Transformation in a rapidly changing environment

By Tom Hill

Jersey is home to 21 banks, which between them hold 28 banking licences – the same numbers as a year ago. All are subsidiaries or branches of large multinational banks, headquartered in a range of jurisdictions, including the UK, of course but also Europe, North America, Africa and Asia.

Their total balance sheet is about £130 billion, including about £96 billion of customer deposits (see Figure 1). Some deposits are lent on to customers of Jersey banks themselves but the vast majority is lent on to group entities – so Jersey is an important source of liquidity for the banking industry elsewhere.

The customers of Jersey banks are generally retail and high net worth clients from Jersey, the UK and UK expatriates, plus trusts and funds administered in Jersey by fiduciary firms and people based in third countries but with international needs.

As well as taking deposits, banks provide investment advice and other wealth management services.

Although total finance sector employment in Jersey has been rising in recent years, consolidation in the banking industry has continued, with total jobs now down to 4,220, making the sector slightly smaller than trust and company administration.

Corporate tax paid by banks – and income tax paid by bank employees – is a valuable element of the entire tax revenue of the Jersey government.

Figure 1

Assets (£ bn)		Liabilities (£ bn)	
Loans to group	94	Customer deposits	96
Other loans	24	Bank deposits	16
Investments	9	Senior debt issued	10
Other assets	3	Other liabilities and equity	8
Total	**130**	**Total**	**130**

It is now a decade since the financial crisis of 2008. During those 10 years, the banking industry worldwide has undergone continuous transformation, specialising by business line, geographical focus and customer group, whilst radically increasing the amount of capital held in relation to the amount of business undertaken. As part of this trend, the Jersey industry has also consolidated, with the number of banking licences falling from 48 in 2007 but relatively stable levels of customer deposits. This compares favourably with a number of competing jurisdictions.

Although the number of people employed in the industry overall has shrunk, there has been steady growth in the number and authority of compliance and risk professionals. In a recent survey conducted by Jersey Finance, member firms – including banks – reported the greatest difficulty in recruitment in this specific discipline. While the Jersey banking industry takes almost no market risk – and limited credit risk – the nature of the jurisdiction and the size of the deposit base mean that it pays close attention to money laundering and other risks associated with deposit-taking and payments.

The Jersey industry plays an important role in combating international financial crime – including tax evasion. In a climate of clear consensus between the industry, government and the regulator, Jersey was an early adopter of common reporting standards, which mean that member countries will automatically receive information about bank accounts – and other financial vehicles – owned by their taxpayers in other member countries. No bank wants to find that it has inadvertently handled tainted funds.

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The banking industry worldwide has undergone continuous transformation

Looking forward, the industry will continue to evolve, driven by four fundamental forces.

One, global banks will continue to reassess their individual global footprints and this will drive continued consolidation of international financial centres. Two, regulatory standards and the expectations of the international community will continue to grow. The time and effort banks need to expend to meet such expectations – all bureaucratic and none adding value to individual customers – is huge and banks will respond by continued drives for process efficiency, depending in particular on automation.

Three, legislation to separate, partially or completely, utility banking – payments and simple deposit and loan activity – from complex, international, wholesale or investment banking, will affect the market for international deposits. Finally, the entire banking industry is rapidly applying new technology to products and processes: as profitability gradually recovers and more money is available for capital investment, it is reasonable to expect the pace of change to accelerate.

Jersey benefits from close cooperation between the financial services industry – in the case of banking, through the Jersey Bankers' Association and Jersey Finance – the government and the regulator. It has a history of adapting quickly to a changing environment and reacting quickly to new market opportunities and pressures. Neither the pace of change in the industry environment, nor the rate of industry evolution, seem likely to reduce in the foreseeable future.

Tom Hill

Tom Hill, President, Jersey Bankers Association (JBA).

Tom is CEO of UBS in Jersey and has worked in the banking industry for nearly 30 years, in London, Tokyo, Zurich and in Jersey.

At various points in his career he has been voted a top investment analyst by institutional investors in multiple categories, managed large global functions and been advisor to the senior management of UBS on corporate communications, investor relations, business strategy and development.

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From bail out to bail in – 10 years of banking regulation

By Wendy Benjamin

It is just over 10 years since the credit crunch and resulting recession began. Problems originating in the US sub-prime mortgage market infected the global banking sector with alarming speed. Casualties included Northern Rock, Halifax Bank of Scotland and Lehman Brothers. Aside from Lehman Brothers which was not 'too big to fail' after all, the only real remedy appeared to involve bail outs by taxpayers.

Regulation had failed to prevent or curtail the financial crisis. So began a decade of regulatory reform, predominantly aimed at safeguarding the banking sector from another crisis and taxpayers from further bail outs.

Increasing regulatory capital

The first step was increasing the level of regulatory capital that banks are required to hold to give a greater buffer against local and global risks.

Supported by other prudential requirements including stress testing, this has had a positive effect on the resilience of banks. The last results of the Bank of England's stress testing for UK banks announced in November 2017, for the first time resulted in no bank being required to strengthen its capital position as a consequence of the stress test, which had simulated simultaneous recessions in the UK and global economies, large falls in asset process and misconduct costs. Similarly, the results of the European Banking Authority's stress tests in 2017 demonstrate the resilience of the EU banking sector as a whole due to significant capital raising.

Jersey's banking sector has seen similar capital improvements for both Jersey branches of UK and EU incorporated banks as a consequence of these international developments, as well as for Jersey incorporated banks. From 2007 to 2017 the regulatory capital of Jersey incorporated banks as a percentage of risk weighted assets (RAR) increased from 13.5% to 15.6% and capital and reserves as a percentage of total assets (leverage ratios) increased from 4.6% to 6.6%.

Ring-fencing

Ring-fencing is another UK regulatory response to the global financial crisis aimed at improving the resilience of banks. The deadline of 1 January 2019 is fast approaching for UK banks to divide their ring-fenced banking business (predominantly retail and SME business deposits and simple offerings) from their non-ring-fenced business (including business in Jersey and the other Crown Dependencies).

Whilst this may be challenging, it is generating local opportunities. Last year one local bank announced the creation of up to 120 new jobs, attributable in part to the development of its non-ring-fenced operations in the Crown Dependencies. Other opportunities include more profitable use of capital sometimes instead of upstreaming models and de-risking and associated sales of non-core banking business, such as trust company business.

Ring-fencing is being achieved by a variety of means including statutory banking transfer schemes. The Banking Business (Jersey) Law 1991 allows Jersey banking business to be transferred from one licensed bank (whether a subsidiary or branch) to another by means of a court-sanctioned scheme similar to UK transfers under Part 7 FSMA.

Banking schemes

When Standard Chartered consolidated its two Jersey banking entities (Standard Chartered (Jersey) Limited and Standard Chartered Bank, Jersey branch) into a single

Bank of England. Ben Gingell / Shutterstock

Jersey operating platform in September 2013, it used the Banking Law in a novel way to effect the transfer of both its banking and investment business. The Royal Court of Jersey confirmed in Re Standard Chartered (Jersey) Limited [2013] JRC172 its jurisdiction to transfer investment business alongside banking business under the scheme in appropriate cases.

Since then in Jersey banking schemes have been used by other banking and fiduciary groups to transfer not only investment business but also funds services, general insurance mediation, money services and other current and historic regulated business alongside banking business. Thus banking transfer schemes are very flexible. They can also be used to separate banking business from other business (such as trust company business) whilst minimising the potential impact on clients.

Key procedural steps include:

- two court hearings, one being a directions hearing initially for derogations from client notices and subsequently a second hearing, to consider sanctioning the scheme;
- publication and distribution of notices to clients and members of the transferor and transferee (unless derogations have been obtained) including a summary of the scheme;
- obtaining an auditor's report on the terms and likely effects of the scheme on transferring clients; and
- an opportunity for any interested parties including the regulators, clients, employees and creditors to object to the scheme on the basis that they would be prejudiced by the carrying out of the scheme.

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The main legal documents required include the scheme document itself; an independent auditor's report; a summary of the scheme; legal notices for the *Jersey Gazette*; client, employee, member and creditor notifications (subject to court derogations); the court application and various affidavits.

In each of the recent cases, the Court sanctioned the transfer of banking business and other regulated business from local subsidiaries to the existing Jersey branches of other group entities and provided helpful guidance on the principles to be applied, drawing on the insurance case of Re AXA Equity and Law Life Assurance Society and AXA Sun Life Plc [2001] 1 All ER (Comm) 1010. In summary, as well as meeting required formalities, these include:

- the absolute discretion of the Court must be exercised by giving due recognition to the commercial judgment entrusted by the company's constitution to its directors;
- the Court is concerned whether an interested party or group (including customers, employees and creditors) will be adversely affected by the scheme;
- the Court will pay close attention to the views of the regulator;
- the scheme, whilst being fair, does not have to be the best possible scheme in the Court's view as that is a matter for the directors; and
- the details of the scheme are not a matter for the Court provided the scheme as a whole is fair.

A number of matters could be taken into account in assessing the fairness of the scheme overall, including the financial standing of the transferee and the operational impact of the scheme on clients.

Thus this latest round of bank restructuring driven by ring-fencing is continuing the general trend away from the holding of multiple banking licences towards consolidation into a single local operation. Consequently – and in line with other offshore centres – the number of banks licenced in Jersey has fallen from 48 in September 2007 to 27 in September 2017, although the value of deposits remains impressive at over £111 billion.

Recovery and resolution

The financial crisis also exposed the banks' and regulators' lack of preparedness and powers to quickly implement plans for recovery and resolution of failing banks. In the years that followed recovery and resolution legislation and compulsory planning, including at European and national level, evolved to address this omission. The aim is not only at ensuring continuity of critical banking functions, preserving financial stability and protecting public funds but at protecting covered depositors and clients' assets.

Another notable feature is the use of the bail in tool (among various other tools) to minimise the risk of tax payers carrying the costs of rescuing or resolving a failing bank by requiring, for example, creditors to swap their debt for equity. Thus the movement from bail out to bail in has begun.

Jersey law closely follows the European Union's Bank Recovery and Resolution Directive 2014/59/EU and the UK's Banking Act 2009

The States of Jersey has passed the Bank (Recovery and Resolution) (Jersey) Law, 2017 with the intention of bringing Jersey into line with these international developments. The Jersey law closely follows the European Union's Bank Recovery and Resolution Directive 2014/59/EU and the UK's Banking Act 2009. Once in force later this year, it will ensure that Jersey can take action itself or assist a foreign jurisdiction to rescue a Jersey branch or subsidiary in difficulties and introduce a special winding up procedure for failing banks.

It might seem like a long period of relentless regulatory developments for banks and regulators alike. No doubt over the next decade regulation of the banking sector will continue to evolve, even if precise developments are currently difficult to predict with Brexit on the horizon.

Yet one thing is certain. Banks are now much better placed to withstand national and global shocks than they were a decade ago.

Wendy Benjamin

Wendy Benjamin is a Partner at Appleby and Group Head of the Corporate department in Jersey, with managerial responsibilities for the Guernsey office.

She specialises in banking, corporate and commercial law and has an excellent reputation in intellectual property, IT and data protection.

As well as working regularly with top tier UK and US law firms on cross-border transactions and restructuring and insolvency work, Wendy's client base encompasses significant financial institutions, public bodies, international and local companies across the three Crown Dependencies of Guernsey, Isle of Man and Jersey.

Robust
foundations attract corporate structures

By Stuart Pinnington

There is no doubt that ongoing changes in the international regulatory landscape have resulted in a 'flight to quality' amongst investors and managers seeking to maintain best practice while operating across borders. This move toward jurisdictions with stronger regulations is hugely positive for Jersey, particularly in the corporate services sector.

Offering political and economic stability and a strong legal regime, Jersey is a jurisdiction of choice for a wide range of corporate clients. Entities seeking to list on the capital markets are just one example. Interestingly, the largest number of FTSE 100 companies registered outside of the UK are registered in Jersey[1]. Jersey is also a world-renowned centre for investment structures in both real estate and private equity using a combination of regulated and unregulated vehicles, such as funds, unit trusts, companies or partnerships among others.

Operating to a high standard

Jersey's regulatory regime is incredibly robust and the administration houses, accountancy practices and law firms on the Island all have to comply with the highest regulatory standards. Moreover, Jersey's regulator, the

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Jersey Financial Services Commission (JFSC), is highly proactive, adding to these strong foundations.

Jersey combines this robust operating standard with an innovative approach to meeting the needs of an ever changing corporate landscape. The Jersey Private Fund (JPF) exemplifies this innovative approach. Launched last year, this vehicle offers fund managers and corporate investors the opportunity to establish certain funds that might otherwise be cost-prohibitive. The JPF regime provides a new, streamlined fast-track regulatory authorisation process for the establishment of private investment funds suitable for up to 50 professional investors or eligible investors who are looking for a cost-effective solution in a regulatory environment which is simplified yet still meets international standards. The JPF allows Jersey to attract those clients while, critically, upholding standards that maintain the security of assets and data.

The strength of Jersey's political, legal, financial and regulatory sectors ensure that the Island is consistently seen as a top quality jurisdiction for companies looking for efficient corporate structures. Indeed, the experience and expertise gained across these sectors since Jersey was first recognised as an international finance centre have created a deep well of structuring knowledge that clients can access.

The Brexit effect

Increasing globalisation means that like all other jurisdictions, Jersey needs to be much more aware of – and plan for – the potential impact of decisions made in other parts of the world. Brexit is a perfect case in point in this regard.

Given Jersey's proximity and historic relationship to the UK, it is inevitable that the Island should be affected by the uncertainty surrounding the future of the UK's relationship with the EU. Yet while uncertainty is never great for business, Jersey may well be in a position to benefit from the seismic changes.

Why? Let us start with real estate, which makes up a significant portion of Jersey's corporate work. Rather than turning investors off UK property assets, the impact of the UK's impending exit from the EU on the value of the pound has actually made it more attractive for some. In the wake of the referendum vote, foreign investors operating in US dollars, including sovereign wealth investors coming in from the Middle East and Far East, have been able to effectively acquire UK property at an advantageous price. This is equally applicable in other sectors. Private equity houses looking to acquire operational businesses in the UK may well decide that reduced purchase prices outweigh any uncertainty concerns.

All of which equals opportunities for Jersey where the necessary expertise and experience are readily found. If a fund manager from the Middle East or Far East is looking to deploy capital in the UK market, it is impossible to overstate the importance of having suitably experienced people sitting as directors on the board and good quality administrators that can run the structures and ensure the financial reporting is accurate – and that strong governance is maintained.

Impact of CGT changes

The change in the UK capital gains tax (CGT) legislation proposed last year will also affect Jersey's corporate sector if introduced, which is likely. The move, which would come into effect in 2019, would expand CGT paid by non-residents to all types of UK real estate, not just residential. Whilst the changes no doubt present challenges for the offshore world, Jersey continues to have strengths that make it an attractive proposition, especially for foreign investors who would likely look to outsource the administration of their investments.

There are specific opportunities presented by pension funds and sovereign wealth funds, which appear unlikely to be negatively impacted by changes in CGT legislation. There are also opportunities to use Jersey companies for onshore real estate holding vehicles, such as the increasingly popular Real Estate Investment Trust (REIT). REITs need to be listed on a recognised stock exchange so are often structured using a UK resident Jersey company listed on the Channel Islands based TISE (The International Stock Exchange).

Clearly there are challenges and opportunities ahead for the corporate sector in Jersey. However, the Island has a number of strengths that will work to its advantage in overcoming those challenges and seizing relevant opportunities. Jersey is home to a whole community of major banks, law firms and accountants, with companies relying on the quality of the Island's finance sector. Jersey's reputation is second-to-none and that is true even beyond established specialisms such as real estate. So even in these changing times, investors seeking corporate services are very much heading towards the Island, rather than away.

FOOTNOTE: [1]www.jerseyfnance.je/capital-markets

Stuart Pinnington

Stuart Pinnington, Group Managing Director, Corporate Services, First Names Group.

Stuart is a key member of the Group's leadership team, with responsibility for growing the corporate side of its business across its network of offices. He has a proven track record of driving significant business growth in the corporate sector and has a particular expertise in real estate structuring. His international experience includes roles as a funds lawyer, corporate director and managing director in the UK, the Caribbean and the Channel Islands. He is based in Jersey.

Navigating Limited Partnerships in Jersey

By Julie Fairclough

Since the introduction of the Limited Partnerships (Jersey) Law 1994, the use of Jersey Limited Partnerships has proved to be very popular, particularly for collective investment funds, succession and asset protection planning and for the holding of speculative investments.

A Limited Partnership (LP) is also an attractive vehicle for various tax planning purposes. It can be used, for example, as a method of holding assets situated in another jurisdiction. It can provide a useful method of trading as a partnership where it is desirable to have the flexibility to introduce partners as passive investors on a limited liability basis.

An LP seeks to combine the flexibility and tax transparency offered by a partnership structure, with the benefit for the investors of the limited liability offered by a company. This, combined with the ease of distribution of profits and the fact that capital contributions can be returned to partners before the partnership is dissolved, have made the Limited Partnership particularly beneficial.

Another desirable feature of an LP as a vehicle is the confidentiality it provides. Neither the names and addresses of the investors, nor the partnership agreement, are matters of public record and there is no requirement to file annual

Summary comparison table:

	LP	LLP	ILP	SLP
Separate legal personality	No	Yes	Yes	Yes
Body corporate status	No	No	Yes	No
General partner liability	unlimited	n/a	unlimited	unlimited
Limited partner liability	limited*	limited	limited*	limited*
Requirement to file partner names / partnership documents	No	Yes – partner names	No	No
Perpetual succession	No	No	Yes	No
Partnership itself liable to Jersey tax	No	No	No	No
Tax transparency (profits attributed to partners) – UK income / corporation tax	Yes	Yes	Yes	Yes
Tax transparency (profits attributed to partners) – UK capital gains tax	Yes	Yes	No	Yes
Accounts filing	No	No	No	No
Annual return filing / annual fee	No	No	No	No
Audit requirement	No	No	No	No

*provided they have not participated in the management of the partnership.
The Limited Partnerships (Jersey) Law 1994 provides a long list of activities which do not constitute such participation.

returns (and thus no annual fee), to produce or file accounts, or to appoint auditors (unless the partnership agreement provides for this).

Yet most often, the main attraction of a Limited Partnership is its tax transparency. The profits and losses of the Limited Partnership are attributed to the partners themselves, who are taxed according to their share of such profits and losses. In particular, a partner can offset their share of any losses against profits from other investments and take advantage of any double tax treaties between their country of residence and that of the investment.

Limited Liability Partnership (LLP)

In 1998 Jersey introduced an additional form of partnership; The Limited Liability Partnership (LLP). An LLP is registered under the Limited Liability Partnership (Jersey) Law 1997. It has a separate legal personality distinct from its partners but is expressly not a body corporate. It allows all partners to be involved in the management of the partnership, whilst at the same time limiting their liability.

An LLP is aimed at businesses which are traditionally carried on as partnerships (such as medical or legal practices) or employee owned businesses. In 2012 the LLP regime was updated to remove the previous statutory requirement to maintain a £5 million financial provision throughout the life of the LLP. Instead, the LLP must now make an annual solvency statement. This change brought the Jersey LLP regime more in line with the UK's LLP law.

In terms of confidentiality, like an LP, there is no requirement to file the partnership agreement or accounts. However, the declaration naming each partner will be a matter of public record. No Jersey tax is payable unless there is income arising in Jersey or one or more of the partners are resident in Jersey.

There is new draft LLP legislation due to come into force during 2018, which will make Jersey's LLP offering more attractive to businesses.

In 2011, Jersey further enhanced its partnership offering with the introduction of two innovative partnership vehicles; the Incorporated Limited Partnership and the Jersey Separate Limited Partnership. This has significantly enhanced Jersey's partnership offering and means that clients now have the additional flexibility of a wide range of partnership vehicles available in a single jurisdiction.

Incorporated Limited Partnership (ILP)

An Incorporated Limited Partnership (ILP) is a partnership registered under the Incorporated Limited Partnership (Jersey) Law 2011. As the name suggests, this type of partnership is incorporated and it therefore has independent legal personality (it can contract, own assets and owe obligations in its own name). This incorporated status brings with it important considerations and obligations for the general and limited partners which are similar to those of the directors and shareholders of a company. For example, the general partner must act in good faith with a view to the best interests of the ILP and exercise care, diligence and skill, which mirror a director's duty under the Companies (Jersey) Law 1991.

Unlike a Limited Partnership – which is normally dissolved immediately on the death, dissolution, bankruptcy or withdrawal from the partnership of the general partner – an ILP has perpetual succession and so may be particularly useful for succession and asset protection planning.

An ILP is not liable to Jersey income tax and its activities are considered to be carried on by its partners (i.e. it is 'tax transparent'). Any distributions paid – whether to Jersey resident or non-Jersey resident partners – are made on a

Case Study

A client with a significant profile in the UK was developing technology connected to the fashion industry. Once developed, the client planned to license the technology in the UK but in the meantime, was particularly concerned about confidentiality and so was seeking to house the development and licensing activity in an offshore vehicle. Tax planning was not an objective of the structuring.

The client's adviser proposed a Jersey Separate Limited Partnership, with a Jersey limited company acting as general partner and the client and his associates acting as limited partners.

The advantage of this structure (compared to a simple company structure) was that there was no need to register at Companies House or to file accounts. Given the confidential nature of the intellectual property (IP), this feature was particularly attractive to the client. The partnership model also lent itself particularly well to the nature of the business model (licensing of IP) with the flexibility to add additional limited partners as passive investors in the future. The structure is transparent from a tax perspective with all income / losses and gains being attributed to the limited partners.

gross basis with no deduction to Jersey tax and the partners will be taxed in accordance with the tax regime applicable in their country of residence.

If the ILP conducts business in the UK it will be transparent for the purposes of UK income tax and corporation tax, so that each partner will be liable to tax on their share of the ILP income. However, for capital gains tax purposes, the ILP will have liability for any gains realised on the disposal of partnership assets (because it will hold those assets in its own name for the benefit of the partnership).

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Separate Limited Partnership (SLP)

The Separate Limited Partnerships (Jersey) Law 2011 introduced the Separate Limited Partnership (SLP) to Jersey. In simple terms, an SLP is an LP with the ability to contract in its own name and sue and be sued in its own name. However, as it is not a body corporate it is not subject to the rules and regulations applicable to companies. This means that the mechanics for the creation and dissolution of an SLP are less formal than for an ILP and the general partner does not owe any statutory fiduciary duties to the partnership.

From a tax perspective, the SLP will be completely transparent in relation to UK income tax, corporation tax and capital gains tax, meaning that each partner will be liable to tax on their share of the SLP income or capital gain and not the SLP itself.

The range of partnership vehicles now available and the flexibility that they offer further highlight the attractiveness of Jersey as a jurisdiction. Jersey has a robust, modern and sophisticated legal framework which has enabled it to lead the way in delivering a comprehensive partnership regime, perfectly complementing the Island's full range of other special purpose vehicles and delivering real choice for the client.

Julie Fairclough

Julie Fairclough, Director and Head of Corporate Services, ZEDRA in Jersey.

Julie's specialisms include corporate services, corporate governance, residential and commercial property and strategic change. She is a qualified accountant with over 18 years' experience driving strategic growth through planned change and programme management for leading financial services organisations.

She has held a number of Executive Director positions for leading international finance companies. In 2009, she set up and led a UK-wide transformation programme across the operations of one of the largest banks in the world. Four years later, she joined Barclays Wealth as Deputy Managing Director with responsibility for a global portfolio of HNW clients.

Julie has a BA (Hons) in International Business, a Diploma in Company Direction (MIoD) and is a Fellow of the ACCA. She is currently a Non-Executive Director for The Jersey Employment Forum and Jersey Citizens Advice.

Strength in depth

Photo Chris George

By John Kelleher

Jersey is justifiably proud of its position as one of the world's leading international finance centres. It is a status that has taken many years to achieve yet requires constant focus and effort to nurture and protect, as well as to develop and adapt in line with changing market circumstances and international demands.

There is much to be said for Jersey's history of financial stability and security but for it to maintain its standing internationally and to retain a competitive edge in a dynamic and ever-changing world, it needs to have a sound political environment, an effective regulatory structure and a robust yet flexible legal infrastructure that, collectively, gives confidence to investors, residents and the international community, is conducive to business and operates in line with ever-increasing international standards and expectations.

While it is clear that Jersey enjoys a political, regulatory and legal landscape that enables it to maintain its status in the premier division of international finance centres, it is important to recognise the role that key stakeholders have in achieving and maintaining this positioning.

One of the major contributors in this respect is the part played by Jersey's legal profession. While it is a profession that is steeped in tradition and heritage, it has adapted to Jersey's needs and aspirations, acting and reacting to market trends and opportunities and has been instrumental in helping Jersey to attract business both locally and internationally, providing effective and flexible support for new streams of business activity and revenue for the Island. With legal expertise spanning the entire spectrum of banking, corporate finance, trust, fund, property, personal and offshore law, lawyers in Jersey play a critical role in establishing and maintaining Jersey's position as a jurisdiction of trust and integrity that is fit for the business world of the 21st Century.

The legal profession in Jersey certainly has strength in depth; there are now over 340 Jersey law qualified advocates and solicitors in private practice in Jersey, across no fewer than 48 firms, ranging from the long established sole practitioners who largely focus on the local personal and small business market and a range of medium-sized full service firms, to the large, multi-disciplinary and multi-jurisdictional firms who are engaged by local businesses, FTSE companies and international conglomerates, while also taking instructions from the so-called 'Magic Circle' firms in the City of London on matters of Jersey law.

The last five years has also seen the entry into the market, in line with demand, of a growing number of niche, specialist firms, focusing exclusively on key market sectors, such as corporate, criminal or family law.

In addition to the number of lawyers in private practice, significant benefit is derived (for the Island) from a further 60 locally-qualified advocates and solicitors who are working for trust companies and banks and using their legal expertise to nurture and grow these vital parts of Jersey's business community, while ensuring that the high standards by which Jersey has become known are maintained.

Jersey may have more lawyers per head of population than, for example, in the UK but this is reflective of the diverse and specialist nature of Jersey's operating environment and business mix, as well as the demand for legal services that does not appear to be abating. This is clearly illustrated by the statistic that no fewer than 240 new advocates and solicitors have been sworn in over the past decade and there being no indication in the market place of a surfeit of lawyers looking for employment.

The legal profession in Jersey is immensely proud of its overall contribution to the Island, which is far wider than the purely financial GVA contribution of £220 million per annum and, in particular, its role in sustaining existing business streams while securing new business opportunities – underpinned by legislation that members of the profession have been instrumental in creating – ensuring that the confidence of investors is maximised and that international standards are met at all times.

As the statutory regulatory body for Advocates and Solicitors of the Royal Court of Jersey, The Law Society of Jersey has a key role to play in representing the interests of its members, helping to shape the legal framework, supporting its members in the practice of law and in upholding the highest standards of professional conduct.

In this regard, as well as working with the Jersey government to review and reform the system of legal aid which has, historically, been entirely funded by the

There are now over 340 Jersey law qualified advocates and solicitors in private practice in Jersey, across no fewer than 48 firms

profession, it has worked tirelessly to transform the legal landscape. It has helped to update historic laws and create new market-leading legislation that both keeps Jersey's doors open for business and encourages new streams of business, while playing its part in streamlining processes to improve judicial efficiency and implementing new conduct and client money rules to protect the interests of the clients it serves and in the wider public interest.

It is, though, the collective strength of Jersey's legal profession, its skills, its responsiveness, its tenacity and its experience, the depth of which truly makes a difference to Jersey, its prosperity and, above all, its position as a highly regarded international finance centre, for which we can be truly proud.

John Kelleher

Advocate John Kelleher, President, The Law Society of Jersey.

The Law Society of Jersey is the representative and regulatory body for the legal profession in Jersey. It represents the interests and regulates the legal profession in Jersey, helping to shape and improve the legal framework, supporting its members in the practice of law, while upholding the highest standards of professional conduct.

John Kelleher was called to the English Bar in 1991 and was sworn in as a Jersey Advocate in 1994. He has been a partner of Carey Olsen since 1995 and was appointed as Chairman of the firm in 2009.

John is a prolific writer on local law and is a founding member of the Jersey and Guernsey Law Review. He is a qualified mediator and is an Associate of the Chartered Institute of Arbitrators.


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A pillar of Jersey's financial success

By James de Veulle

As a leading global international finance centre, it is vital that the local finance industry has access to the very best professionals to support it.

The accountancy profession on the Island has a long established history, with the first association supporting practising accountants being formed in 1954 and has since evolved alongside the finance industry as it has become more sophisticated. As a result, the profession today offers a broad range of skills, including highly specialist and niche expertise in certain sectors, to support all aspects of the local industry.

For a small island, the local financial services industry is both well-established and broad, ranging from fund management and administration, to banking and capital markets, fiduciary and trust services, wealth management and other associated professional services. The local accountancy profession complements and supports all of these aspects of financial services with a comprehensive range of products, covering:

- Book-keeping and statutory record-keeping (company secretarial)
- Management reporting and statutory accounts preparation
- Audit and other assurance services
- Tax compliance, assistance and advice
- Accounting and regulatory advice and support

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- Controls reporting and assurance
- Business improvement reviews and liquidations
- Forensic services, fraud recoveries, AML investigations and remediation
- System testing, IT vendor selection, data assurance
- Project and performance management and assurance
- Listing services
- Transaction services, due diligence and structuring advice

The depth of accountancy expertise the jurisdiction can offer is impressive too. As well as the 'Big 4' accountancy firms, a number of medium-sized international firms and smaller local providers also have offices in the Island. Beyond the accountancy firms themselves, the profession has trained many of the individuals now working either directly for regulated financial services firms or who are acting as consultants to the industry.

High standards

In the post-financial crisis period, the role of the profession has been placed under considerable scrutiny and the need for highly skilled, experienced and reputable professional support has never been higher.

The capabilities of the accountancy profession has been a mainstay of the Island's finance industry, providing essential support over the years to the different sectors. This has been down in large part to the extremely high global standards the local industry can demonstrate.

For instance, the local profession is regulated by the Jersey Financial Services Commission (JFSC), who in turn delegates much of this supervisory responsibility to the Institute of Chartered Accountants in England and Wales (ICAEW) and the Financial Reporting Council (FRC), the UK's bodies for regulating accountants. As a result, the same high standards are maintained here in the Island as would be the case in the UK. In addition, many local firms are subject to regular inspection from their own international networks to ensure that they also fully comply with network standards.

The Jersey Society for Chartered and Certified Accountants (JSCCA) is the local profession's representative body and in its current guise has been around since 1974. With a membership of approximately 750 individual accountants from across all aspects of the profession, the key roles of the JSCCA are to promote and serve the accountancy profession, encourage cooperation and provide a forum for discussion between members, communicate with the Jersey authorities and other professional bodies and promote high standards of professional conduct.

The JSCCA has always had a close relationship with its respective professional institutes in the UK, in particular the London & District Society of Chartered Accountants. A key benefit of maintaining such valuable links is to keep close to emerging themes impacting the profession.

Furthermore, the JSCCA maintains close links with its Guernsey counterpart, the GSCCA, since the respective societies' inceptions, hosting events to both encourage and identify key areas of cooperation.

The JSCCA operates through an Executive Committee, which meets monthly and receives reports from its operational sub-committees (accounting regulation, technical, training and tax).

Supporting a local workforce with the necessary skills and providing access to training opportunities, is a core part of the JSCCA's remit and – through its training sub-committee – the JSCCA provides regular updates on topical and emerging issues and changes in accounting standards.

For those members who are not part of a firm with its own structured training programme, the training sub-committee also coordinates a two day conference annually to enable members to keep up with their obligations in relation to Continuing Professional Development (CPD). This is a highly popular event which is attended by approximately 300 industry professionals and culminates in a black tie dinner and awards evening.

Photo Chris George

Moreover, as part of the JSCCA's commitment to supporting the future sustainability of the profession in the Island, it is also proud of its well-established bursary scheme which supports students in gaining a university education before returning to Jersey to join the accountancy profession. Since 2010, a total of 17 individuals have benefitted from this scheme, earning awards of up to £5,000 per year to support them through their studies.

An evolving profession

The environment in which Jersey's accountancy profession operates today is truly global and sophisticated. Whilst there is significant demand for the services offered by local accounting professionals, this increasingly complex landscape means that there are also a number of challenges that the profession faces.

For instance, with growing demand for the services detailed above, there is a challenge to recruit and retain individuals with the right skills and experience. With the training and experience that accountants receive, there is high demand in the industry for those individuals and therefore a constant need for accountancy firms to maintain a pipeline of recruits with the right skills and/or train staff to develop those skills.

Rising levels of regulation across the finance industry as a whole also impact the accountancy profession directly. In particular, enhancements to auditing standards and independence requirements, the implementation of the Statutory Audit Directive and the Recognised Auditor Regime, as well as the move from self-regulation to external independent regulation, have all had an impact on the profession, not only in terms of an increase in audit quality but also regarding a corresponding increase in compliance costs.

Given the increasingly global nature of Jersey's role as an IFC, the accountancy profession has also had to keep pace with its understanding of relevant international standards, their implications and better coordination between jurisdictions. The broader reach of US, European and UK regulation provides a number of examples of this impact.

In addition, we are seeing a significant rise in demand for services and increased obligations on the profession as a result of anti-money laundering standards and broader tax and regulatory arrangements, such as FATCA, CRS and country-by-country reporting. Jersey has been very proactive in its approach to the global transparency agenda and with the local industry wanting – quite rightly – to maintain the highest ethical standards as well as quality standards, accountancy professionals have increasingly needed to be right at the top of their game in this area.

Meanwhile, increasing technological change is set to create significant opportunities in terms of efficiencies and enhancing client support, whilst at the same time also presenting certain challenges in keeping up with the pace of change and managing the costs of implementation. Clearly, for clients and staff alike, it is absolutely crucial to be able to deliver consistently high quality services in an increasingly connected and technologically advanced manner. In common with much of the broader financial services industry, the profession is therefore seeing an increasing trend towards buyer power, and a squeeze on fees, so finding the right balance between maintaining high standards of quality and client service, whilst managing costs, has been particularly difficult in the current economic climate.

So, whilst the unerring forces of globalisation and rapid technological enhancements present both challenges and opportunities, the profession in Jersey continues to be quick to adapt. With the support of multinational networks through to locally owner-managed firms providing a powerful blend of international expertise and nimbleness, the profession, together with the JSCCA, will continue to play a key role in supporting the wider financial services industry and, as we navigate through a period of unprecedented change, ensure Jersey maintains its position as a leading specialist centre of international financial services.

James de Veulle

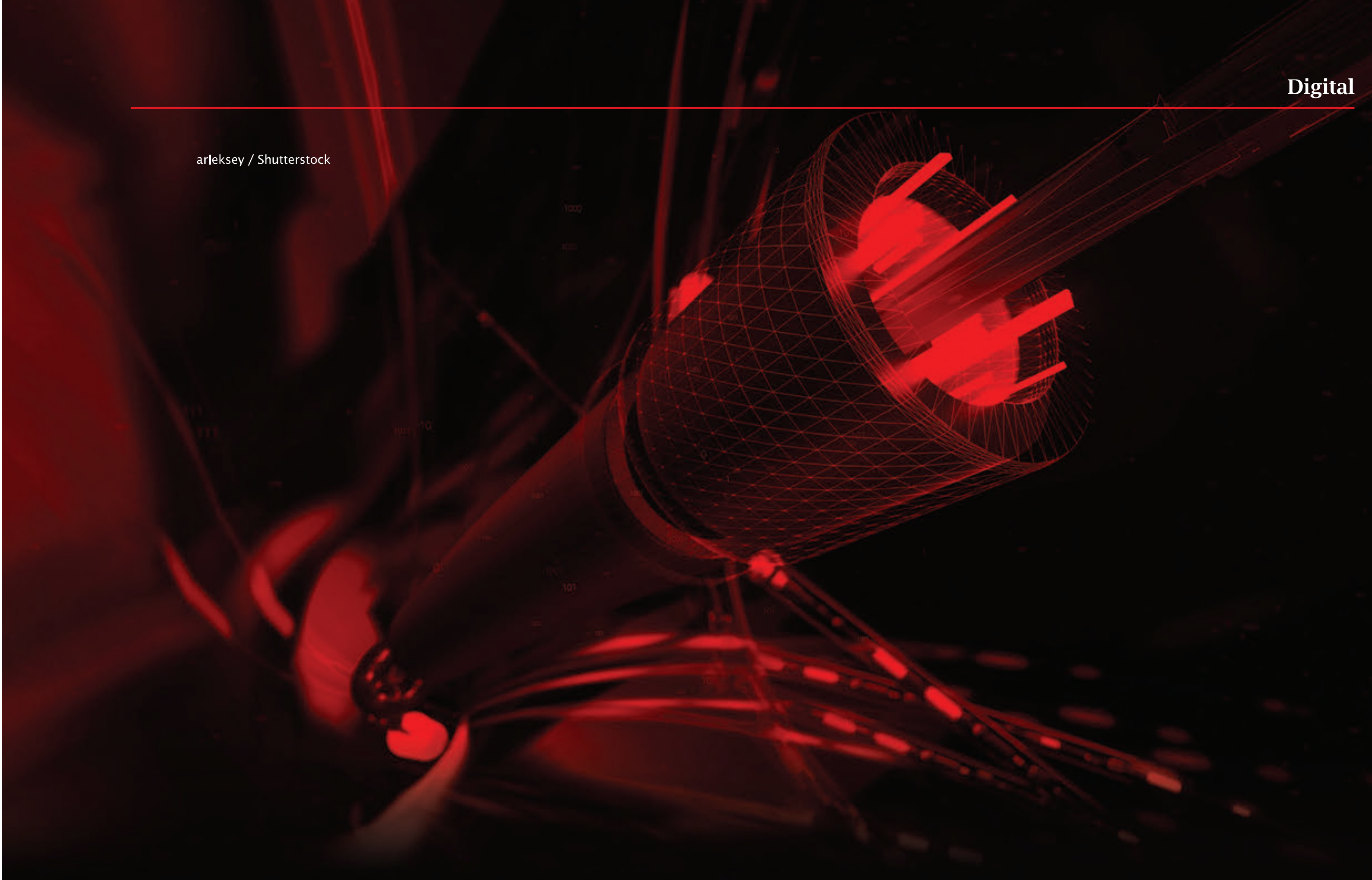
James de Veulle, Executive Committee Member, Jersey Society of Chartered and Certified Accountants (JSCCA).

James de Veulle (FCCA) is a director in PwC's Assurance practice in Jersey, and leads the Channel Islands Banking practice and structured finance team. He has more than 20 years of experience in the industry, delivering audits to a broad range of financial services clients in banking, capital markets, asset management and fiduciary industries.

In addition to core audit services, James also leads on other assurance services (such as controls reporting), and provides advisory services in areas such as compliance, regulatory and process improvement.

Prior to moving back to Jersey in 2007, James worked for nine years in PwC's Banking & Capital Markets division in London, gaining broad experience on investment banking clients, broker dealers and other capital market institutions, leading multinational teams and working with clients during IFRS transitions, US GAAP conversions and preparation for SEC listings.

James has been on the Executive Committee of the JSCCA for the last three years, during which time he has also chaired the training sub-committee. Previously, James also served on the Jersey Funds Association committee for four years.



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Jersey's natural synergy of finance and digital

By Tony Moretta

Jersey has a world class finance industry which makes a significant contribution to global markets and in particular the UK. Our technology sector may be smaller and less developed but it is also starting to make a name for itself.

The first regulated bitcoin fund was launched in the Island on the back of some world leading legislation. However, it is not just about the headline hunting technologies of bitcoin or blockchain. This year Jersey will finish the rollout of 'full fibre' to every connected home and office.

Based on this and other developments, 2018 will see the launch of 'Sandbox Jersey' – a whole country as a sandbox. We are working together to create this fantastic opportunity for the Island and for companies around the world looking to test their products and services, and fintech will be a major focus.

For finance companies, technological innovation is not just about improved efficiency, it is about overhauling the customer experience, changing expectations and managing the regulatory environment. Global adoption of new technology is running at breakneck speed, barriers to entry are disappearing and consumer choice is increasing. That is why we at Digital Jersey are working closely with Jersey Finance to strengthen the Island's financial offering, capitalising on new opportunities, as well as future-proofing our existing capabilities. Our Enterprise Solutions sector has already seen rapid growth, now employing over 1,000 people. It is developed to

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support finance firms, helping them save time, money and improve customer service, as well as meet regulatory standards. This is good for the businesses, for our economy and for the employees who make up these industries.

For example, local technology company, C5 Alliance, has a long-standing relationship with Lloyds Banking Group having successfully developed secure internet banking for the Private Banking division and Hill Samuel in 1999. They have continued to develop this platform and now offer extended services to Offshore Clients to match their requirements.

Digital Jersey worked with the Jersey Financial Services Commission (JFSC) to make it easier for finance firms in Jersey to transfer beneficial ownership data, saving time and money. The Beneficial Ownership Register improves transparency, so the JFSC created an Application Programming Interface, allowing digital solutions to integrate with the JFSC. Local technology companies were quick to provide solutions for our finance firms and now over 100 businesses have opted to connect through the portal.

The Financial Conduct Authority (FCA) in the UK, launched a regulatory sandbox in 2016. It allows services, products or business models to be tested in a live market environment, with the right regulatory protections in place. Jersey is also going to do this.

Digital Jersey is working with the JFSC to ensure Jersey is perfectly placed for fintech start-ups to develop and grow. We will support the JFSC in developing and promoting a

Photo Chris George

fintech sandbox to remove barriers to the development of fintech products and services.

In 2018 I also look forward to working together with industry and regulators to develop a Fintech Ambassador function for the jurisdiction, promoting the unique and attractive selling points of the Island.

The synergy between our finance and technology sectors is driving fintech innovations such as KYC Global Technologies. They supply regtech solutions to combat financial crime. Over 300 financial institutions worldwide use their technology – PanOptic, real time customer risk management and reporting and RiskScreen, the anti-money laundering screening and monitoring compliance sofware powered by Dow Jones.

It is natural that our talented financial sector workers will have ideas and set up start-ups. London saw £1.3 billion of venture capital investment in fintech last year, more than any other tech sector. The foundations that make London attractive, also play into developing Jersey as a centre of excellence for fintech firms. We have the right time zone, language and proximity to professional service providers and we have the cloud storage, cyber security and data protection professionals to allow us to operate safely.

We also have the infrastructure. Three 4G networks and gigabit fibre to the premises for all residential and commercial properties make our communications second to none.

Our leading telecoms company JT has been working with Sony to create the Island's second Low-Power, Wide-Area Network (LPWA) to allow devices to connect to the internet and complement 3G and 4G cellular connectivity. This will boost the Internet of Things (IoT) sector in the Island. Sony saw the benefit of testing its LPWA technology in Jersey because of the Island's super-fast fibre network, its varied terrain and the digital connectivity of its population. We are also building a data platform to analyse large data sets collected from IoT sensors around the Island. JT is already a global leader in IoT with over 1.4 million SIM cards connecting devices worldwide, including payment systems in West Africa.

We are opening a dedicated IoT Lab in 2018 – the Digital Jersey Xchange – which will be the hub for Sandbox Jersey, the world's first whole country testbed for digital products and services. Jersey is a one-stop-shop for high-tech product development in a safe, controlled, secure and smart environment. We have easy access to regulators, agencies, government, infrastructure and local industry. We also have an advanced telecoms infrastructure, high quality professional services, modern workplaces and everything you would expect in a complex autonomous country but all compressed into just 45 square miles.

Jersey is already a good place for fintech and we are making it easier by assisting start-ups with a new licensing scheme. It is aimed at attracting applications from potential high-growth digital businesses from around the world, as well as locals, who want to launch their own businesses.

Digital Jersey worked with the Jersey Financial Services Commission (JFSC) to make it easier for finance firms in Jersey to transfer beneficial ownership data

To help our growing businesses we are also working to develop digital skills in the Island, joining forces with education, re-training adults and raising awareness of the need to increase digital skills across all industries.

Technology is not only disruptive but also creative. We have an incredible opportunity in Jersey to help provide technological solutions that are not available anywhere else in the world. Jersey is truly open for business for digital now as well as finance and we look forward to working with the best of both worlds.

Tony Moretta

Tony Moretta, Chief Executive Officer, Digital Jersey.

Tony has over 20 years of senior management experience across a wide range of digital industries, including mobile, online, broadcast, payments, advertising and data analytics, using the latest technological innovations to develop new revenue streams. Tony began his career at NatWest on the graduate training programme, going on to spend seven years there and rising to Senior Manager of Commercial Development in their cards business. He went on to work for Visa Europe as Vice President of New Products, where he developed a number of new electronic payment products. He took this interest in innovation to ITV Digital where he was Director of Interactivity, followed by senior positions at the National Grid Wireless and Digital Radio UK. Before joining Digital Jersey, he was delivering a number of projects in the digital space for both the UK Government and major private sector companies and was one of the founders of Weve, a joint venture between EE, O2 & Vodafone in mobile marketing, payments and data analytics.

As CEO of Digital Jersey Tony is responsible for delivering the organisation's long-term economic, social and reputational objectives together with meeting annual business plan goals, to develop Jersey as a recognised digital jurisdiction.

Building a secure platform for data and fintech development

By Rob Leader

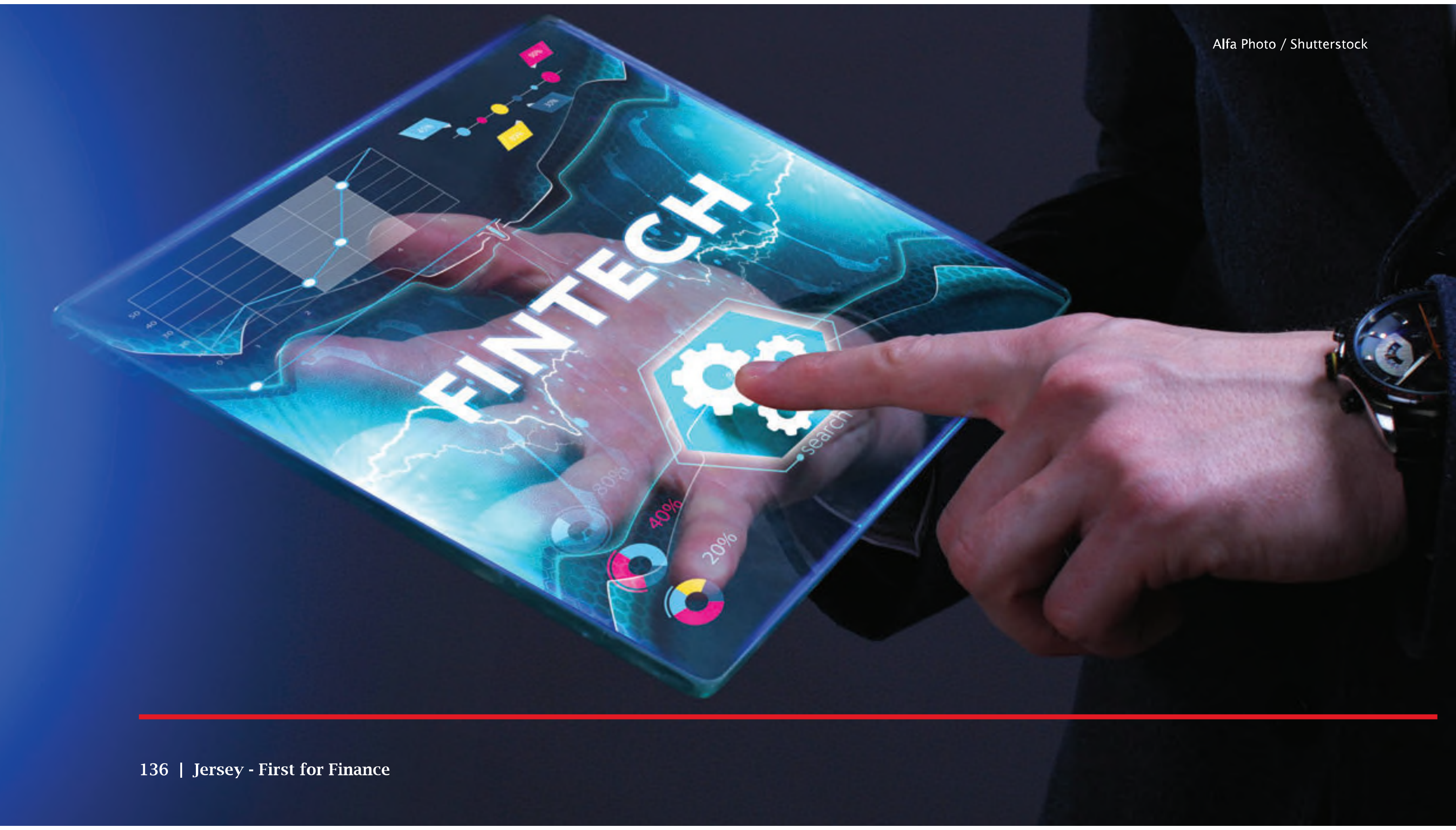
Historically Jersey has been positively distinguished from other jurisdictions by its stability, its conservative approach, its high quality regulation and its long tradition of a well-established legal system. Our unshakable, safe and admirably steady nature has been one of the pillars that our largest industry is built on.

This has held us in good stead. After the credit crisis hit in 2008, the financial services industry globally faced a time of unprecedented change and Jersey had increasing appeal, as a secure, reputable environment to do business in a chaotic world.

Then, just as the finance industry was beginning to comprehend and adjust to the scale and impact of the new, ever-changing turbulent world of global regulation, the second wave of the modern digital revolution rapidly accelerated. Suddenly, there were as many opportunities as there were challenges, as well as a whole new category of ‘unknown’ market factors.

To give some context for this, it is worth remembering that between 2002 and 2010 mobile phone usage went from 19% of the world population to 68% and internet users from 11% of the world population up to 27%.

Adjusting to new pressures, while embracing new innovations, has been the complicated task of the financial services industry for the last 10 years. Also for a



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jurisdiction that specialises in financial services, it has at times been uncomfortable. How do we continue to provide stability and certainty, while also becoming more adaptable and accelerating innovation?

Jersey's natural strengths, such as political stability, a sound economy and a skilled workforce have all helped us to remain competitive. We are fortunate to have strong infrastructure, in particular in the area of regulation. The work done by the Jersey Financial Services Commission (JFSC) gives us the foundation we need to secure our existing industry against change and also provide a platform for us to innovate from in areas such as regtech. We also have excellent technical, physical infrastructure in Jersey, such as; an Island-wide fibre network, three high quality 4G networks and robust data centres facilities. All of this is very appealing, as more businesses want to know their data is held in a very safe and well-regulated location. This is nothing to do with tax planning – it is about compliance, governance and security. A number of financial organisations have concerns about hosting with providers like Microsoft and Amazon, since President Trump announced that he will take copies of data hosted by them in the cloud. Data, in some ways, has become more valuable than money.

Our human infrastructure, so to speak, is also strong, not just within finance but also within the digital sector. We have incredibly gifted and qualified people working in the technology space, alongside their experienced colleagues in the finance industry, to create solutions that are being rolled out globally at the highest level in some of the world's leading organisations.

In many ways, Jersey is becoming the ideal testbed for fintech solutions, where our small, contained but well-equipped environment allows us to try new things and develop them for larger markets. This means ensuring support in these areas, by growing local skills and resources, working closely with local stakeholders, like Digital Jersey and also maintaining and improving links to major global technology companies like Microsoft and HPE. It also means supporting business intelligence and business change.

This may include, for example, working with local finance firms on projects that use AI machine learning to make customer interactions more 'humanlike' and improve the data outputs from those interactions, so that businesses can make better decisions about products and services. We are also helping businesses to develop new, better, more secure ways to store and manage data safely, with advances, elastic solutions that self-heal, eliminating the need for costly support. Of course cybersecurity is also a key priority for the finance sector – and for us here in Jersey – alongside constant adaptation and management for regulatory changes such as GDPR.

As everyone in the finance sector and beyond is very aware, GDPR introduces new requirements and the right to data portability, which means that finance firms in particular need better audit trails, better website functionality and better data consent processes. While GDPR has created challenges, it has also forced us all to look long and hard at how we handle data and to consider how all of our technology works together, as a whole. This can only be a good thing, as a platform for future innovation.

Five years ago, we said that today, the finance industry would be unrecognisable from what it was. While that has not proven to be exactly true – and many traditional services still make up the bulk of the offering – it is fair to say that the energy of the sector has shifted.

There is an acceptance from the finance sector that technology is now the most important investment they can make. The conservative style that we used to see from financial institutions was understandable, as they were worried about their reputation and battling constantly to meet ever-changing regulatory standards to regain trust after the credit crisis.

Now, the focus has shifted away from the needs of the giant corporations and back to the needs of the customer. Technology may have been disruptive but it has also improved efficiencies, improved customer service and given people more options. An estimated 69% of the population now use mobile phones, ironically, mostly not to make phone calls. Even just a few years ago finance firms would debate if they needed an app for their clients to engage with them. Now most of them know they do. The debate now is how to add in AI functionality.

All of this innovation is exciting, challenging and at times, a little scary. This next year is going to be absolutely pivotal for Jersey's finance industry and specifically its fintech sector. With market pressures mounting, driven by yet more regulation and the proximity of the UK's uncertainty over Brexit, our best chance and only chance to continue to thrive, is to continue to innovate. We need to adopt new technology and we need to adopt fast. I also believe that we are ready to. We have the right infrastructure, the right people, the right regulation, the right political environment and the right mind set.

Rob Leader

Rob Leader, Group Managing Director, C5 Alliance.

As Managing Director across the C5 Alliance Group, Rob Leader's integrated approach to business strategy combines the best technical solutions with good business practices. With over 40 years' experience, Rob has led C5 to grow to 200 people and made a continued commitment to invest in financial technologies at the cutting edge.

Jersey:

a platform for global success

By Graham Hughes

Island businesses need a stable communications platform and access to the latest technologies, if they are to operate successfully in an uncertain world.

Jersey's greatest strength is its global nature. Far from being constrained by its limited size, Islanders have wisely used the transformative power of communications to turn a small island into a leading jurisdiction in the financial services sector.

Today, more than 40% of the Island's economic activity is generated by the industry and Jersey enjoys a position at the top of international league tables. Jersey's development from a sleepy holiday destination to a cosmopolitan and thriving global community has been no accident and at all stages has been underpinned by effective, world-class, global communications.

Reliability is not optional

To maintain its position as a leading finance centre, Jersey needs to stay in constant contact with the rest of the world and it can only do this if it is able to rely upon a communications infrastructure that is robust, resilient and most importantly, reliable.

That businesses need resilient global networks makes your choice of communications partner extremely important. As organisations build a global footprint, they need to be confident they are working with the right people and should choose a company that has the expertise and the global reach to design, build and maintain infrastructure that operates around the clock, linking offices located around the world.

Crucially for Jersey, its off-island links are fast, diverse and have ample capacity to carry the terabytes of information that are sent to and from the Island every single day. Routed via France and the UK, these connections keep Jersey in touch with the rest of the world.

International support

Although only a small Island, Jersey has a strong and competitive telecoms sector that includes home grown businesses as well as those that are internationally backed. It is important to have Channel Island roots but also a modern and international presence, which is invaluable for businesses planning for the future.

Jersey itself has recognised the need to widen its own economic support by increasing the variety of industries operating on the Island. Today, it hosts a growing technology industry that requires a similar level of international communications support as the world of finance.

Certain facilities available to Island-based businesses today, offer a dual-data centre that operates directly in support of the Island's economic ambitions, providing data hosting services to many of the Channel Islands' top financial and technology firms.

From eCommerce and eGaming providers to hedge funds and private banks, the resilience provided by the dual-data centres is unsurpassed in the islands, not only enabling data storage and backup services but, with PCI-DSS and ISO 27001 accreditations, it gives companies the resources they need to provide a secure environment for real-time transactions and cloud-based networking.

A gateway to the UK and Europe

Looking beyond technology, the many uncertainties created by Brexit have already begun to affect UK businesses as they struggle to plan for a future in which they have no idea about the nation's likely relationship with the EU. This confusion is playing on the minds of non-UK businesses that had chosen to use the UK as their gateway to Europe.

Many of the world's largest tech firms, including Microsoft, have warned that they may need to find new locations for

Bruce Rolff / Shutterstock

their data centre infrastructure because of fears that tariffs between the UK and Europe could severely affect business.

Perfectly positioned just 15 miles or so from France's northern coast, Jersey is ready to take up the mantle as a data gateway to both the EU and the UK.

Crucially, Jersey has already begun the process of ensuring its laws are compatible with the EU's new General Data Protection Regulations (GDPR). Brexit itself should have only minimal, if any, effect on the Island, which has never been a part of the EU but has always worked closely with the EU to ensure its laws provide the platform businesses need to use Jersey as a base from which to access the world's largest free market.

Island businesses are uniquely placed to speak with both the European and UK enterprise sectors about the equivalence of our data protection laws. The fact is that the UK's Investigatory Powers Act (Snoopers' Charter) and the UK Home Secretary's wish to see back doors inserted into encrypted services, do not and will not apply here because the Island possesses full data sovereignty.

Three islands, one network

As companies consider moving to Jersey, they are able to rely on our tri-island network – the only one linking the Isle of Man with the Channel Islands – to facilitate relocation and to provide ongoing support.

Hundreds of companies already use the network to provide secure communications and data hosting facilities but we are also seeing an increasing number choosing to move their information infrastructures into the cloud.

We are seeing demand for infrastructure as a service products growing, with clients wanting to commission and decommission carrier-class infrastructure at the click of a button, enabling the instant switching on of short-term computing capacity and network components for specific projects or to deal with periods of high demand.

The ability to configure networks on an ongoing basis enables companies to work more efficiently and avoid the challenge of congested networks.

Companies also benefit from reduced costs and enjoy transferring the burden of managing server infrastructure, to Sure's Service Operations Centre (SOC), which monitors client networks 24/7/365, alerting them to potential problems before they have a chance to cause significant disruption.

Providing protection

This proactive approach to protecting and securing clients' networks extends beyond the traditional areas in which telecoms companies are expected to operate and reaches as far as the protection of clients' email systems.

Email is the vehicle through which 95% of cyberattacks are launched and given its continued popularity as the messaging platform of choice for most businesses, it is vital that defences are as strong as possible.

Through our long-term partnership with Mimecast, we have developed a cloud-based email security system that protects businesses whilst also meeting the jurisdiction-specific storage and archiving demands of regulators. Mimecast Offshore is ideal for the financial services industry and through services like Targeted Threat Protection, which employs link re-writing and attachment sandboxing to prevent phishing attacks, it delivers levels of protection that cannot be attained simply by employing firewalls or simple filtering services.

With a number of companies active in the Channel Islands' vibrant telecoms sector, a key requirement is their ability to offer a range of products and services that give businesses based in Jersey the stable platform they need to reach out to the world, supporting the Island in its mission to operate as a stable jurisdiction in an uncertain world.

Graham Hughes

Graham Hughes, Chief Executive, Sure Jersey.

Graham was born in Jersey and following a career in Aeronautical Engineering with the Royal Navy, returned to the Island working as Senior Company Officer for Reuters in Jersey, Guernsey and the Isle of Man.

He joined Sure in 2004 for the launch of Sure's Jersey operations and leads the firm's commercial, operational, sales and revenue strategy in the Island. Sure is part of the Bahrain-based Batelco Group.
sure.com/jersey

An evolving inward investment proposition

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By Paul Burrows

Reflecting on the inward investment landscape over the past 10 years, Jersey's proposition has changed significantly, so that today the Island has become a highly attractive location both for a wide range of businesses to come and flourish and for people to come and live with their families.

In an increasingly competitive and globally-focused business landscape, Jersey's approach has of course had to evolve and the message now is clear – Jersey is open for business and serious about offering high value-low resource businesses a place where they can come and grow.

A decade ago that might not have been widely understood but the signs are that the perceptions have undoubtedly changed for the better.

For instance, over recent years there has been a noticeable increase in enquiries from businesses wishing to establish a presence in Jersey. In 2017, Locate Jersey – the government's body with responsibility for inward investment – saw a significant 21% increase in the number of new enquiries received from both businesses and individuals, about moving to Jersey.

Last year alone, 31 businesses were granted a licence to operate in Jersey, whilst 34 high value residents were granted permission to move to the Island. Over 1,600 jobs have been created over the past 10 years by inward investment businesses.

These numbers provide some indication of the fact that executives are increasingly considering Jersey to be a business centre of excellence and a welcoming, sophisticated, friendly jurisdiction where everything is geared up to enable their internationally-focused business to prosper.

Diversity

However, these figures only tell part of the story. The range of businesses looking at Jersey is changing too and this is helping to create a vibrant, diverse business environment.

Some of the more well-established features of Jersey continue to appeal to businesses and executives, particularly in the financial services sector of course. As well as offering some of the lowest direct tax rates in Europe, for example, they are attracted by Jersey's infrastructure, regulatory framework, highly experienced network of professional services firms and globally-renowned experts, as well as by the approach of its business-focused, independent government.

In addition though, Jersey's ongoing efforts to promote diversity across its economy is resulting in sectoral growth in a number of new and different areas that complement the well-regarded financial services sector, including mining, natural resources, tech and eCommerce.

Photo Chris George

Whilst alternative fund management continues to be a major area of growth for Jersey, for example – with managers increasingly looking to the Island as a solution to mitigate the implications of Brexit and protect their IP – this is enabling growth in a number of ancillary areas, such as fintech, governance and advisory companies.

The mining and natural resources sector has been a particular area of success, as executives have found that Jersey offers exactly the kind of financial expertise – such as access to capital markets and business support – that they need to protect their worldwide assets and help their businesses grow.

As a result, the number of mining and natural resources companies establishing a European headquarters in Jersey has grown considerably over the last five years alone. These firms have operations of real management and executive substance in Jersey and are involved in the cutting-edge exploration, development and processing of minerals in sites ranging from Armenia and the Middle East to Australia and Africa. Growth in this sector has prompted the creation of a complementary advisory and support sector to these firms too.

Meanwhile, within the technology sphere, there is growing interest in Jersey from a broad range of tech firms – both established names and innovative start-ups – as a location to support their ambitions.

There are a number of reasons for this, including the stability and resilience of Jersey's communications infrastructure and its financial expertise, particularly relevant in relation to the rapidly evolving fintech sphere. In fact, Jersey will be one of the first jurisdictions in the world to have – within the next two years – all residents and businesses connected at gigabit speed through a fibre network.

A number of tech entrepreneurs are also showing interest in Jersey's new test-bed 'Sandbox Jersey' platform to help with product innovation, support their expansion and for research and development. At the same time, fund, company and fiduciary administration services are also being provided by Jersey firms to a number of these tech businesses.

Sophisticated approach

This shift towards an increasingly diverse, open and innovative environment is no accident but has been driven in recent years by a deliberately more sophisticated approach to inward investment.

It is an approach that understands that Jersey's future success rests on building strong relationships with targeted growth markets around the world and on encouraging high value businesses to our shores.

Container ship in St Helier, Jersey. Alagz / Shutterstock

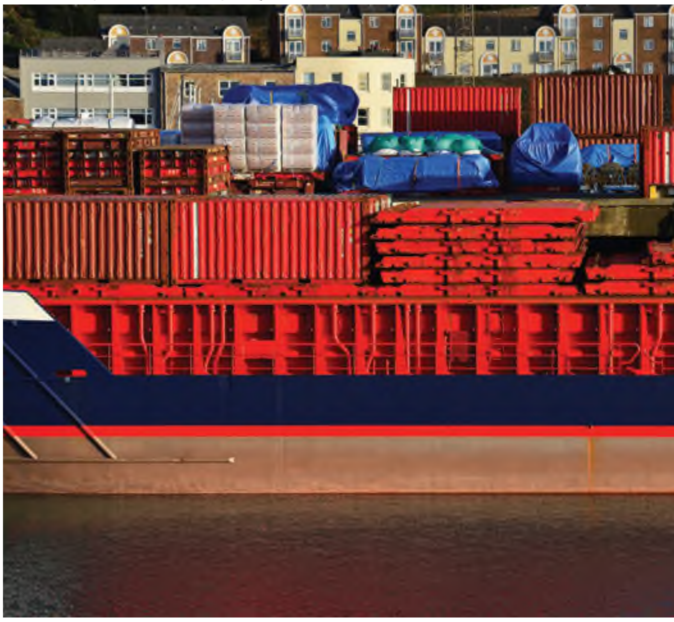

Photo Chris George

Over the past few years for example, Locate Jersey has put in place a comprehensive programme of activity to position the Island as an attractive relocation proposition for both businesses and individuals, working in collaboration with local intermediaries and bodies such as Jersey Finance, Digital Jersey and Jersey Business.

Through regular attendance at events in the UK and promotional efforts in key overseas markets, such as Hong Kong, mainland China and Africa, we have adopted a much more proactive approach that is markedly different from the subtler approach a decade ago. It is a strategy that is outward looking, open and transparent, that celebrates how proud we are of what Jersey can offer to successful people and businesses, and which is proving to be hugely positive.

This more sophisticated approach is also reflected in the high value residency strand that complements business inward investment too. In particular, the onboarding process for high value residents is much more efficient now. There is a far greater joined-up effort in managing applications and licenses with, for instance, the population office, through to an aftercare programme for those who move here – something we constantly hear is a real help in introducing new arrivals to useful contacts, helping them to integrate into the local community. It is a real differentiator for Jersey compared to other centres.

The result is that there is a much greater focus today on ensuring that all high value residents contribute actively in some way to Jersey's economy, so that the demographic of those moving to Jersey today is quite different from a decade ago.

Gone are the days when the perception might have been that Jersey was purely an option for a select group of wealthy retirees. Today, those moving to Jersey are younger with families and are looking for a home that can offer a first-class lifestyle, with good education and health facilities, that simply cannot be found in other cities and business hubs.

Jersey is open for business and serious about offering high value-low resource businesses a place where they can come and grow

That lifestyle proposition is clearly now just as important as the business one, so that whilst Jersey's business environment and its standing as a leading IFC are vital, an ability to offer a favourable family-orientated lifestyle, with a rich heritage, outstanding natural beauty, world class restaurants and leisure opportunities, as well as an excellent stock of high quality homes and good transport connections to the UK and Europe, is critical in the decision-making process too.

Jersey is very much open for business and we believe passionately in the Island's ability to provide a solid platform for people here to succeed. With an inward investment capability that is now significantly enhanced in terms of sophistication and reach into international markets, Jersey's evolving proposition is the envy of other centres and is helping to position the Island strongly for future growth in the years ahead.

Paul Burrows

Paul Burrows, Inward Investment Manager, Locate Jersey.

Paul has 33 years' experience of working in the international financial services industry, across the wealth management, private and corporate banking sectors, and as a Chartered Member of the Securities and Investment Institute.

Over the past five years Paul has played a key role at Locate Jersey (the Government of Jersey's team responsible for inward investment), in building the Island's reputation as a centre both for companies wishing to establish a physical presence and for the relocation of High Value Residents to Jersey.


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Staying the course and leading the way

By Chris Usher

It is often said that Jersey 'leads the way' as an international financial centre but does it? And if so, how?

Jersey had the foresight to introduce effective regulation relating to financial crime early on in its evolution as a major centre for international finance, introducing its Proceeds of Crime legalisation to criminalise the act of 'money laundering' in 1999. The UK introduced its Proceeds of Crime Act in 2002, with a number of jurisdictions following shortly thereafter, once again demonstrating that Jersey does indeed lead the way in the regulatory frameworks that are important to the health of the financial services industry.

Additionally, Jersey continues to set best practice in the regulation of corporate service providers, whereas other jurisdictions do not regulate these providers in any meaningful way. A key area of strength for Jersey is the accumulated knowledge and expertise built up by its greatest asset – its people.

The training, education and continuing professional development of these people has been a cornerstone of the Island's success in providing world class financial services in areas such as estate planning, wealth structuring and investment management. Jersey is now once again trailblazing a path in the international funds sector and provides a range of funds vehicles which are regulated in a common sense manner, again, backed up by well qualified professionals from every discipline. As a leading financial services jurisdiction Jersey takes the development of its people seriously, with many senior roles having a mandatory requirement for Continuing Professional Development (CPD).

Jersey International Business School – or JIBS as it is known locally – has been at the heart of training and education in the financial services industry for nearly 10 years. JIBS provides world class training and education to the international financial services industry, not just in Jersey, but around the globe. Last November JIBS ran its inaugural Financial Crime Prevention Symposium in Zurich, Switzerland, with the support of the Swiss Compliance Officers Association, once again showing that where Jersey leads, others are keen to follow. In 2018, JIBS is working with the Association of Compliance Officers (ACOI) in Ireland to bring the one day symposium to Dublin.

The educational landscape in Jersey has improved substantially over the last 10 years or so. In the aftermath of the worst financial crisis for 70 years, JIBS was born to provide effective training and thought leadership development to those individuals working in the Island's most economically important activity.

As well as being the exclusive provider of important qualifications such as the Society of Trust and Estates Practitioners (STEP) Certificate Diploma, together with the broad range of International Compliance Association (ICA) qualifications, JIBS launched its hugely successful two year degree programme in 2012. The BSc (Hons) International Financial Services degree, awarded by the University of Buckingham, provides students with an internationally recognised qualification awarded by a top UK university. Alongside studying full time over two years for the degree, students gain paid work experience through an internship scheme called the Undergraduate Employment Programme (UGEP), which sees students work two days a week for some of the world's leading international financial services businesses such as UBS, Barclays and a host of other leading names.

Following the success of the undergraduate programme, the MSc (by research) International Financial Services Master's programme was launched in October 2016. Studied over two years, on a part time basis, this programme provides students the opportunity to become 'masters' in their particular area of expertise using the exceptional academic and practitioner network that the School has built since it launched. These programmes are yet another example of Jersey 'leading the way' as an international financial centre. Many centres simply do not have the critical mass to provide such development opportunities and JIBS is consistently asked if it can support other jurisdictions in the provision of their education and development of their people.

One way of doing this has been to invest in digital delivery and JIBS has a dedicated e-Learning proposition with anti-money laundering training solutions tailored to markets as diverse as the Isle of Man, Guernsey, the British Virgin Islands, Switzerland, Hong Kong and Luxembourg, through our educational partnership with PwC Academy. Offering e-Learning is one mechanism that can assist smaller jurisdictions in meeting their financial crime prevention learning needs, however, people often want face-to-face training and JIBS has a specialist faculty of some of the world's leading trainers who provide executive education 'in-company' to financial services around the globe.

Led by Director of Education, Jo French, JIBS lecturers provide specialised bespoke training for clients to meet their needs in respect of areas such as sanctions risk management, cyber security concerns and bribery and corruption risk. Recently JIBS has been providing training and education related to the financial crime and anti-money laundering risk associated with cryptocurrencies and digital asset flows, such as bitcoin, demonstrating that Jersey is once again leading the way in the provision of financial services training and education.

Global competition is real and substantial as technology lowers the barriers of entry for many jurisdictions. How international financial centres differentiate themselves will be increasingly vital to the longevity of a jurisdiction's business model and the economic well-being of the population as a result.

Ten years from now it will be interesting to see the correlation between investment in education and the success or otherwise of international financial centres around the world. Jersey International Business School will play its part in ensuring that Jersey remains at the forefront in the training, development and education of financial services professionals in Jersey. We expect that JIBS will also be exporting its knowledge and expertise to other centres, acting as an ambassador for the Island which we all love and cherish but this can only be achieved with the ongoing support of industry and other stakeholders across the Island.

Chris Usher

Chris Usher, Chief Executive Officer, Jersey International Business School (JIBS).

Chris has over 20 years' experience in international financial services, working both in the UK and offshore, for major financial institutions such as Barclays Wealth and Santander.

Formerly an International Investment Manager he advised both individuals and corporate entities on complex investment scenarios. He now specialises in delivering training in investment management, taxation and regulatory matters in international finance centres around the world.

Chris is a specialist chairman of a number of high-profile events, including conferences such as the Annual Compliance & Economic Crime Symposium and the International Taxation Conference.

Photo Chris George

View from the Bridge

The Chief Executive of Jersey Finance, Geoff Cook, talked to John Willman, about the progress made in just over a decade on repositioning the organisation – in often adverse conditions – and navigating a future course to maintain Jersey's position as a premier international finance centre (IFC).

When Geoff Cook became the second Chief Executive of Jersey Finance in January 2007, there were just five other employees and a modest budget. It had been founded in 2001 by the Jersey Government and the Island's finance industry to represent and promote Jersey as an international finance centre and had staged some events in London and organised an exploratory trip to the Middle East.

Today, it has more than 30 staff, 160 industry members, offices in Jersey, Dubai and Hong Kong, representation in London and virtual offices in Shanghai and Mumbai. The last reported year of 2016 was a record business year for Jersey's finance industry, with employment back to the peak of 13,000 reached before the global financial crisis in 2007.

Perhaps most important for Jersey's reputation, it is seen as leading international initiatives to curb tax abuses and increase the transparency of the world's taxation systems. Its role has been praised by international regulators such as the OECD and IMF. Most recently, Jersey's status as a cooperative jurisdiction has been confirmed by EU finance ministers and the OECD Global Forum.

Before taking the top job at Jersey Finance, Geoff Cook had worked for HSBC in London, running its UK Wealth Management business which employed around 2,500 people. More relevant to Jersey, he had previously been Deputy Chief Executive of HSBC International, which is based on the Island.

Q. What attracted you to this job, and what were your priorities?

A. "The Jersey Finance role was an exciting opportunity to represent an industry rather than a single brand. It would enable me to rejoin my family who had stayed in Jersey when I had returned to London at a critical point in the children's education. Making a real difference to the Island was very tempting and attractive.

"I very quickly realised that there had been no strategic review of the finance industry, partly because it had experienced decades of almost unbroken growth – but there was no money for one in such a tiny organisation. However, I had been on a strategy leadership programme at London Business School while working for HSBC, so I asked whether they could lend me some bright MBAs to do the review. I could pay costs but not salaries and they sent two Americans and one Japanese who did an excellent job.

"They produced a blueprint for Jersey's finance industry, which we persuaded the Government to invest in implementing. Over the next two years, we opened our network of overseas offices around the world, and also ramped up activity in them because we were too dependent on the UK and Europe. The demographics and overstretched public finances of Europe were going to drive protectionist behaviour and their governments would want to bring in more tax. We felt that it might be harder for Jersey to operate cross-border in those markets because we were so competitive from a tax point of view.

"That has progressively happened but our international expansion means that more than 50% of our new business now comes from growth markets outside Europe. At first, some member firms felt that it would be risky to do business in distant markets where it would be hard to check the bona fides of clients. It would also be expensive to do business development there and open overseas offices. But when they saw it being successful, they progressively bought into it: in the Middle East, for example, 40 of our 160 firms are now very active."

Q. What changes did you make in Jersey's business offering?

A. "The review also covered other topics such as speed to market and adapting Jersey's services to appeal to different cultural groups. In the Middle East, trusts were harder to sell because people in their culture don't like losing control of their money. So, we developed a common law foundation which leaves the patriarch or donor with more control over the management of the gifted assets – and we now have more than 350 of them.

"We have also worked quite hard on Islamic finance, which has probably been slower than expected to take off globally but is still predicted to grow to a market of $3 trillion. But some groups, especially the younger generation, are showing a keener interest and want to ensure that their financial arrangements are Shariah-compliant. There is also a lot of Islamic finance structuring done through Jersey but we're going to revisit it to see whether we need to enhance or improve the offering.

"We did a second review after the 2007 financial crisis. At first we thought it was just a correction but when Lehman Brothers went under we realised it was much more substantial and asked McKinsey to do a risk review. Our stability as a financial centre wasn't really affected because we don't do the sort of racy things that the big centres do, like investment banking, M&A or sophisticated derivative-led business. And there's limited lending from here. But although we felt we were a stable and relatively low-risk jurisdiction, McKinsey raised concerns about what would happen if the parents of Jersey financial institutions failed or had to repatriate capital. Cost-cutting programmes had begun and we concluded that banking was going to slim quite radically and if we didn't diversify, we would follow them."

Q. What new sectors did you decide to enter?

A. "We decided on two big initiatives. One was to promote the private wealth and fiduciary businesses and the other to promote the alternative funds industry and in particular create a hedge fund cluster. Our hedge fund footprint has since risen from three firms to 30 and we think we're Europe's biggest hedge fund centre outside London and perhaps the fourth or fifth globally. That growth has come through nurturing the environment and marketing to that community.

"We have also increased the alternative investments footprint, because we felt that people were worried about banks and looking for alternatives to cash. With increasing budget deficits and low returns on cash deposits, investors were switching to alternative investments in search of returns. In fact we saw a contrarian growth opportunity driven by the same demographic drivers that we had thought might create problems for us.

"We really went for it by modernising the legislation and regulation to create the best environment for booking alternative investments, promoting funds, marketing into Europe and making the processes smooth and efficient. When we started this process, we probably held around £100 billion in alternative assets but it has now more than doubled to about £250 billion.

"Private equity has also grown and Jersey has become a significant European centre for asset management and administration. We did lose 1,800 jobs through post-financial crisis pressures but this contrarian initiative put more jobs on through growth in these other sectors."

Q. How have you dealt with the huge wave of international regulation?

A. "After Lehman's collapse, it was clear that the financial crisis was more than a market correction. The sheer scale and volume of CDOs and other sickly assets sitting on institutional balance sheets became clear and we realised that there was so much on bank balance sheets that it would take years to work through it.

"The proposed regulatory changes began to flow through from international regulators – on holding more capital, proprietary trading by banks, liquidity rules, ring-fencing of retail banks in the UK, bank recovery and resolution regimes and so on. And because the politicians were on the ropes, they started blaming IFCs and imposed more regulation on them.

"Happily, Jersey's regulators had already committed to meeting international standards, unlike many competitors. It was hard and costly to keep up with the pace but less difficult than for others – I think we did well. We easily kept up with the Basel capital adequacy changes, with all our banks already better capitalised than the new rules. We were early adopters of the OECD transparency standards. And because we're big enough to have scale but small enough to be agile, we were able to handle the huge swathes of new regulation.

"When it came to implementing the EU's Alternative Investment Fund Management Directive (AIFMD), the first proposal was for a three-year exclusion zone around Europe while Brussels sorted itself out. Meanwhile third countries couldn't market in Europe – which is what I meant about protectionist tendencies.

"Anyway, that was negotiated away and Jersey came up with an AIFMD-equivalent regime – the first country in the world to do that. This gave us first-mover advantage, which has been one of the primary drivers for the pretty spectacular growth we've had in the alternative funds industry since then."

Q.Why did you start commissioning independent research papers?

A. "When Jersey was criticised in the early years after the financial crisis, we would stand behind our regulatory credentials and cite the praise bestowed on us by international regulators. But we were still wrongly seen as a facilitator of cross-border capital flows which were helping people to avoid paying their fair share of taxes and harming public services.

"I felt we had to demonstrate our value to trading partners, so I proposed that we commission an economic study of our relationship with Britain. It's our closest political relationship and we don't want the UK government looking at us in a negative way. I was successful in persuading our Government to fund it and we produced our first 'Value to Britain' report in 2009.

"This revealed that we were supporting 180,000 jobs in the UK, together with significant GDP created by investments coming through Jersey and the taxes it generated. Although there would be some tax leakage, it would be inconsequential compared to the value we generated for the UK economy. That was transformational among people in government and policy circles and David Cameron eventually said that Jersey shouldn't be called a tax haven.

"Since then we've done about 10 similar pieces of work, of which the latest is on Jersey's value to pension funds and pension fund account holders, which supports and improves the pension prospects of 58 million people worldwide."

Q. How do you cope with press claims that IFCs damage the global economy?

A. "When you get those sorts of accusations, the people responsible for managing the system generally call for more regulation. But the Paradise Papers published last year came and went and the impact was much lower than the Panama Papers which came out in 2016.

"This time the response was a bit more balanced, as people realised that investors pool their money with other international investors to reduce friction and costs when investing across borders. They pay their tax when they repatriate the profits, so it's not about dodging taxation. But the accusations give cheer to critics who already want to curb IFCs and there will be yet another investigation by the European Parliament.

"It's just part of how we live and we have to deal with it by having good information and good arguments, showing the evidence of the scrutiny we come under and the transparency that's available here. And we point out the differences between ourselves and other IFCs – our regulatory track record, the value that we generate for other economies and that we're of net benefit to them."

Q. Are you confident about the future for Jersey Finance?

A. "I'm very confident, because of all the investment we've put in place, our political and fiscal stability, our expertise, our skills, our good governance and our substantive regulation. We can capture the opportunities and deal with the reputational challenges. Not all IFCs are so well-placed and some will fall by the wayside because they can't meet the requirements necessary to stay in the game.

"So there will fewer IFCs in the future but those that remain will be stronger and more resilient. I believe that Jersey will be one of the leading global IFCs, well able to compete with key centres such as Dubai and Singapore."

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Additional Resources

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www.jerseyfinance.je
Jersey Finance represents and promotes Jersey as an International Finance Centre of excellence and is funded by members of the local finance industry and the Government of Jersey.

JERSEY GOVERNMENT AND REGULATION

www.gov.je
The official website of the Government of the Island of Jersey.

www.jerseyfsc.org
The Jersey Financial Services Commission, responsible for the regulation and supervision of the Island's financial services industry.

www.locatejersey.com
The official website of Locate Jersey which assists individuals or organisations looking to relocate to the Island.

DIGITAL JERSEY

www.digital.je
Working alongside government and industry, Digital Jersey coordinates activities towards improving the Island's environment as a location of choice for digital business.

THE JERSEY DEVELOPMENT COMPANY

www.jerseydevelopment.je
The Jersey Development Company (JDC) - wholly owned by the States of Jersey – develops States' land and property assets no longer required for public service and the Waterfront development.