



**IFC Forum Parliamentary Breakfast Event hosted by Andrew Rosindell MP**

***The Challenges of G20 to small IFCs***

**10th November 2010, House of Commons**

***Speech by Senator Philip Ozouf, States of Jersey***

I would like to thank Andrew for his introductory remarks

And thank the IFC Forum for organising this valuable event and inviting me to speak this morning

Jersey is looking forward to France's Presidency of the G20 and the upcoming summit in Seoul

In common with many Financial Centres Jersey looks forward to the opportunity to engage further with the International Community and the need for high quality regulation and economic cooperation.

We also recognise the challenges that are likely to emerge.

I say that as since the financial crisis of 2008, the G20 has become increasingly focused on so-called non-cooperative jurisdictions.

Amongst other things this focus has led to the introduction of a comprehensive peer review process to identify the extent to which jurisdictions are committed to and compliant with relevant international standards.

The declaration that followed June's G20 Summit in Toronto stated:

"We are addressing non-cooperative jurisdictions based on comprehensive, consistent, and transparent assessment with respect to tax havens, the fight against money laundering and terrorist financing and the adherence to prudential standards".

Offshore centres were not the source of the financial crisis but they are seen, by some within the G20, as having a contribution to make to the solution, particularly in respect of the need for greater transparency.

Whilst challenging, the new demands placed on International Finance Centres are also welcome opportunities.

One result of G20 scrutiny is that Islands like Jersey have been faced with a barrage of assessments by international bodies including:

IMF covering Anti-Money Laundering and financial supervision;

Financial Stability Board covering financial supervision

HM Treasury also initiated their own Foot review covering their dependent and overseas territories, which reported in December 2008.

While these assessments are burdensome - in terms of the demands placed on government resources - they can serve to dispel myths about poor regulation.

In the case of Jersey, the results of such assessments have been extremely supportive of the reputation

Last year the IMF and found that Jersey met the financial regulatory and anti-money laundering standards better than most if not all EU and OECD member countries.

In fact you would be hard pressed to find another larger jurisdiction which achieved the number of compliant or largely compliant ratings out of the core Financial Action Task Force recommendations. We got 44 such ratings for the 49 overall recommendations.

Jersey has been one of the first jurisdictions assessed by the OECD Global Forum and a report should be published in the first half of 2011.

The results are expected to further reinforce other independent assessments of compliance with international tax standards that led to the Island's inclusion in the original OECD "white list" of compliant jurisdictions.

(The Financial Stability Board is addressing jurisdictions' compliance on financial regulation, and based on the IMF report Jersey has been identified as a jurisdiction meeting the international standards to a sufficient level not to warrant any further review by the Board.)

This independent verification of Jersey's regulatory systems has in a very real sense, bolstered the Island's reputation as a very well regulated finance centre.

Indeed, the advantages of this enhanced scrutiny have extended beyond regulatory matters and towards a better understanding of the function that the Island's Financial Services Industry serves in the wider global economy.

Historically, International Finance centres had been accused of being a drain on some of the large economies they service, the crisis has enabled us to show in fact, they - we -are beneficial.

A good example of these benefits lies in the complementary relationship that

exists between Jersey and the City of London.

The Island offers services that appeal to the foreign clients of the City and a great deal of business is introduced through City law firms and other agencies.

Business that would lead to capital flowing to or from other Financial Centres such as Hong Kong

In return, the funds attracted to the Islands from all over the world are up-streamed to Head Offices in the City thereby helping to fill the liquidity gap for many London based banks and provide funds for investment in the UK.

In his review of the Crown Dependencies and Overseas Territories, Michael Foot found that “Together, the Crown Dependencies provided net financing to UK banks of \$332.5 billion in the second quarter of...2009.”

Beyond this lies a synergy between the interests of the City and of Jersey as they seek to target business in emerging markets.

Like London and the UK in general, Jersey has been working to develop new relationships with the key emerging economies like Russia and China and India

To underline the importance of those relationships we have had the ambassadors from China and Russia recently in Jersey and during the Lord Mayor’s visit earlier this year we stressed the need for Jersey and London to work together in emerging markets.

Given the strong alignment between the overseas trade policies of the UK and Jersey on financial services, Jersey Finance, has been coordinating with City UK in opening up emerging markets.

This alignment of trade policies is particularly helpful when taking forward the positive recommendations of the recent Justice Select Committee report on the UK’s relationship with the Crown Dependencies.

Sir Alan Beith’s committee endorsed the move towards the Islands acting for themselves overseas and it is reassuring to know that, going forward, the British Isles retain a common purpose in pursuing trade with emerging markets.

So, whilst some of the rhetoric surrounding the G20’s focus on International Finance Centres can be less than helpful, the independent assessments that stemmed from it generate a greater understanding of offshore jurisdictions and their important role in the global financial system.

Jersey has undoubtedly benefited from this process.



The Island decided early on in its development that the long term future lay in being recognised as being cooperative, transparent and well regulated with a strict adherence to international standards.

The distinction that is being drawn between open and transparent jurisdictions and those that are non-cooperative means that Jersey is now well placed to benefit from a flight to quality as business aims to associate itself with jurisdictions that have international acceptance and work to international standards.

We also from a public finance position have emerged stronger than most no-debt, savings and planned balanced budgets within 3 year with a strong - substantial growing sector - ready to serve good quality business from around the world.

As we look forward, to the French taking the reigns of the G20, we call for a continued focus on the need for consistent application of international standards.

International Finance Centres must be assessed transparently and on a level playing field with G20, EU and OECD member countries.

When President Sarkozy addresses this area of the agenda we hope that he does so with the spirit of France's founding principle of *égalité* alongside an embrace of the very British value of fair play.

If this principle is applied to all nations then we can change misconceptions of International Finance Centres and develop an environment that is entirely open, transparent and centred on consistently applied international standards.