

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT  
BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

**ANSWER TO BE TABLED ON TUESDAY 25th SEPTEMBER 2007**

**Question**

Will the Minister inform members what impact, if any, the current liquidity crisis in the UK and international banking markets is having on Jersey's finance sector?

**Answer**

The Minister has been monitoring this issue via information provided by the Commission which is presented to the house in order to answer this question.

**Banks**

The wholesale inter-bank money market has evidenced widespread withdrawal of liquidity, causing problems for those banks and other vehicles that are particularly reliant on this type of funding. The well publicized case of Northern Rock is thus far the most prominent in the UK, with pressure also now being felt by Bradford & Bingley and Alliance & Leicester. The former has suffered a rush to withdraw deposits by its customers and a collapse in its share price such that its future is in significant doubt, despite the UK government providing a blanket guarantee to its depositors.

The Minister is informed that none of those three banks take deposits in Jersey and the Jersey deposit-taking sector does not exhibit the characteristic that has led to such problems i.e. a reliance on wholesale money markets to fund lendings out. Indeed, our banks generally reflect the reverse trait of attracting funds at retail level and providing this liquidity to their parent organizations. The latter activity leads to a form of credit risk but those banking groups permitted to be represented in Jersey are all of international stature and substance.

Certain of Jersey's banks hold investments in institutions which have suffered problems or attracted adverse comment in the financial press recently but total investments tend to be well spread and no significant immediate problems have been identified in this respect. The Commission has been, and will continue to be, active in monitoring individual positions whilst the current turmoil continues but there is no indication at this stage that gives material concern.

**Insurance**

The Minister is informed that the Island's insurance sector carries a modest level of exposure to mortgage markets, which have typically provided the problem assets in financial structures, but the information provided is that these are only within normal parameters.

**Funds**

The Minister is informed that the values of funds (net asset values) are reported on a quarterly basis to the Commission. As the latest values held were provided prior to the current issues affecting the markets, it is too early to gain any useful information as a result of the analysis of these figures. The next values are to be provided on 1st October 2007 and may provide further information about the effect that the liquidity crisis might be having upon regulated funds.

The Commission has assured the Minister that it is monitoring the position generally and to this end is in communication with the Chief Executive Officers of all relevant institutions.

Finally, the Minister has requested the Commission to keep his department informed on an ongoing basis and in a

timely manner of any further developments.