

G20 Summit - Briefing Document

Introduction to the G20

What is the G20?

The Group of Twenty (G20) Finance Ministers and Central Bank Governors was established in 1999 to bring together systemically important industrialised and developing economies to discuss key issues in the global economy. It was created as a response both to the Asian financial crises of the late 1990s and to a growing recognition that key emerging-market countries were not adequately included in the core of global economic discussion and governance.

Mandate

The G20 is an informal forum that promotes open and constructive discussion between industrial and emerging-market countries on key issues related to global economic stability.

Membership

The G20 is made up of the finance ministers and central bank governors of 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States of America, and also the European Union who are represented by the rotating Council presidency and the European Central Bank.

Achievements

The G20 has progressed a range of issues since 1999, including agreement about policies for growth, reducing abuse of the financial system, dealing with financial crises and combating terrorist financing.

In 2004, G20 countries committed to new higher standards of transparency and exchange of information on tax matters in an aim to combat abuses of the financial system and illicit activities including tax evasion.

The G20 is now driving forward work between advanced and emerging economies to tackle the international financial and economic crisis, restore worldwide financial stability and lead on the international economic recovery.

Meetings and Activities

It is normal practice for the G20 finance ministers and central bank governors to meet once a year. The last meeting of ministers and governors was held in São Paulo, Brazil on 8-9th November 2008, which was followed by a meeting with the Leaders of the G20 Countries in Washington that produced a Declaration and Action Plan leading up to the G20 Summit on 2nd April 2009.

Below are the main points which relate to the financial markets as follows, as taken from the Declaration Summit of Financial Markets and the World Economy (15th November, 2008):

- Strengthening transparency and accountability
- Enhancing sound regulation
- Promoting integrity in financial markets
- Reinforcing international cooperation
- Reforming international financial institutions

Aims of the G20 Summit

The G20 world leaders met on 2nd April 2009, to seek a way forward through the current economic crisis. Confidence in the international banking system is at an all time low, major institutions have failed and countries around the world have entered into recession, with falling trade and rising unemployment.

Gordon Brown has called for the world's leading economies to come together and lay the foundations not just for a sustainable economic recovery, but also for a genuinely new era of international economic partnership - a 'global new deal' in which all countries have a part to play and all will see the benefits.

Main Conclusions from the Summit

The decisions made by the leaders of the world's largest economies at the London Summit have now been published in the [communiqué](#).

The main subjects covered include financial regulation, economic growth, reviving global trade, strengthening the global financial architecture and helping the world's poorest.

Below from the communiqué is the section regarding non-cooperative jurisdictions:

- *to take action against non-cooperative jurisdictions, including tax havens. We stand ready to deploy sanctions to protect our public finances and financial systems. The era of banking secrecy is over. We note that the OECD has today published a list of countries assessed by the Global Forum against the international standard for exchange of tax information*

After considerable pressure from President Sarkozy, the G20 have agreed that the OECD would publish a list and Gordon Brown confirmed in the G20 press conference that there will be a black list of uncooperative jurisdictions published and that the G20 have agreed a list of sanctions to be applied to those jurisdictions.

As a result of this, the OECD Secretariat has provided a detailed report on the progress by financial centres around the world towards implementation of an internationally agreed standard on exchange of information for tax purpose. The report [available here](#) consists of four parts:

1) Jurisdictions that have substantially implemented the internationally agreed tax standard			
Argentina	Germany	Korea	Seychelles
Australia	Greece	Malta	Slovak Republic
Barbados	Guernsey	Mauritius	South Africa
Canada	Hungary	Mexico	Spain
China	Iceland	Netherlands	Sweden
Cyprus	Ireland	New Zealand	Turkey
Czech Republic	Isle of Man	Norway	United Arab Emirates
Denmark	Italy	Poland	United Kingdom
Finland	Japan	Portugal	United States
France	Jersey	Russian Federation	US Virgin Islands



2) Jurisdictions that have committed to the internationally agreed tax standard, but have not yet substantially implemented

Jurisdiction	Year of Commitment	Number of Agreements	Jurisdiction	Year of Commitment	Number of Agreement
Tax Havens					
Andorra	2009	0	Marshall Islands	2007	1
Anguilla	2002	0	Monaco	2009	1
Antigua and Barbuda	2002	7	Montserrat	2002	0
Aruba	2002	4	Nauru	2003	0
Bahamas	2002	1	Netherlands	2000	7
Bahrain	2001	6	Antilles		
Belize	2002	0	Niue	2002	0
Bermuda	2000	3	Panama	2002	0
British Virgin Islands	2002	3	St Kitts and Nevis	2002	0
Cayman Islands	2000	8	St Lucia	2002	0
Cook Islands	2002	0	St Vincent & Grenadines	2002	0
Dominica	2002	1	Samoa	2002	0
Gibraltar	2002	1	San Marino	2000	0
Grenada	2002	1	Turks and Caicos Islands	2002	0
Liberia	2007	0	Vanuatu	2003	0
Liechtenstein	2009	1			
Other Financial Centres					
Austria	2009	0	Guatemala	2009	0
Belgium	2009	1	Luxembourg	2009	0
Brunei	2009	5	Singapore	2009	0
Chile	2009	0	Switzerland	2009	0

3) Jurisdictions that have not committed to the internationally agreed tax standard

Jurisdiction	Number of Agreements	Jurisdiction	Number of Agreements
Costa Rica	0	Philippines	0
Malaysia (Labuan)	0	Uruguay	0

Next steps for the OECD

The G20 have now asked the Organisation for Economic Cooperation and Development to report back on tax haven cooperation by November's finance minister meeting in Scotland and sanctions could be imposed on those who don't comply by them by their next meeting.

Among the sanctions which could be imposed is a threat to withhold tax payments to jurisdictions which don't cooperate. Those sanctions could include increased disclosure requirements for people invested in uncooperative tax havens and the denial of deduction on expense payments to those invested in them.

The sanctions could also involve G20 members reviewing tax treaty policies with uncooperative jurisdictions and may cause international lenders, like the World Bank and the International Monetary Fund, to rethink investment projects in offshore centres.

What does this mean for Jersey?

Jersey has received independent endorsement both for the quality of its financial regulations and its co-operative approach to highlighting money laundering and fiscal crime from many of the International bodies listed above - , such as the Financial Action Task Force and the Financial Stability Forum, organisations formed by the G8 nations to seek improved standards in financial regulation, as well as the IMF, have endorsed the Island's regulatory measures in recent years:

- Financial Action Task Force - "Close to complete adherence" - Jersey is considered to co-operative jurisdiction
- Financial Stability Forum - Jersey is considered to be a Group one jurisdiction
- International Monetary Fund - Small centres such as Jersey operate to higher transparency standards than most OECD and EU members: "compliance levels for OFCs are, on average, more favourable than those for other jurisdictions assessed by the fund its financial sector work"
- Commenting on the recent signings, Jeffrey Owens, Director of the OECD's Centre for Tax Policy and Administration, said: "At a time when many countries have been promising change, Guernsey, Jersey and the Isle of Man have been delivering."

"Guernsey, Jersey and the Isle of Man have consistently supported the work of the OECD and the Global Forum on Transparency and Exchange of Information, with Jersey and the Isle of Man taking an active and constructive role in the work of the Global Forum's Sub-Group on Level Playing Field Issues."

"The lead that these jurisdictions have taken in signing tax information exchange agreements, have played a big part in the developments in favour of greater transparency that we are now seeing around the globe."

Jersey Finance is delighted that the G20 summit has confirmed that Jersey is in the top tier of jurisdictions which meet the highest standards of transparency and regulation. Jersey is well-placed to continue to provide much needed liquidity to the banking system which is critical to aiding the recovery of the global economy. This evidence means that Jersey is among one of the most compliant centres in the world, reaching internationally agreed tax standards.

This endorsement places Jersey in a very favourable position and is a testimony to the political commitment by the Island to reflect the OECD's principles in February 2002, and to date has signed 13 Tax Information Exchange Agreements (TIEA) - 11 with OECD member nations - over the last seven years proving its strong commitment for transparency, international standards and being a co-operative jurisdiction. Please view the TIEA briefing document in the Industry Consultations section of our website.

We look forward to the States of Jersey continuing to work with the OECD to further the development of a global level playing field on tax information exchange that must apply to all jurisdictions.