



Economy

CONSULTATION PAPER ON DESIGNING A POLICY AND REGULATORY FRAMEWORK FOR SUSTAINABLE FINANCE IN JERSEY

March 2024

Government of Jersey

Introduction

1. The Government of Jersey (**Government**) is seeking to develop a policy and regulatory framework for sustainable finance in Jersey. This framework will need to balance and develop different sustainable finance objectives, including:
 - a. Continuing to protect and promote Jersey as an international finance centre (**IFC**);
 - b. Dealing with increasing expectations that the finance sector will take account of environmental factors such as climate change, loss of biodiversity and pollution prevention;
 - c. Ensuring that long-term investments are in sustainable economic activities;
 - d. Considering the social impact of activities and helping reduce inequality and poverty, increase inclusion, and investment in people and communities, and
 - e. Ensuring public and private institutions include social and environmental considerations in all decisions they make.
2. This consultation seeks to understand what that framework should look like, taking into account Jersey's role and ambitions as an IFC.

Background to this consultation

3. The States Assembly declared a climate emergency in 2019, noting that climate change is likely to have profound effects in Jersey. As part of a people-powered approach, a citizens' assembly was convened to find out what people think Government should do to develop our Island's pathway to carbon neutrality. One of the key recommendations from this citizens' assembly, which was accepted by the Government, recognised that the way in which Jersey can deliver the biggest impact to the fight against global climate change is through its finance sector. As a result, the Government committed in its [2022 Carbon Neutral Roadmap](#) to continue developing its policy framework and approach to sustainable finance in Jersey. The recent [Future Economy Programme](#) builds on this, setting an ambition for Jersey to be “a recognised sustainable finance centre with agile, proportionate and effective regulations that align to international standards”.
4. This context also reflects market developments and changes taking place within the financial system – both domestically and internationally. The growth of sustainable finance is a global trend re-shaping the markets in which Jersey operates. For example:
 - a. In the asset management sector for example, where Jersey manages over \$550bn in regulated fund structures¹, it is estimated that between \$34 trillion and \$50 trillion of assets will shift into sustainable finance funds in the next 5 years².
 - b. In relation to the private wealth sector, where Jersey administers over £1.1trn in assets, research suggests that 77% of affluent Millennials prefer to invest for positive social

¹Jersey Finance (2023), *Funds* [Available at: <https://www.jerseyfinance.je/jersey-the-finance-centre/sectors/funds/>]

² PwC (2022), *Asset and wealth management revolution 2022* [Available at: <https://www.pwc.com/gx/en/news-room/press-releases/2022/awm-revolution-2022-report.html>]

and environmental impact³. These considerations will shape how the estimated \$70 trillion that is to be transferred to next generation in coming years will be invested and managed.

5. Acknowledging these changes and the need for our IFC to adapt, in 2021 Jersey Finance published [*Jersey for Good – a Sustainable Future*](#). This industry-level strategy sets out an ambition for Jersey to be recognised in its chosen markets as the leading sustainable finance centre. The roadmap for achieving this industry ambition by 2030 calls on Government and our Island's financial regulator, the Jersey Financial Services Commission (**JFSC**), to take action as part of a coordinated sustainable finance approach that brings together the key stakeholders from across policy, regulation and industry.

What is being proposed?

6. Government wishes to develop a sustainable finance policy framework for Jersey that will:
 - a. Help us to deliver on what we see as our responsibilities as a sustainable Island, not only to Islanders, but to our economic partners and to the wider global community under our international obligations;
 - b. Give certainty over timelines to industry, to our international clients and to gatekeepers regarding our approach to sustainable finance policy and regulation; and
 - c. Help us to mitigate threats to the future resilience and success of our IFC, including changing market practices, possible restrictions on market access, the emergence of new forms of sustainability-related risk and shifting client expectations of IFCs.
7. Government recognises that there is significant complexity in this area due to the fast-moving and expansive nature of sustainable finance, but also due to the role that Jersey plays as an IFC in facilitating cross-border capital flows.

Purpose of this consultation

8. The purpose of this consultation is to help Government gather the views of its stakeholders in the finance industry and in the wider community on what its framework and policy approach to sustainable finance should look like. It asks respondents to give their views on the appropriate level of intervention and the actions that Government and the JFSC should take to support industry's ambitions.
9. Responses to this consultation will help Government to gain a better understanding of issues such as:
 - a. The role of Government, JFSC and other stakeholders in shaping how Jersey's finance sector responds to the global growth of sustainable finance;
 - b. The optimal approach for Jersey in terms of adoption emerging global sustainable finance standards which could include mandatory sustainability disclosures;

³ Royal Bank of Canada (n.d.), *ESG investing can help bridge the generation gap during wealth transfer* [Available at: <https://www.rbcwealthmanagement.com/en-us/insights/esg-investing-can-help-bridge-the-generation-gap-during-wealth-transfer>]

- c. Striking the right balance in terms of adopting measures that protect Jersey's integrity, reputation and ease of doing business whilst allowing Jersey to credibly develop our global profile for sustainable finance, and
- d. The need for specific Government-led incentives to support sustainable finance locally.

Global approaches to Sustainable Finance

10. Sustainable finance as a concept tends to be defined by two inter-connected objectives: (i) to embed sustainability considerations into the way the finance industry operates and investment decisions are made; and (ii) to actively deploy capital to support activities that are aligned with global ambitions such as the fight against climate change and the UN's wider 2030 sustainable development goals. Achieving these objectives involves wide-ranging transformation across the finance sector with input from a range of stakeholders. That is why governments, regulators and finance centres around the world are seeking to develop sustainable finance roadmaps and frameworks that help to coordinate the different stakeholders and catalyse change. The UK, for example, has set an objective to be the world's first Net-Zero aligned finance centre under its green finance strategy. Many other global finance centres with which Jersey has strong links have developed their own sustainable finance strategies and roadmaps. These include centres such as Ireland, Luxembourg, Switzerland and Singapore.
11. At present, there is no single set of agreed-upon policy and regulatory interventions that form a global standard. In developing this consultation, we have considered evidence on effective sustainable finance measures taken in our key markets and peer IFCs. We also consider research by the UN-convened Network of Finance Centres for Sustainability (**FC4S**, of which Jersey is a member) into the sustainable finance roadmaps of over 30 jurisdictions. We have also considered global initiatives such as the G20's Sustainable Finance Roadmap, which influences policy-making in many of Jersey's key markets.
12. Some global standards are beginning to emerge, like the sustainability reporting standards set by the International Sustainability Standards Board (**ISSB**) and the framework for climate risk and opportunities developed by the Taskforce for Climate-Related Financial Disclosures (**TCFD**). Adoption of these standards remains patchy both across industry actors and jurisdictions. What is clear is that in coming years, jurisdictions like the EU will push ahead with further regulation through measures like the Corporate Reporting Sustainability Directive, building on the ISSB to create an economy-wide system of sustainability reporting, whilst other key markets and peer IFCs will take a more targeted or conservative approach.
13. The challenge for Jersey is to respond with a policy and regulatory strategy that is appropriate to the local context and takes account of a fast-moving global environment for sustainable finance.

Finding the right balance of "protect" and "promote" measures

14. Any policy framework has to find that right balance of sustainable finance actions and policies that **protect** and **promote** Jersey as an IFC. We have to take account of resourcing considerations and the requirement to maintain our cost-effectiveness as an IFC in a competitive global marketplace. Getting this balance right is one of the key objectives of the consultation.

15. We recognise that we must build trust and integrity in sustainable finance by ensuring that investors are protected, which will include measures like the anti-greenwashing rules introduced by the JFSC in 2021. There will also need to be transparency on the sustainable characteristics of their investments. This is key to scaling up the deployment of capital to sustainable economic activities.
16. It is also essential that we preserve Jersey's market access as sustainable finance regulations develop in leading jurisdictions. This will mean adopting global standards and equivalent regulations in some key areas.
17. We also need to ensure that Jersey as an IFC continues to maintain a positive global profile in terms of being a well-regulated jurisdiction in the face of ever-growing scrutiny. This requires an approach that reinforces both compliance and credibility.
18. But we recognise that over-regulating sustainable finance could have a counterproductive effect, for example by creating issues of interoperability with other requirements faced by firms or investors.

A "Sliding-Scale" of policy and regulatory intervention

19. To help us get this balance right, Government is seeking feedback on a sliding scale of possible intervention levels as illustrated in **Figure 1** below.
20. In this simplified representation, we have labelled three possible approaches as "compliant", "moderate" and "advanced". These are provided for illustration purposes only; we recognise that the final version of Jersey's sustainable finance framework may incorporate different elements.
21. Figure 1 below helps to visualise these approaches.

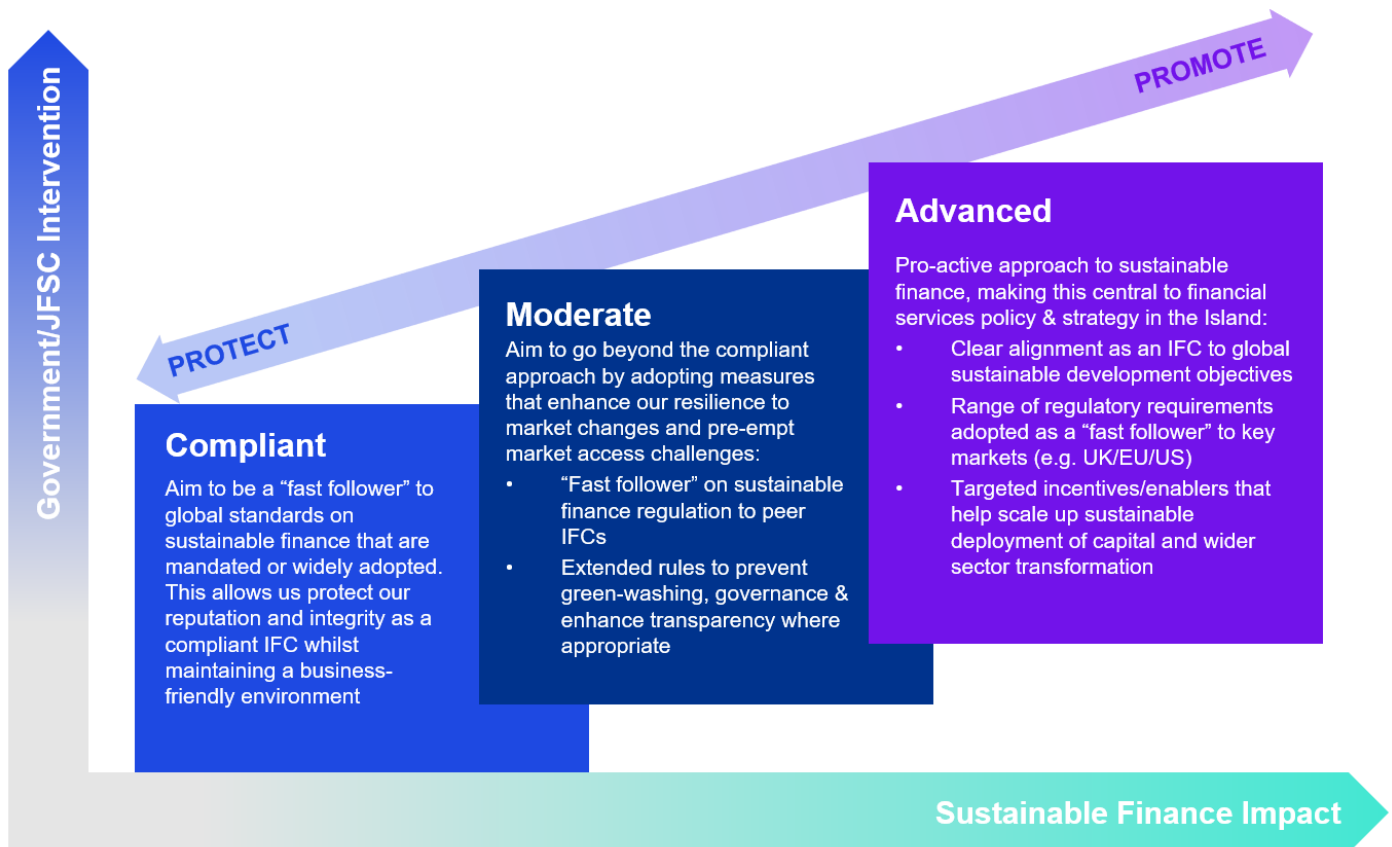


Figure 1 – Overview of possible approaches to sustainable finance policy and regulation in Jersey

22. Within these model approaches, there is a definite baseline for Government intervention on sustainable finance: we will ensure that Jersey continues to meet minimum global standards set by standard setters. This has been Jersey's approach across financial services policy for many years and it underpins our ongoing success as an IFC. That is what the "compliant" approach reflects; a desire to **protect** Jersey's reputation as an IFC by retaining our status as a well-regulated jurisdiction.
23. However, over and above this baseline, there are different strategies that Jersey could seek to pursue, in order to actively **promote** the development of sustainable finance. These strategies would shift our approach from one that primarily seeks to mitigate the risks that the growth of sustainable finance presents for Jersey (a "single materiality" approach) to one that also takes account of the impact that Jersey can have in accelerating the global sustainability transition and the business opportunities this presents (a "double materiality" approach).
24. Pursuing these more advanced strategies would require a greater degree of Government and regulator intervention, as explored further in Section 8.

Implications of these different approaches for Jersey

25. Each of the three sliding-scale approaches outlined in Figure 1 would have its own implications in terms of the range of policy measures and regulatory interventions that would be needed in Jersey to deliver on the applicable objectives.

26. In **Figure 2** we have outlined what those implications could be in four key areas of intervention. All four are relevant to possible sustainable finance policy and regulation measures that Jersey could look to adopt as part of its sustainable finance framework:

- a. **Sustainability Disclosures:** These refer to the growing set of reporting requirements and frameworks that companies comply with - either voluntarily or, increasingly on a mandatory basis – in relation to key sustainability issues affecting their business. The major recent development in this space is the emergence of the standards set by the International Sustainability Standards Board (ISSB). These build on the earlier work of the Taskforce on Climate-Related Financial Disclosures (TCFD) and other voluntary frameworks. The ISSB's aim is to make sustainability data more comparable and actionable for investors, and thereby improve investment decision-making. Ultimately, this will allow the market to properly "price" the sustainability-linked risk and opportunities that will affect the financial performance and value of companies. This increase in transparency should both reduce the macro-economic risks of issues like climate change and support re-allocation of capital into sustainable activities. As a result, most major financial centres around the world are developing rules or mechanisms to make ISSB-aligned reporting mandatory. This follows the endorsement of the ISSB standards by the International Organization of Securities Commissions (IOSCO).
- b. **Risk & Governance:** This refers to a range of measures aimed at ensuring that corporate governance processes are updated to better take account of sustainability related risk and opportunities. For instance, this can include ensuring that a company's board has proper oversight of climate-related risks and opportunities, to reduce a company's exposure to potential liability, litigation and reputational damage, as well as ensuring compliance by the company with emerging regulation.
- c. **Labelling and Anti-greenwashing:** Greenwashing refers to the practice of exaggerating the sustainable credentials of a company or product. In a financial context, it is often associated with concerns over the potential mis-selling of investments and services on the ground of false or misleading sustainability claims. To prevent such practices and ensure that a lack of trust in sustainable finance does not undermine efforts to meet global objectives, many jurisdictions have introduced labelling rules and taxonomies that regulate the use of sustainability terms and claims. This is often done alongside further disclosure and transparency rules to ensure that investors have visibility over the sustainable impacts of their investments. Examples include the European Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation, along with the UK's incoming Sustainability Disclosure Requirements (UK SDRs).
- d. **Strategic Enablers:** this refers to a range of policies designed to specifically support the scaling-up of sustainable finance through initiatives and actions such as the development of common strategies and roadmaps, incentives and other measures that contribute to an enabling environment.

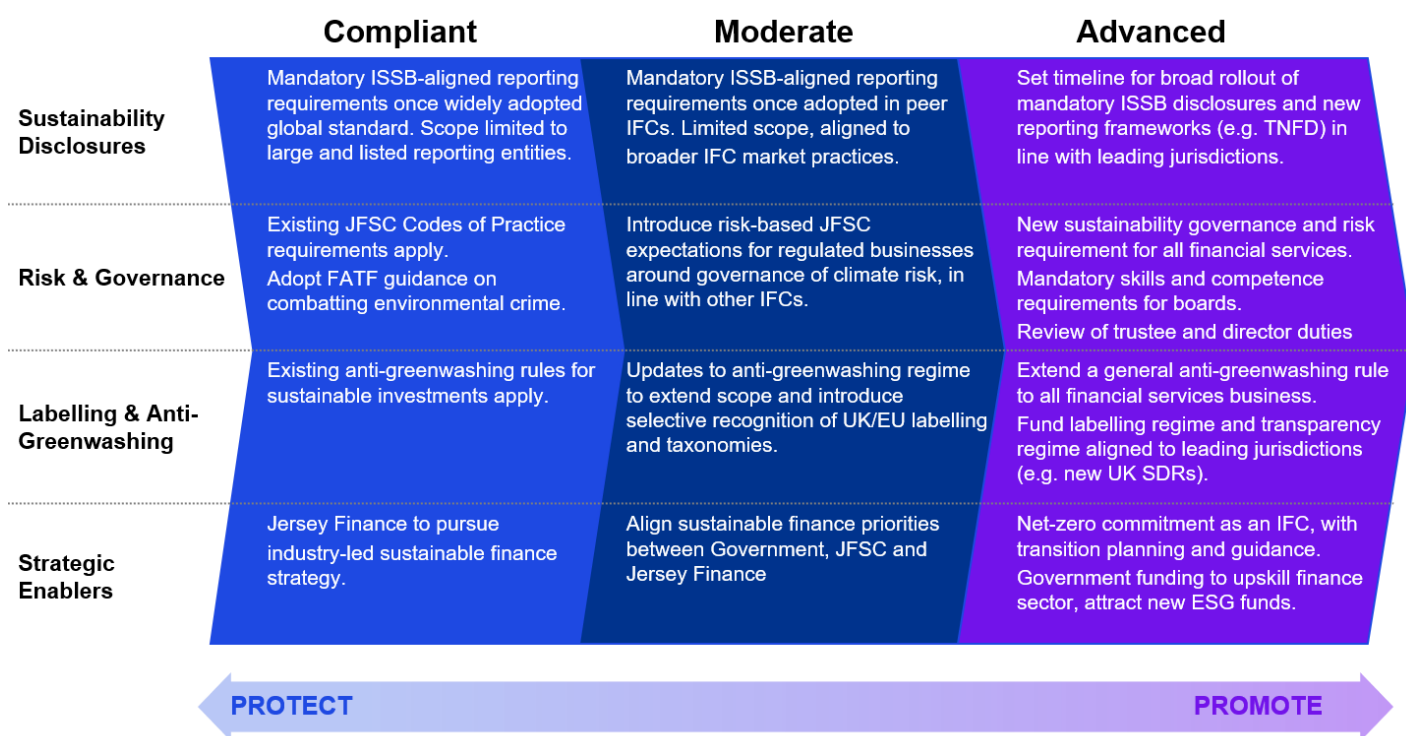


Figure 2 – Examples of possible policy and regulatory measures for Jersey

27. The measures outlined in Figure 2 above are for illustration purposes only, to demonstrate the implications of Figure 1 in terms of level of policy and regulatory intervention in Jersey to be taken by Government and/or the JFSC (as the case may be). These measures would be cumulative, and develop an “Advanced” sustainable finance framework, which Jersey would need to build on “Compliant” and “Moderate” level measures.

Consultation questions

28. In order to gather actionable feedback on the considerations outlined in sections 2 to 8 of this consultation paper, we would like to invite respondents to answer the questions below.

Question		Response
1.	What does the global emergence of sustainable finance mean for Jersey as an IFC? You may select more than one answer.	<ul style="list-style-type: none"> <input type="radio"/> A risk to our future market access or equivalence in key jurisdictions <input type="radio"/> A risk to our reputation and/or standing internationally if we fail to adapt as an IFC <input type="radio"/> A risk to our ability to attract new business in coming years <input type="radio"/> An opportunity for Jersey's finance sector to have a positive impact in supporting sustainable development goals <input type="radio"/> An opportunity retain clients and enhance our attractiveness with the right credentials <input type="radio"/> An opportunity to increase business with clients looking to use a sustainable IFC <input type="radio"/> Nothing – Jersey is not likely to be affected <input type="radio"/> Other: please specify
2.	To what extent do you agree with the following statement: “ <i>In order to remain successful as an IFC, the Government of Jersey needs a clear policy and regulatory framework for sustainable finance</i> ”?	<ul style="list-style-type: none"> <input type="radio"/> Strongly agree <input type="radio"/> Agree <input type="radio"/> Neither agree nor disagree <input type="radio"/> Disagree <input type="radio"/> Strongly disagree <input type="radio"/> Don't know
3.	Consider the three model approaches outlined in Figure 1 of the consultation paper – compliant, moderate and advanced. Recognising that these are simplified models, which of these three approaches best represents the approach that you believe Jersey should follow in developing a policy and regulatory framework for sustainable finance?	<ul style="list-style-type: none"> <input type="radio"/> Compliant (<i>please go to question 4</i>) <input type="radio"/> Moderate (<i>please go to question 5</i>) <input type="radio"/> Advanced (<i>please go to question 6</i>) <input type="radio"/> A combination of approaches (please go to question 7) <input type="radio"/> None of the above/Don't know (<i>please go to question 8</i>)
4.	If you selected “compliant” in question 3: <ul style="list-style-type: none"> • Are there any aspects of this approach as described in Figure 2 that you disagree with? • Are there any specific examples of legal, policy and regulatory measures you would expect the Government and/or the JFSC to adopt? 	Please provide any comments.
5.	If you selected “moderate” in question 3:	Please provide any comments.

	<ul style="list-style-type: none"> • Are there any aspects of this approach as described in Figure 2 that you disagree with? • Are there any specific examples of legal, policy and regulatory measures you would expect the Government and/or the JFSC to adopt? 	
6.	<p>If you selected “advanced” in question 3:</p> <ul style="list-style-type: none"> • Are there any aspects of this approach as described in Figure 2 that you disagree with? • Are there any specific examples of legal, policy and regulatory measures you would expect the Government and/or the JFSC to adopt? 	Please provide any comments.
7.	<p>If you selected “a combination of approaches” in question 3:</p> <ul style="list-style-type: none"> • Which elements of each approach do you consider represent the right approach for Jersey? 	Please provide any comments
8.	<p>If you selected “None of the above/don’t know” in question 2, please explain your response. You may select more than one response and provide comments in free text.</p>	<ul style="list-style-type: none"> ○ The policy approaches described do not go far enough ○ The policy approaches described go too far for Jersey ○ None of these policy approaches is appropriate for Jersey ○ These approaches do not align with my/our organisation’s strategy or approach to sustainable finance ○ It is too early for Jersey to develop a sustainable finance approach at this time <p>Please provide further comments if you wish.</p>
9.	<p>Are there any areas of sustainable finance not covered by this consultation that you would like to see addressed by the Government in any subsequent policy development?</p> <ul style="list-style-type: none"> • Please detail any approaches taken in other jurisdictions that you consider to be relevant to Jersey. 	Please provide any comments.

How to engage with the consultation.

29. Responses to the questions above can be submitted FAO Miguel Zaragoza, either by email to Economy@gov.je or in writing to

Department for the Economy
19-21 Broad Street
St Helier
Jersey
JE2 3RR

30. Jersey Finance will also be collating an industry response. These responses should be sent by email to Amy.Bryant@jerseyfinance.je or in writing to:

Amy Bryant
Jersey Finance Limited
4th Floor
Sir Walter Raleigh House
48-50 Esplanade
St Helier
Jersey
JE2 3QB

31. Wherever possible we would like to invite firms within the finance sector to submit a single set of answers to these questions that represent the views of the firm as a whole. We also welcome responses on behalf of representative bodies across the economy.