

SPEECH BY THE CHIEF MINISTER –

Thank you for this opportunity to speak to you.

As I am sure you are all well aware, I and my Ministerial colleagues from Jersey are visiting your Senate during very difficult economic times. The world financial markets are in uncharted waters; global equity markets have suffered significant falls and we have seen the need for concerted international support to prevent further banking failures.

The leaders of many major economies have already met in Paris to consider mechanisms to stabilise the economic changes taking place and to maximise efforts to deal with this global financial crisis. These themes will be revisited at the G20 meeting in Washington on November 15th.

At times like this it is not always easy to separate the facts from newspaper headlines. As a result I would like to take this opportunity to set out Jersey's position on these matters and to clarify our role as an international finance centre.

Let me be absolutely clear: Jersey does not and never has condoned or encouraged the illegal activities of tax evasion and money laundering. Further it should be clear that the causes of the present global financial turmoil are not of "Offshore Centre's" and certainly not of Jersey's making.

Offshore finance centres seem to be treated as if they were all the same - and all face the same criticisms that they lack effective regulation and lack transparency. But it is clear that they are not all the same. Some offshore jurisdictions, and Jersey in particular, have better regulation and greater transparency than some of the others and certain onshore jurisdictions.

Jersey has built up its standing as a quality international finance centre committed to international standards of regulation and transparency and the fight against money laundering, terrorist financing and financial crime including fiscal crime.

International bodies have commended Jersey for the action taken in ensuring it meets international best standards. The IMF in 2003 stated that Jersey was virtually fully compliant with the then international standards of financial regulation, anti-money laundering and combating the financing of terrorism. The IMF is currently undertaking a second assessment and we are confident that we will obtain compliance ratings that will compare well with the ratings obtained by other countries including the EU Member States.

Last week in Paris, the OECD Secretary General made specific reference to Jersey as one of six jurisdictions who were in the forefront in the negotiation of tax information exchange agreements and indeed the Crown Dependencies lead this group by some margin. We have already signed agreements with the USA, the Netherlands and Germany. Last week I signed agreements with seven Nordic territories and in the next few months we hope Jersey will conclude a tax information exchange agreement with France - something hardly to be expected of a jurisdiction occasionally referred to as a secretive tax haven.

So how has Jersey responded to the current economic crisis?

Firstly, Jersey has managed to avoid any dislocation in respect of local deposits. This is because our banks have avoided both the losses associated with risky assets and the refinancing problems associated with excessive leverage used in some jurisdictions to finance those risky assets.

Banks in Jersey have not needed support and Jersey's success in this regard is no accident.

Jersey benefits from a well regulated banking system of unparalleled strength with banks only from the top 500 and all of the larger deposit taking banks being from the world's top 100 banks, the parents of which almost without exception also benefit from the unqualified support of their national governments.

Jersey's banks also benefit from some of the highest capital ratios anywhere in the world and are in the strong position of acting as a source of liquidity in the form of deposits that are passed upstream to the parent banks that need them and which are themselves amongst the strongest banks in the world.

So Jersey is complementary to leading banks throughout Europe through the contribution they make to the liquidity of the parent banks at a time when such liquidity is desperately needed.

It is well recognised that the role that Jersey performs in attracting deposits from all over the world is an extremely valuable one. In the absence of these services the bank deposits held in the Island would almost certainly have ended up in places such as Singapore or Hong Kong China and be lost to the London and European capital markets.

As you can see, Jersey does not operate in isolation and this is certainly the case in terms of regulation. As you would expect in current conditions, there has been and continues to be intensive monitoring of the financial services industry by the Island's Financial Services Commission who is in regular contact with home regulators of the parent banks in other countries across Europe.

In conclusion, I believe there is an important place for well regulated international finance centres like Jersey that are able to make a valuable contribution to overall European economic wealth.

The future of all our economic security and stability lies with strong and effective regulation and Jersey will continue to lead the way in implementing international standards.

These are difficult times, demanding concerted and effective action to restore confidence. We need to work together to resolve the difficulties – and Jersey stands ready to play its part in that process.