



Economic and International Affairs Scrutiny Panel

Quarterly Public Hearing

Witness: The Minister for External Relations and Financial Services

Friday, 10th September 2021

Panel:

Deputy D. Johnson of St. Mary (Chair)

Deputy S.G. Luce of St. Martin

Witnesses:

Senator I.J. Gorst, The Minister for External Relations and Financial Services

Connétable R.A. Buchanan of St. Ouen, Assistant Minister for External Relations and Financial Services

Ms. K. Nutt, Group Director, External Relations

Mr. T. Le Feuvre, Director, Global Markets and International Agreements

Mr. D. Marcos, Head of International Compliance

Ms. B. Davies, Principal External Relations Officer

Mr. D. Walwyn, Director, External Relations

Mr. J. Roberts, Associate Director, Financial Services

Dr. B. Hertstein, Associate Director, Financial Crime Strategy

[11:03]

Deputy D. Johnson of St. Mary (Chair):

Good morning, everyone. Good morning, Minister and members of the public. Welcome to this hearing of the Economic and International Affairs Scrutiny Panel. We have with us today the Minister for External Relations and Financial Services. Before I ask him to introduce himself and his team,

perhaps I could just simply mention that our own panel today consists of only myself and my Vice-Chair, Deputy Steve Luce. Steve, would you like to introduce yourself?

Deputy S.G. Luce of St. Martin:

Yes, Deputy Steve Luce, Deputy of St. Martin.

The Deputy of St. Mary:

Okay, thank you for that. Over to you, Minister, for you and your team.

The Minister for External Relations and Financial Services:

Thank you, Chair. I am Ian Gorst, Minister. I am joined today by a host of officials, which we are obviously able to do because we are still virtual. So, I have on the External Relations side of the portfolio ... I am just going to go down the list and make sure I have them all. I have Kate Nutt, who is the - we used to call them chief officers but we do not anymore - Group Director. She is correcting me. I will not give them their titles then, Chair, if that is all right and I am sure that they will be added on. I am joined by Tom Le Feuvre, I am joined by Dan Marcos and I am joined by Beth Davies. I am joined on the Financial Services ... sorry, and I am joined by David Walwyn, who was in another call but seems to have joined this. On the financial services side, I am joined by James Roberts, and on the financial crime - that is combatting financial crime - side of things I am joined by Bastian Hertstein. I am, of course - who is just setting his computer up - joined by my Assistant Minister, the Constable of St. Ouen. Thank you.

The Deputy of St. Mary:

Thank you for that, and welcome to your host - or maybe it should be now host and hostess - of officials, I do not know. But thank you for that. As I say, we are a little light in numbers on the panel side but drawing on the experience of my Vice-Chair, can I firstly invite Deputy Luce to ask the first set of questions regarding the Jersey grounds fishing concerns?

The Deputy of St. Martin:

Thank you, Chair, and good morning, Minister. Just a couple of general questions about the latest circumstances and situation between Jersey, U.K. (United Kingdom), Brussels, France, over fishing. Back in July we understood that there was going to be a specialist committee on fisheries set up and that we would have representation on that. I just wanted to have an update from yourself on that situation and who has been invited, who has attended and what has happened, please.

The Minister for External Relations and Financial Services:

Thank you, Deputy. So, as we said I think the last time we were together, the first overarching committee had sat and I attended that committee, chaired on the British side by Lord Frost, the

former negotiator, and there was due to be a specialised fishing committee. That has now met as well. So, I think it is probably a tale of 2 halves. So, officials under the auspices of the trade agreement are working productively together. They are focusing mostly on a joint understanding of what nature and extent means within the terms of the agreement. That work is ongoing. But, of course, the most critical piece of work currently is the actual issuing of licences, even though they will not have nature and extent on them, and that can be done in slower time. That continues to be a work in progress.

The Deputy of St. Martin:

Okay, thank you for that. We see some criticism being levelled in the French media of politicians generally and the lack of progress. We spoke back in March about the possibility of the Government of Jersey working through a quadrilateral forum, and I quote. Are we making any attempts to speak more directly to our close friends and neighbours in Normandy and Brittany?

The Minister for External Relations and Financial Services:

Let us just first deal with I think the overarching question, which is the political commentary that we have seen earlier this week emanating from Paris. I remind the panel, not that they need reminding, that we are seeking, we are working hard and endeavouring to issue licences that are fully respectful of the trade agreement. Any suggestion that we are doing anything other than that is absolutely incorrect. The challenge for us, of course, is the receipt of appropriate information. We have even gone to the extent of saying that logbooks, which of course you will remember were required under the previous Bay of Granville agreement to be completed, that those logbooks would help us to issue what might be considered an appropriate number of licences. But you will be aware that the political commentary from Paris suggested on the one hand that there was no political will, on the other hand that the T.E.C.A. (Trade and Economic Co-operation Agreement) has to be absolutely complied, which we are endeavouring both of those, but then thirdly suggested that there should be the creation of a committee mirroring the Bay of Granville committee, which is not respectful or in compliance with the Bay of Granville agreement. So, it is unfortunately true that what is a very technical, detailed matter that is being worked through on a quadrilateral basis and through the proper channels of the T.E.C.A. is once again the subject of political commentary which I do not think bears comparison with the actual piece of work which is ongoing. You then, Deputy, asked about whether there had been engagement at a local level between ourselves and our colleagues in Normandy and, indeed, there has. Because I think that we need to get to a situation, which is what I am endeavouring to do, where there are no surprises one way or the other, where those fishermen whose livelihoods this is all about - that is Jersey fishermen and Norman and Breton fishermen - know exactly what is happening and have a better understanding of the information that we have received and has come through the process. So, there have been meetings at political level only earlier this week and there have been meetings at an official, or officer should I say, and

technical level. So, I am hopeful that progress can be made but, as I say, some of the political commentary emanating from Paris would suggest that perhaps not all are aligned with wishing to see the technical detailed work reach completion.

The Deputy of St. Martin:

Okay, thank you for that. If I just finish with one short question, I guess, do you get a feeling at local level that fishermen, the actual fishermen who rely on these waters for their livelihood, on both sides are keen to try to find a resolution to these issues?

The Minister for External Relations and Financial Services:

I think the reality is that - and I will deal with the Norman fishing industry first - they are frustrated that it is taking so long. They believe that they have sent appropriate information through the official channel and they have struggled to understand why we might not have received all of the information that they have sent. I hope that that conversation which is ongoing will throw some light on whether that is the case or not. There are certainly plans in Normandy for further demonstrations. They feel extremely frustrated. They are not looking for an extension of the timeline at this point or the amnesty, but they are very much looking for it to be solved. I think we are aligned with them in that regard. We want the information to be received and we want, therefore, to be able to issue the licences.

[11:15]

Of course, here on-Island we know that some fishermen - how shall I put this - recognise the importance of good relationships with our French neighbours because of the access to market issues and the easing of bureaucracy, and others just simply want us to say if we have not received the information we should stop the amnesty and not issue any licences. That latter position is wholly unrespectful of the fact that tonnes of Jersey and Guernsey shellfish are being exported every week on to the European market via the ports in the north of France and we do not want to do anything that will interrupt that and sour those relationships.

The Deputy of St. Martin:

I am grateful for your answers, Minister. I think you have probably said as much as I need to hear at this moment. I think that is good news. So, I will hand back to the Chairman to talk about free trade agreements.

The Deputy of St. Mary:

Thank you for that and thank you, Minister, for your reply to that. One general point if I may on this. Obviously, we all appreciate that the T.E.C.A. agreement is between the U.K. on the one hand and

the E.U. (European Union) on the other. I note obviously that you are in ongoing discussions direct between Jersey and Normandy. Can you just clarify that these discussions are encouraged by both the U.K. on the one hand as our representative to the agreement and by Paris on the other?

The Minister for External Relations and Financial Services:

Chair, the word “encouraged” is an interesting choice of word. I am not sure that I would use it. I would use probably, certainly on the London side, the better word would be “accepted” or “acknowledged”. I am not sure that they are even that positively received in Paris.

The Deputy of St. Mary:

Okay, thank you for that. I will not push you further on that one. Okay. Before we leave fishing generally, I do note that according to press comment that at your recent meeting with the U.K. Justice Committee you felt it necessary to make the point that we were not happy with the inclusion in the U.K. legislation of a clause which effectively will permit Westminster to legislate for the Island if it did not meet international obligations. Is that the first time you have had occasion to make that point since the agreement was entered into?

The Minister for External Relations and Financial Services:

I am not sure that it is. I think I have probably made that point until I am blue in the face certainly to Ministers, and you will recall that when that fisheries legislation was passing through the U.K. Parliament the chair of the Justice Select Committee strongly made the point which I had made defending the constitutional position.

The Deputy of St. Mary:

Okay. Thank you. I appreciate the point needs to be made and probably as often as it can, I suspect. Moving on to another area, you also recently met the U.K. Minister of State for Trade Policy when he visited Jersey on 31st August to - and I quote here - “learn more about the Island’s various industries”. Could you please elaborate as to the various areas discussed?

The Minister for External Relations and Financial Services:

Thank you, yes. So, as you would envisage, we discussed all of the potential areas and implications for Jersey being included within the remit of the new future trade agreements that the United Kingdom is endeavouring to conclude with countries around the world. Of course, we have experience of being included in the previous membership of the European Union for goods. That has been mirrored in the continuity agreements and what we are endeavouring to do with the new agreements which are not continuity is to seek to be included for services as well, but we are doing so in a 2-staged approach, so including for goods initially, which mirrors what we have been previously and so is perhaps less difficult. It was important for the Minister to come and see one of

our great export industries, that is going up to the dairy, who have experience of exporting product, but equally to come and understand the services industry in Jersey. Because what we are seeking to do is agree that we would come to you, Chair, and to the States Assembly with a framework for services inclusion. This gives us more time to think about those issues, more time for States involvement and also a greater length of time for concluding such inclusion with other countries, rather than the perhaps very quick timetable that the U.K. is following. So it was really important that the Minister came and understood and saw first-hand.

The Deputy of St. Mary:

Thank you. On the question of markets in the Pacific, Asia and Americas, to what extent is Jersey there represented by the U.K. Minister of State in future visits?

The Minister for External Relations and Financial Services:

Well, we are seeking, of course, to be included in those agreements, as I say, in that 2-staged approach. Australia, while there has been a high level heads of terms, you might describe it as, agreement, there is a lot of detailed work ongoing and we can expect that detailed work to I think be concluded in the coming weeks. The same with New Zealand. We are in conversations with the U.K. there. We can expect probably a heads of term type agreement to be announced again in the coming weeks. As you will be aware, the U.S. (United States) agreement is still awaiting reengagement of the new Biden Administration, but again we can expect that reengagement to take place either later this year or the beginning of next year.

The Deputy of St. Mary:

Thank you for that update. You have answered my next question, or one of my questions, which was where we stood in relation to the Australia agreement. If I may, can I just go back to the visit by the Minister of State for Trade Policy? To what extent did you discuss the Northern Ireland Protocol and the difficulties there and how this might affect Jersey's position?

The Minister for External Relations and Financial Services:

No, we did not because, of course, the Northern Ireland Protocol is not directly connected with any future trade agreements that might be struck post-Brexit. What it does, however, it must be acknowledged, is continue to be an area of, I think, contention - is probably the right word - between the United Kingdom and the European Union as they move forward in that regard. I do not, however, think it is fair to characterise that those tensions affect our relationship and our delivery of our compliance with the T.C.A. (Trade and Co-operation Agreement).

The Deputy of St. Mary:

Thank you for that. I was more concerned, I suppose, with the overall effect or negative effect any breakdown of relationship might affect us, but I will leave that for now. Reverting, please, to free trade agreements, at the quarterly public hearing on 25th June we were advised that you were pursuing 2 main bilateral agreements with Ghana and the U.A.E. (United Arab Emirates). Could you please advise whether that with the U.A.E. in particular is on track to be signed this year?

The Minister for External Relations and Financial Services:

I am pleased to report that good progress is being made in that regard and our current assessment is that we will be in a position to sign that agreement before the end of the year.

The Deputy of St. Mary:

Thank you. My final question in this area is: after the COVID pandemic, or not after but as a result of, do you have any timeline for restarting face to face negotiations of Jersey's priority global market jurisdictions in respect of D.T.A.s (double taxation agreements) and the like?

The Minister for External Relations and Financial Services:

I think really good progress has been made virtually ... and you see my camera has just gone, sorry. I do not know why that is. There we are, I am back. Good progress has been made virtually on these matters, but I know that officials, as I am, are keen to resume face to face meetings. We have some pencilled in for later this year, which I hope will take place. But, of course, we are still mindful of COVID regulations in countries that we may wish to have face to face meetings in and whether they are on the U.K. red list or look like they might go on to that red list. So that still limits the face to face meetings that we might have, but we are currently planning on this final quarter getting back to more face to face meetings.

The Deputy of St. Mary:

Okay, thank you for that. That completes my questions in this particular area, so I will hand you back now to Deputy Luce for the next section if I may.

The Deputy of St. Martin:

Thank you, Chair. Minister, just a couple of quick questions about international tax matters. We note that, of course, Jersey is included in the 130 countries that have issued statements establishing a framework, a new framework for international tax reform, a global minimum corporate rate of at least 15 per cent, we hear. Can you update us on any stages of this tax reform work and where we are currently? I mean are there details under pillar 1 or 2 for that matter of the proposed reforms that would stop us signing up to this?

The Minister for External Relations and Financial Services:

Well, thank you, Deputy. As you rightly allude to, we joined the political consensus. We were one of 134 out of what was then ... I do apologise, Chair, my camera keeps cutting out. That might be a blessing in disguise for your listeners, I do not know. So, we were one of 134 out of what was then 139 but is now 140 members of the inclusive framework. We were, of course, together with our fellow Crown dependencies and overseas territories. Since joining that political consensus there really has been a lot of detailed technical work that our officials have been involved in. There is nothing that has been firmed up post that political consensus. There has been another working document circulated and we have just this morning agreed that we will provide further commentary on that working document. There is a number of meetings and milestones in the diary for later this month and then later next month, so we might expect another ... the issuance of further progress towards the middle of next month. Nothing that I have seen to date would mean that we would not continue to be in the political consensus and, as we have said before with regard to pillar 1, it is proposed that that will be a minimum standard. So I cannot envisage a situation where we would not agree to implement that minimum standard. Of course, there is more flexibility in regard to pillar 2 and we will keep considering that in light of where it settles.

The Deputy of St. Martin:

Okay, thank you for that. The only other question I had really was around the combatting of base erosion and profit shifting. Are there any developments since the last time we met in a quarterly hearing in June?

[11:30]

The Minister for External Relations and Financial Services:

Well, I am not quite sure which bit of this programme you are referring to. This, of course, all arises out of the further work that the O.E.C.D. (Organisation for Economic Co-operation and Development) are doing around the B.E.P.S. (Base Erosion and Profit Shifting) agenda, which is making sure that profits are taxed appropriately, we hope on a level playing field basis, in the correct jurisdiction, and that is what all this work is really about.

The Deputy of St. Martin:

Okay, thank you for that. I will hand back to the Chairman for the next ... I believe the next round of meetings, or would you like me to go on, Chairman, with aircraft registry?

The Deputy of St. Mary:

No, if I may I will give you a rest before the next section. I would like to get in a few questions about Jersey credit rating. Now, I appreciate that the Minister is maybe not directly involved with the hospital project, and I think he is probably quite pleased not to be, but the proposed level of

borrowing does raise questions of Jersey's credit rating. The basic question I have is: do you consider that the proposal now before us does present a risk to Jersey's credit rating and as such impacts on future borrowing? Minister, can you hear me?

The Minister for External Relations and Financial Services:

Yes, I can, Chair. That really is a googly - I know the cricket has been conceded today - but it does not really fall within my remit. I think it is acknowledged, and I hope it is acknowledged, that we are in a very strong financial position and that is reflected in our current credit rating. Some of that is based upon a prudent approach to expenditure and some of it is based upon a strong underlying economy and some of it is based upon substantial reserves. If we adjust, though, any of those matters, so, for example, if we do not have a strong economy - and by that I mean in regard to what we do in financial services, meeting relevant international standards, meeting the headwinds of things like Brexit and what is happening in the O.E.C.D. - and I believe that fundamentally we do and we will continue to do so and the credit rating agencies acknowledge that we have a track record and that we are going to do, so I am not concerned in that regard. I suppose the flag that we must all be aware of is the overall level of borrowing against the level of reserves. I think we have to acknowledge in our consideration of borrowing to unprecedented levels - and I make no comment on whether we should or we should not, that is a debate for the Assembly on another occasion - there is a potential for the credit rating agencies to consider that our public finances are not quite as strong as they were.

The Deputy of St. Mary:

Thank you for that. I apologise, I did not mean to bowl a googly, as you put it. It is just that obviously the credit rating, to the extent that it is affected, is a matter under your watch, as it were. That is why I raised it. Now, I think we have alerted you to the related matter of the debt framework and the debt framework does outline that the Government aims to maintain investment grade rating of BBB- or above on the S&P global ratings. Again, do you have any concerns from a reputational point of view as to the impact on our reputation should that drop below the present standard we have?

The Minister for External Relations and Financial Services:

Well, we are a glorious, colourful coalition as a Government and there are, I suppose, strong opinions on both sides of the argument. As you know, our current rating is AA- and I think, if I recall correctly, remains stable at the last report. I perhaps am a little bit of a dinosaur around the Council of Ministers table. I believe strongly that we must manage our public finances in a way that matches expenditure to income and that we should only borrow where it is absolutely necessary and that if we do have large capital issues that we need to address by borrowing, that then should by its very nature limit the amount of everyday borrowing that we might want to include in our public finances. I would rather see us cutting our cloth accordingly rather than seeking to borrow simply because

money is cheap, as it were. That does not mean that we have to deal with the hospital capital expenditure, we do, and broadly speaking the Council of Ministers has agreed all of it should come from borrowing. I support that the majority of it should come from borrowing, but perhaps I was on the side of the argument when it comes to the debt framework that did not win the day, I will put it like that.

The Deputy of St. Mary:

Thank you. Again, I was not trying to ambush you in any way, but obviously the debt framework policy is relevant and comes within your mandate. So, on that basis, therefore, if there were other funds available to reduce the total borrowing you might be consistent in your support for utilising those funds rather than borrowing the full amount, is that fair?

The Minister for External Relations and Financial Services:

Yes, it is probably a fair analysis of where I find myself in the political spectrum of opinion, yes.

The Deputy of St. Mary:

Okay. I also note your reference to the colourful consensus, or maybe not consensus, we have. Thank you for that. Moving on to safer ground really, if I may, a general point. The panel recalls that a new fiscal attaché joined the Channel Islands Brussels office in July of this year. Could you update the panel on that appointment and as to his or her immediate priorities?

The Minister for External Relations and Financial Services:

Well, as you can imagine, they have a lot of work on. You will see some of the reports emanating from the European Parliament. I have the latest report in front of me, which will be debated on Monday. There is a lot of work that that individual will be undertaking. The common model in Brussels is for representative offices to have fiscal attachés and it is at that fiscal attaché level that a lot of conversations are undertaken and policy proposals are fed into the commission and the Parliament. It seemed to us that it was a very sensible approach because we know that we have the O.E.C.D. work that the E.U. will then think about how it implements and whether it adds extra provisions to it. It seemed to us very sensible that we should have a fiscal attaché in our Brussels office feeding directly into some of those conversations and allow us a better understanding and perhaps some influence over them.

The Deputy of St. Mary:

Thank you. Did I understand you to say that you are having a meeting or there is some discussion to take place imminently as to those priorities?

The Minister for External Relations and Financial Services:

No. I had a meeting earlier this week where we were partially agreeing some of those priorities for the fiscal attaché, but the European Parliament is discussing a report on Monday around harmful tax practices. Of course, the fiscal attaché is involved in supporting any work that will arise out of that as well.

The Deputy of St. Mary:

Thank you for that clarification. So it is the European Parliament having a meeting, so I am sure we will get to hear about that in various ways. Okay, thank you for that sequence of answers, Minister. I now revert to the Vice-Chair as to matters arising in relation to civil aviation.

The Deputy of St. Martin:

Thank you, Chairman. Minister, back in March at a quarterly hearing you told us that you were currently in the process of agreeing with Guernsey how we should structure the permanent D.C.A., Director of Civil Aviation, moving forward. We note that there is yet to be one or that person to be appointed. Can you provide an update on that process, please?

The Minister for External Relations and Financial Services:

Yes, thank you for that. It is ongoing work. Both Islands now have deputy or acting D.C.A.s and they are working well in both Islands. But I do think there is value in having a unified overarching structure and, therefore, we continue to work with Guernsey about how best to approach that. So it is still very much on the agenda but the officials are continuing to work on exactly what that model will look like and how it will work in practice.

The Deputy of St. Martin:

Okay, thank you. We were made aware back in March that the acting D.C.A.s were also working ... well, our particular D.C.A. was working with the Government of Jersey to complete necessary protocol questionnaires in advance of a potential on-Island audit to ensure compliance with annex 13. Could you update the panel on the status and outcome, if any, of those protocol questionnaires, please?

The Minister for External Relations and Financial Services:

Yes. So, that continues. We still, as we sit here, do not know whether the audit, which obviously covers the United Kingdom and British, therefore includes us, even though we are not in the U.K. But for this purpose the audit could include us so we have to be prepared, but we do not yet know whether they will visit Jersey and require sight of those documents.

The Deputy of St. Martin:

Do you think yourself that it might be necessary for them to come?

The Minister for External Relations and Financial Services:

Well, we would welcome them if they wished to come. It would now be 2022. I think it could potentially give a lot of confidence should they come to us and, as I would expect, we would pass such an audit.

The Deputy of St. Martin:

Okay, thank you. The last point that came out of our quarterly hearing back in March was around unmanned aircraft. You advised us that the acting D.C.A. was working to put forward a recommendation to do with those unmanned aircraft. Can I ask if any regulations for unmanned aircraft have been proposed or been drafted?

The Minister for External Relations and Financial Services:

They have not yet. She is working with the acting D.C.A. in Guernsey. They have a live working group. I have to say, however, that I know there has been some lobbying for us to mirror the U.K.'s approach, but my understanding is that the sense coming out of that working group is that they will be more likely to propose following the Isle of Man approach. But they do accept ... which I think some of the lobbying was that photographs taken from unmanned aircraft could be available for commercial sale. I think they accept that that is a positive move, but I think generally - and I have not received them formally - they would expect to be proposing something along the lines of the Isle of Man.

The Deputy of St. Martin:

Okay, thank you for that. Just going back very briefly to annex 13, before we get off that subject, if we did have a visit, do you think that could affect the Jersey Aircraft Registry in any way?

[11:45]

The Minister for External Relations and Financial Services:

No, I do not think it is connected with it. I think that the acting D.C.A. is doing a lot of modernising work and making great strides and that can only ultimately ... although it might have been difficult, I think that can only ultimately, when we get all those pieces of legislation policies in place, be helpful for the Jersey Aircraft Registry.

The Deputy of St. Martin:

Okay, thank you for that. Carrying on in the vein of the aircraft registry and long-term funding proposals, what is the cost to your department under the remit of External Relations and Financial Affairs of maintaining this Jersey Aircraft Registry currently? Is the cost increasing?

The Minister for External Relations and Financial Services:

So, the direct costs of the registry is not borne by us, but the question - which I do not have budget numbers in front of me - is what is the cost really of maintaining the director of civil aviation and what additional costs in ensuring that a J.A.R. (Jersey Aircraft Registry) is compliant with necessary legislation. I do not have those numbers in front of me, but we certainly can provide them to the panel.

The Deputy of St. Martin:

Okay, thank you, Minister. I know this may be a difficult question in the light of what you have just said, but do you believe that the Jersey Aircraft Registry has provided good value for money since its inception?

The Minister for External Relations and Financial Services:

Let us be honest, I am not going to beat around the bush, there is no way we can say that it has. It has yet to reach its potential and the ... I was going to say the Department for the Economy, which it now is, the current political view of the relevant Minister is that there remains unmet potential and it can deliver ongoing value to Jersey. Let us hope that that view is finally borne out.

The Deputy of St. Martin:

Well, I could not agree more, Minister, but we do not have a very good track record in that department. I see the Assistant Minister is proposing another 18 months before we make a final decision and he would like us to go in the direction of potentially a sustainable and low carbon registry. But do you really think that we should be carrying on? Is it not time to start saying: "Enough is enough, this has not been a success, we have spent far too much money already, let us just stop"?

The Minister for External Relations and Financial Services:

That certainly is a view. Perhaps I might say thankfully this is not a decision I have to make, it is a decision made by my colleague Minister.

The Deputy of St. Martin:

Okay. Well, thank you for that and I am sure we will be taking that up with him. You will be pleased to know it will not be you, it will be he that we will speak to, so I will just hand back to the Chairman at this point.

The Deputy of St. Mary:

Thank you. Just before we leave civil aviation generally, we do next week have proposition P.64 before us. We did have concerns as to whether that had any impact on the aircraft registry, as to which we have our own concerns, and you have kindly confirmed that the answer is not. So, in that case, we shall not be objecting to its being taken on that date, which might be helpful. Moving on now, have you ...?

The Minister for External Relations and Financial Services:

Can I just say, Chair, I am very grateful for that? I am due to be out of the Island on States business on Monday and Tuesday and it is the second item. It may be that I will be having to prevail upon my Assistant Minister to take that particular item but if you are confirming that you are content with it, I am sure that will be very welcome.

The Deputy of St. Mary:

Okay, have to do that and we will try not to ask too many awkward questions at the time. A one-off question really. Again, at the quarterly hearing in June you believed that the specific terms of reference regarding the Financial Stability Board were still being worked on. Have you had any involvement with this work and can you update us as to progress?

The Minister for External Relations and Financial Services:

No, Chair, I have not had any involvement since the last hearing. You will recall then I had just in the preceding few days met with the shadow chair of the board but this remit very much falls within the office of the Chief Minister, so I have nothing further to add.

The Deputy of St. Mary:

All right, okay. While I appreciate what you say about where the responsibility lies, it does occur to us it does affect financial services and hence the question now really. Thank you. That was all on that. Vice-Chair, are you happy to deal with the next question or shall I?

The Deputy of St. Martin:

If you want to talk about refugees and I will take medicinal cannabis.

The Deputy of St. Mary:

Okay. Yes, on that we did write a letter to you, Minister, which you have now replied, on refugees. That was sparked in part by statements in the press suggesting we might be revisiting the idea of taking on refugees ourselves, and you have clarified in your letter that the legal position remains as it was 2 or 3 years ago at the time of then the Syrian crisis, that, effectively, we were unable to do so, so thank you for all that. It has also been recently reported that as a result of the recent withdrawal and the subsequent evacuation of refugees, Pakistan will be establishing refugee camps

near the border. Are you able to say whether there has been any provision or discussion by Jersey as to the Island supporting the establishment of such camps on the border?

The Minister for External Relations and Financial Services:

No, Chair. If we could just go back a little bit, I am sorry that it took so long to reply to your letter. I think that you, however, were absolutely correct in that the relevant legal position has not changed. The precedent that would be required has not changed. But I, equally, for my own part find it disappointing that this is where we find ourselves because I do not think we can underestimate the devastating effect that the withdrawal of the allied forces have had in Afghanistan. People that have worked to support the values that we hold dear and endeavour to espouse around the globe find themselves at the mercy of a new government, which it is hard to see that they will uphold them. We have seen some terrible atrocities and so we understand entirely why those people would be seeking to leave Afghanistan and seek a new life elsewhere. It is, as it was for me with the Syrian civil war ... and let us remind ourselves that over 10 years on that war continues and people are still, day in and day out while we have been living our lives, having to face such devastation to their lives, to their families and to their livelihoods. It is a great disappointment for me that we cannot house here a small number of refugees. But, equally, I am pragmatic and recognise the limitations that we face and at the same time I am proud of the international aid budget that we deliver to not only developing countries around the globe but also countries which are suffering such devastation. I am pleased that the Minister for International Development was able to announce the over £300,000 worth of funding that Jersey taxpayers will be giving to support Afghans who have had to flee for their lives; let us be honest, they are fleeing for their lives. I have every confidence that, to go back to your question, should requests be made to support those camps in Pakistan, they will do the same due diligence and they will meet to rise to the challenge of any of those requests.

The Deputy of St. Mary:

Thank you. Just from the panel's perspective, can I say that there is no doubt that we understand the general view of the public as to why these refugees do need to be supported? I think also in this particular case there has been a commitment by the Island through our Field Squadron who spent time out there and there is, I think, a link established where I think they feel perhaps let down by the withdrawal at this stage. I say there is no doubt that the Island as a whole very much sympathises with their predicament. Are you in a position, Minister, to advise us for what you say there, obviously onward discussions as to the best way we can support them? Is it the case that they are still ongoing or is there anything you can advise us on in particular which might be being considered?

The Minister for External Relations and Financial Services:

No. I think the biggest area of support is the one that the Minister for International Development just announced yesterday afternoon. There are some other issues which are being considered but I am

not sure that they will work and I do not want to go into those at this point. I will just reiterate really what you reminded us of, Chair, that Islanders have fought and been extremely brave going out to these countries, Afghanistan in particular; they have seen active service. We should never underestimate that when it comes to the defence of these British islands we might only be small and we might only send a small number of people but it matters. They put their lives on the line for our defence, for the preservation of our freedoms and all that we hold dear. That is why I share the view, I think, of many across the United Kingdom being a British citizen, of great disappointment that this decision was made in this way and the devastation that it is having, as I have said, on those who we would, had we met them or meet them, very much consider them our own brothers and sisters. It is a very dark day for the upholding of western values of freedom and democracy, of equality, and we will need to think of how we move forward and respond to the effect but also how we play our part in the global world, which is changing.

The Deputy of St. Mary:

Thank you for your thoughts. Again, that is worth reminding ourselves that the Field Squadron is Jersey's contribution to the U.K. defence budget and that is how that link is established. Thank you. I will leave that now and I pass on to the Vice-Chair on to medicinal cannabis. Thank you.

The Deputy of St. Martin:

Yes, thank you, Chair. Yes, a bit of change of emphasis, if I might, Minister, and not quite so serious. You will be aware, of course, Minister, that this panel is conducting a review into medicinal cannabis in Jersey but I just want to ask you a couple of questions about Jersey's reputation in the financial services world. Do you believe that there is any reputational risk for Jersey and other key industries, such as financial services, from the cannabis industry developing in Jersey?

The Minister for External Relations and Financial Services:

We made the amendment to the Proceeds of Crime Law after very careful consideration. There were a number of factors that we took into account before we made that amendment. One, of course, was reputational risk and just as importantly was how international assessors would view us making that change and we thought long and hard about it.

[12:00]

After that due deliberation and independent expert assessment, we came to the conclusion that with regard to international assessors they would see the way that we had framed the legislation with that 2-pillar safeguard, as you will recall, and believe that we had acted appropriately and not breached any international standard or any F.A.T.F. (Financial Action Task Force) requirement and so we can be satisfied in that regard. When it comes to international reputation, I do not think,

equally, that that will cause us a problem when it comes to this particular change to the Proceeds of Crime Law. When, I think, you were asking me a slightly broader question around the on-Island growing and the creation of the actual underlying product, the processing, and of course with all things if we are not breaching the international standard or what the reviewers might consider, we know that there is a general public change of attitude around medicinal cannabis and we see that happening globally and, importantly now for us as well, across Europe. If we do it well to a high standard and have all the appropriate safeguards in place and the product that we produce is of a high standard, then I think we can do it without any negative implication for our reputation. But it is really important that we do that because we know that whatever we do we can only differentiate ourselves on quality and high standard. If we fall below that then of course there are potential negative implications. But everything I have seen and heard so far would lead me to believe that this will be a niche area which we can do well.

The Deputy of St. Martin:

I am grateful for your words, Minister. I think I can speak on behalf of the whole panel when we say we could not agree with you more when you say that the real importance will be about the standards that we attain and the reputational damage to the Island if we do not do that could be significant. I am not going to push you more on MONEYVAL and whether that could have an impact; you basically said that in your answer. I am grateful for your responses about medicinal cannabis and I will hand back to the Chair to talk about international marketing.

The Deputy of St. Mary:

Yes, thank you, Vice-Chair. Yes, before we leave that subject, yes, I too am grateful, Minister, for your clarification. The panel does indeed share your view. As we are on the matter, we are conducting our review, which we hope to have out certainly by the end of this month, and not wishing to anticipate what its conclusions might be, I think you might anticipate that the question of international reputation will figure in that. Thank you. Yes, and on a more general point, I am sorry, our scattergun approach to some of these topics, but on international marketing, can you provide details of the Government's activity in the U.S.A. (United States of America), particularly regarding expanding Jersey's fund offering and attracting U.S. investors, which I suspect the COVID situation had a part in delaying?

The Minister for External Relations and Financial Services:

Yes, thank you, Chair. My Assistant Minister kindly made the trek in from St. Ouen. These financial services questions I am just going to pass to him to answer, if that is okay.

Assistant Minister for External Relations and Financial Services:

Sorry, can you hear me?

The Deputy of St. Mary:

We can, there was a bit of an echo before but that seems to have gone now, thank you.

Assistant Minister for External Relations and Financial Services:

Yes, most of our focus to our efforts in the States are to do with the top fund managers and building relationships with them with the potential of attracting business to Jersey as a result. But, clearly, the pandemic has made life difficult and not just for us but for them as well. But, yes, we continue to build relationships with business providers and lawyers in the States with the aim of directing business to Jersey as a result of that process.

The Deputy of St. Mary:

Right, and a related matter then, my question really relates to the work being undertaken by the New York office and presumably your answer covers that too, does it?

Assistant Minister for External Relations and Financial Services:

Yes, New York are a large centre of the U.S. fund managers and it is clearly of benefit to have an office in that jurisdiction and build those relationships on a personal basis and I think moving around New York is much freer than it was. The only way to build relationships really is face to face with the fund managers themselves and New York has a substantial quantity of those and quite obviously the funds they launch have jurisdictions or are located all over the world and Jersey would like to be part of that process.

The Deputy of St. Mary:

Thank you. Moving to the other side of the world then perhaps, there was a recent Reuters article which the panel noted to the effect that there were significant capital outflows following from Hong Kong as Hong Kong residents emigrated to the U.K., and a substantial number of them apparently. Has the industry here noted any trends with regards to funds or international assets relocating to Jersey in recent months?

Assistant Minister for External Relations and Financial Services:

I think there has not been a huge flow to Jersey. Certainly the last time there was a major outflow from Hong Kong in terms of assets moving, they largely moved to places like Canada because they have a natural affinity to move to Canada. But Hong Kong money flows are always very volatile anyway, but I do not think we have seen a great influx into Jersey.

The Deputy of St. Mary:

Okay, that is interesting. Going back to the actual number of residents leaving Hong Kong and going to the U.K., is there any indication that some of those might seek onward residence here on the Island?

Assistant Minister for External Relations and Financial Services:

No, not that I am aware of, Chair, no. But there is always a possibility that we might get the odd high net of those individuals who wants to relocate to Jersey, in which case we would look at it on a case-by-case basis.

The Deputy of St. Mary:

I appreciate that. I say the number was such that I thought there might be a possibility but clearly not. All right, well, that really is all I have up to that point and we are doing well for time. Vice-Chair, would you like to go on to the next heading?

The Deputy of St. Martin:

Thank you, Chair. On a similar note but just talking about new products which we could be bringing to the market, could I just ask, Assistant Minister, we know there is consultations under way regarding proposed changes to winding up a company and to aligning thresholds for producing company prospectuses in both the U.K. and in the E.U. But can I just ask if these are passed as law, which we do not see any reason why they should not be, but can I just ask how you intend to market these new initiatives to external advisers or investors?

Assistant Minister for External Relations and Financial Services:

I think it is part of the broader picture of Jersey being a place that is up to date and modern for doing business and having appropriate winding-up provisions and prospectuses. A prospectus regime that is aligned with other jurisdictions is an important factor. Company prospectuses have come a long way since I first wrote my first prospectus, and they are much more informative and much easier to use. It is important that Jersey keeps up to date with that trend. So it is sort of polishing our armour to make sure that we are in a good place.

The Deputy of St. Martin:

Okay. Can I, just as a very, very final question, ask if you could update the panel on any other developments with new products or initiatives that you see coming down the line?

Assistant Minister for External Relations and Financial Services:

Okay. We are still working hard to bring the first phase of pension legislation to the Assembly. We have gone out for our final consultation and I think we are in a good place with that in terms of what we are going to bring as the first phase. But we will be working to develop further phases to bring

into play greater regulations in the Jersey pension industry and make it more fit for purpose, certainly when it is viewed by the U.K. and Inland Revenue we are seen as a good jurisdiction in that respect. But I will say the last time they viewed this we were not seen as a good jurisdiction but they had some concerns about the levels of regulation within the pension industry.

The Deputy of St. Martin:

Okay, thank you, I am grateful for your answers. Over to you, Chair.

The Deputy of St. Mary:

Okay, yes, I thank the Assistant Minister for that and both he and the Minister, of course, will know that we have had the benefit of presentations in the last week or so about our forthcoming developments and, again, we fully take on board the fact that these are all aimed at improving Jersey products. I presume, in essence, it will largely be up to the local professional advisers to market those through their own contacts and throughout the world and so we are obviously very much supportive of that. Moving on now to a final point, I think yesterday or the day before we had a press statement as to the establishment of a department for the economy from January 2022, by which that department leaves the office of the Chief Executive and has its own distinct identity, and obviously Financial Services come within that. I also noted the final statement that ministerial accountability is to remain with the 2 Ministers. This obviously takes effect from January of next year, in practical terms could you advise as to any mechanisms or operating procedures of which we should be aware, which would denote a difference in practical administration of the 2 Ministers' responsibilities?

The Minister for External Relations and Financial Services:

Chair, I do not really think that we are going to see any change. The reality is that Financial Services has been a division or ministry and External Relations has been a ministry and I have differing officials reporting to me. I strongly support the moving out from the office of the Chief Executive. If we look back over the target operating model, of course previously the Chief Minister's office was too flooded with various responsibilities. That was just replicated by flooding the Chief Executive's office, which looked even odder than it being in the Chief Minister's office. It is absolutely right that there should be a department for the economy. I think the argument should be should External Relations remain in the office of the Chief Executive? I know that previous Scrutiny Panels have suggested it should not. I am not sure when that change is going to be but it is one that I strongly support. I introduced my chief officer as a chief officer. She, unfortunately, does not glory in that title; she has some other, group director. But really speaking she should be a director general as well and the External Relations ministry should be a department.

The Deputy of St. Mary:

Thank you for that and I was not necessarily expecting that reply. Is that something that is being taken further or should the panel be looking at it with greater interest maybe? It does touch maybe on our own review into the Minister for External Relations and Financial Services' responsibilities, which we conducted was it last year or early this year? Last year I think.

The Minister for External Relations and Financial Services:

That is right, Chair, and I think it was a suggestion in there. I have to be realistic and do not think that it will happen during the term of this Government, but it certainly is something that the next Chief Minister and Government should properly give consideration to and I think should be supported.

The Deputy of St. Mary:

Thank you. I did not mean to go down this line particularly but your title has been expanded to include Financial Services, responsibility for Financial Services. If it was left as it was, do you see practical difficulties in being accountable to or the External Relations element coming within the Chief Executive's office, the Financial Services outside? Your 2 main areas are split, in fact, are they not?

The Minister for External Relations and Financial Services:

Yes, but the reality is that they have been split in that regard. Let us be clear, sometimes names do not mean anything or titles do not mean anything, but I do think it is really important to value the work of the officials, as we are now doing in the Economy Department, in the External Relations Department and within the arms of Government, of course. It could be a director general, which, in effect, the Chief Executive is, should be involved in setting a strategy for the department in how they deliver their functions.

[12:15]

The reality is that post the target operating model we have a group director that is doing the work of a director general. We have that also in the economy section, which was basically all of Senator Farnham's work and all of my financial services work. That has now been corrected. The group director, who became the acting director general, is now the director general, and the same process should take place in External Relations because with the best will in the world the Chief Executive Officer does not have the time to do that work.

The Deputy of St. Mary:

Okay, thank you for that; that is an interesting point to finish on, if I may. I say very unusually we are ahead of time and unless my Vice-Chair has any further comments, I thank you, your Assistant Minister and all the other officers. I am sorry we have not had the benefit of their input today. Thank

you for all your time. With that I close the meeting and hope you have an enjoyable weekend. Thank you.

The Minister for External Relations and Financial Services:

Thank you very much indeed, Chair and Deputy.

[12:16]