

JERSEY
FINANCIAL
SERVICES
INDUSTRY

THE
GOVERNMENT
OF JERSEY

POLICY
FRAMEWORK

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CHIEF MINISTER'S STATEMENT

Jersey, like many countries, has responded to the effects of the worldwide financial crisis. Jersey's financial services industry has demonstrated an innovative and resilient approach to a fast-changing global economy and is committed to a future shaped by choice, not chance.

As an international finance centre, our continued success depends on our ability to sustain our core offerings and on looking outwards to the opportunities for growth in a measured, co-ordinated and sustainable way.

With the threat of ambitious new centres located across the globe, we must continue to compete and remain very much open for business in a proportionate and targeted way.

Today, Jersey is rated as one of the most stable and successful international financial services centres in the world and, working together responsibly, the government, the regulator and industry have the ability to continue to drive excellence and innovation in everything we do.

"This document outlines the policies that are vital to the future of the financial services industry and sets out the government's framework to achieve future success, and thereby support local employment and the provision of public services to the benefit of all Island residents. Together with the regulator and industry, we will take the necessary action to ensure that the industry remains successful and competitive now and in the future."

SENATOR IAN GORST
CHIEF MINISTER OF JERSEY



FOREWORD

The financial services industry is key to Jersey's economic health. The sectors of the industry, which includes banking, trusts, fund management, company administration, legal firms, accountancy firms, investment advisory services and the servicing of a wide range of corporate vehicles, are significant contributors to the local economy. This is highlighted by the fact the industry employs more than 12,400 people¹ on the Island spanning the range of financial services provided.

Jersey's financial services industry is also a significant contributor to the global economy, particularly the United Kingdom. A report prepared by the respected independent firm Capital Economics has found that Jersey provides a net benefit to the United Kingdom of almost £2.5bn a year and supports around 180,000 British jobs².

Early in 2013 Jersey Finance Limited, the organisation that represents and promotes Jersey as an international finance centre of excellence, carried out an independent jurisdictional review of the financial services industry, with the support of leading consultants McKinsey. Its recommendations have been embedded into this document and are being implemented by the government, the Jersey Financial Services Commission (JFSC) and industry.

This document serves as a useful guide to government's policy on Jersey's financial services industry for our current and potential stakeholders locally and internationally. The innovation and resilience we have demonstrated, time and again, in meeting the challenges presented to us as a jurisdiction will continue. We are confident that we will succeed and remain a strong international finance centre that benefits our Island's community.

"Jersey has a bright future and we have proven that we are able to reposition ourselves to meet the challenges and capitalise on the opportunities that are presented to us. The government has confidence in Jersey's financial service industry and is willing to invest to build on our strengths to ensure that Jersey maintains an important role in the global economy of the future."



SENATOR PHILIP OZOUF
ASSISTANT CHIEF MINISTER AND
TREASURY MINISTER OF JERSEY

¹ Jersey labour market at June 2013 – analysed by the Statistics Unit on behalf of the Population Office, States of Jersey

² Jersey's value to Britain, Capital Economics, published 2 July 2013

INTRODUCTION:

The Jersey Economic Growth and Diversification strategy states that the government is to prioritise the growth and diversity of the financial services industry, together with the creation of new business, employment and raising productivity. Jersey continues to be, and is determined to remain, a leading international finance centre.

WHY CHOOSE JERSEY

- 📍 An autonomous Crown dependency that enjoys a secure, special relationship with the UK but is not part of the UK or the EU;
- 📍 A well-established, diverse and highly respected international financial services centre;
- 📍 A highly skilled and experienced workforce across a wide range of financial services sectors;
- 📍 An attractive business and living environment for existing businesses, executives and employees and those looking to locate to Jersey;
- 📍 Geographically well placed to serve clients based in the UK, Europe, Africa, the Gulf States and the Far East;
- 📍 A stable political system and economy with a government that fully supports the financial services industry;
- 📍 Jersey has a robust and independent judicial system based on modern commercial law principles;
- 📍 A simple low tax/tax neutral fiscal system that provides an ideal platform to support an international finance industry;
- 📍 A proportionate risk-based regulatory environment aligned to international standards that is supportive of the development of the financial services industry sectors, encouraged through interaction between the government, the regulator and industry.

WHAT WE DO

- 📍 Jersey is a centre for banking expertise, with 42 deposit-taking licences³ in issue, and an estimated 4,950 people⁴ working in the sector;
- 📍 Jersey has a long history of providing high-quality services to the trust, company administration and funds sectors and is resident to a number of global trust company head offices and investment fund managers. These growing sectors of wealth and asset management are serviced by some 3,370 people⁵;
- 📍 Jersey also hosts a range of globally recognised, specialist legal and accountancy firms collectively employing roughly 3,130 professionals⁶;
- 📍 Jersey has claim to a number of companies used as listing vehicles on many of the world's major markets. Notably, Jersey has the largest number of non-UK companies listed on UK stock exchanges.

³ Banking Business (Jersey) Law 1991, Q3 2013 registered banks statistics, Jersey Financial Services Commission

⁴ Jersey labour market at June 2013 - analysed by the Statistics Unit on behalf of the Population Office, States of Jersey

⁵ Jersey labour market at June 2013 - analysed by the Statistics Unit on behalf of the Population Office, States of Jersey

⁶ Jersey labour market at June 2013 - analysed by the Statistics Unit on behalf of the Population Office, States of Jersey

PRIORITIES

An independent jurisdictional review of Jersey's financial services industry was carried out in 2013, which set out a proposed strategy for the financial services industry in Jersey. Four key priorities, which are embedded into this policy framework, were identified in the jurisdictional review: sustain the core; enhance enablers; capture adjacent growth; and reposition and build new capabilities. The formulation of this policy framework has been developed on the basis of significant research and consultation with stakeholders from the financial services industry both in Jersey and internationally.

1 SUSTAIN THE CORE

The first priority is to protect existing business from the threat of competitive challenges. Our aim is to ensure the long-term prosperity of our existing financial services industry, while gradually diversifying into other areas. We recognise that a change of direction is required but that this change needs to be gradual and planned.

2 ENHANCE ENABLERS

Second, to stand out as an international finance centre, Jersey must excel in the areas that determine investors' choice of location: namely the legal, regulatory and business environments. These 'business enablers' are essential to future success. We will make sure we enhance the governmental, regulatory and legislative framework and do all we can to improve the business environment, allowing innovation to flourish.

3 CAPTURE ADJACENT GROWTH

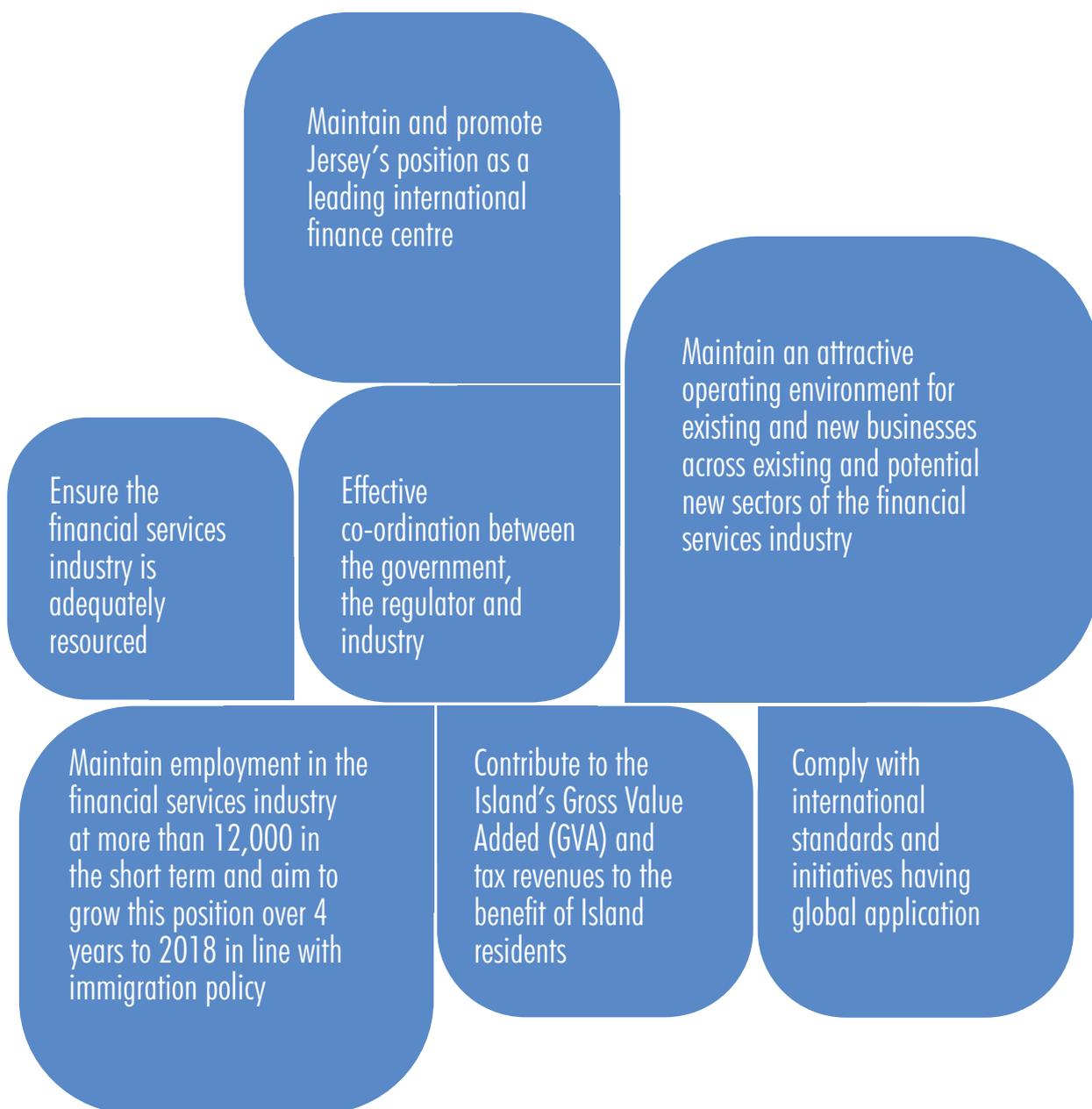
Third, we will work hard to support existing business to capture adjacent growth in products, services and markets. By this we mean providing more to our existing participants and attracting new entrants from both established and developing markets. We need to consider how we might replace any business that looks vulnerable to loss.

4 REPOSITION AND BUILD NEW CAPABILITIES

The fourth priority is to explore more ambitious opportunities in less familiar business territory, repositioning our current offering and building new capabilities. These opportunities tend to be in the higher value-added elements of the sectors and often require a broader set of stakeholders.

We have already started the process of diversifying geographically, and will continue this work in the months and years ahead.

KEY OBJECTIVES OF THE POLICY FRAMEWORK



This policy framework supports the continuation of an independent financial services regulator, the JFSC, which will assist with the growth of the regulated financial services sector by continuing to ensure a regulatory framework that is sufficiently robust to be compliant with international standards and our proportionate risk appetite as a jurisdiction, while retaining flexibility to adapt to and anticipate the needs of a changing external regulatory environment. It should be noted, however, that both regulated and unregulated aspects of the financial services industry are referred to in this document.

The implementation of this policy framework will require effective coordination between government, the regulator and industry, flexibility from government and the regulator and innovation and adaptability from industry to meet new challenges as they arise.

A key part of this policy framework is the core principles that the government believes will contribute to the success of the financial services industry. These core principles are set out on page 8.

This policy framework provides the structure for the financial services sector to maintain competitiveness, target new growth areas and drive the product/service diversification that is required in such a challenging economic environment now and in the future.

JERSEY FINANCIAL SERVICES: CORE PRINCIPLES



The financial services industry in Jersey benefits from a legal and regulatory operating framework that is supported by a **stable** and committed government. It is our aim to sustain and further invest in the long-term growth of the industry and we endorse financial services businesses that share this view.

As a leading international finance centre, we commit to comply with international standards and global initiatives. Jersey is considered a **responsible** partner to the UK, the EU and other international jurisdictions and aims to be a 'good citizen' internationally. We will ensure an appropriately regulated financial services industry taking a proportionate risk-based approach in order to uphold our reputation and accountability to our business partners but also ensuring that we remain competitive.

Jersey has a highly skilled professional workforce offering world-class expertise across the financial services industry sectors. We are committed to ensuring we maintain our reputation as an international finance centre of **excellence** by investing in our local skills base, growing and diversifying our capabilities and continuing to deliver market leading products.

We recognise the need for continuous development of the financial services industry in response to changing global market conditions. We understand the need to adapt and be **innovative** in order to remain competitive and we are fully supportive of industry initiatives to deliver on this.

Working together with the regulator and industry is the foundation of our ongoing success and we will continue to ensure that a collaborative approach is embedded in everything we do providing an environment where our objectives can be delivered.

A GOVERNMENT THAT SUPPORTS THE FINANCIAL SERVICES INDUSTRY

To stand out as an international financial services centre in today's global industry Jersey needs to enhance business enablers that are key to determining investors' choice of location: the legal, regulatory and business environments. The government's role is to implement a strategy, providing effective leadership, good co-ordination between stakeholders and support for innovation and growth in the financial services sectors. We also recognise that successful delivery of this strategy involves a number of other industries within the Island that are deeply intertwined and co-dependent.

KEY OBJECTIVES FOR THE GOVERNMENT

Uphold the reputation of the Island and ensure that Jersey is considered a centre of excellence for sound business practice by the international community

Simplify legislation, regulation and enforcement while remaining in accordance with the agreed standards to improve business capabilities across financial services sectors

Provide support and policy guidance to ensure Jersey maintains highly competitive and attractive legal, regulatory and business environments

Enable faster finance related decision making processes

Maintain and grow a successful financial services sector that contributes to the economic well-being of the Island and its residents

“The government is committed to maintaining and promoting Jersey’s strong reputation, building on the Jersey brand and remaining competitive in existing and target markets.”

REPUTATION OF THE ISLAND

Jersey maintains a strong reputation and we believe that building on the Jersey brand is critical to our success in existing and target markets.

We aim to facilitate the growth of the financial services sector; a key element of this is working more with international governments, industry bodies and legislators to understand the impacts of how legislation made elsewhere can affect the Jersey financial services sectors. In the EU, for example, the Channel Islands Brussels Office (CIBO) has been set up to facilitate a stronger voice and greater understanding between the Channel Islands and the EU. Closer to Jersey, a London office has been established to ensure Jersey has a presence in what still remains a most important market and a fundamental constitutional and political relationship for the Island.

In relation to the protection of the Island’s reputation as a well-regulated, transparent and tax neutral jurisdiction, the government has set up the Sound Business Practice Committee⁷ which is used to ensure that businesses operating or interested in operating in Jersey are acting in the long term interests of the financial services industry and the Island. We are committed to ensuring that business practices in all the financial services sectors are aligned with our stated objectives and that we are able to offer guidance and policy as developments occur globally.

7 The Sound Business Practice Committee consists of members of the government, regulator and industry to advise on acceptable business practice generally

IMPROVING BUSINESS CAPABILITIES

Jersey’s successful financial services sector has been based on the stability, innovation and expertise that have enabled the Island to become a leading international finance centre. The Island’s well-developed legislative and regulatory framework has provided the foundation for its finance offerings. This has in turn led the Island to be a centre of excellence.

As a result of the changing structure within our financial services sectors following the global financial crisis, we recognise the need to review certain policies and practices, particularly in the banking and funds sectors. We also recognise the need to remain competitive, and to do so we need to offer speed to market, which further challenges some of our existing legislation and regulatory practices.

The anticipated change in policies and practices does not mean that Jersey intends to lower its standard, but it does evidence that the government and the regulator understand the changing environment and the need for alternative approaches that facilitate additional opportunities without exposing the Island to undue risk.

PROMOTION OF JERSEY

Our aim is to promote Jersey as a location open for inward investment. The ability of Jersey to attract international business requires a deeper level of collaboration between the government, the regulator, industry and other interested bodies in order to co-ordinate the marketing and development of Jersey’s financial services offerings.

The government works closely with Jersey Finance Limited, a non-profit making organisation formed in 2001 to represent and promote Jersey, locally and internationally, as an international financial centre of excellence. We are committed to providing political support for promotional activities undertaken in markets where industry believes appropriate opportunities have been identified for growth. More widely we aim to maintain awareness in mature markets and increase awareness of the Jersey proposition in developing markets.

Other organisations that support new business and the promotion of Jersey are engaged, such as Locate Jersey, which provides guidance and support to businesses and high net worth individuals looking to locate to the Island. Working together we will ensure that any such moves are as accommodating as possible.

“The government will ensure that the infrastructure in place is at the level expected by international business, now and in the future.”

EDUCATION AND SKILLS BASE

Jersey has an excellent education system and a highly skilled workforce developed across the financial service sectors. These factors create the foundation for any new business requiring quality resource on the Island now and in the future. We recognise in order to diversify and grow we will require new skills and additional resources to meet our potential, which includes the continued international recruitment of highly skilled employees. We will ensure that in meeting this requirement the action taken will remain consistent with our declared population policy.

Recognising the importance of our home grown talent, working alongside Jersey Finance Limited, we are actively supporting the creation of internationally recognised local qualifications specific to the finance industry which complement our growth ambitions in the industry. Our aim is to ensure the next generation of Islanders have the appropriate skills and qualifications to work within the finance industry and this is an important aspect of the government’s policy.

INFRASTRUCTURE

The government is aware that in order to attract new financial services businesses to the Island, the infrastructure in place needs to be at the level expected by international business. Jersey already has a significant number of modern office buildings, however it is understood that this may not be sufficient to meet future requirements. We are therefore committed to the continuous development of high-quality office accommodation to meet demand.

AIR LINKS

At present Jersey has almost 100 flights per week to and from many of the major hubs in the UK and around Europe, making the Island accessible. We are aware that these connections to other finance centres and international hubs are crucial to the financial services industry. The government will work with businesses to make a case for additional routes to improve connectivity.

TELECOMMUNICATIONS

We have also invested in the roll-out of an Island wide fibre optic network to facilitate Gigabit Jersey creating one of the best connected places in the world to meet the demands from businesses and consumers for high-speed data transfer.

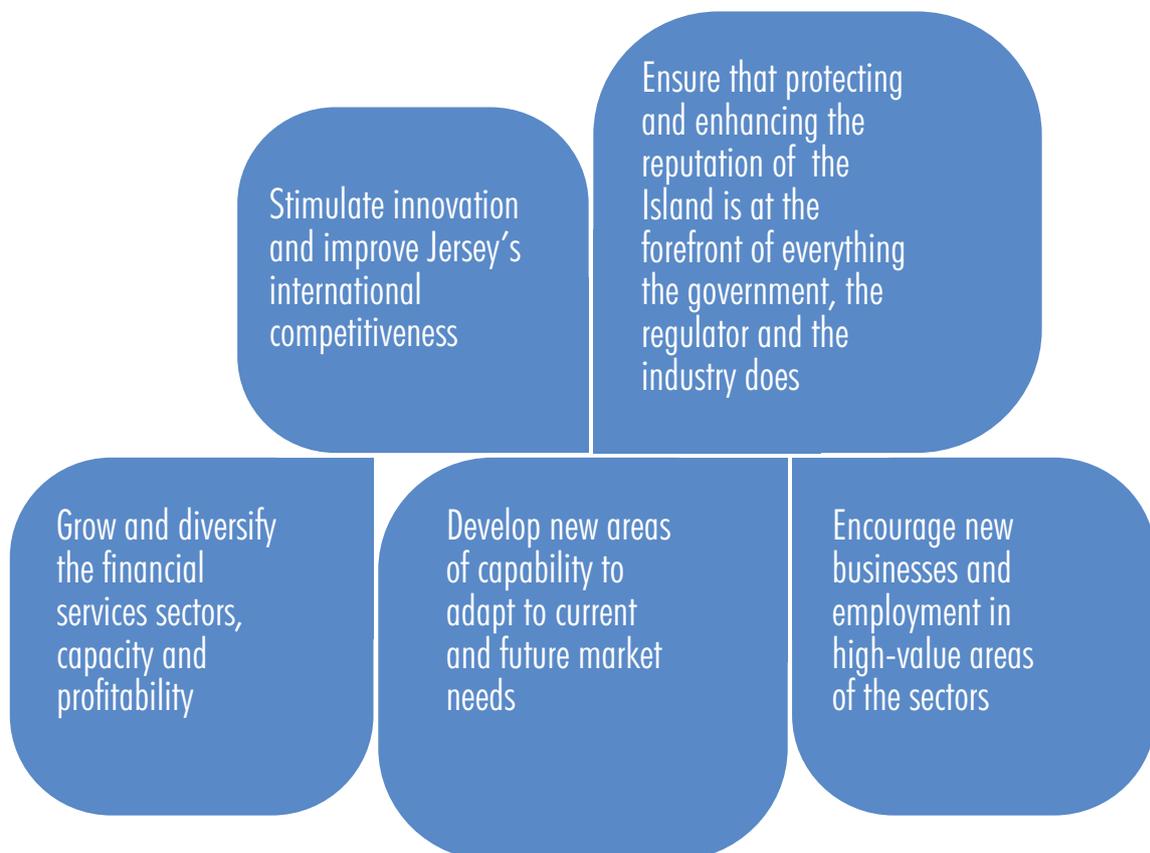
TOURISM

Jersey has a rich heritage, an appealing climate and is accessible from most major European hubs. Other appeals such as the choice of high-quality hotels, many fine restaurants, wide ranging sport and leisure facilities and breathtakingly beautiful bays, beaches and countryside make the Island an attractive destination to visit. The government recognises that the finance industry and the tourism industry share the objective of ensuring good transport links and making Jersey an attractive place to visit as well as reside and we are fully supportive of common initiatives to promote the Island.

GROWTH AND DEVELOPMENT OF THE FINANCIAL SERVICES SECTORS

Jersey has a successful and diverse financial services industry and while recent market conditions have resulted in the industry adapting to the changing external environment, Jersey has proved to be a resilient location for the respective financial services sectors. However, we recognise the need to embrace an approach of continuous development in order to grow, and in conjunction with key stakeholders in the Island and internationally we have developed a new vision that will help to secure our future as a leading international finance centre.

KEY OBJECTIVES FOR THE GROWTH AND DEVELOPMENT OF THE FINANCIAL SERVICES SECTORS



“The government is committed to maintaining and promoting Jersey’s strong reputation, building on the Jersey brand and remaining competitive in existing and target markets.”

We aim to protect our existing businesses but we also recognise the need to reposition our current offerings and build new capabilities. Inevitably this will require a collaborative approach from the government, the regulator and industry and we fully support working together towards a shared goal for success.

BUSINESS GROWTH AND AVAILABILITY OF SKILLED STAFF

The government is committed to supporting businesses in all sectors that wish to grow their Jersey-based operations through the recruitment of highly skilled employees, benefitting the industry and the Island’s wider economy. We will continue to diversify and invest in our homegrown skills base but we also recognise the requirement for population policies that accommodate the needs of the industry where the availability of the required skills in the Island falls short. We will ensure that these policies are proportionate to the contribution of new and existing businesses to the Island.

LEGAL FRAMEWORK

Jersey has an established and well-respected legal framework in which modern commercial principles blend with English common law. Jersey’s success as an international finance centre has led to the development of a highly respected legal sector with a large pool of skilled professionals who provide the necessary support for clients of all sectors of the finance industry. The judiciary has significant expertise, and a significant body of well-reasoned case law and precedence to deal with complex international financial matters. This provides clients and their advisors with confidence when deciding on a location for management of assets.

INTERNATIONAL REPUTATION

The reputation of the Island’s financial services sector is considered to be of upmost importance. For this reason the government has set in place a number of actions to ensure the credibility and integrity of the business undertaken in Jersey supports the Island’s goals of being, and being seen to be, a high-value tax neutral jurisdiction.

In order for the financial services sector to continue to be respected in the global community, the Island continues to adapt to changing external regulatory requirements. As global standards on information exchange and co-operation develop, Jersey will continue to comply with those global standards whilst upholding an appropriate balance of compliant client confidentiality.

“The government will seek representation from the regulator and industry on the implementation of its strategies to ensure that they are aligned with those key stakeholders.”

REGULATION

Jersey needs to maintain financial services regulation that responds to the needs of changing markets, while also upholding the robust and transparent legal and regulatory framework that strengthens the Island's ability to compete internationally. The government will work with the regulator to agree an acceptable risk framework where necessary which will include areas such as country/jurisdictional risk, whilst recognising the regulator's operational independence from government.

The government has sought, and will continue to seek, representation from the regulator and industry on the implementation of its policies and strategies to ensure that they are aligned with those key stakeholders. As part of this policy framework, the government is committed to having accessible and responsive politicians to facilitate the growth of target markets by working together with industry to support innovative solutions and remove barriers of entry.

EXPANDING BUSINESS

It is our intention to support the financial services industry in both developed and developing countries. We recognise the opportunities created by the shift of wealth and speed at which emerging markets in Eastern Europe, Africa, Asia, the Gulf States and the Far East are growing. We will seek to build reciprocal relationships with identified countries including the development of trade treaties, Double Tax Agreements (DTAs) and Tax Information Exchange Agreements (TIEAs) where required.

Jersey will actively seek to partner with developing countries to raise standards and engage in knowledge transfer and capability building to expand business. Although we acknowledge that developing countries may represent higher risk, we believe that by working collaboratively with these countries and international bodies such as the World Bank and regional bodies such as the African Tax Administration Forum their standards will be improved and risks will reduce. This will ultimately lead to greater growth in these countries to the benefit of the country's economies and citizens.

RISK APPETITE

For developing countries a proportionate risk-based approach will be considered that recognises the diversity amongst businesses and markets but also upholds our existing standards and reputation. Individual decisions on business from developing countries will include focusing on the skills, capacity and capabilities of the Jersey promoter within an overall approach of judging each proposal on its merits. To the extent it has not already done so, JFSC will be encouraged to develop Memoranda of Understanding with these countries and share best practice.

Countries subject to United Nations sanctions will not be facilitated. In most other cases Jersey intends to follow the bilateral trade position of UK foreign policy and will not establish a significantly different strategic approach to the UK and international community.

Central to the policy framework are the requirements for facilitation of engagement between the government, industry and the regulator to ensure the financial stability and the reputation of the Island.

DEVELOPING MARKETS TO PROVIDE GROWTH AND STABILITY

The financial services industry is continuing its transformation driven by competition, regulation from international standard setters and the shift of wealth from traditional market locations in Western Europe and the USA to Eastern Europe, Africa, Asia, the Gulf States and the Far East. This trend is likely to continue and will offer opportunities for the growth and diversification of our current established offerings in the financial services sectors.

KEY OBJECTIVES FOR DEVELOPING MARKETS

Become the location of choice for estate planning, family succession planning and wealth management activities

Attract new business to the Island focusing on wealth management opportunities from identified African countries, Asia, the Gulf States, Eastern Europe and the Far East

Be recognised globally as the jurisdiction of choice for funds with a clear, competitive and stable legal and regulatory regime enabling innovation and speed to market whilst meeting appropriate international standards

The development of markets that will provide growth while sustaining the current level of business on the Island is a key part of the overall jurisdictional review. The government understands that in the changing economic environment, Jersey's traditional trading partners will evolve and new opportunities need to be identified and encouraged to develop businesses here in Jersey. The required skills, regulations and an enabling business environment are all part of this policy framework.

The government and the industry have joint responsibility for the marketing and development of Jersey as a finance centre.

JERSEY FINANCE

Jersey as a finance centre is promoted through Jersey Finance Limited, a non-profit making organisation formed in 2001 to represent and promote Jersey as an international financial centre of excellence. The organisation is funded by members of the local financial services industry and the States of Jersey. Jersey Finance Limited has offices in Hong Kong and Abu Dhabi and representation in London, Mumbai and Delhi.

Targeting the finance industry's established and prospective sectors, Jersey Finance sponsors various events in Europe, Africa, Asia and the Gulf States as part of the industry's business development initiatives. Jersey remains a favourable jurisdiction, particularly in relation to investment products and wealth management vehicles such as trusts, foundations and partnerships, as well as real estate, private equity and hedge funds.

One of the significant initiatives during 2013 has been the release of the Capital Economics report on Jersey's value to Britain to explain the economic, financial and fiscal links between the two jurisdictions. This report has demonstrated that Jersey as an international finance centre adds value to the countries with which it trades.

BANKING

International banking in Jersey is the foundation on which the financial services sector rose to prominence, which explains why an estimated 4,950 people are employed in the banking sector, making Jersey a centre for expertise in the offshore banking world.

Historically, the links to Jersey's banking sector have been from the UK. However, these links have expanded over time to include countries with increasing prominence and growth of wealth. Jersey is ideally placed for those banks that require an offshore presence close to Europe but outside of the European Union.

The banking sector spans corporate and institutional banking, private banking and the provision of complimentary services to the funds, wealth management and trust sectors. Jersey currently provides deposit taking licences to 42 organisations from the UK, Europe, North America, Africa, Asia and the Gulf States.

The UK will continue to be a significant trading partner in relation to the banking sector. Recent developments in UK legislation, following the Independent Commission on Banking (ICB) review, will provide the option for ring fenced banks to have branches in Jersey.

Previously Jersey's policy on banking regulation was that only those banks within the World's top 500 and that met a number of other criteria were eligible to be licensed in Jersey. As a result of the changing structure of international banks following the financial crisis this policy is currently under review. This anticipated change in policy does not mean that Jersey intends to lower its standards for those banks looking to have a presence on the Island. However, it does demonstrate that the government and the regulator understand the changing banking environment and the need for alternative licensing approaches that facilitate additional opportunities without exposing the Island to undue risk.

KEY OBJECTIVES FOR THE BANKING SECTOR

Continue to foster Jersey's strong links with the City of London given the symbiotic relationship that currently exists

Assist banks in adapting business models to new regulations from other jurisdictions

Target growth in non-EU banks who want to set up a banking presence outside of the EU but in the geographical area

Target banks focusing on high net worth individuals

“The government will expand Jersey’s wealth proposition to meet the variety and flexibility required to access and develop new markets.”

WEALTH PROPOSITION

Jersey was the first international finance centre to develop comprehensive and robust legislation governing trusts. Jersey’s Trusts Law has since been used as the basis of legislation by international finance centres around the world. The Trusts Law has only been amended six times in its 30 years of existence which demonstrates the strength and resilience of the legislation. However, innovation within the private wealth management industry has seen targeted amendments to the legislation to grow the potential of the industry in Jersey.

In addition, the high quality of Jersey court decisions is seen as a key driver behind the use of Jersey trusts. The Royal Court of Jersey is one of the most long-standing and respected courts of any international finance centre, providing a stable judicial system and significant case law experience required by trustees and settlors. As a result the Island has a vastly experienced legal and administrative service to support the sector.

With high standards of confidentiality and tax neutrality, Jersey has an appeal to developing markets where fast-accumulating wealth needs to be managed.

As a tax neutral jurisdiction, Jersey does not tax individuals who are not resident in the Island. Consequently non-residents can hold cash deposits or investments without incurring any liability to Jersey income tax. Similarly, structures such as companies, cell companies, trusts, funds, partnerships, limited partnerships and foundations beneficially owned by non-residents will not be liable to Jersey income tax. They also benefit from the lack of capital gains tax and inheritance tax.

The government has further supported the wealth management sector by providing the legislation for the creation of foundations under the Foundations Law introduced in 2009. The creation of Jersey foundations as a product was a development to meet the increasing needs of wealth management from new markets and notably civil law jurisdictions. The Jersey foundation now provides the private wealth management sector with variety and flexibility that is required in order to permit Jersey to access and develop new markets.

The government recognises the importance of expanding the wealth proposition to capture the growing proportion of private wealth clients with truly international lives, without a dominant country in terms of where they spend their time or hold their assets. To remain competitive we must capture adjacent growth in areas such as estate planning, family succession planning and asset protection. Developing our position on non-tax related offerings will also be an important competitive advantage in the future.

PHILANTHROPY

Jersey is an ideal jurisdiction in which to establish tax-efficient philanthropic structures. The experience of the financial services sector in private wealth management provides reliable and sustainable services that can be used to establish leading philanthropic enterprises. Along with the experience already in the sector, the government is committed to providing a new legislative regime for charities in the Island which will further advance the potential for marketing philanthropic structures.

As part of a joint initiative between government and the wealth management industry, we are actively engaging with international organisations and leading experts in worldwide philanthropic initiatives. We aim to develop the Island’s offering in this sector with the view to positioning Jersey as the leading international finance centre for philanthropic wealth structuring.

KEY OBJECTIVES FOR THE FUNDS SECTOR

Attract EU fund managers who want the optionality of raising funds outside of Europe whilst retaining access to EU markets

Review and enhance current investment fund legislation with a view to making the process more effective and remaining highly attractive for new entrants

Attract non-EU fund managers who wish to place funds from non-EU investors

FUNDS

Jersey has grown over the years to be a significant international finance centre for the funds industry with assets under management in excess of £190 billion⁸. In particular, Jersey has become a jurisdiction of choice for many managers and related administration, custodian and ancillary service providers.

The funds sector in Jersey includes a diverse range of asset types from the traditional asset classes covering bonds, equities and money market funds, to the increasingly prominent alternative asset classes such as private equity, hedge, real estate and other alternative investment classes. The growth of the industry has led to the development of skills and other specialist support services being performed on the Island by leading offshore law firms, Big 4 and home-grown accountancy firms, experienced administration support professionals and specialist IT services.

The tax approach to Jersey funds is that of neutrality, and it is envisaged that collaboration with international governments and regulators in the future will also be central to enhancing the understanding of the industry internationally and thereby facilitating ongoing access to key markets.

Jersey offers a full spectrum of fund regulation from highly regulated funds that may be marketed widely to the general public to unregulated funds, for institutional or expert professional investors that may opt out of regulation provided certain criteria are met. Being able to market to all types of investors provides the flexibility required for market participants.

The government recognises that competition for the location of funds and fund managers has become increasingly fierce and Jersey is committed to remaining competitive by performing a review of its funds' legislation and regulations to ensure it is offering investor focused, flexible products that are innovative and suitably regulated on a proportionate risk based approach.

The funds industry is being supported by the government to ensure that Jersey's fund regime continues to attract suitable new entrants to the market by encouraging and supporting innovation whilst retaining appropriately regulated funds regime that is proportionate to our risk profile as a jurisdiction.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD)

Jersey is a third country for the purposes of the AIFMD and this provides Jersey with a number of additional opportunities for growth in the funds sector for both fund managers wishing to conduct business in the EU and those wishing to avoid AIFMD rules as Jersey is not an EU member state.

On 22 May 2013, the European Securities and Markets Authority (ESMA) approved a cooperation agreement with Jersey on behalf of the EU member states. As a result of this and the implementation of the Alternative Investment Funds (Jersey) Regulations 2012 and connected Orders that were issued alongside the regulator's codes of practice in response to the AIFMD, Jersey is now able to offer flexibility to alternative fund managers wanting to market Jersey funds into Europe through private placement regimes until at least 2018.

Jersey was the first offshore jurisdiction to implement a fully compliant AIFMD regime. This timely and effective implementation of the AIFMD legislation has again shown Jersey's ability to adapt quickly and that where change is required, the government, the regulator and industry can work together to get things done.

8 Summary of statistical survey of funds serviced in Jersey as at 31 December 2013, Jersey Financial Services Commission

“The government recognises the need to diversify and actively encourages the exploration of other business areas that will support the Island’s economy.”

OTHER RELATED BUSINESSES

HEAD OFFICES

Jersey remains an attractive destination for the domiciliation of head offices for a number of business structures due to its tax neutrality.

Jersey is already used by a number of banks, trusts and mining companies as the jurisdiction of choice for head office functions which is in part due to the reputation of the Island’s financial services industry and the availability of a skilled workforce.

OTHER BUSINESS AREAS

The government recognises the need to diversify and actively encourages the exploration of other business areas that will support the Island’s economy, such as:

Mining – the specialist professional skills available on the Island lend themselves to supporting Jersey as a base for international investment into the sector. Investments into less sophisticated jurisdictions can be efficiently managed through Jersey providing confidence to investors and benefiting those jurisdictions. The Island has due regard for international best practice and governance initiatives relating to the extractive industries.

Digital – as Jersey develops its digital industry, the financial services sector can provide venture capital investments and the platform for listings for successful businesses. The sophisticated financial services industry will also be a customer of development in the digital industry.

FISCAL POLICY THAT SUPPORTS THE FINANCIAL SERVICES INDUSTRY

As a result of its constitutional autonomy, the government has responsibility for its own fiscal policy. The Island has operated a simple, low tax regime that has been successful for many years. This provides a tax neutral platform that facilitates international investment. The international reputation of Jersey as a low tax jurisdiction is acknowledged as a fundamental foundation of the financial services industry.

The government does not wish the reputation of the Island or its financial services industry to be tarnished by improper use of its tax system. As a result, practitioners should ensure that services are not used to facilitate abusive tax schemes or planning. The government can and will take action against businesses it believes operate in such a manner.

THE TAX REGIME

A tax regime that supports the financial services industry and complies with international standards is key to ensuring the future sustainability of the Jersey economy. We aim to provide reassurance to the international business community that there is no requirement to amend the current system of taxation in Jersey.

We are committed to providing a tax regime that is not only competitive with other international finance centres, but is also stable and certain. Fundamental changes to Jersey's tax regime will be made infrequently and only after careful consideration and consultation. This is further supported by Jersey's stable system of government and prudent management of its finances over the years.

Tax neutrality is achieved through the corporate tax regime's general rate of tax of 0% and there is also a low rate of tax for financial services companies (10%), both of which are a key feature for the Jersey financial services global offering. The intention is that Jersey will maintain a tax neutral proposition. Maintaining a competitive rate for this industry will continue to be one of the government's policies.

In addition to low corporate tax rates, Jersey is mindful that personal tax rates are also an important element in attracting a highly skilled workforce in an increasingly mobile market place. The personal tax rates in Jersey are competitive with other jurisdictions and we are committed to ensuring this remains part of the tax policy in the future.

Jersey has positioned itself to be an internationally compliant offshore jurisdiction that has adopted international standards. This has been evidenced by:

- A corporate tax regime that is compliant with the European Union's Code of Conduct on Business Taxation in 2011.
- Intergovernmental agreements for improving international tax compliance with both the US and UK were signed on 13 December 2013 and 22 October 2013 respectively.
- From 1 January 2015 automatic exchange of tax information, in place of the present retention tax, for EU Savings Tax Agreements with EU Member States will be mandatory; legislation is in place to facilitate exchange, optionally, from 1 January 2014.
- Jersey has signed 35 TIEAs, of which 27 are in force. A further 5 have been agreed but are unsigned and 5 are in advanced discussions. The Island has also signed 8 DTAs including agreements with Hong Kong, Qatar, Luxembourg and Singapore. These agreements demonstrate Jersey's commitment to international standards and facilitate further business flows between jurisdictions⁹.
- In November 2013 Jersey was rated 'largely compliant'¹⁰ by the OECD Peer Review Group. This is the same rating as the UK, USA and Germany.
- It has been agreed that the UK's ratification of the OECD/Council of Europe Convention on Mutual Administrative Assistance in Tax Matters be extended to Jersey. This will come into effect in June 2014.

These actions have resulted in an improved understanding of the position of Jersey in the financial services markets that it operates in and increased respect for the legislative and regulatory environment that Jersey maintains.

The international tax environment is currently undergoing significant change in terms of public engagement and increased impetus for greater transparency. We are mindful of these changes and will ensure that we respond and adapt to these changes, whilst ensuring a competitive platform to both sustain existing business and grow the financial services industry.

⁹ States of Jersey TIEAs data, March 2014

¹⁰ Global forum on transparency and exchange of information for tax purposes, Transparency 2013, Report on Progress, OECD

REGULATION AND LEGISLATION THAT WORKS WITH INDUSTRY

At the outset it is appropriate to state that Jersey wishes and intends to remain a well-regulated jurisdiction that is respected both locally and by international businesses and governments.

The government also considers that a sophisticated and proportionate regulatory environment can contribute significantly to economic development and sustainable growth, improving the openness of international markets and fostering an open and competitive business environment for innovation from existing and new entrants. The government will protect compliant businesses by enabling fair competition, promoting a level playing field and providing business with the confidence to invest, grow and create new jobs.

OVERVIEW

The regulatory environment in Jersey is created in two parts:

- Through legislation created by the government. Legislation sets the rules by which bodies corporate and other legal structures are established, governed and operated. Government also grants licences for businesses to setup and operate in the jurisdiction.
- Through regulation administered by the JFSC for a wide range of licensed financial services businesses. Where legislation adopted by the government provides a framework that requires certain activity to be undertaken only with regulatory oversight, this oversight will be carried out by the regulator. The regulator then sets guidance as to how such regulated activities are undertaken and monitored in accordance with government policy.

LEGISLATION

The government is committed to creating the operating environment in which businesses can develop and grow. In order to operate in Jersey, businesses are required to have a licence to trade and a licence to take on employees. Together these licence requirements seek to ensure that only those businesses with the appropriate objectives aligned to the economic objectives of the Island are able to operate within the jurisdiction.

We recognise that the application of legislation and the way in which it is brought into force and applied by the regulator is a key determinant for many businesses in their choice of location in which to base their operations. The government is committed to reviewing the legislative and regulatory process to improve the speed to market and experience of industry. As part of this process, government has retained additional resources to deal directly with legislation that affects the financial services sectors.

Jersey will continue to review its proportionate risk-based approach to regulation to take into account changes to target markets of the financial services sectors and recommendations from international bodies. Government will constantly monitor and assess the financial services industry's approach to risk-based regulation by reference to developing practice internationally and by reference to developments in other international financial services centre that we wish to be compared to and compete with.

REGULATION AND LEGISLATION THAT WORKS WITH INDUSTRY

The government has tasked the regulator with the responsibility for regulating and licencing financial services businesses operating in Jersey. The general headings for these regulated businesses are banking, funds services, trust company, investment business, general insurance mediation, money service and alternative investment business. The regulator is also responsible for maintaining the companies' registry and enforcing the implementation of anti-money laundering legislation.

REGULATION

As an independent body, the regulator has its guiding principles set out in the Financial Services Commission (Jersey) Law 1998. Consistent with these principles, government's key requirements of the regulator include that:

- regulation will be proportionate to the risks of the industry that is being given oversight;
- the regulator is accountable for the efficiency and effectiveness of its activities, while remaining independent in the decisions made;
- the regulator will help maintain Jersey's position as an international finance centre;
- businesses that persistently or egregiously fail to comply with regulations should be identified quickly and face proportionate and meaningful sanctions;
- the regulator will engage with businesses who wish to increase activity within Jersey;

The regulator currently oversees a number of different fund products in Jersey and commentators have suggested that these offerings are reviewed to ensure they remain competitive. The government, working with the regulator and industry, acknowledge that more can be done to facilitate a highly competitive investment funds industry, supporting the aims of attracting new business whilst enhancing the Island's excellent reputation. All parties are committed to working towards this shared aim. In partnership with the regulator and industry the government is providing additional resources to assist with performing a comprehensive review of current investment fund legislation with a view to making the process more effective. This will allow the Island to adapt quickly to increased regulatory and business demands when needed.

New regulation will take into account the impact it may have on regulated entities. The burden of such regulation will be measured taking into consideration the complexity and nature of the activities undertaken. The government will play a leading role in clarifying the acceptable risk appetite of the Island and this will be proportionate, recognising the diversity among firms and markets.

The quality of the laws and enforcement of regulations is underpinned by the skilled staff at the regulator's disposal and the deep knowledge of the industry in which it operates. The government supports the regulator in the recruitment of sufficiently experienced resources to deliver the calibrated regulatory environment that the industry requires.

We also recognise the need to adapt and remain flexible with both our style and practice of regulation not only to protect the industry and uphold our reputation but also to remain competitive in terms of quality of service and experience of the regulator.

During 2014, the government is committed to performing a review of the guiding principles and the Financial Services Commission (Jersey) Law 1998 under which the regulator discharges its duties. The intention is to ensure that they are fit for purpose in meeting our strategic objectives for the industry. Based on the outcome of the review we will work with the Commission to implement, if necessary, changes to the governance and legislation that impacts the regulator as we build on and strengthen our financial services proposition.

The government also understands that legislation and regulation are not themselves directed at innovation but can create a framework that will drive innovation while ensuring consumers are protected from risks.

CONCLUSION

Over the past five decades, Jersey has successfully developed as a flourishing international financial services centre that is a linchpin of the Island's economy. Jersey has proved to be a stable location for all the respective financial services sectors but now needs to reflect the challenges and opportunities of a changing business environment in a policy framework that serves the overall long-term interests of the Island as a whole.

The financial services industry is continuing its transformation driven by competition, regulation from international standard setters and the shift of wealth from traditional market locations in Western Europe and the USA to Eastern Europe, Africa, the Gulf States and the Far East.

Trends such as continued growth in cross-border capital flows, accumulation of wealth in emerging countries, and international acceptance of the proper role of fair tax competition, all bode well for the future of international finance centres and create opportunities for Jersey.

The government encourages excellence, innovation and growth not only to protect the industry and uphold our reputation but also to remain competitive in terms of quality of service and experience to all present and potential users of the financial services industry. We are committed to improving flexibility in our style and practice of engagement with the regulator and industry. We have made a statement of intent in this document that we will review legislation, policies and practices, and provide the appropriate resource in government to facilitate this intention.

The government will work together with the regulator and industry towards a shared goal for success. We aim to protect our existing businesses, reposition our current offerings and build new capabilities.

IN CONJUNCTION WITH KEY STAKEHOLDERS IN THE ISLAND AND INTERNATIONALLY WE HAVE DEVELOPED A POLICY FRAMEWORK BASED ON KEY OBJECTIVES THAT LOOK TO THE FUTURE AND WILL CONTINUE TO SECURE OUR POSITION AS A LEADING INTERNATIONAL FINANCE CENTRE.

JERSEY
FINANCIAL
SERVICES
INDUSTRY

THE
GOVERNMENT
OF JERSEY

POLICY
FRAMEWORK