



Economic and International Affairs Scrutiny Panel

Quarterly Review Hearing

Witness: The Minister for External Relations

Friday, 25th June 2021

Panel:

Deputy D. Johnson of St. Mary (Chair)

Deputy S.G. Luce of St. Martin

Senator S.W. Pallett

Witnesses:

Senator I.J. Gorst - The Minister for External Relations and Financial Services

Mr. G. Pearmain - Director, Financial Crime Strategy

Ms. K. Nutt - Group Director, External Relations

Connétable R.A. Buchanan of St. Ouen - Assistant Minister for External Relations

[11:11]

Deputy D. Johnson of St. Mary (Chair):

Good morning, everyone, and welcome to this public hearing of the Economic and International Affairs Scrutiny Panel with the Minister for External Relations and his team. My apologies for the late start. We will begin in the usual way by introducing the panel, which is myself, Deputy David Johnson as Chair.

Deputy S.G. Luce of St. Martin:

Deputy Steve Luce of St. Martin.

Senator S.W. Pallett:

Senator Steve Pallett.

The Deputy of St. Mary:

Minister, would you like to introduce yourself?

The Minister for External Relations and Financial Services:

Ian Gorst, Minister for External Relations and Financial Services.

Assistant Minister for External Relations:

Richard Buchanan, Assistant Minister for External Relations.

Director of Financial Crime Strategy:

Good morning, George Pearmain, Director of Financial Crime Strategy in the Department for the Economy.

Group Director, External Relations:

Good morning, Kate Napp, Group Director, External Relations.

The Deputy of St. Mary:

Thank you for that and again welcome. Perhaps we could begin with a general question on the T.C.A. (Trade and Co-operation Agreement). Since the panel's last quarterly hearing on 26th March, can you please provide us with a general update as to any matters that have arisen in relation to Jersey's involvement in the T.C.A.?

The Minister for External Relations and Financial Services:

Chair, yes, 26th March, you will be well aware of the issue with the implementation of the trade agreement in relation to fisheries and no doubt we will talk on that in greater detail. The E.U. (European Union) of course have now ratified the agreement and therefore we have had the first partnership council, which was probably about 10 days ago, which is chaired on our behalf by Lord Frost and the Vice President of the European Commission. We will be looking forward to some of the specialised committees taking place as well. Of course one that is going to be important for us is the fisheries committees. At that partnership council both parties agreed that that committee should take place during the course of the coming months. It does not mean to say we have not carried on with our conversations about fishing, which are quite technical because we have.

The Deputy of St. Mary:

I think we have a question later on on that area, Minister. Also at the last quarterly hearing, Minister, you advised that you would take up the panel's suggestion of having a further beyond Brexit engagement session with business leaders in Jersey, when do you expect to be holding such sessions?

The Minister for External Relations and Financial Services:

That did happen at a technical level. I cannot now recall quite when it was but it was within a number of weeks of your suggestion.

[11:15]

The Deputy of St. Mary:

Thank you for doing that. Are any more planned or will it depend on how things go in the big wide world?

The Minister for External Relations and Financial Services:

Yes, there are not any more currently planned.

The Deputy of St. Mary:

Okay. Arising from that meeting, was there any feedback from industry and business leaders about Jersey's handling of the post-Brexit situation?

The Minister for External Relations and Financial Services:

I think the main issue that arose was an issue that you are going to question later, about how we are handling the customs issues that arising and traders are finding difficult.

The Deputy of St. Mary:

A general one, you may well deflect this to the Minister for Home Affairs, in relation to the E.U. settlement scheme, can you please advise how many outstanding applications for E.U. citizens resident here wishing to remain here?

The Minister for External Relations and Financial Services:

As we have said previously, we only have a rough figure of how many might be resident. The latest figure I have that have made application was around 17,000 but I know that the department are reviewing that in order to answer to your question in the States on Tuesday. You will have noticed that the United Kingdom have issued a 28-day extension period and E.U. citizens in the U.K. (United Kingdom) now have a further 28 days to be able to complete their application. We, of course, have taken a more pragmatic view from the start and so we will be flexible with late applications coming in but we will not stick with the cliff edge date at the end of June as was initially envisaged, and we have been quite clear about that. By a different methodology we have, in effect, mirrored what the U.K. is doing with an extension.

The Deputy of St. Mary:

Thank you. I expect you have answered the question that is going to be asked on Tuesday morning but thank you for that. That is all on my introductory questions. Deputy Luce.

The Deputy of St. Martin:

Minister, you have spoken about the partnership council but we know they discussed licences to access Jersey waters, or apparently they did, at that first meeting, was it only Lord Frost that representing us? Did we have anybody there at the time?

The Minister for External Relations and Financial Services:

No, I was present as well so it was raised alongside S.P.S. (sanitary and phytosanitary) issues, law enforcement, but there was a very clear message from the Vice President of the European Union that they were committed to constructively dealing with this issue. There was, of course, a separate meeting, which I was not at, in relation to the Northern Ireland Protocol and it is apparent to me that a number of the issues arising out of the T.C.A. are, if we are not careful, being conflated and we need to be careful that we are working proactively with the U.K., with the E.U. and with France to deal with those technical issues. It was apparent from that first partnership council meeting that the issues of the fisheries - not just for Jersey but for the U.K. as well, but obviously, as you would expect the Jersey issue is coming up - is reasonably high on the E.U.'s agenda for being resolved.

The Deputy of St. Martin:

So to be clear, we have the partnership council at a high level and then that will be something ... there will be subcommittees or however they are described lower down and there will be one specifically for fisheries very soon?

The Minister for External Relations and Financial Services:

That is correct, they are called specialised committees and at the partnership council it was agreed that a specialised fisheries committee would meet, as I said, during the course of July. But as far as we are concerned that will be probably the official body which helps resolve some of the issues, but we are working in a quad to seek to resolve them not only through that committee but in a quadrilateral forum as well.

The Deputy of St. Martin:

Do you think we will get a seat around that table or will the U.K. continue to represent us as the specialised committee?

The Minister for External Relations and Financial Services:

The partnership council is quite clearly defined in that the United Kingdom and the E.U. are the parties to the treaties, they are parties to the partnership council, even though I was in attendance as were the other Crown dependencies Ministers. At the specialised committee the U.K. have agreed that it would be advantageous to have us taking part in those committees just from a pure technical knowledge point of view. So they have agreed that we will be a party and attend those committees.

The Deputy of St. Martin:

So where are those committees going to be held? Do we know yet?

The Minister for External Relations and Financial Services:

I suspect they will currently be held either virtual ... it still remains difficult for travel to Brussels, or they could take place, as the partnership council took place, in London even though I attended virtually.

The Deputy of St. Martin:

I presume our officers will continue to liaise with the U.K. officers on all sorts of levels before that meeting takes place?

The Minister for External Relations and Financial Services:

Yes, you will see that we are an officer or 2 down this morning, that is because they have been called into other meetings to discuss fisheries matters with Defra this morning. There will be an announcement either ... well, it might be while I am in this meeting but probably not, early this afternoon around how we believe that more time is required to work through the technical details of what nature they sent might mean in practice. The reason that Jersey and the E.U. believe that more time is required is that positive progress is being made but it is going to take time.

The Deputy of St. Martin:

We are still significantly short on evidence that it is going to improve fishing in our waters, though, Minister.

The Minister for External Relations and Financial Services:

Yes, we are.

The Deputy of St. Martin:

Have we taken any opportunities - and I know this is going to come up but are getting evidence from the French how we might ease that difficulty?

The Minister for External Relations and Financial Services:

Yes, so we have been speaking to the French at regional level and members of both Houses of Parliament. At both regional level and at that level there is goodwill to try to be pragmatic but that is not necessarily mirrored at the governmental level in Paris. They are very committed to making the forums of the trade agreement work. That is the political side. The practical, technical side, as I say, is showing progress. So when Jersey officials - that is marine resources, External Relations and our lawyers - are sitting in a room virtually with U.K. officials, Commission officials and French departmental officials - I have to be careful which word to use - as in departmental officials from the Ministry of the Sea, not regional departmental, then those conversations are being carried out in a spirit of goodwill and openness and are making progress. That is why we are having to keep the politics out of it and give more time to them.

The Deputy of St. Martin:

Minister, there is clearly diplomatic tensions around fishing and that is understandable, but can you give us some assurance - and I am sure you can - that we are making every effort to make sure that this challenge does not spill over into all the other parts of our Jersey/French, Jersey/Normandy, Jersey/Brittany relationship that we have enjoyed for so many years?

The Minister for External Relations and Financial Services:

We have to recognise that the general relationship - let us just take us out of the picture for the moment - between the United Kingdom and the European Union, I think all sides would agree, is not in a positive, constructive place it might be. That, of course, does colour all of the smaller technical issues which, when there is a good overarching relationship you can expect technical issues to be dealt with in a spirit of goodwill and with resolve to sort them out, when you have the overarching relationship which is - it is not a diplomatic word but I think it describes it - a bit grumpy then it is more difficult for the bilateral relationships. There is no doubt in my mind about what has happened with fisheries has caused difficulties with our broader relationship with France. We continue to work on that but they will only improve when we resolve the fishing issues.

The Deputy of St. Martin:

Thank you, Minister, I will leave it there and go back to the Chair.

Senator S.W. Pallett:

Could I just ask one question? You said business had issues with customs, could you describe what issues they are?

The Minister for External Relations and Financial Services:

Yes, it is about charges that ... goods that previously ... prior to Brexit goods that came into the E.U., therefore by extension to Jersey, had their duty paid as they came into the E.U. and there was a prepaying system and it worked very smoothly. When the United Kingdom and ourselves, arising obviously out of the U.K. leaving the E.U., becoming a third country, and also our customs arrangements with the U.K. where we would apply a common tariff, duties now are coming ... they can come into the E.U. and then flow into the U.K. There will be duties payable and the frustration is that in the United Kingdom they are currently providing easements around those duties to be paid and we are not because our system is up and running and we are able to deal with them appropriately at the point of entry into Jersey. Now, there was, to my mind, a question of unfairness but I am reassured that the easements being offered by the U.K. will ultimately be collectible and due from U.K. businesses. There is not a non-level playing field, which is what some were thinking but what is going to happen is we are taking it consignment by consignment, the U.K. will ultimately be coming to those businesses for that duty in due course and that could then be quite substantial. It is quite technical and I think businesses are becoming more used to it considering their supply chain more but it has ...

Senator S.W. Pallett:

Are they issues you have had to deal with as a department with businesses to try to walk them through this?

The Minister for External Relations and Financial Services:

It is not us directly, it is either the Department for the Economy or Customs and Immigration.

Senator S.W. Pallett:

Okay, thank you.

The Deputy of St. Mary:

Yes, thank you and before we move on from fishing, we might expect an announcement today about some progress, if that is the right word?

The Minister for External Relations and Financial Services:

I think there will be an announcement, if it is not today it will be by Monday, of extra time being allowed to work on the progress that has been made.

The Deputy of St. Mary:

Thank you, Minister. Thank you for that. Moving on to a different subject, free trade agreements. At the last quarterly hearing you advised that you expected the U.K./U.S. (United States) trade deal

to gain momentum in quarter 2 of 2021. Could you please update the panel as to where we are on that and Jersey's status or participation in that?

The Minister for External Relations and Financial Services:

Yes, so it is never good to predict the future, Chair, is it, because there has been no progress on the U.K./U.S. trade agreement, although again we are expecting there will be another round shortly and that will be the first round between this U.K. Government and the new President in the States. We are still waiting for the time to be set for that next round.

The Deputy of St. Mary:

Thank you. Also in the last quarterly hearing you advised that we are in the process of starting to negotiate D.T.A.s (double taxation agreements) with a number of African countries and bilateral investment treaties as well. Again, please, Minister, what is the current position in respect of any further negotiations in relation to these D.T.A.s?

[11:30]

The Minister for External Relations and Financial Services:

I am just seeing which official is on the line that can tell us. At least 2 of them have, further to our previous exchange, exchanged text and there has been a positive further round of negotiation with Ghana and the ... Kate, if I can just ask you to comment, if that is okay?

Group Director, External Relations:

Yes, that is fine. I think it is fair to say that discussions on both the double taxation agreements and the bilateral investment treaties, which are the 2 main treaties that we are looking to pursue bilaterally, are progressing. In respect of the bilateral investment treaties we have got the green light to progress with Ghana, so that is the U.K. Government and Ghanaian authorities also have said they are very keen to start those negotiations as soon as possible. With the U.A.E. (United Arab Emirates) we very near to the final signing. Looking at the final text we have had, the final round of comments now from the U.K. Government, which we are taking forward to the U.A.E. authorities. I think the signing on that will hopefully be this year. We have just had correspondence I think from the Oman authorities in respect of a D.T.A. So they have given us a timeline for when negotiations are to be begin and certainly with Kenya and Nigeria as well they continue positively. But obviously COVID, the pandemic, has had an impact on the progress that we can make with these negotiations because it is so important to be able to do them face to face. We have been doing as much as we can virtually and we have been having regular meeting with contacts in all our priority global market jurisdictions but it is important to progress them and get them over the line that we get that in person contact up and running again, which we are hoping to do this year. As soon

as we do that we will start to see a lot of them that have been in negotiation for quite some time now finally getting over the line. As I said, with a number of them we are very, very nearly there now.

The Deputy of St. Mary:

Thank you, I was not challenging you on the progress, just wanting an update on where we were in the general scheme of things. Thank you. I think that is all on that area. Senator Pallett, would you like to move to the next ...

The Deputy of St. Martin:

Before we move on, can we just ask the Minister, Chair, if there are any other ongoing free trade agreements with other countries that are being agreed at the moment?

The Minister for External Relations and Financial Services:

Sorry, yes, so there are ... you will be aware of the Australian agreement where full principles were agreed by the Prime Minister of Australia and the United Kingdom earlier this month. There is still quite a lot of work to undertake on all of the detail on that. We have the E.E.A. (European Economic Area) agreement, which was again agreed in principle earlier in June. Our inclusion for both of those we expect to be for goods only from the start. Then for Australia we will be seeking to have services extended at a later date if we think it is in our interests. Then you have the C.P.T.P.P. (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) and the U.K. published negotiating objectives earlier this week.

The Deputy of St. Martin:

I am going a little bit off script, Minister. I am sure you are aware in the U.K. of the concerns of the U.K. agricultural industry with the Australian free trade agreement. Is there any possibility it could have an impact on our industry here in Jersey?

The Minister for External Relations and Financial Services:

No, because you know we have dealt with that separately around the importation of liquid milk and I think as far as we are concerned that is now a resolved issue, so it appropriate for us to maintain the position that liquid milk cannot be imported into Jersey. We are not concerned about that. The concerns I think are coming ... and it is not for me to defend the British Government, but my understanding is this, the concerns coming out of the U.K. around farming are around some of the detail that is not yet agreed. So that detail is still being worked through. There are still long transition periods around 15 years for some aspects of farming and 10 years for others but as far as we are concerned that particular issue does not arise.

The Deputy of St. Mary:

Minister, thank you for reminding me about Australia and that particular trade deal, thank you.
Senator Pallett.

Senator S.W. Pallett:

Thank you, Chair. I want to touch on a complex and, I am sure the Minister will agree, sensitive area but one I think Islanders will be interested in. The meeting of the Finance Ministers from the G7 nations took place on 4th June and was widely reported as reaching an accord with the global minimum corporate tax rate of at least 50 per cent, the basis of a potential worthwhile deal. What do you think the long-term implications of a global corporate tax standard could mean for the Island?

The Minister for External Relations and Financial Services:

I think we have firstly got to remind ourselves what it was that the G7 agreed and how they arrived at where they did before I can answer the longer-term implication question, which is an important question. The O.E.C.D. (Organisation for Economic Co-operation and Development) had been working on developing a new approach to corporate tax for the digital economy, for all of the reasons that we all know well and understand. We have seen some nations themselves introducing digital tax and broadly it is about with entities like Google and Amazon and these big digital corporates, where should tax be applied and which particularly treasury should benefit from it. So the O.E.C.D. have divided that particular work into 2 strands which they refer to as Pillar 1 and Pillar 2. First is about a digital tax and then there is a school of thought that says if you are going to be able to address it more broadly you need to apply to those large multinationals a universal corporate rate of tax. This is a proposal which is about large multinationals and stemmed from these digital issues. The previous American Administration of course felt that the O.E.C.D. was simply just trying to target U.S. multinational corporates and therefore really withdrew from those conversations. The incoming Administration is taking a different view but there is still not agreement around exactly which companies, which multinationals, would be in scope and what sort of thresholds you would apply, and even if you get to applying a corporate rate to them what that would be. We are at this stage talking about large multinationals and we all know where Jersey's place in the marketplace is but that is not to say that there will not be an evolving of these standards over time if they get agreed. So the G7, in effect, said that they agree with the work in principle and it is now going back to some pretty intensive conversations at the O.E.C.D. at a body called the inclusive framework, which Jersey sits on and is involved in those conversations. They have sought to develop the previous O.E.C.D. work and the G7 work and there will be another meeting of the inclusive framework next week where they are trying to get basics agreed by everybody. Then the question for Jersey will be do we sign up to what would be required under Pillar 1 and Pillar 2 and we will need to see what the further detail is before we are able to be in a position to make that decision. There is quite a long way to go before what has been talked about by the G7 and the O.E.C.D. becomes what some people have jumped automatically to, which is this is a new worldwide corporate rate of tax. It is quite technical,

you have something called ... you have technical things where you are taxed in one jurisdiction where the headquarters is, that headquarters can apply an additional tax to its operation because it thinks you have been undertaxed somewhere else. It is quite complex. It is applying to big multinationals. We have always strongly been of the view that countries should be able to develop their tax regimes in their best interests and for small countries tax is an important part of their competitive base because we do not have economies of scale like larger countries do. The arguments we have been making are that if this is to be agreed it has to be a system that is not just in the interests of large countries but also understands the implications for small countries, not just developed countries but also developing countries. So, as we sit here this morning, there is not unanimity across all of the countries in the inclusive framework. Will there be? It is too early for me to say whether that will be agreed by next Thursday or whether there will be a substantial chunk of countries that do not agree with it and then the question will be where does it go from there because it is due to be ... to have some type of agreement at the inclusive framework next week and then go to the G20 meeting. It might be that there is not a full agreement next week so you get principles again going to the G20 and then you seek inclusive agreement at the inclusive framework in October. There is a long way to go before we are in the zone of this is a rate that everybody has got to apply to every corporation around the globe. Having said that, I have been quite clear that we in Jersey determine our own taxation methods in light of international standards. We have always signed up to relevant international standards in the past. I see no reason why we would change that now but we have proper processes to go through and those processes will determine the actions, ultimately, that we take in this regard.

Senator S.W. Pallett:

I think you have clearly defined sort of Pillar 1 and how that might affect Jersey but can you just give us your view around Pillar 2? Also, I have not heard the words inclusive framework used before and I think for anybody listening I think they would be intrigued to know what our part is within that.

The Minister for External Relations and Financial Services:

It is a group of 139 countries or jurisdictions, so we are one of those 139 who seek to reach agreement on these sorts of matters. You can see it is quite wieldy and ...

Senator S.W. Pallett:

Any hierarchy in that group or is it just a group of people? There will be.

The Minister for External Relations and Financial Services:

Theoretically there is no hierarchy but we are all grown up enough to know that large countries hold greater sway and weight with what they say than smaller countries do, that is why it is important that we marshal our arguments well and they are based on fact and evidence. The reality is, of course,

that Pillar 1 and Pillar 2 work together and so a global minimum tax rate under Pillar 2, as currently framed, sits alongside what is happening with Pillar 1 around large multinational companies.

Senator S.W. Pallett:

Okay, you can have my apologies, I cannot ...

The Deputy of St. Mary:

Thank you, I appreciate it that that is fair and would not be expecting us to be too forthcoming at this stage while negotiations are ongoing but on the basis that you will keep us informed, as you usually do.

The Minister for External Relations and Financial Services:

We are grateful for that and we will. As I just indicated to Senator Pallett, things could move as soon as next week but it might not be until October.

Senator S.W. Pallett:

Okay, we will move on to another question. At the last quarterly hearing on 26th March, Minister, you advised that you were seeking to strengthen the tax resource at the Channel Islands Brussels Office, what resources are being allocated to that office to build and then strengthen tax advice there?

[11:45]

The Minister for External Relations and Financial Services:

We have currently got 3 staff in the Channel Islands Brussels Office and we have just completed a recruitment process - am I able to say something about that? - for a new fiscal attaché, which would mirror the sort of work that fiscal attachés do at Embassies and High Commissions and Home Reps office around the globe. That, of course, is in partnership with Guernsey and so for the first time we will have a full-time very experienced person dealing with these matters, as well as of course all the people here in Jersey that deal with them in the Taxes Office and in the External Relations Department.

Senator S.W. Pallett:

I think we could understand the need for that. Is that within current budget?

Group Director, External Relations:

No.

The Deputy of St. Martin:

Next question.

The Minister for External Relations and Financial Services:

It is not but we make no apology for that.

Group Director, External Relations:

I can confirm that there is a funding issue with it; it is not in the current External Relations budget but it is manageable for the foreseeable future.

Senator S.W. Pallett:

Okay, that is fine. Okay.

The Minister for External Relations and Financial Services:

I would answer that question political ... it can be handled within the existing budget because it is not difficult to understand that budgets are not in our department as stretched as they might be because we are just not travelling in the way that we would normally. In the medium term the Group Director is correct, when we get back to travelling and doing all of our day-to-day business, as we have been doing historically, then we would need a realignment of budget to cover it.

The Deputy of St. Martin:

It might be handled within the existing budget, Minister, but it might be somebody else's existing budget. I do take the point.

Senator S.W. Pallett:

Okay, I will move on to financial services regulations. Minister, the panel is grateful it receives regular briefings on matters relating to change to financial service regulations, however, the panel also notes some Members may feel not enough information is being given to other States Members. What can you do to mitigate that?

The Minister for External Relations and Financial Services:

It is a good question but I suppose we just get on with our day-to-day business and the things that have been most in the public domain are things like Brexit and the trade agreements. We have sort of taken piece-by-piece changes to financial services legislation but we do think there is an opportunity, as we are seeking to refresh the strategic framework for financial services to include other Members and do further briefings. We know that the J.F.S.C. (Jersey Financial Services Commission) and Jersey Finance invite Members to their annual events but it is a fair challenge and

I think it is something that we probably can do better by co-ordinating Jersey Finance, the J.F.S.C. and Government and briefing Members more frequently.

Senator S.W. Pallett:

I want to ask, is there a role for us within Scrutiny to maybe inform Members a little bit better around some of the work that you do?

The Minister for External Relations and Financial Services:

Yes. I think you do a very good job. You normally will submit comments or talk about the scrutiny of particular pieces of work that you have undertaken.

The Deputy of St. Mary:

Yes, the Senator's comment brought it out slightly, we are aware of the upcoming MONEYVAL inspections and this panel is concerned. Obviously our job is to hold you to account, Minister, but, equally, we wish to lend support in a critical and constructive way where possible. Back to the Senator's comment, if perhaps we will come on to a specific matter in a minute as to us making perhaps more incisive comments on certain legislation where we have previously been happy to receive your briefings and the stories and simply given the green light, that maybe you should consider, and I obviously might not be happy about this, issuing more comments papers or would that be of assistance?

The Minister for External Relations and Financial Services:

I think it very much would, Chair, and I know my officials stand ready to supporting the panel in any way; that would be helpful in that regard and attend at any point from the panel to answer questions and be scrutinised about the legislation we are bringing forward. I think your point about the preparation for the MONEYVAL as well is one that is well made? We, as you know, have just had an on-site visitation and looking at our current preparedness, sort of a bit like a mock exam, I suppose you would look at that as. There will be work coming out of that, which, I think, would be very valuable for this Scrutiny to review. Maybe there is an opportunity there to do a more formalised review of what needs to be done coming out of that mock exam, to make sure that we are doing what is necessary and you are holding us rightly to account.

The Deputy of St. Mary:

Thank you for that and going off script slightly, are there any major pointers which came out of that mock exam, as you like to call it, which you could identify publicly or would we be better having a briefing from you at some stage just to go through that with you in more detail?

The Minister for External Relations and Financial Services:

Yes, I think we do need to have that more formalised briefing and then lead on to a review. But it will not surprise you to know that this MONEYVAL will be looking at effectiveness of the legislation and the processes that we put in place and that is how Government is dealing with it, how the regulators are dealing with it and how industry is dealing with it. One of the things that became apparent is that we are doing all sorts of things across Government but it needs a much stronger national co-ordination of our approach or that sense that we have been taking away and dealing with and making sure that on a national level there is clearly articulated assessment of the risk that the Island faces when it comes to A.M.L. (anti-money laundering) and C.F.T. (countering the financing of terrorism). That very much fits into what one would expect a Scrutiny Panel to be reviewing as we come forward with these sorts of overarching national policy documents.

The Deputy of St. Mary:

Okay. Again, once you have completed your simulation, if that is what you were doing, we are here and ready and able to meet with you. Thank you.

The Minister for External Relations and Financial Services:

Thank you.

Senator S.W. Pallett:

Just following on from the Chair's question, do you think there is an opportunity at some stage soon after that to brief all States Members on the MONEYVAL work so that they have got a better understanding of the direction we are taking?

The Minister for External Relations and Financial Services:

Yes. I think we have already got in a programme of work that that is exactly what we would do when we get our exam marks and then I think pencil in September/October if we could, yes.

Senator S.W. Pallett:

Thank you. The final question from me is around annual returns, how will the changes for the lodging of annual returns impact on smaller businesses, if they must follow a requirement to go through more formal channels following this?

The Minister for External Relations and Financial Services:

Businesses have always had to do their annual return, it is now, of course, online and it is fair to say there has been reasonably extensive teething problems with that online process. It is something that I have been very mindful of in Government and, of course, I have delegated official, which is supporting the J.F.S.C. in its outreach in seeking to deal with those teething problems. I think it is also fair to say that it is probably more difficult for smaller local firms than it has been for some of

the bigger ones. The J.F.S.C. are undertaking outreach to firms to help and support them. Once we have got this first period over or first submission over then it and should be more straightforward. Because you are just recording then any changes and local companies have very few changes on that annual return. Of course then in recognition of this they have continued to extend the date by which these returns need to be submitted. We have also been working with Jersey Business as well to support businesses through this process. We know there has been a problem. We know those problems are not yet fully overcome and we are working with the J.F.S.C. to do that.

Senator S.W. Pallett:

Was it the nature of the form or just the technicalities around fitting it in online?

The Minister for External Relations and Financial Services:

I think it was probably a bit of both. Some of the reports I had it sounded as though we had gone back to MS-DOS with green flashing squares but that is not the case. But I do think it could be more straightforward and it is not unreasonable to think that businesses should have some support in completing them.

The Deputy of St. Mary:

If I could just build on the question of lodging that is aimed at small businesses. I think it is fair to say, again, going slightly off script, that this panel was involved in doing the family-friendly legislation some time ago and arising out of the comments made then by small businesses and the problems they were having keeping jobs open, et cetera, for people, we had decided, I think, to conduct a review into the problems facing small businesses generally and that was put on the side during COVID and you probably cannot take those 2 in this term. But mindful of that, I appreciate there may well be problems at the end of the J.F.S.C. but where I am coming from is that there are a lot of small firms and maybe even pensioners who have for years just filled their annual return in, as opposed to this annual statement and have not maybe got access to online. Is it contemplated or is it possible that there might be an alternative for them to do it in paper form just in carrying on as before?

The Minister for External Relations and Financial Services:

In extremis they are allowing paper form but I would not want to encourage people to think that that is the answer ...

The Deputy of St. Mary:

You perhaps should not have said that then, Minister.

The Minister for External Relations and Financial Services:

... to the problem. I think it is a fair point, Chair, that you have got large firms that have appropriate resource to be able to do it. A medium-sized firm in Jersey is not a medium-sized firm anywhere else, of course. You have got those medium-sized firms that would simply use their accountant to do it and they will pay a cheque at the end and an accountant does it all. Then you have got the much smaller firms and the individuals that you are referring to, Chair, where they do not have either of those resources and, therefore, it has been more difficult for them.

The Deputy of St. Mary:

They would have to pay someone to do it probably.

The Minister for External Relations and Financial Services:

No, they should be able to do it. I would say if they are continuing to encounter problems with the J.F.S.C. ... I know that the J.F.S.C. are mindful of it. These are issues that are discussed not only with the chairman but with the director general, so they are very aware of it and they are available to help and support. Again, in extremis if Islanders are still struggling, then please do not hesitate to get in touch with me and my official will intervene on their behalf to support and seek to support them with the process.

The Deputy of St. Mary:

Thank you, Minister, thanks, okay.

The Deputy of St. Martin:

I think it is up to you, Chair.

The Deputy of St. Mary:

Yes, where we are now. Yes, a matter I alluded to earlier on, the Draft Process of Crime (Amendment No. 2) (Jersey) Regulations, P.45, where we had a meeting on this particular piece of legislation and others, which the panel was satisfied with as to subjectives, et cetera. At that stage and I am not expecting to hear you approve it in the form of a verbal comment and will come in the debate. We are, of course, separately undertaking our own review into the medicinal cannabis industry on the Island and there is a lot of attention paid to that use as a whole. It did seem to us, therefore, that we ought to look at this yet again and, as you are aware, Minister, we had a further presentation yesterday to clarify various things. I think the immediate point which was the interaction or relationship between the review we are conducting and what is intended by P.45 was in fact a link and basically they are 2 separate matters. I was just wondering perhaps yourself or one of your colleagues here might just expand on that and confirm that, so that we are in a better position to write our comments paper, which we are intending to do now.

The Minister for External Relations and Financial Services:

Chair, the first thing I would like to say is I am very grateful for the time you took yesterday and I am sorry that I could not attend but I know that my Assistant Minister and George did attend for me. We are very much of the view that if you wish to roll it up into your review, then ideally if you are finishing your review before the last States sitting before summer, then we are very much in your hands to defer it if you wish.

[12:00]

But the point that you make about it being separate is correct and it does stand alone and I think there is a good argument for it continue to be taken at this week's States sitting. But George is here, it would be a shame, George, for you to be here and not say anything, so I will hand over to you.

Director, Financial Crime Strategy:

Thank you, Minister, and thank you for yesterday giving me the time to brief you in relation to this matter. As we have mentioned, this is distinct from the review you are carrying out into the local cultivation and licensing of medicinal cannabis because this deals with the handling of proceeds in the financial services industry from the global cannabis industry. As is well known and very well documented now, the global cannabis industry has huge potential internationally to expand and that means it also has huge potential in relation to the finance industry here in our normal role of, potentially, pooling funds and investing those funds into projects around the world and receiving their proceeds. Part of the Island strategy in relation to dealing with cannabis is to work both on a domestic level and international level to proceed cautiously with appropriate risk mitigants in place, plus take advantage of a significant growing industry, which has been noted by large reputable bodies around the world to have huge potential. This change will allow us to match other jurisdictions who have put in place the enabling legislation whereby we can respect the laws of other jurisdictions who have legalised the cultivation of cannabis in those jurisdictions and we will, therefore, deal with the proceeds arising from the cultivation. That allows for us to do what we do best in our financial services industry, which is to headquarter companies, to take in funds, to provide investment opportunities and to continue to facilitate business and that should be no different in relation to cannabis. The challenge that we are currently facing in the Proceeds of Crime Law is that currently if funds are received from those jurisdictions they will be considered proceeds, as they relate to a prescribed substance. That means that currently if a financial services institution identifies that they are dealing with those funds they are obliged to report that suspicion to the Financial Intelligence Unit, meaning that the funds, effectively, end up being frozen and cannot be dealt with. This will solve that issue and allow for us to move forward in a responsible way. We have spent some time consulting with the industry over this and we have also consulted locally across the Government's Cannabis Co-ordination Group, which is looking both at global opportunities and the domestic

opportunities and we feel this is the right approach to take. We are also aware from the amount of interest that has been in this area that this will provide almost an immediate potential for interest in the Island and that will help to create a broader more welcoming environment in relation to responsible cannabis production, responsible cannabis investment, which supports the wishes of the Minister for Economic Development, which is equally supported by the Government at this point in time. We believe that the amendment is appropriate and we will match that done by other jurisdictions and, therefore, welcome the panel's willingness to take this forward. ...

The Deputy of St. Mary:

Again, thank you for that clarification, the 2 sides were in danger of getting conflated maybe and I think Members will appreciate that distinction. Again, just to go back to the Minister's comment, given the explanation we had yesterday, we are wanting to do what we can to support you on Tuesday whenever it comes up for debate, rather than hold it back because we are also mindful that come the end of a session things tend to stockpile and I would hate there to be a ... having set it out in principle, could you elaborate slightly on the ... I can appreciate the purpose of it is to reassure banks and the like that everything is all right. The F.A.T.F. (Financial Services Task Force) comes into this, to what extent have individual organisations got to do some research or is it a question of relying solely on an order which the Minister has made?

The Minister for External Relations and Financial Services:

They will have to comply with their normal processes around A.M.L. and C.F.T. What we have done is set in some amendment safeguards because the challenge, as you will have heard yesterday, is around where the growing or selling or whatever of cannabis is legal. It seems to us that it would be logical for it to be legal in one country for them to make a profit to go into the banking system of an institution. That institution might have an operation here and it is getting very difficult for that institution to then fully ... there could have been flow around of those funds. If we have a piece of legislation that says it has got to be all the things that have arisen to the fund being created and to be legal in that particular country and, therefore, it then becomes legal here. But even that is not sufficient, we are also often using a list to say that from these countries, yes, and you can come on and off that list over the life of this particular amendment as well. We think we have put sufficient safeguards in place but, George, you can tell a little bit more ...

Senator S.W. Pallett:

This amendment is clear, it is specifically for cannabis and nothing else ...

The Minister for External Relations and Financial Services:

Yes.

Senator S.W. Pallett:

... in terms of any other illegal drug.

Director, Financial Crime Strategy:

Yes, you are absolutely correct. It is specifically cannabis or cannabis derivatives. You will be familiar with the fact that there are cannabidiols, cannabinoids, they are all now manufactured into different products and I am sure the panel will be familiar with some of the press around the use of C.B.D. (cannabidiol) in various areas in different forms of food and beverage products, et cetera. The list that the Minister mentions is very important. We see the receipt of proceeds is not only about just any jurisdiction that wishes to cultivate cannabis but also jurisdiction that we can put some faith in their financial system to have adequate controls. The list links to the Financial Action Task Force's evaluation process, so no jurisdiction will be on that list that has been found wanting by the F.A.T.F. at any point in time, which means we are taking a controlled route. Some jurisdictions around the world have not put in place these controls and some are allowing for the proceeds of other drugs; that is not the position that the Government here is taking. This is, as we say, a cautious approach, investigate candidates as that industry evolves but presents, as the panel will be aware, a huge opportunity in terms of medicine, science and generally in the lifestyle it produces as well.

The Deputy of St. Mary:

Yes, and going back to the onus on businesses, again, I appreciate that the tool in this legislation there will be an order following the passing of the regulation: "The list of countries of that order is based on the outcomes of mutual evaluation reports carried out by F.A.T.F. and their F.A.T.F. style regional bodies, such as MONEYVAL." I am just trying to assess what ongoing involvement ... do you wait for F.A.T.F. to advise you or are you continually monitoring it yourself? How does that work?

Director, Financial Crime Strategy:

Yes, it is a timely time for you to ask this, Chair, because the F.A.T.F. lists 3 times a year. One of those days is today and so this evening there will be a new listing. We monitor those listings. In fact every country is obliged after a listing to inform, predominantly, its financial services industry of the listings because they are obliged to take actions. Each time that changes we will update the orders. In fact this goes to a more general conversation and there is a more general policy that will be coming forward in due course around country lists that we will be having to place in other pieces of legislation that will be coming before your panels and we monitor that 3 times a year. Just to give you an idea, we have a draft order already in place, which we are happy to provide to the panel, which may inform your comments. But it is unlikely that this will come as a surprise to you. The key jurisdictions that are on this, which are major cannabis producers globally, particularly those of Canada and the United States, are of course okay in terms of their financial system from that

standpoint. But various other key markets, which it is likely to be where growing is occurring, we would be unlikely to take any proceeds which have been used for other investments around the world.

The Deputy of St. Mary:

Okay. Again, this is produced 3 times a year, does the C.O. (compliance officer) of a particular bank look at the current list and say that is fine or has he got to do any further research to see ... there must be some countries in play between these dates?

Assistant Minister for External Relations and Financial Services:

If I could just comment, as an ex-compliance officer myself too, that one of the key points when checking for source of funds is to make sure that you check the country of source, so you would check the updated list to make sure that that country is on that list and all compliance officers are aware that this changes regularly and it is under risk-based assessment. When looking at the source of funds where it has come from will be part of that check, then you would check to make sure that it is on the cannabis clear list as well.

Director, Financial Crime Strategy:

That would be an ongoing obligation for them to check, which is inside it and they do, in fact it is meticulous.

Assistant Minister for External Relations and Financial Services:

This is why the legislation has been confusing because, as a compliance officer, you would check and find that the proceeds of cannabis were not on the list and, therefore, you would not allow them to make a start, which means the proceeds would currently be frozen until something goes through the Assembly.

Director, Financial Crime Strategy:

Yes, but in practice what will happen is that most proceeds or companies dealing with proceeds of other countries will be obtaining legal opinions in relation to the legal cultivation of that cannabis and the arising proceeds, so that those will be, effectively, accompanying any of the funds moving around. From speaking to the industry members, because you are, effectively, dealing in something that was previously a prescribed substance that is already current practice. They are already having to get opinions for everything because, as you will be aware, even the transportation of something that is a prescribed substance is challenging. Pretty much anything to do with this industry comes with very fairly an incident situation. What might be really useful is the type of example we give, so we are likely to have, for example, a headquartered company in Jersey which may be growing, for example, in Canada, the United States and Israel, all of whom are on the list. They will be taking in

investments here locally but they will also be receiving proceeds which will be distributed to shareholders in due course. Each of the proceeds from the cultivation in the United States, Canada and Israel will come accompanied with a legal opinion saying that those were cultivated legally in the country of the origin and that will allow for all of this not be considered proceeds. You can really see from that example how we become that ruling asset, ruling centre for all those funds being able to flow into huge development. It is also worth saying that what often happens is while that is direct growing, the way in which these companies exist that while the plant is only grown in one location, its further production or ongoing production into whatever its final form is going to may be done elsewhere, so that also assists in ... it is a very global industry in the way it works.

Assistant Minister for External Relations and Financial Services:

The point that each of the institutions in Jersey that are doing business with these countries will have printed off full details of the company's activities. They will know, they will have all this information on file about where the cannabis is grown and where the manufacturing takes place and they have to have this in place before they can take those funds.

The Deputy of St. Mary:

Two things on this, sorry to keep carrying on about this but I take it ... has there been any examples of a country being removed from the list for any reason.

Director, Financial Crime Strategy:

There have been and they get added and removed on a regular basis. For example, there will be clearer examples that can be given as we move forward. I will not give an exact one from the last February listing because I cannot recall one at the moment but in due course we can give an example of one that did occur. Each time the listings are published there is probably about 5 countries that come on and off on each occasion.

Senator S.W. Pallett:

What would happen in a case of funds being received into another jurisdiction from other drugs that are currently illegal but the funds can be received in that particular jurisdiction because their law is wider and then those funds being transferred to a Jersey fund or a Jersey bank? How would you pick that up?

Assistant Minister for External Relations and Financial Services:

The Jersey banks would pick that up because it should immediately ask for remittance for the source of those funds, so it is not just this is proceeds of a sale, a commercial sale, they will want to know the breakdown and where those funds have come from, particularly if it is ...

Senator S.W. Pallett:

Not just where they come from but what they have come from in terms of how they were made. Would those checks be carried out as a matter of audit?

Assistant Minister for External Relations and Financial Services:

Yes, under the Jersey regime, yes, those checks would and should be carried out and it is the J.F.S.C.'s job to make sure that there is a proper regime in place in each organisation to ensure that those checks are taking place.

Senator S.W. Pallett:

Okay.

The Minister for External Relations and Financial Services:

Those source of funds checks are incredibly important, incredibly important because there is your first line of defence. After you have taken the company on or the individual on, where is the money coming from on a daily basis if you have got funds flowing in?

Assistant Minister for External Relations and Financial Services:

But it goes wider than that because if you are doing business with a company in the Czech Republic, you also have to understand the business of that company, so you have to do detailed research on the company to make sure you understand what they do, how they generate funds and why the remittance is coming to you?

The Minister for External Relations and Financial Services:

The Assistant Minister is right because when you are looking at source of funds you cannot just say it happened from this, this and this, if you know that the company is not operating in that country or in that sphere, so it is ...

[12:15]

The Deputy of St. Martin:

Could I just ask a question about this fact of the list, what would happen, Minister, if we are dealing with a country which is removed from the list by, say, this evening, how do we deal with that then if we have been in business with them for a short time?

The Minister for External Relations and Financial Services:

This would not be the first time that we have had to deal with such an occasion. Obviously we have officials who are connected and sit on F.A.T.F. bodies. They undertake reviews themselves on

behalf of F.A.T.F. Then we would work with the J.F.S.C. and they would issue a guidance and confirmation out of industry of what needed to be done in regard to any investments that might be held or have a nexus to that country which was being delisted. George will be able to go into glorious technical arbiter ...

Director, Financial Crime Strategy:

I will be brief. We are obliged by recommendation 19 of F.A.T.F. to identify these jurisdictions to our industry and we do. What we do in doing that is we identify it before it is listed because we sit on these forums that we know before the public listing what the level of linkage there is to Jersey. Then we have had a situation where there are greater linkages to Jersey and we take up where the J.F.S.C. undertake more proactive notification to the industry. I should be clear that the listing does not mean that you cannot do business with those jurisdictions, you just have to take enhanced measures. What happens is that the firms usually initiate a remediation plan and at least in respect of the recent listings the J.F.S.C.'s supervisors have asked to see remediation plans in relation to their business, so they check very carefully. This is really important because when we face our own MONEYVAL inspection we will be asked how we notify our industry of other jurisdictions and they will consider that very important for us because of the amount of business that we do with other jurisdictions around the world, compared to, for example, the United Kingdom or France or Germany, where they have so many and lots of jurisdictional links. We take it very seriously and the J.F.S.C. are very much on top it.

Senator S.W. Pallett:

Would MONEYVAL see this industry as a heightened risk to Jersey?

Director, Financial Crime Strategy:

The cannabis industry? So I think with everything that is considered in financial crime there are different levels of risk and they will consider that this will have a heightened level of risk, so they will expect similar equivalent measures to be in place. But one thing I would say in answering that question is I do not think it would be considered any higher than other areas of the industry that already exist and do business in. We accept, and one of the things that has been accepted for a long time, that a lot of business done in Jersey is considered to be at the higher end of the risk spectrum. The reason I say it ought to be dealt with is because there are appropriate risk mitigants in place and that they are applied accurately by the industry and supervised appropriately by the supervisors. Yes, it is a high end of risk but, yes, we manage, which is why we are taking a more cautious approach this time.

The Deputy of St. Mary:

Yes. Going back to the Deputy's question I was going to ask about, what happens if a country is moved from the list this evening, to what extent would that surprise you, J.F.S.C. or whoever, and what I am really asking is would a company who had been doing business with such a company, would they expect it to have found out through preliminary enquiries that this was on the cards? Would it be a shock if someone was ... if a company is suddenly removed I take it there would be dialogue beforehand giving an indication that this was likely to happen, is that right?

Director, Financial Crime Strategy:

The listing process is highly confidential and, therefore, until the announcement is made by a leading body there is still the confidentiality of it. It would never be a surprise to me because I sit inside the body, so we are aware of it and the authorities are able to exchange information beforehand to prepare for the listing. In terms of the industry, the industry will often be aware because the listings are based on each of the evaluation reports, other countries proceeding down a route where it may well be listed and that they sometimes take actions prematurely to de-risk the situation. But they are only obliged to take any actions once we notify them from the proper jurisdiction. There is never a surprise in the circumstances that they are aware when these are going on. We also are becoming more aware that the industry are now very much aware of the dates when these listings occur and in the run up to it would be often interested in what is likely to happen, which of course we cannot tell until such a time as we can.

The Deputy of St. Mary:

What we are getting round to asking, if this law is designed to assist, that this is taking on this sort of business and it is possible for the cloak to be pulled like that, how much assurance is it that this will go through?

Director, Financial Crime Strategy:

I think it provides enough assurance to manage and mitigate the risk. The business will have to have a strategy if, for example, the list changes. The proceeds, when they are received, will be considered at the point in time they are received. If a jurisdiction comes off the list and the Minister issues another order that will not mean that everything that has been received before automatically becomes proceeds. That certain time they were not would mean that they would not be able to receive any more funds at the time and would have to enter a mitigation strategy to exit that business, so it would not be different to other areas of business and financial status to have that strategy. We do not see it as unusual and the key there will be keeping in constant dialogue with them, which we are and I must say in the last year and a half that dialogue has significantly increased around jurisdictional listings. We speak to probably the Compliance Officers Association and compliance officers more regularly now, on a weekly basis, in relation to these issues.

The Deputy of St. Martin:

Can I just ask a really quick question about the listing? The F.A.T.F. have set some targets and then expect a jurisdiction to meet those targets for a period of time before they are listed or do they just say you meet the targets and you get on the list?

Director, Financial Crime Strategy:

The question was very quick, the answer is very, very long, unfortunately, for this one. It is a detailed process which I would be happy to explain to the panel. The answer, in short, is that once you fall into the listing process, getting out is increasingly challenging and the bar is very high.

The Deputy of St. Martin:

It was a preliminary to a question to the Minister, which is as soon as a country is put on the F.A.F.T. list, would you consider working with them immediately?

The Minister for External Relations and Financial Services:

As I say, it does not quite work like that because, as George said, if you end up being listed there are things that you have to do to mitigate why that country has gone on the list. You can still work with them ...

The Deputy of St. Martin:

I am sorry, what I mean is when I refer to the list I mean the list of countries that we can do business with. If you are on the ...

The Minister for External Relations and Financial Services:

Okay. If you get a good report and you are not listed.

The Deputy of St. Martin:

Okay. Countries should meet the standards set out by F.A.T.F., how quickly would we start to work with them once they attain the levels required?

The Minister for External Relations and Financial Services:

That is a bit of a process as well because there are not that many new ... there are countries that are seeking to enter the F.A.T.F. regime and be involved in those sorts of things. But even some that are not we might still do business with ...

The Deputy of St. Martin:

If we can mitigate the risk.

The Minister for External Relations and Financial Services:

... if we can mitigate the risk. Because some are just not in the process because they have never had a need to be in the process previously, so it gets a bit complex. But maybe perhaps a quick answer to what your question to George was, there is a process where they would come and do a review, which they were already failing in this particular area, then you can work to address the issues over quite a long period of time, so months or longer, to do that. But in that process they do not look at the area that you have not done very well in, they look at the entirety of your compliance with all of the standards. You never want to get into that process where they find something they do not like because then they are going to look at everything. The amount of effort that you have got to put in, if you get into that process, is phenomenal and is costly in time and monetary resource and people resource. If then you do not meet the criteria at the end, that is when you end up being listed, so it is a lengthy process.

Assistant Minister for External Relations and Financial Services:

Just to pick up on the Deputy's question as well, if a country is a new country and while it is on the list, then compliance officers are most astute and will start scratching at the surface and say, what are the regulatory systems within that country and how much assurance can I place on those, even if it is F.A.T.F. listed? Because at the end of the day it is the company that is bearing the risk, so they will start their risk assessment at the country level and they will work their way down to the companies that they might want to do business with, so it would be a thorough process. Let us just say if Nigeria comes on the list, we will say, okay, we can do business with Nigeria but hang on a second, Nigeria has been off the list for a while, let us just check and make sure what the regulatory structure in place is now and is it fit for purpose? If that is the case then we can consider doing business with companies and then we start the research process on the companies and say, are these companies well run? Are they reputable? Do they have good corporate governance? If it ticks all those boxes, then you can start thinking about doing business with them. It is not an on and off process, it is an ongoing process that is required.

The Deputy of St. Martin:

Thank you.

The Deputy of St. Mary:

Having gone full circle, and thank you for all those explanations and confirmations, you are satisfied that this particular amendment will satisfy the businesses we are concerned about and enable them to receive the funds that at the moment they have reservations about on the basis they might be frozen if they did.

Director, Financial Crime Strategy:

Certainly, it is just the businesses where there are frozen funds. There will be a process to go through because of the point in time when those funds were received, as I mentioned in the amendment coming forward. The one thing we cannot say is that this will encourage necessarily any business to take on this work; that will be their own decision based on their own business risk assessments. But it certainly puts in place an environment which, on conversations with them, indicates to us that a business line may start to float again. It is very difficult in a new area of work to understand exactly how much business will flow into it but every indication here indicates that there is appetite in the market, the domestic market to take on this business with the associated risk and that there is significant external investment looking to utilise that and that there is a potential competitive advantage for Jersey here by being involved in the market.

The Deputy of St. Mary:

Thank you. Sorry, to pick you up on a point just made, are there funds frozen now which would be released?

Director, Financial Crime Strategy:

There are funds that are frozen now that the previous legislation will go through a process of unfreezing which will involve the normal legal process, which will involve the Attorney General considering funds, considering the legal position and issuing their consent from the Financial Intelligence Unit in the circumstances.

The Deputy of St. Mary:

All right, so here we are, look at a live issue already evolving.

Director, Financial Crime Strategy:

Very much so, yes. This solves the live issue but also it presents a longer-term working position into the future.

The Deputy of St. Mary:

Okay, thank you.

Senator S.W. Pallett:

Some of these funds may be invested in other jurisdictions, but some of these funds may be invested here.

Director of Financial Crime Strategy:

The funds, by virtue of a sale, will be held here but they may be dealing with other jurisdictions ...

Senator S.W. Pallett:

Where they are invested... funds coming in?

Director, Financial Crime Strategy:

Correct, absolutely for those companies, yes.

The Deputy of St. Mary:

Thank you all, that really exhausts that topic. Thank you for all your answers. Finally, the establishment of a Financial Stability Board that ...

The Deputy of St. Martin:

Yes, I am going to tackle the Minister. Minister, as you may well know in May this year Lord Andrew Tyrie was on the Island and the Chair and myself met him. He is clearly looking at the possibility of establishing a Financial Stability Board here, could you advise us what input you have had into that?

The Minister for External Relations and Financial Services:

Yes, I am a great supporter of the Financial Stability Board. It is something that I sought to start to talk about but, unfortunately, when I was Chief Minister the previous Scrutiny Panel were not particularly in favour of it at that point. We moved forward very slowly. I think now it is the creation of a shadow board under the chairmanship of Lord Tyrie. We can see the potential for the benefit of it, although it does not sit in my field or it sits under the authority of the Chief Minister, as it always would have done. Of course I know Lord Tyrie through my work. I think he is an excellent person to be undertaking this work on our behalf. There are issues around managing the relationship with the Fiscal Policy Panel of course and while there might be overlap, I think those can be perfectly managed if we can all find an appropriate gateway to provide information for them to undertake their work.

The Deputy of St. Martin:

Yes, thank you. But we have already got a Fiscal Policy Panel and the cost of this stability board might be a little bit expensive, considering your previous answer of the crossover between the 2.

[12:30]

The Minister for External Relations and Financial Services:

No, I do not. I think this will add great value to the more strategic issues that we face as an Island. The Fiscal Policy Panel is very much limited on what it looks at and there can be disagreement about what you might do from a very timely thinking about Treasury and Resources and spending of strategic reserve and cyclical economic issues to the much broader financial stability issues of

our entire economy. They are quite separate and other countries and even some other smaller jurisdictions like ours would deal with them separately.

Senator S.W. Pallett:

Will it have specific terms of reference and a supporting structure?

The Minister for External Relations and Financial Services:

You are asking me about something which is not within my direct political responsibility. I do not want to speak out of turn. But I think these are being worked on by the Chief Minister.

The Deputy of St. Mary:

Just regarding your earlier comments, is there any sort of tension between the stability board and the fiscal board?

The Minister for External Relations and Financial Services:

I hope there is because I think there should be constructive tension.

The Deputy of St. Mary:

Yes, it does come to the Senator's point about terms of reference and respect responsibilities. It is still absolutely shadow board form, I think, is it not?

The Minister for External Relations and Financial Services:

It is, that is correct, yes.

The Deputy of St. Mary:

Nothing much else to ask. I know we said we would meet His Lordship when he came over, he seemed very interested to continue dialogue with us, so we look forward to seeing him ourselves.

The Minister for External Relations and Financial Services:

Being of course the former Chair of the Treasury Select Committee in the United Kingdom.

The Deputy of St. Mary:

Yes, one advantage ...

Assistant Minister for External Relations and Financial Services:

Probably rather be sitting in your seat than ...

The Deputy of St. Mary:

Yes, we had done our homework before he arrived and we are well aware of the various offices he had held before. Yes, he seems genuinely interested in taking this on, so we look forward to meeting him. Okay. I have no further questions. Does the panel wish to add anything?

Senator S.W. Pallett:

No.

The Deputy of St. Mary:

Thank you, Minister.

The Minister for External Relations and Financial Services:

Thank you, Chair, thank you, panel.

The Deputy of St. Mary:

Thank you, panel, ladies and gentlemen for attending and we have finished exactly on time.

[12:32]