

STATEMENTS ON A MATTER OF OFFICIAL RESPONSIBILITY

The Bailiff:

Very well, we now come to statements. The first statement of which I have notice is a statement to be made by the Chief Minister regarding a meeting with Her Majesty's Treasury on 27th November.

6. Statement by Chief Minister regarding a meeting with H.M. Treasury on 27th November 2008.

6.1 Senator F.H. Walker (The Chief Minister):

Members will be aware that in his pre-budget report delivered last week the U.K. Chancellor of the Exchequer announced a review of the long term opportunities and challenges facing the Crown Dependencies and Overseas Territories as financial centres which have been brought into focus by recent financial and economic events. We in Jersey have, of course, been here before with the Edwards Review in 1998. However, to some extent this time it is different. We are now experienced in the review process. We have already been fully reviewed by the I.M.F. in 2003 and at that time were found to be almost fully compliant with the then international standards of regulation. More recently we have engaged with a review of the Treasury Select Committee in their work on offshore centres. Even more recently we have just concluded a further review by I.M.F. teams looking into our compliance firstly with international standards of anti-money laundering and countering the financing of terrorism; and secondly with prudential regulation under an I.M.F. review which includes matters of financial stability. We await their reports in due course. In respect of this latest review we are actively engaged in this process from the outset. Last week, together with the Chief Executive Officer of the States, I met the Parliamentary Secretary of Her Majesty's Treasury, Lord Myners, and the Parliamentary Under-Secretary of the Ministry of Justice Lord Bach. Together with representatives from Guernsey and the Isle of Man we commenced the process to agree the detailed terms of reference for the review. In these initial discussions we have already agreed that the review will only look at fiscal arrangements to the extent that they affect stability, sustainability and long term competitiveness. It will not look at taxation rates, nor will it consider any change to Jersey's fiscal autonomy or our constitutional relationship with the U.K. The review will also look at financial supervision and transparency, financial crisis management and international co-operation. It will comprise of 2 parts. The first involving a review into banking deposits, and the requirement for and effectiveness of depositor protection arrangements, and this is expected to report in the spring. There will be a second report covering the full terms of reference with fuller conclusions later in the year. The review will start with the Crown Dependencies and will then move on to the Overseas Territories. It will be separate from the Treasury Select Committee's report into offshore financial centres. It has not yet been agreed who will undertake the review but we have been assured that it will be an individual of high standing and credibility with a comprehensive understanding of financial services and who would operate independently of Her Majesty's Treasury. The review will report to the Chancellor of the Exchequer, copied to the Lord Chancellor, Foreign Secretary and the Governments of the U.K. Crown Dependencies and Overseas Territories. Members may be forgiven for feeling some justified review fatigue. However, the international reaction to current events, which commenced with a meeting of E.U. (European Union) leaders in Paris on 21st October and continued when the G20 met in Washington on 15th November, is a new process that will seek to address the challenges to global financial stability from all angles. As a major and responsible international finance centre we cannot afford to be excluded from that debate. As Lord Myners stated last week, this is a positive opportunity for us to put forward our case. We will co-operate fully with the review and we welcome it as a chance to show the strength and stability of Jersey's financial system, regulatory system and the extent of our international cooperation and transparency.

6.1.1 Deputy J.A. Martin:

It may be presumptuous of me to ask the outgoing Chief Minister but, as the review will not be in until there is a new Chief Minister, I would like reassurances that the review will report to the Lord Chancellor, the Foreign Secretary and the Governments of the U.K. Crown Dependencies. When you say “government”, sir, will the Minister make sure that the review is received by all States Members? Because in some terms “government” sometimes means just the Ministers.

Senator F.H. Walker:

I cannot speak authoritatively for my successor but I am sure that will have to be the case. The review will become a public document in due course. It will have to be presented to Members of the States. There will be times, of course, during the preparation of the review and the discussions with the reviewer where meetings will inevitably be held in private and briefings will be given. I am sure it will be presented and available to States Members at the earliest possible opportunity.

6.1.2 Senator J.L. Perchard:

Does the Chief Minister expect a Jersey Government to have any input at all into the terms of reference and if not, when do we expect to receive the terms of reference for this review?

Senator F.H. Walker:

The terms of reference have not yet been released and therefore it would be inappropriate of me to refer to them, but I can inform the Senator and Members that the Crown Dependencies have already not only been consulted, but have had the terms of reference altered at our request.

6.1.3 Deputy P.J.D. Ryan of St. Helier:

Not although directly part of the Chief Minister’s statement, could he tell us whether the question of the tax information exchange agreement with the United Kingdom came up during these discussions, and is it likely to in the very near future?

Senator F.H. Walker:

It did not come up in the particular meeting that I attended last week but it is the subject of ongoing discussion with Her Majesty’s Treasury.

6.1.4 Deputy P.V.F. Le Claire:

I wonder if the Chief Minister can comment on the suggestions that are being made in some circles that the U.K. Government is not satisfied that the U.K. Government is going to be responsible for the bail-out of any funds that are held in Jersey for the U.K. deposit holders, and that there is some pressure - or there is talk about some pressure - for the States of Jersey to have to contribute something in the region of £15 million a year to the U.K. to protect U.K. deposits in Jersey. Is there any truth behind those allegations that are going on in circles in the Island at the moment?

Senator F.H. Walker:

No truth whatsoever.

6.1.5 Deputy A. Breckon:

I wonder if the Chief Minister would like to comment on the constitutional position of the U.K. Government conducting inquiries into our fiscal and domestic matters?

Senator F.H. Walker:

That has been the subject of most of the discussion between us. There were 2 areas in the announcement made by the Chancellor which could have been interpreted in a number of ways and the Chancellor, for example, referred to the fact that a review would cover fiscal arrangements. Now that, as I said, could be interpreted in all sorts of ways, but we had an

absolute positive assurance from Lord Myners and his team that the review would not cover, as I said in my statement, fiscal autonomy and therefore our ability to set our own tax rates. What the review will be interested in is whether our fiscal structures are sustainable long-term and whether we are capable of managing ourselves in a crisis which I am very confident Jersey is in almost a unique position to do. So far as the constitutional situation is concerned, the U.K. Government has made it very clear from day one that this will not be covered in any shape or form by the review. Indeed, Lord Bach - and I think this is significant - himself, wrote a letter of complaint to *The Times* a week before last because Members may have seen an article in *The Times* which suggested that the review was about the constitutional position; it is not and Lord Bach himself, under his own initiative, wrote a letter of complaint to the editor of *The Times* making them aware of their error and demanding a retraction. Whether or not they have had the retraction yet or not, I am not sure.

6.1.6 Deputy R.G. Le Hérissier:

Following on from Deputy Breckon's question, would the Chief Minister not acknowledge that policy says in the States, where it has international ramifications, is indeed reviewable by the U.K. government. This is the right, it seems, they have asserted. Secondly, would he say what the specific concerns were of the U.K. Government representatives? What issues did they raise and did these carry an echo of the kind of thing that President-elect Obama has been saying of late?

Senator F.H. Walker:

The U.K. Government have said, both at the meeting and publicly, that the review is effectively in effect a reaction to the international noise that is currently underway. Not only from President-elect Obama but from other quarters as well. The U.K. Government feel - and if I was in their position I would feel exactly the same - that because the Crown Dependencies have been forced into the limelight because of the failure of Icelandic banks with Channel Islands connections, it is inevitable that the Channel Islands have to be reviewed. It is inevitable that we have to make it clear to the U.K. Government and to the world what we are made of and our ability to sustain ourselves without in any way risking becoming a burden on the U.K. taxpayer, which of course we never have been and never would be. So that is the rationale behind the review. But I would say again that Lord Myners himself was at pains to say that this is an opportunity for us to show how good we are and I absolutely echo those sentiments.

6.1.7 Deputy G.P. Southern:

To what extent did the discussion cover the European Savings Tax Directive and our full co-operation with it?

Senator F.H. Walker:

It did not. But the U.K. Government has previously acknowledged on numerous occasions our full co-operation with the Savings Directive.

6.1.8 Deputy I.J. Gorst:

I perhaps welcome this review because I believe that it will be an opportunity for us to prove that we are a well-regulated jurisdiction and that we have a first class finance industry operating here. However, I wonder if the Chief Minister could give an indication whether he is aware of the potential format of the final report, whether the review will be able to separate jurisdictions, i.e. Crown Dependencies, Offshore Territories or whether we will be, shall we say, batched together with Guernsey and the Isle of Man, because this is something I believe that he and his successor and officers ought to fight vehemently for because we, I believe, are in a field of our own and we need to make that very, very plain?

Senator F.H. Walker:

I absolutely take the point that the Deputy is making. The issue was raised but it was agreed that this would be a matter for discussion with the reviewer; how the reviewer wants to put together his or her report. But I do absolutely agree that it is vital that there is clear air between Jersey and at least some of the Offshore Territories and possibly at least one of the Crown Dependencies. But could I add at this juncture that the co-operation, the level of co-operation between Jersey and Guernsey at this time, not only on this matter but perhaps particularly on this matter, the level of co-operation has never been greater and the sharing of information and working together and the determination to present a united front is stronger than I have ever known it and I warmly welcome that. But at the end of the day, the report on Jersey will need to be a report on Jersey and that is something, I am sure, my successor and others will be discussing with the reviewer.

6.1.9 Deputy J.A. Martin:

Just clarification: the statement says the review will be in 2 parts; the banking deposits and the requirement for the effectiveness of depositor protection arrangements. Am I to take this and this review will be done by the spring, just for clarification, do we have effective depositor protection arrangements already in place in Jersey? Because this statement does not say we do have.

Senator F.H. Walker:

I think I answered that previously. I think it is universally known that Jersey does not have a protection scheme for non-Jersey resident depositors. We do not. But that is a matter that is subject to the review I referred to earlier, commissioned by the Minister for Economic Development and which will report early in the new year. Clearly there will be much discussion for Ministers at that time to hold with industry representatives and others as to whether or not Jersey needs a full-blown compensation scheme, given the licensing regime of banks in Jersey and if so, in what form?

6.1.10 Deputy J.A. Martin:

Sorry, supplementary. The Chief Minister said for non-Jersey residents, so do I take it then we do have a full effective deposit protection scheme for Jersey residents with monies in the banks in Jersey?

Senator F.H. Walker:

We have given a guarantee to all Jersey-based residents who invest in Jersey banks that their deposits are safe. That guarantee was given some weeks ago and remains in force.

The Bailiff:

That concludes the time allowed for the questioning of the Chief Minister on this statement.