

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 10th MARCH 2015**

Question

Notwithstanding the responses to questions 8640 to 8642, has the Chief Minister sought advice from the Jersey Financial Services Commission (JFSC) on whether the schemes, recently revealed by the International Consortium of Investigative Journalists (ICIJ), devised and aggressively marketed by HSBC Switzerland, whereby wealthy individuals were encouraged to transfer their funds from a savings account to a corporate account (with no genuine trading activity) thus evading the European Union Savings Tax Directive (EUSD), would constitute serious tax evasion?

Has the Chief Minister obtained assurance from the JFSC that such a scheme has not been operated in Jersey by HSBC, its subsidiaries or by other banks or financial institutions either now or in the past, and if not, why not?

Can the Chief Minister also inform members what provisions or regulations are in place to prevent such practice in Jersey, and what evidence does the JFSC have on which to base its assurances?

Answer

The JFSC has been consulted on the matter raised by the Deputy. Tax evasion has been a predicate offence under AML legislation since 1999 . Any known deliberate action to evade taxation such as that described in the question therefore should have given rise to a suspicious activity report to the Joint Financial Crimes Unit. This is in contrast to the position that prevailed in many other countries including Switzerland who did not have similar legislation in place, as the international Financial Action Task Force did not include tax evasion as a predicate offence until it revised its recommendations in 2012. Because of the position taken by the Island authorities in protecting Jersey's reputation, and the action taken by the JFSC to ensure compliance with AML legislation, it is to be expected that schemes such as those said to have been devised and aggressively marketed by HSBC Switzerland, and which are considered to constitute serious tax evasion, would not have been undertaken here.

The JFSC has informed me that through its ongoing supervision it has no knowledge or evidence that such tax evasion has occurred in the past. However for the JFSC to say that such activity has never happened could only be possible if they had carried out an entire audit of every EU Savings Tax transaction and the JFSC is not and cannot be expected to be resourced to do this. What is known is that HSBC International in Jersey currently is not prepared to offer corporate accounts to their wealthy customers

The commitment of government, the regulator and the industry to good practice and the protection of the Island's reputation, the legislation that is in force and the policies and supervisory practices of the JFSC will continue to limit Jersey's exposure to tax evasion and aggressive tax avoidance. Through its active monitoring on a risk basis of the general conduct of business the JFSC considers it is as well placed as any supervisory authority to identify and respond to such poor business practice and in this I have every confidence in the JFSC.