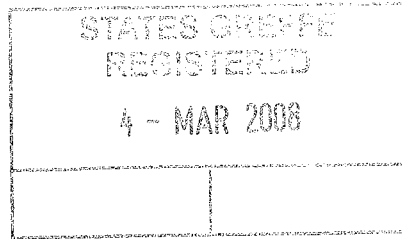


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Jersey Financial Services Commission



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Deputy P Ryan
Chairman
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Our Ref.: GCP/AMV

3 March 2008

Dear Deputy

Corporate Services Scrutiny Panel

Level Playing Field Review

I refer to your letter of the 18 February addressed to the Commission in which you seek our views on the issues that your Panel will be addressing in undertaking a review into Jersey's 'level playing field' in terms of the Island's commitment to the OECD and EU initiatives that have been launched to deal with 'harmful tax practices'.

In responding to your invitation I should emphasise at the outset that the Financial Services Commission does not involve itself with tax matters per se. It does concern itself with the International Monetary Fund and the Financial Action Task Force which are referred to in your terms of reference but I would point out that neither body is concerned with tax matters directly, and contrary to the impression given in the terms of reference the Island does not have an agreement with the International Monetary Fund or the Financial Action Task Force either generally or specifically on tax matters.

However, from the experience of the Commission as a regulatory authority in dealing with the IMF, the FATF and the European Union on matters of financial regulation and AML/CFT, I can say that the view taken of these matters in relation to Jersey by the international community



3 March 2008

generally and of the finance ministries of the G7 countries in particular is greatly influenced by whether or not they see Jersey as a cooperative jurisdiction in the exchange of information on tax matters.

What we also know is that when we sought an agreement with the EU on the treatment of wire transfers between Jersey and the United Kingdom, and sought recognition of our standards in the regulation of collective investment undertakings and combating money laundering and terrorist financing (which can have a significant impact on the ability of financial institutions in Jersey to gain market access), Jersey's position was greatly enhanced by the fact that it was seen to be actively and constructively engaged in negotiating tax agreements, particularly with the EU Member States.

The position taken by the EU Member States, and OECD member jurisdictions, is an understandable one. The principles of transparency and information exchange which apply to tax matters are similar if not identical to those applying to anti-money laundering, combating the financing of terrorism and financial regulation. It is not surprising therefore that it is more difficult to persuade individual jurisdictions that Jersey is fully compliant with international standards of financial regulation, anti-money laundering and the combating of terrorism (particularly in relation to international cooperation) if the OECD principles of transparency and information exchange in relation to tax matters are not accepted.

Without doubt the Commission's relationship with jurisdictions such as the United States, France, Germany, Italy and Spain is assisted by the active engagement of the States of Jersey in the negotiation of tax information exchange agreements. In the view of the Commission there is a real danger that a refusal to complete the negotiations that we know are already well advanced with the countries such as Germany, France, and the Nordics would be responded to adversely by the countries concerned with much wider implications than simply for matters of taxation. For this reason the Commission is supportive of the current strategy of the Council of Ministers in respect of the OECD and EU tax initiatives.

If it should be the wish of the Panel to meet the Commission to discuss the matters to which I have referred in this letter we would be pleased to make ourselves available.

Yours sincerely,

Colin Powell
Chairman