



JERSEY FINANCE

VOICE OF THE INTERNATIONAL FINANCE CENTRE

Connétable Steve Pallett
Scrutiny Office
States Greffe
Morier House
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Jersey JE1 1DD

19 December 2013

Dear Connétable Pallett

Re: Digital Skills Review

I was grateful to receive your letter of 15 November 2013 and grateful, too, for you kindly extending the date for response to 20 December 2013.

The prime reason for requesting the extension was to allow for the circulation of your letter to the various finance industry trade associations and for those trade associations to consider it at their monthly meetings.

Your letter was circulated on 21 November 2013 to the Jersey Bankers Association (JBA), the Jersey Association of Trust Companies (JATCo), the Jersey Society of Chartered and Certified Accountants (JSCCA), the Jersey Funds Association (JFA) and the Financial and Commercial Sub-Committee of the Law Society. Some of these associations further circulated the letter to their members.

The relatively short timescale (even with the extension) at what is a very busy time of year will have made it difficult for many of those approached to respond in detail. However, all have made clear that they are generally supportive of both the education and industry digital strategies and some personnel have, I know, been working separately with the States on digital skills audits and connected projects. The Executive Committee of the JSCCA confirmed their support 'for any initiative which assists in improving the IT skills of students in Jersey and the Digital Jersey Strategy and Business Plan'. In the Committee's view, it was vital that such plans were 'given the full support of the Government and implemented as soon as possible' to ensure that the digital opportunity for Jersey was not lost as a result of the speed at which technology moves.

Several members of the other associations also provided their individual thoughts and I add those to my own in the general comments that follow. The extent to which my response below reflects the views of the finance industry as a whole should, of course, be considered against this background.

Digital services utilised to compete

The first point is, perhaps, a self-evident one. Without the necessary skills training in schools, the Island and its finance industry is likely simply to be left behind. As Mario Lundy explains (p.3 and p.5 of *Thinking Differently*), "The pace of innovation in technology is rapid and quickening" ...

"Innovation and entrepreneurship are now crucial for long-term economic development. The skills

that our young people acquire today will enable them to succeed in the future and contribute to the Island's economic competitiveness".

Maintenance of competitiveness is absolutely key for the finance industry, manifesting itself in several guises: through the technical skills of the industry operatives themselves, lawyers, accountants etc.; through working efficiencies and improved service levels which have, over recent decades, increasingly come about through technological and digital advances; and through establishing robust and failsafe reporting and accountability frameworks and procedures which work to minimise reputational damage. Digital skills have the capability to contribute in huge measure to each of these elements and, in doing so, maintain the competitiveness of the finance industry.

Digital solutions for the increased demands of international accountability

There is already a palpable need for increasingly sophisticated systems to meet the demands of the plethora of recent regulatory, tax and transparency initiatives. The agreements concluded in the last few months with the UK and the US for automatic exchange of tax information mean that Jersey financial institutions will very shortly be expected to search existing and historic customer databases in their entirety using sets of highly specific, complex 'indicia'. The Island's stated intention to join and ratify multilateral conventions of this type in the near future will only work to increase these requirements and demand ever more intricate systems.

For this reason alone, those charged with the development of a digital economy need to be wary of any suggestion that the development of the digital sector stands outside or separate from the finance sector, as 'pure diversification'; instead, it should be seen to have a strong and obvious place within it. As *Developing a Digital Jersey* notes (at p.3), "The 'digital economy' includes both the digital sector itself and the application of technology across all sectors." [my emphasis].

Interestingly, perhaps, it also moves to suggest the 'significant global pressures on, and increased regulatory challenges to, offshore financial centres' support the case for diversification away from finance. To my mind this suggestion – if it was a suggestion - is too narrow.

There are, and will continue in future to be, increased regulatory challenges to *all* financial centres, both onshore and offshore. International agreements and precedents are being set and application will be expected across the world. With such a vibrant local finance industry seeking regulatory compliance, the digital industry in Jersey has a chance to develop bespoke solutions which could be utilised internationally. The increased regulatory and reporting pressures are not the reason to diversify away from finance services and into digital services; the move to digital services could and should equally be seen as providing the solution to these increased pressures, helping to resolve and mitigate them. 'Digital' symbiotically assisting 'finance' - not growing separately from it to compete for resources. Digital is perfectly placed to introduce innovative super-efficiencies in the finance sector and to counter such disadvantages (e.g. limited 'economies of scale') as might arise from Jersey being a small island.

As Ben Robins (the Chairman of the JFA) explained in his response, the reliance on technology and IT in such matters and the need for prompt and local maintenance arrangements will be vital if Jersey is to continue to thrive as a centre for the funds industry. He goes on to provide similar but more specific examples:

- global regulatory initiatives (e.g. Dodd Frank and AIFMD) where the additional burden to report to multiple global regulators will inevitably require IT solutions for timely, consistent, standardised cross-border reporting;

- global tax reporting initiatives like FATCA and the shift towards automatic information exchange which, for similar reasons, will also require significantly enhanced systems capability;
- the general move towards greater fund investor transparency, with fund managers and administrators increasingly required to provide on-line "portal" access to live fund performance data and fund documentation (often leading to administrators and managers competing to build bespoke systems or developing off-the-shelf products in attempts to give their business the necessary 'edge').

The case for increased demand, within the next decade, for 'more and new digital skills, especially in areas such as information management' (p.7 *Thinking Differently*) would, it would seem, be made out.

Digital solutions for improved service delivery

As mentioned above, as well as providing solutions to the increasing demands of regulation and reporting, digital services can be used positively to compete through increased efficiencies and service delivery.

"Given the increased global competition amongst fund domiciles onshore and offshore, we will as a jurisdiction need to prove more than ever that our service delivery is second to none. As such, our IT systems and functionality will need to be or match the "best in breed" where competitors will include the likes of Ireland and Singapore. Having access to a strong pool of highly IT-literate local staff will undoubtedly assist in that aim. Even if we are only seen to be a step ahead of Guernsey in this area, that could be to our significant advantage." (Ben Robins)

We have seen the efficiencies and effectiveness of digital within the marketplace at JFL: the use and monitoring of website traffic and social media both to promote positive messaging and to counter the views of detractors; the ability to spot trends and enable pre-preparation; and the use of digital data to ensure the pinpointed delivery of service requirements. Digital is proving to be a fundamental tool in helping achieve the purposes and ambitions of our organisation. Unsurprisingly, we are increasingly seeing evidence of parallel organisations in competitor jurisdictions – or indeed our own members – seeking to emulate our digital offering.

This is only possible because we have the necessary expertise close at hand. There are risks and inefficiencies involved in having to fly in the necessary IT human resource and expertise as required or to have to utilise such resource remotely. Instead, finance industry members will wish to be able to build sophisticated systems on the Island and have them robustly maintained by highly skilled, locally-anchored people.

As Ben Robins explains, "IT is an area in which complex systems and projects can rapidly go off-track if long term "institutional knowledge" is lost or absent. If we have a local skills shortage in this area, we will inevitably lack that institutional knowledge; having to turn to "flown in" human resources will undermine our position as a high quality fund domicile with 'substance'". Having local IT and digital expertise on hand will only assist with the predicted increased requirements to demonstrate substance and materiality 'on island'.

In summary, and as *Thinking Differently* correctly predicts (p.15), "Jersey competes in a global market. Its strong financial services sector has been successful and will expect even higher levels of

skills from pupils moving into the local workforce to maintain its strong position". These skills will be key to continued competitiveness both in the product and service offering itself and in meeting the increasing demands of international accountability and information exchange.

I would endorse the attempts of the Department of Education Sport and Culture to promote their vision for IT and equally endorse the institution of Digital Jersey as a means to grow the digital capacity, infrastructure and skills sets available 'on island'. The finance industry is set to be an important local consumer of this resource and, without it, there is every prospect that continued success will be ever harder to achieve in the global marketplace.

Thank you again for the opportunity to comment.

Kind regards

Yours sincerely

Geoff Cook

CEO Jersey Finance