

Jersey's future

Issues that matter to your clients **now**



An open debate between 4 international experts and 100 leading advisors, organised by Key Wealth Forums as part of the Key Group's 10th Anniversary celebrations.

On Thursday 4 March 2010, at the Law Society's central London headquarters, a distinguished panel discussed Jersey's future as an offshore financial centre with leading private practitioners – including lawyers, accountants and other wealth management professionals.

The panel, and what they said:



Geoff Cook, Chief Executive of Jersey Finance – Why International Financial Centres are under attack

"Jersey is in good shape, in the 'top tier' of international financial centres, including those in the G20 and EU – indeed arguably the best regulated IFC in the world.

Of course we offer benign tax treatment to non residents, as do a large number of other countries, including many EU member States. The United Kingdom and the US could not fund their significant budget deficits without offering tax free returns to overseas investors. But Jersey is no friend to tax evaders and criminals. A leading and willing participant in the OECD's Tax Information Exchange programme since 2002, last year we filed over a thousand suspicious transaction reports and cooperated in over 700 investigations. Jersey has a better record of fighting this kind of activity than many larger countries, including the UK, France and the US... IFCs gather capital from where it is not needed and conduit it to where it can be most effectively deployed. Tax is paid on capital before it arrives and will be paid after it leaves, as it is invested and put to work. Tax competition leaves more capital in the wealth creating side of the economy and provides for greater investment activity, thus completing the virtuous economic circle. Not only is Jersey not part of the problem with respect to the global financial crisis – we are an important part of the solution."

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Sir Michael Snyder, former Chairman of the City of London Corporation's Policy and Resources Committee and Senior Partner of Kingston Smith LLP – The City and Jersey: the two-way benefits

"The City greatly values Jersey and the other Crown dependencies as conduits for funds and client business into London. We have an interest in your prosperity and you have an interest in ours. But flows of capital and expressions of support have a price in this post-crisis world – where the case against more regulation, more intrusive scrutiny and higher taxes no longer goes by default. The

"make the case actively for the services you provide"

answer is to be seen as transparent; regulated to the highest standards; and as co-operative in exchange of fiscal information and prevention of money-laundering. Jersey is all of these... But we live in a climate that encourages blame displacement. Hedge funds and private equity did not cause the banking crisis but they are a convenient target... 'Offshore centres' attract similar headlines. So Jersey – and its allies and competitors – must make the case actively for the services they provide to families, to companies, to international trusts, and to those who legitimately seek discretion, a settled legal jurisdiction, political stability and a cluster of expertise. They must emphasise that they are indeed competitive but that competition is beneficial, encourages capital flows and boosts global trade and development."





John Harris, Director General of the Jersey Financial Services Commission – Jersey’s regulatory position: meeting the standards and the quest for equivalence

“In 2000 the Island took a key decision to bring trust companies and fiduciary business into the regulatory net, to achieve the much prized trade-off between raising standards whilst permitting continuing commercial operations. Ten years ago the Island had 241 trust companies, today it has 183 – yet trust and overall wealth management business in the Island has risen significantly. This reflects a forcing out of those whose standards were so clearly below those desired and never likely to rise to the necessary standard (whether by way of negotiation or coercion). Some have chosen to emigrate voluntarily to other jurisdictions such as Geneva or Mauritius, on the rationale that they were not prepared or not able

“objectively proven ability to match the EU’s standards”

to meet the standards being asked of them. There have been a number of mergers

and some have simply decided that their business model was uneconomic and have either sold on their book to others or exited the business altogether. We set out to raise standards and I firmly believe we have managed to achieve this... One of the features of the financial crisis has been a tendency towards a Fortress Europe, which has significant complications for an international financial centre such as Jersey. We have never found it difficult to present an objectively proven ability to match the EU’s standards with our own. Where the European Union wants us to be equivalent they are very quick to accept that we operate a system which matches theirs. Where it is a question of commercial advantage, the response has been more mixed. Some member states are more than happy to recognise our standards whereas others,

largely as a question of pure politics, seem strangely reluctant to determine the matter. Clearly we must leverage better and more forcefully the objective tests of Jersey’s capabilities in order to ensure that we obtain as level a playing field as possible in what is still arguably our ‘home’ market.”



Sebastian Dovey, Managing Partner and Head of Consulting at Scorpio Partnership – Jersey: leader or follower?

“Three sets of forces are driving Jersey’s opportunities today. First, there is the offshore wealth market itself – currently valued at US\$7 trillion and growing at 8% a year. Money will always take the path of least resistance, so international financial centres generate business from sources that are natural to them. For Jersey that means the UK and GMT + 1 or 2 hours, rather than the private wealth world at large. This suggests an emphasis on Europe, which represents

“many jurisdictions are still looking backward.”

10% of offshore wealth... The next question is: which role does Jersey want to play? An offshore cul-de-sac,

where money is left rather than used? Or a traffic junction for the throughput of money? Singapore has achieved the latter, Switzerland less so. Many jurisdictions are still looking backward. This is another opportunity Jersey has to grasp... Finally, there are the world’s wealthy individuals and families. Jersey has the potential to play a major role in their lives and fortunes – given the Island’s reservoirs of experience, knowledge and expertise, talent which you must continue to nurture. So is Jersey to be a leader or a follower? To make the most of what the Island already is and to grow into what your prime client market wants you to be – Jersey has to be both.”