

2.5 Connétable J. Gallichan of St. Mary of the Minister for Economic Development regarding the re-evaluation of the Banking Business Policy Statement in the light of the current financial climate:

As it now appears that the Jersey Financial Services Commission does not consider it appropriate to apply any degree of flexibility to the top 500 policy, will the Minister consider whether it is appropriate to request the regulator to re-evaluate its banking business policy statement in the light of the current financial climate in order to ensure that it remains in the best interests of the Island?

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

As I said in my recent answer to a similar question, the top 500 policy is a matter of established bank licensing policy for the Jersey Financial Services Commission, our independent regulatory body, which conforms with international standards of banking supervision. I do not believe I should intervene and request the Commission to reconsider its policy at this time. Jersey's standards in this area, which stood us in such good stead during last year's financial and banking crisis, should not be compromised or diluted. The top 500 policy is designed to protect Jersey's reputation and reduce the risk to the public and has served the Island well over the years. Consequently Jersey did not have any bank failures during the recent banking crisis.

2.5.1 The Connétable of St. Mary:

While it is certainly true that the top 500 policy has served the Island well in the past, and I think the Financial Services Commission can take credit for that, it is also true that many Islanders now feel in uncertain times when mergers and restructurings are often on the cards that the parentage of locally established banking business could change and that the local employers would find themselves unable to continue in business here. Does the Minister not consider that a transparent analysis of the current policy and a statement on why it is still relevant would be of comfort to those Islanders?

[10:15]

Senator A.J.H. Maclean:

I understand the concerns of the Constable but I think it is appropriate that it is for the Jersey Financial Services Commission whose policy it is to continually and appropriately update the policy as and when appropriate. I do not feel, and I am sure the Commission would not feel, it is appropriate at the current time with the current level of continuing uncertainty.

2.5.2 The Connétable of St. Mary:

In his answer last time the Minister did say that a steer was certainly given to the Commission. I would be grateful if he would follow that up, but it is true that increasingly in international circles I am told by people in the finance industry who have consulted that the feeling is that if there is another failure in banking the size of the entity will not be the only redeeming factor. Does the Minister not consider that it is now time to request the regulator to perhaps consider taking other factors into consideration other than simply membership of the top 500 in determining whether or not to grant a banking licence?

Senator A.J.H. Maclean:

I have regular meetings with the Jersey Financial Services Commission and I am more than happy to raise the point with them. But I should mention to Members that of course the top 500 rule is not the only consideration that the Commission uses when assessing the appropriateness of a particular banking entity. They consider under Article 10(3)(a) of the Banking Law a number of factors, including integrity, competence, financial standing, structure and organisation of a particular entity that is considering applying for a licence. There are other factors that the Commission looks at but indeed the Constable is right; all policy should be continually reviewed to ensure that they are appropriate in an ever-changing world.

2.5.3 Deputy T.M. Pitman of St. Helier:

I will try not to stray as I have a very similar question later. Could the Minister just clarify, while the 500 rule has served us very well, what comfort is that to 30 people - possibly 30 families - who are now redundant and their livelihood is gone, which is the lesser of the 2 evils?

Senator A.J.H. Maclean:

Whereas it is always regrettable when people lose their jobs and when local people lose their jobs, nevertheless the reputation of the Island which has stood the Island in such good stead over many, many years - the reputation of our banking industry - is something that we have to, indeed we must, protect. We should bear in mind and should never forget that we did not licence organisations like B.C.C.I. (Bank of Credit and Commerce International). We did not licence Icelandic banks. We did not have those type of banking failures which would have caused far more damage to the local population than anything else.

2.5.4 Connétable D.J. Murphy of Grouville:

In view of the fact that the U.K. banks currently clinging to the Bank of England lifeboat were all part of the top 500, would he now reassess the position and perhaps use another yardstick instead of the top 500?

Senator A.J.H. Maclean:

As I think I have already said, the top 500 is a key assessment as far as the Jersey Financial Services Commission are concerned, however it is not the only yardstick used in determining whether a bank is appropriate. I should point out, of course, and Members are probably aware of this, that currently of the banking groups licensed in Jersey the majority of them are in the top 150, not the top 500, which shows the very high quality of banking organisations that we have in Jersey.

2.5.5 Senator S.C. Ferguson:

Will the Minister confirm that the top 500 parameter is actually the top 500 by Tier 1 capital which is, in effect, a measure of stability and liquidity? Will he further confirm that relaxing our high standards would probably damage our reputation irreparably?

Senator A.J.H. Maclean:

Yes, I am delighted to confirm both those points. The Senator is absolutely right, Tier 1 capital base or Financial Services conglomerates of equivalent size is the benchmark and, yes, potentially it could damage our reputation and that is something I do not think we can risk playing around with.

2.5.6 The Deputy of St. John:

Not dissimilar to the previous question; given that we have seen some of the top 500 banks moving out of this Island over recent months - in fact it affected one of my family when some 50 staff from Ansbacher were made redundant in the last several months since the credit crunch - does the Minister agree that we have to be very careful that the people who are in charge of issuing these licences only take the 500? It is important that the people that come back in to replace the banks that have left for whatever reason but not gone out of business have the top echelon of people to work for them.

Senator A.J.H. Maclean:

Yes, I agree entirely with the Deputy. We must ensure that we maintain the highest standards possible. That is what we have built our reputation on. That is why we have fared so well in reviews like the I.M.F. and the Foot Review and others, and our reputation is absolutely essential to the continuing success for the financial services industry of which I have every confidence in.

2.5.7 The Connétable of St. Mary:

The Minister must understand that I fully support and have the greatest desire to see our finance industry thrive and continue to thrive however there are genuine concerns about whether businesses which are currently here employing our local people will be able to continue indefinitely. Regarding what he said about the yardstick, I would draw his attention to paragraph 6(7) of the policy statement which, apart from in the case of a managed branch, says that: "Applicants must be able to prove prior to registration their ownership as [I will condense this] part of an appropriately supervised top 500 bank." That is not just one of the criteria, that is the major defining quality as regards stature of an enterprise from the Commission's own policy. Will the Minister please comment on whether he thinks we need to perhaps request, again I say, have open the debate on whether there are other yardsticks that may now be becoming more appropriate?

Senator A.J.H. Maclean:

As I think I said a moment ago, I am more than happy in one of my regular meetings with the J.F.S.C. to consider and discuss this particular matter. So far I have been satisfied with their belief and confidence that this is an appropriate benchmark but of course ongoing review of all policies, as I have already said, is absolutely appropriate and I will undertake to the Constable that I will have further discussions with them on this matter. But I do believe it is absolutely correct as it stands at the moment.