
STATES OF JERSEY



IMPLEMENTATION OF THE EXCHANGE OF NOTES ON BENEFICIAL OWNERSHIP BETWEEN THE UNITED KINGDOM, CROWN DEPENDENCIES AND OVERSEAS TERRITORIES: SIX-MONTH REVIEW

Presented to the States on 30th April 2018
by the Chief Minister

STATES GREFFE

REPORT

In 2016 a commitment was made between the UK, six of the Overseas Territories (“Ots”), and all of the Crown Dependencies (“CDs”), to enhance the effectiveness of longstanding law enforcement co-operation with respect to the sharing of beneficial ownership information for corporate and legal entities incorporated in the respective jurisdictions. The arrangements for this are set out in the ‘Exchange of Notes’ (“EoNs”) and Technical Protocol, which includes a commitment that –

“The Participants will review together the operation of these arrangements in consultation with law enforcement agencies six months after the coming into force of these arrangements, and thereafter annually.”

This first review of the EoN arrangements has now been carried out by officials from the Home Office and Foreign and Commonwealth Office in the United Kingdom, and representatives from Guernsey, Alderney, Jersey and the Isle of Man; and the British Virgin Islands, Cayman Islands, Bermuda, Gibraltar, Anguilla and Turks and Caicos Islands. The Government of the United Kingdom will in due course make a Written Ministerial Statement in Parliament concerning the outcome of the review from their perspective.

Jersey has been fully involved in this Review and I can confirm that the process has been constructive, with all the participating authorities reiterating their commitment to the effective operation of the EoNs, with the aim of exchanging adequate, accurate and current information on beneficial ownership to help combat tax evasion, money laundering and corruption.

Overall, the Review has found that –

- The EoNs arrangements are working successfully and build efficiency on many years of effective co-operation between Jersey and the United Kingdom in exchange of information on beneficial ownership of legal entities and legal arrangements.
- The EoNs arrangements have, since their coming into effect in July 2017, provided law enforcement officers with enhanced access to company beneficial ownership information, as originally envisaged in 2016, and are being used to facilitate ongoing criminal investigations.
- Under the terms of the arrangements, the information provided through the EoNs is available to law enforcement in all jurisdictions within 24 hours, one hour if the request for information is notified as ‘urgent’, or such other time period as may be agreed. Information is available on a 24/7 basis.
- From the UK, the majority of requests thus far have been made by the National Crime Agency (“NCA”) and Serious Fraud Office (“SFO”). Other UK law enforcement authorities (“LEAs”) have also used the EoNs.
- During the period under review (July – December 2017), 2 requests covering 4 entities were made to the Joint Financial Crime Unit of the States of Jersey Police (the designated point of contact for Jersey under the EoNs arrangements).

Jersey's leading position on transparency of beneficial ownership information has been recognised internationally. In a report published on 24th May 2016, MONEYVAL, who evaluate Jersey against international financial crime standards set by the FATF, confirmed that –

“Jersey’s combination of a central register of the ultimate beneficial owner combined with a high level of vetting/evaluation not found elsewhere and regulation of TCSPs of a standard found in few other jurisdictions has been widely recognised by international organisations and individual jurisdictions as placing Jersey in a leading position in meeting standards of beneficial ownership transparency.”

These comments build upon comments in a 2011 Report by The World Bank under the Stolen Assets Recovery (“StAR”) initiative entitled *“The Puppet Masters – How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It”* where the leading position of the Jersey model was also acknowledged.

I welcome the fact that the EoNs arrangements have enhanced the ability of Jersey and the United Kingdom to exchange information on a faster or more regular basis in order to progress financial crime investigations more effectively. In furtherance of this aim, after signing the EoNs in 2016, we took the decision to “refresh” our longstanding central register of beneficial ownership information, along with the introduction of a requirement to update the register within 21 days of a change of beneficial ownership. This is to ensure that the most adequate, accurate and current information is able to be exchanged quickly with the relevant law enforcement and tax authorities.

While the UK National Crime Agency has expressed its satisfaction with the co-operation received from the Jersey authorities, all agreed that the speed of response to requests for information should be enhanced. Under the terms of the arrangements, this information is available to UK law enforcement within 24 hours, one hour if the request for information is notified as ‘urgent’, or such other time period as may be agreed. Information is available on a 24/7 basis.

We welcome the fact that in the course of the first review, the importance of the accuracy of information on beneficial ownership has been noted, and the importance of continued monitoring of systems to ensure accuracy of data has been noted as a recommendation. In relation to this important area, the Review covered the fact that Jersey has developed a detailed process map for verification of beneficial ownership information held on its Register, which is carried out in the Companies Registry, which is situated within the Jersey Financial Services Commission. It equally noted the creation of a programme of supervision by the regulator being introduced on a thematic basis for TCSPs (who make up approximately 75% of corporate filings in Jersey), to ensure compliance with beneficial ownership filing obligations. The importance of these elements to ensure the exchange of adequate, accurate and current beneficial ownership information cannot be understated.

The EoNs arrangements are just one part of the significant engagement and interaction that Jersey has, as an international finance centre, with foreign law enforcement and regulatory bodies worldwide. Jersey is regarded as one of the most stable and successful international finance centres in the world and a key foundation of this position is the understanding of our responsibility in the worldwide fight against financial crime. Jersey has long held the view that of critical importance for success in the worldwide

fight against financial crime is being able to provide other law enforcement and tax authorities with the most accurate, adequate and current information possible. All those party to the EONs arrangements recognise the importance of this requirement and are committed to taking steps to ensure this is achieved.

In delivering the enhanced arrangements in the EoNs, I am grateful for the work carried out by the financial services industry, in adapting to the enhanced requirements, and for the work carried out by our insular authorities in the JFSC, the Joint Financial Crime Unit of the States of Jersey Police and across Government more generally.

I welcome the conclusion of this first Review, and I look forward to continued co-operation in financial crime matters with the United Kingdom and other countries worldwide.

Senator I.J. Gorst
Chief Minister of Jersey
27 April 2018