

2.12 Deputy R.G. Le Hérissier of the Minister for Economic Development regarding the McKinsey study into the future of Jersey's Finance industry.

How will the findings of the McKinsey Study into the future of Jersey's finance industry affect the economic growth strategy, if at all?

Senator A.J.H. Maclean (The Minister for Economic Development):

One of the 4 key strategic aims in the economic growth strategy is to grow and diversify the financial services sector capacity and profitability, with a clearly stated priority being to produce a new financial services policy framework clarifying the respective roles of industry, the regulator and Government. In late 2012, supported by additional funding from my department, Jersey Finance Limited instigated a review of the future opportunities and threats to our financial services sector. The recommendations of this review, which will be published very soon, were developed with the support of a steering committee that included representatives of Government, financial regulator and the finance industry and drew on the experience and knowledge of a joint Jersey Finance and McKinsey team. The review represents a key component of that policy framework and will form the foundation of a new financial services strategy. As such it will help to determine the future success of the financial services sector in Jersey and contribute significantly towards delivery of the economic growth and diversification strategy.

2.12.1 Deputy R.G. Le Hérissier:

Very reassuring words, I might add, but I wonder if the Minister could be slightly more specific and could he tell us on what grounds did the report see a threat to the finance industry, and what kind of strategies is he putting in place to counter those threats?

Senator A.J.H. Maclean:

I would invite the Deputy to come to the presentation when the findings of the report are going to be published. To discuss them at this moment is obviously premature, until that date. It is only a very short period of time before Members will be invited to a private briefing on the findings of the report.

2.12.2 Deputy M.R. Higgins:

Can the Minister tell us what plans he has got to institute a new review, following the constant changes that are taking place in the finance industry worldwide at the present time? For example, if we look at the Eurozone, which is in, I think, meltdown, it seems to be one crisis after another, and if we look at problems of growth ... if we look, for example, in the tax field of all the proposals that have been put forward for information exchange and so on, it is a moving feast. So to rely on one document, what contingency plans have you got for constant reviews and updating?

Senator A.J.H. Maclean:

There is an ongoing process, clearly, and greater investment into supporting financial services has been key and is clearly justified. That is increased funding for Jersey Finance. That is increased funding for the appointment of a Director of Financial Services, and support for him as well, is going to be absolutely essential. He is already proving that it is paying dividends with the work that he is doing in terms of bringing together the 3 key components, that is Government, regulator and industry. There are many challenges ahead. As the Deputy quite rightly points out, we see them on a regular basis and they are being addressed. There are also opportunities and that is an area that is focused on within the McKinsey report as one would expect, looking at different geographical locations, product opportunities that can be further developed. We have to look at the successes that we are seeing. Despite the challenges we are seeing increased amounts of deposits arriving in the Island from places like the Middle East,

where investment has been put in recent years, significantly up in the last couple of years, and that should be welcomed and supported. There is a lot of work to do but there are opportunities.

2.12.3 Deputy M.R. Higgins:

With mention of the Middle East, I hope it is not money from Cyprus. Would the Minister be able to confirm on that? Money from Cyprus? Deposits from Cyprus?

Senator A.J.H. Maclean:

I do not think it is a joking matter, although the Deputy is laughing, I am not aware if there has been any flow of funds from Cyprus since their challenges. I understand that a certain amount of money headed towards Singapore, but it is a very competitive world and that proves the point that we have to be competitive in order to attract good business. That is what we are after, good quality business in Jersey.

Deputy M.R. Higgins:

Could I just mention I meant talking about the quality of the business, and my reference to Cyprus was we do not want the Russian money or the poor Russian money, put it that way.

2.12.4 Deputy R.G. Le Hérissier:

Notwithstanding the boundless optimism shown by the Minister, based no doubt on the McKinsey Report, which is excellent, I wonder if the Minister could give comfort to the population that even if economic growth of finance were to falter, there are other strategies in place that in his view could totally substitute for any faltering, any shrinkage, and of course there has been shrinkage of approximately 12 per cent in the last couple of years, that he is totally optimistic that there are other sources of economic activity that could step in?

Senator A.J.H. Maclean:

I am not sure I was earlier trying to demonstrate boundless optimism. I was trying to be balanced and fair. In terms of answering the question the Deputy has just posed, I mean, clearly a failure or retrenchment in financial services is a challenge for the Island. It represents 41 per cent of our G.V.A. (gross value added) and we have said many times, and that was a point very clearly made in the economic growth and diversification strategy debate, that there are no silver bullets here. There is no other magic sector that we can introduce that is going to overnight replace the contribution that financial services make to this Island. However, there is a lot of work going on, as the Deputy will be aware, in areas like developing the digital economy, and I think that is a very exciting opportunity that the Island will continue to develop and will continue to invest in. We are also increasing productivity across the whole sector. All parts of the economy are an important contributor and we continue to work on them.