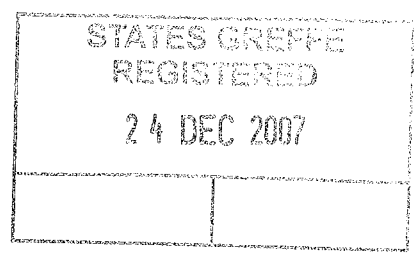


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RAWLINSON & HUNTER

CAS/ar/Scrutiny_2007/12/19

20 December 2007



Scrutiny Office
Morier House
Halkett Place
St Helier
Jersey
JE1 1DD

Dear Sir

Jersey Finance Limited

We write in response to the Scrutiny Office's invitation for feedback from interested parties regarding whether the contribution of £1m by the States of Jersey to the running costs of Jersey Finance represents good value for money.

By way of background, our firm has been based in Jersey for 35 years and provides a wide range of financial services mainly to clients based in other jurisdictions. The business is owned by 7 local partners and we employ more than 110 staff, the vast majority of whom are Jersey born. We contribute several million pounds per annum to the local economy via income tax, spending on local service providers and salaries.

The tax contribution of the financial services sector funds the health and education spending of our island. In addition, the amount spent by the sector contributes to the success of a significant number of locally owned businesses in a wide range of other industries. Given the fact that the financial services sector is the largest single industry in the island, the amount that is invested in Jersey Finance is modest in absolute terms. It is also modest in relative terms given that it represents less than 0.2% of the annual budget of the States. Given the tax take derived from the sector, this therefore appears to be good value for money, especially when compared to bodies that represent other industry sectors.

Whilst there has been a welcome increase in the grant for Jersey Finance from the States, it is important to note that a material contribution continues to be funded via subscriptions from companies operating in the finance sector. For example, in 2006 and 2005 more than a third of Jersey Finance's revenue was funded by these subscriptions. In addition, a vast amount of senior management time is invested by the finance sector through volunteering individuals on a pro bono basis to work for various industry associations and working bodies that liaise closely with Jersey Finance on technical matters.

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We would also highlight the fact that following the Edwards Report, promotional work transferred from the Regulator to Jersey Finance thereby saving the Regulator a significant amount of money. The Regulator is funded by the finance sector and the majority of its annual surpluses are transferred to the States. These surpluses dwarf the grant provided to Jersey Finance. The cumulative amount paid by the Regulator to the States so far this decade has been £26.7m. In 2005 and 2006 the contribution made to the States of £8.2m was more than six-fold the contribution made by the States to Jersey Finance. On a net basis the taxpayer is therefore not subsidising the sector at all. This substantial hidden contribution to the States should be taken into account as part of your financial analysis.

The finance sector operates in a highly competitive, global industry. The current problems in the capital markets could pose challenges for jurisdictions such as ours given that we are hugely dependent on the finance sector to fund public spending programmes. It is therefore more important than ever that Jersey remains in the premier league of jurisdictions in terms of its reputation, its technical innovation and its promotional capability.

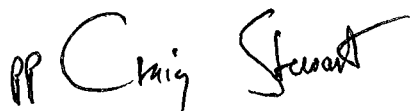
In our view the most important role performed by Jersey Finance has been the fact that it has worked in a collaborative way with the Regulator and with our political representatives for the benefit of the island as a whole. This has been important for the following reasons:

- to ensure that Jersey retains its competitive advantage from a technical dimension
- to cultivate a business friendly environment
- to ensure that key decision-makers are able to formulate strategies for the island with the benefit of all the facts at their disposal.

The last point is particularly important as relatively few of our political representatives have experience of working in the finance sector and therefore Jersey Finance plays an important part in contributing to an informed debate.

In summary, we believe that the contribution made by the States represents good value for money for the taxpayer. Going forward, with global economic uncertainty and with domestic fiscal challenges, it will be more important than ever that an appropriate funding basis is preserved.

Yours faithfully

A handwritten signature in black ink, appearing to read "PP Craig Stewart". The signature is written in a cursive, somewhat stylized font.

Angus Spencer-Nairn
Senior Partner