Published by TIMES Group

Twelfth Edition 2020-2021

# Jersey
## First for Finance

SUSTAINABLE FINANCE | TRUSTS | FUNDS | PHILANTHROPY | ISLAMIC FINANCE
WEALTH MANAGEMENT | REAL ESTATE | CORPORATE SERVICES | BANKING | FINTECH

# Jersey
## First for Finance

**Published by:** Time International Media & Events Services Ltd.
3-4 Rumsey House, Locks Hill, Rochford, Essex, SS4 1BB, UK.
**T:** +44 (0)1702 53 0000 | **F:** +44 (0)1702 53 3088
**E:** mail@timesgroup.co.uk | **www**.timesgroup.co.uk

Delivering Insight ▪ Driving Innovation

**In partnership with: Jersey Finance Limited**
4th Floor, Sir Walter Raleigh House, 48-50 Esplanade,
St Helier, Jersey JE2 3QB, Channel Islands.
**T:** +44 (0)1534 836000 | **F:** +44 (0)1534 836001
**E:** jersey@jerseyfinance.je | **www**.jerseyfinance.je

**N.B. This publication has been produced by the Times Group without any financial contribution from Jersey Finance Limited.**

**Publication Consultants:** Claire Lyons, Head of Marketing and Amari Hernandez, Marketing Officer, Jersey Finance Limited

**Editorial Department:** Wayne Fessey, Editor
Alex Wright, Consulting Editor

**Production Department:** Design Vision (UK) Ltd,
E: designvision123@outlook.com
Ethan Cobbing, Production Coordinator

**Publisher:** Kevin Sammon
**Directors:** Mark Brown and Kevin Sammon

**Acknowledgements:** The editor would like to thank the following individuals and organisations for their invaluable assistance towards producing this publication: Cathy Keir – Government of Jersey · Martin Moloney, Abi Nance, Donna Miller, Sarah Peck and Razina Bargit – Jersey Financial Services Commission · Joe Moynihan, Allan Wood, Gunther Thumann, Claire Lyons and Amari Hernandez – Jersey Finance Limited · Mike Sunier and Adam Riddell – Crystal PR

# Contents




Your money, your choice – investing for change
Based on your ethical, social and environmental concerns, we can provide dedicated investment management services.
Working with Greenbank Investments, our specialists in ethical, sustainable and impact investment, we can give you the freedom and flexibility to enjoy today, safe in the knowledge that your ethical and investment goals for tomorrow are taken care of.
For further information, please contact Jonathan Giles locally on 01534 740 550 or email jonathan.giles@rathbones.com
Rathbones
Look forward
rathboneimi.com
@Rathbones1742
Rathbone Brothers Plc
The value of investments and income arising from them may fall as well as rise and you might get back less than you originally invested.
Rathbone Investment Management International is regulated by the Jersey Financial Services Commission.

# Contents



# Contents



# Preface

**by John Le Fondré, Chief Minister, Government of Jersey**

In my preface for last year's edition of *Jersey ~ First for Finance* I wrote of the value that financial services add to Jersey, our Island's relationship with the EU and Jersey's international profile.

This year, a single story has dominated news cycles the world over. The global response to coronavirus and its far-reaching impacts have affected everything from East Asian carbon emissions, Russian oil production, the UK budget, European airlines and the US Presidential Election.

It has been the greatest threat to public health in a century. Challenging not only the physical wellbeing of societies but their economies too.

I have been incredibly proud, not only of the Government of Jersey's response but also the way in which local businesses have risen to the challenge posed by COVID-19. For many, COVID-19 has required a complete overhaul to normal working practices in a remarkably short timescale. Companies in all sectors have had to adapt, innovate and fundamentally alter the way they deliver their services to customers.

Jersey's Government has also had to work quickly to meet the threat of COVID-19. We have mobilised the largest financial support package in our Island's history, developed a testing programme which ranks amongst the most effective in Europe and implemented a comprehensive track and trace programme to mitigate the spread of the virus within our community.

All this has not come without cost and until a vaccine is fully rolled out, we will need to remain vigilant and continue to do our part by following public health guidance. In the meantime, whilst preparing for the winter challenges to come, we are also looking ahead to our Island's economic recovery.

Looking forward, as our Island and the world at large emerge from the early impacts of the COVID-19 pandemic, we can anticipate a continued high level of global uncertainty. This uncertainty will be fuelled by an unstable geopolitical environment, fluctuating energy markets, an irregular demand in a number of sectors (particularly tourism and air travel) and a bumpy return to work for many in the developing world.

To give just one example, amongst India's workforce of more than 470 million, just 19% were covered by social security prior to COVID-19, 100 million are migrant workers and two-thirds lack a formal employment contract. The return of workforces such as this will not be smooth and may prolong the economic uncertainties across the world's emerging markets.

These are differing challenges but they will no doubt be compounded by one another, presenting a number of follow-up hurdles to the global economic recovery. Joining these obstacles are the United Kingdom's ongoing negotiations with the European Union as well as the potential risks posed by further waves of COVID-19.

In a world of uncertainty, stability is a valuable commodity and the continuing work of Jersey Finance to promote our Island as a leading financial services centre is more important than ever.

Jersey has an outward-facing economy, with a long tradition of trading in high-quality goods and services with customers from around the world. Our strong position as a leading international financial centre and one of the best regulated jurisdictions globally has, historically, meant that Jersey serves as a conduit for global business flows and acts as a facilitator for outbound foreign direct investment (FDI).

Jersey will therefore be well placed to assist in the recovery of other nations as the world emerges from this pandemic, acting as a conduit for investment into where it is needed most. Already, before COVID-19, Jersey facilitated up to 1.5% of annual foreign direct investment into Africa and our Island maintains close intergovernmental and business ties to many regions of the world.

Our Island's excellent digital infrastructure facilitates such global links. Already enjoying some of the fastest broadband speeds in the world, readers will appreciate that home working has been made easier and productivity maintained in large part thanks to our digital network.

Early in our pandemic response, the Government worked closely with Digital Jersey and telecoms companies to upgrade the fibre connectivity of all Islanders for free, ensuring that all fibre broadband users benefit from 1 Gbit/s symmetrical speeds, whilst tariffs paid by broadband subscribers have not changed. A similar initiative provided free broadband connections to households with school children or those leaving care who did not already possess such a connection, enabling all young people to access educational materials.

We have, throughout the UK's negotiations with the European Union, taken a proactive approach to ensure that the interests of Islanders and local businesses are protected in any future arrangement. This process has utilised our longstanding channels of communication with our UK counterparts and we have worked closely with colleagues in both Guernsey and the Isle of Man, emphasising our similar priorities.

It is in no small part thanks to the work of Jersey Finance, much of which is set out in the pages that follow, as well as the Government of Jersey, that our Island is ready to embrace the opportunities available in the emerging global environment. In an uncertain world, Jersey's stability stands out; thanks to our reputation as a well-regulated and agile jurisdiction.

This year has been a hugely challenging one, with numerous tough decisions having been made in both the public and private sector. Yet our Island can be proud of our efforts to contain the virus and its economic consequences. We have implemented the highest standards of border testing, track and trace programmes and mobilised a financial support package that is unrivalled in our Island's history.

In the months and years ahead, as the dust settles on this historic global crisis, Jersey is well placed to seize the emerging opportunities and to play our small part in the global recovery.

JOHN LE FONDRÉ

*Senator John Le Fondré, Chief Minister, Government of Jersey.*

*Senator Le Fondré was elected as Jersey's fourth Chief Minister on 4th June 2018. He previously served as Deputy of St Lawrence from 2005 to 2018, holding Assistant Ministerial positions within the Treasury, the Chief Minister's and the Infrastructure Departments.*

*Fluent in French, he worked as a Chartered Accountant for Ernst and Young, in both Jersey and Luxembourg before being elected to the States Assembly in 2005.*

VG

Independent fiduciary and administration solutions

Talk to us:

Trevor Norman
Director –
Islamic Finance and Funds Group
T +44 (0)1534 500418
E tnorman@vg.je

Ashley Le Feuvre
Director – VG Funds
T +44 (0)1534 500417
E alefeuvre@vg.je

# **It's as simple as...** knowing what matters to you

Our award-winning Islamic finance team has a deep cultural understanding of the Muslim world and knowledge of socially responsible investment structures. We harness our experience and understanding to create and manage Shariah and non-Shariah compliant structures to meet the needs of corporates, private clients and families globally.

**www.vg.je**

For details of the legal and regulatory status of VG, please visit www.vg.je

# Foreword

**by Ian Gorst, Minister for External Relations, Government of Jersey**

The year 2020 will be one that we always remember. It has altered the behaviour and attitudes of communities across the world and has unquestionably led to political, economic and social changes that will endure long after COVID-19 becomes another chapter in our history books.

Change is a constant but the actions we have taken to tackle COVID-19 have accelerated many of the changes that were coming to us anyway. Some people may regret these changes and the speed of their adoption but they cannot be reversed. Forward looking, open societies who are seeking to make the most of the opportunities of the future must embrace the world we now inhabit and plan for the way things are now, not for the way they were, or the way we might like them to be.

It is this positive approach which has meant that Jersey's economy was well-placed to deal with the consequences of the pandemic and it is why we find ourselves in a strong and favourable position heading into 2021. As Jersey's biggest industry, our financial services businesses have played a key and central role in ensuring this.

Jersey has proved itself to be a strong and resilient international finance centre and a stable and secure jurisdiction in which to do business. As your Minister within Government, I want to thank everyone working in financial services companies for your continued hard work and flexibility, which has ensured that Jersey has retained and enhanced its reputation as a quality place for business and investment during 2020.

Financial services is the bedrock of our economy. Without this industry, which we have developed and nurtured over the past 60 years, Jersey would have faced even greater challenges in 2020.

Businesses adapted seamlessly to the requirement to work from home. The recent investment in our Island's digital infrastructure enabled the industry to maintain its high-quality services to clients across the world throughout a pandemic when our community – and others across the world – were in a lockdown. Indeed, many sectors continued to see growth during this crisis, which was welcome and encouraging.

I am clear that the future of our economy must be based on our financial services industry. That is the policy and


By Lukasz Stefanski / Copyright Shutterstock

commitment of the Government of Jersey and my determination and ambition as your Minister. Those willing to engage in informed and sensible debate, which Jersey has always been willing to do, will know that the services and expertise provided by jurisdictions including Jersey will be fundamental to our economic and social recovery. We all know about the business, jobs and investment that Jersey supports in the UK, Europe and further afield, as this has been evidenced by independent research.

It is very likely that centres like Jersey will continue to come under scrutiny in the months and years ahead but we have dealt with these challenges before and will do so in the future. Jersey will continue to argue for and adhere to, international standards, we will participate openly in global fora with our partners and we will make sure that our legislative base is modern and competitive.

The Government will continue to work collaboratively with industry and the regulator to promote and defend Jersey's financial services business across the world. As the Minister, I am convinced that our future success depends on us remaining an open, outward looking Island, with a competitive business environment and a Government that remains supportive but is not overbearing.

We will similarly maintain our support for the wider economy to ensure we emerge from the pandemic as an Island with a broad economic offering – including tourism, hospitality and digital – and one which has excellent connectivity by air and sea. This varied offering is equally crucial to ensuring that Jersey remains an attractive and competitive Island in which to live, work and do business.

In challenging times, it is important that we keep focused and remain optimistic. The performance of Jersey's financial services industry epitomises this spirit. I look forward to us continuing to work together for the good of Jersey in 2021.

IAN GORST

*Senator Ian Gorst, Minister for External Relations, Government of Jersey.*

*Ian was first elected to the States of Jersey in 2005 and from 2008 to 2011, served as Minister for Social Security.*

*Elected as Jersey's third Chief Minister in November 2011, he was subsequently re-elected in November 2014. He became Minister for External Relations in June 2018 under the new government.*

*An accountant with significant experience in private client, private equity and retail fund sectors, he has also served as Chairman of the Jersey Overseas Aid Commission and acted as an Assistant Minister in both the Chief Minister's Department and in the Treasury Department prior to becoming a Minister. He is also an Honorary Fellow of UNICEF UK.*


TRIDENT TRUST
Precision & Excellence
Established in 1978, and present in Jersey for over 35 years, Trident Trust is a leading independent provider of corporate, fiduciary and fund administration services, supporting financial institutions, professional advisors, asset managers, family offices and international businesses around the globe.
Our clients are able to rely on our long track record of establishing and administering structures that help preserve wealth from generation to generation, coupled with our commitment to reliability, responsiveness, attention to detail and personal service.
Contact us to discover how our global reach, experienced professional personnel, tailored services and long-standing presence in Jersey can make a difference to you and your clients.
Contact:
George Bryan-Orr
Managing Director
gbryan-orr@tridenttrust.com
+44 1534 733 401
TRIDENTTRUST.COM

# Introduction

**by Joe Moynihan, Chief Executive, Jersey Finance**

Next year marks the 60th anniversary of Jersey's finance industry, as well as the 20th anniversary of Jersey Finance as an organisation, underlining just how enduring Jersey's finance industry is.

Over that time, the industry and the marketplace has changed significantly as investor demands, capital flows, regulatory frameworks, social norms and technology have all shaped what it means to be a modern International Finance Centre (IFC).

What has stayed consistent over that time, though, is Jersey's ability as a jurisdiction to demonstrate an entrepreneurial spirit, innovate and adapt to support high-quality financial flows, as well as its willingness to work with international partners, governments and global standard setters to ensure Jersey has the highest regulatory standards in place – all ideas that will undoubtedly come to the fore over the pages of this publication.

Jersey Finance has changed over the past two decades too. Today we are a truly global organisation with a footprint in key locations thanks to our team of business development directors, whilst we are representing and supporting firms in more ways than ever before, what we understand by the term 'finance' has become more and more diverse – we are now, for example, working with firms and partners in areas from Islamic finance and philanthropy, to ESG investing and virtual currencies.

Of course, an ability to adapt has never been as necessary as this year, as the pandemic has forced us all to rethink how we operate and how we deliver services to global clients.

It was already going to be busy in 2020. Right at the beginning of the year, I set out a programme of activity that would see us make a serious commitment to establishing Jersey's vision as a centre for sustainable finance; launch our inaugural Rising Stars Awards; drive home our digital capabilities; broaden our global reach; assert our strengths as an alternative funds domicile; maintain our commitment to evidence based research; and enhance our family office proposition.

Despite the unprecedented global challenges we have experienced this year, we have achieved all of that, whilst also winning a number of awards along the way, courtesy of *Citywealth* and *Wealthbriefing*. The industry has also continued to grow, with for instance the value of funds under administration in Jersey reaching an all-time record high of more than £361 billion.

The clear evidence is that, amidst the global uncertainty, whether that is caused by Brexit, wider geopolitical upheaval or black swan events like COVID-19, Jersey is seen as a beacon of stability and that continues to give investors' confidence.

## ENHANCEMENTS

Of course, we do not stand still. We are continuing to evolve and make enhancements to our platform in response to global market conditions and we are able to do that very effectively thanks to the unique and positive collaborative model we have established between industry, the Government of Jersey and our regulator, the Jersey Financial Services Commission (JFSC).

The value of that collaboration was evident last year as Jersey brought its economic substance rules into force, measures that subsequently led to the European Union recognising Jersey as a cooperative jurisdiction. Having those substance rules codified in Jersey's regulatory framework has been hugely significant in exemplifying Jersey's stance as a responsible, compliant jurisdiction that takes governance and oversight very seriously.

Introducing legislative amendments to improve the financial services offering continues to be a focus too and this year amendments were made to Jersey's Limited Partnership legislation to make migrating such structures from other jurisdictions much easier. The expectation is that this will prove popular amongst fund managers who are re-assessing their domicile choices, with Jersey able to provide a sensible and attractive solution.

We are also progressing changes to our Limited Liability Companies (LLCs) law, which we anticipate will be an attractive prospect for managers in the US, a market where we are seeing real traction amongst US managers looking to access European capital following the opening of our New York office last year.

## CONNECTIVITY

The fallout of the pandemic has also underlined the importance of global connectivity, supported by digital capability and in that regard Jersey has already been on the front foot for some time.

Our commitment to developing relationships and working with partners in key international markets has helped us diversify as an industry and maintain a global footprint that is the envy of other IFCs.

We were the first IFC, for example, to open an office in the Dubai International Financial Centre (DIFC) to support our growing presence across the Gulf region, whilst the opening of our New York office last year has been instrumental in building our US profile. This is complemented by our offices in Hong Kong and London and our fly-in models to Africa, India and Asia.

The UK, of course, remains a key partner for us and in the context of Brexit, we believe Jersey is in a strong position to play a positive role as the UK develops new international partnerships, while also maintaining a gateway between the UK and the EU thanks to our existing agreements with both.

This global connectivity is backed up by our commitment as a jurisdiction to digital innovation and our aspiration to be the easiest jurisdiction to do business with remotely in a digital world.

We are continuing to develop fintech, wealthtech and regtech solutions to deliver on this ambition, made possible by the growing community of digital experts in the Island and Jersey's digital infrastructure – including fibre broadband which has been assessed to be the second fastest in the world this year.

As the world comes to terms with the impact of the pandemic this year on economies and communities, Jersey stands ready, thanks to its global connectivity, to play a positive role in economic recovery, supporting capital flows to make sure investment is put to work where it is needed most.

As this latest edition of *Jersey ~ First for Finance* illustrates, Jersey's resilience and its forward-thinking, global approach, means that it is well placed to show strong leadership and support high-quality international investment in a secure, stable environment. Never before have those qualities been so necessary.


### JOE MOYNIHAN

*Joe Moynihan, Chief Executive, Jersey Finance.*

*With a career in financial services spanning four decades, Joe has a strong commitment to the future success of the industry in Jersey.*

*Joe commenced his professional life in the banking sector, rising to the position of CEO of Jersey and the Isle of Man for a major bank, which included responsibilities for trusts and investments. In recent years, he expanded his focus as Director of Financial Services within the Government of Jersey, where he worked closely with industry and the regulator to ensure the Island's position as a leading international finance centre.*

*Before joining Jersey Finance in February 2019, Joe was working to establish high-reputation regulatory frameworks and business models for IFCs in the Middle East and Africa.*

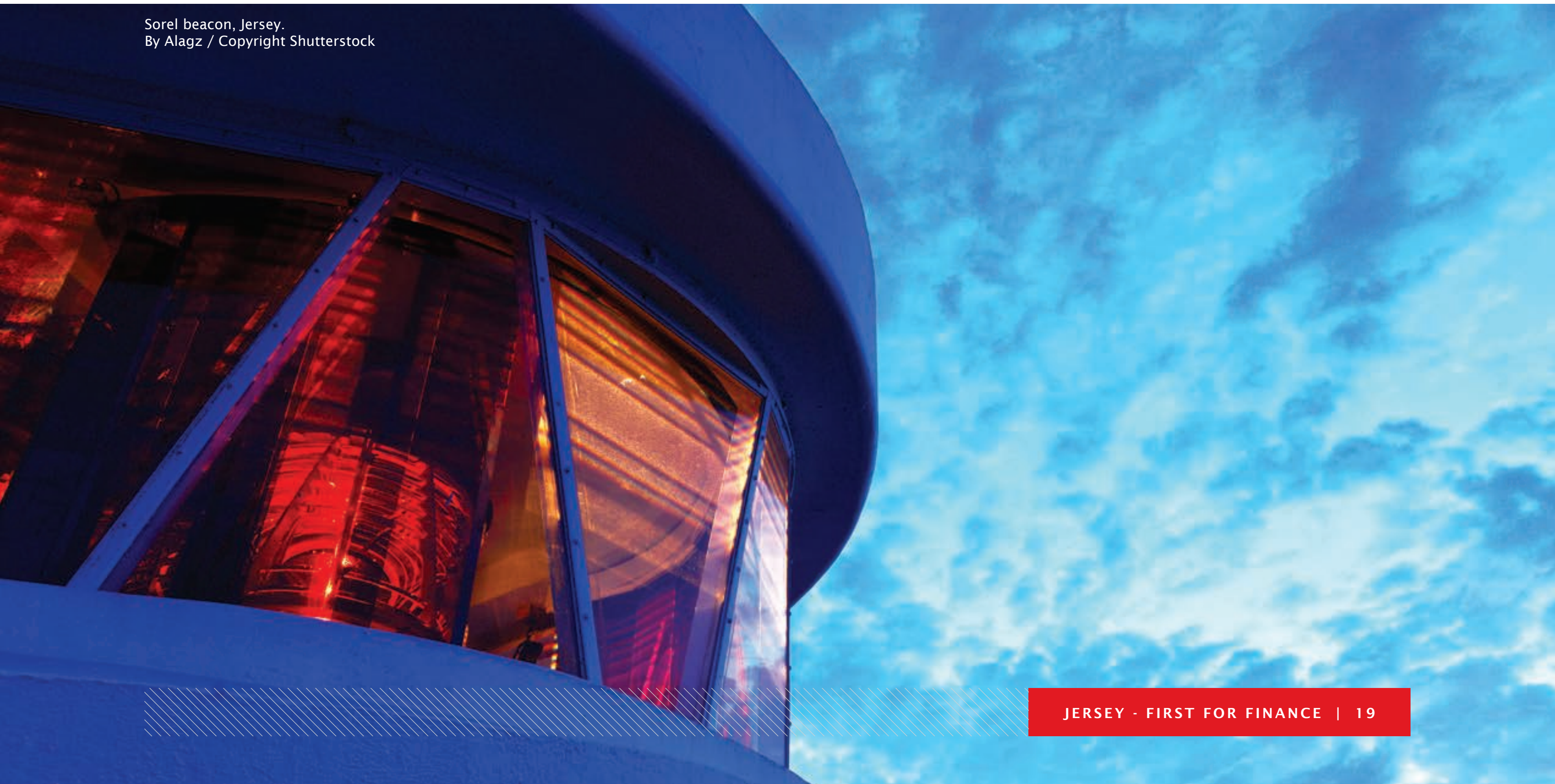
# Jersey adapts and innovates to retain its position as a leading IFC

**by Dr Gunther Thumann**

Many of the strengths that contribute to International Finance Centres (IFCs) have been on vivid display in 2020 during an unprecedented year.

In the face of a pandemic that has caused widespread disruption globally since the first months of the year and during a period in which, aside from the ramifications of COVID-19, financial services continue to tackle increasing regulatory and compliance complexity worldwide. Amidst this complex scenario, international investors are looking for jurisdictions that can offer expertise, certainty and stability, in a robustly regulated, digitally progressive environment and Jersey continues to deliver. It has maintained its leading-edge role and, in doing so, has highlighted two of its inherent strengths, its resilience during challenging times and its ability to be fast-moving to cope with changing circumstances.

Our response to the COVID-19 crisis was swift and decisive. Within a short period of time at Jersey Finance, work processes were restructured, events rescheduled, online delivery



Sorel beacon, Jersey.
By Alagz / Copyright Shutterstock

Lone yacht sailing near Le Portelet, Jersey.
By Phil Woolley / Copyright Shutterstock

established, webinars and podcasts replaced face-to-face delivery and cooperation with our Government, the industry Members here in Jersey and our other stakeholders, were all stepped up. The swift response to the challenges faced has been appreciated by clients in the key markets across the globe and it has enabled Jersey to remain the 'go to' jurisdiction for its areas of expertise in funds, banking and wealth management.

**SUBSTANCE AND INNOVATION**

Alongside these measures, it has been important to reinforce our position as both a jurisdiction of substance that continues to provide a world-class regulatory framework, endorsed by global standard setters and one that is also a pioneer of innovative legislative developments.

We work closely with the Government of Jersey and our regulator, the Jersey Financial Services Commission (JFSC), on Jersey's transparency and tax environment to ensure the right approach to legislation and regulation. As a result, the Organisation for Economic Cooperation and Development (OECD) Harmful Tax Practices Review confirmed that Jersey's domestic legal framework is in line with relevant international standards. The Jersey authorities have also made a political commitment to align the Island with the principals of the EU's Fifth Anti-Money Laundering Directive and committed to a public register of beneficial ownership as an example of best practice.

Jersey scores higher than most when benchmarked against global regulatory standards – it achieved one of the highest scores globally when evaluated by MONEYVAL, is one of around just 20 countries worldwide to currently be deemed 'fully compliant' by the OECD in terms of tax compliance and is a signatory to the Foreign Account Tax Compliance Act (FATCA) and the OECD's Common Reporting Standard (CRS). In essence, this means we automatically exchange information with more than 100 countries and we have agreements with around 50 countries to exchange information on companies within an agreed time frame.

**GLOBAL**

It has now been more than a decade since Jersey took the strategic decision to implement a vision that would establish us as a global player, building on our existing business links and strong global contacts and reputation for probity, which had positioned us as a sophisticated IFC, ideally placed to meet the needs of global investors, including those in emerging markets.

Since then collaboration with our Government and the regulator has been a constant and our global presence has expanded and deepened.

Our global strategy has taken into account the implications of Brexit and we are well positioned regardless of the outcome of negotiations. We have our own bilateral private placement agreements already in place with individual EU member states to enable 'third country' fund managers to market to EU investors and those that are not affected by Brexit. In addition, given the UK likely will continue to be the biggest and most important centre for institutional capital in Europe post-Brexit, we have the mechanisms necessary to support EU managers wanting to access the UK.

For countries across the globe tackling the COVID-19 pandemic, there is an even greater need to support their economies at home through attracting foreign direct investment and by active involvement in international investment opportunities and Jersey has the experience in navigating global regulation and compliance requirements to support such investment ambitions.

Thanks also to Jersey's forward-thinking digital strategy, which has been developing at pace over recent years, our robust digital infrastructure has allowed our financial services industry to maintain its high-quality services to a global client base, including during the pandemic. Jersey's high-speed fibre broadband has recently been recognised as one of the fastest in the world, according to independent rankings and we know it has been well received amongst clients globally who depend on quality service, speed and reliability. It is among our priorities to stay close to rapidly evolving digital and fintech developments and to work closely with our wider digital offering through Digital Jersey, whilst at the same time raising understanding and advocacy for our financial centre.

## PRIDE

I have been proud to have been Chairman of Jersey Finance in the build up to the 60th anniversary year in 2021 since the emergence of the Island's finance industry. It has also been a period when we have deepened our ties with key markets overseas and made further strides in demonstrating how Jersey plays a positive role in these global markets. It is clear that investors and advisers today demand robustly regulated jurisdictions such as Jersey that can offer expertise in service delivery, experience in the use of investment structures and an understanding of regulatory and legislative frameworks and yet remain nimble enough to take advantage of the latest innovations in digital technology and to enhance its legislative armoury when necessary to meet client demands, a combination of features which makes Jersey such a compelling location for international investors.

## RENEWAL AND THE FUTURE

It has been estimated that borrowing by governments around the world could reach between nine and 11 trillion US dollars this year. Huge efforts over several years will be necessary to manage these unprecedented deficits without crippling the necessity for economic social and environmental renewal. Investment capital will need to flow where it is needed in a fast, secure and efficient way and this is where Jersey will have a role to play as a stable, resilient and expert IFC. This is a time for sensible and rational collaboration, for IFCs to work together with the international community, governments and investors to do what they do best – get investment to where it is needed most, securely and efficiently.

One saying I have learnt during my time as Chairman of Jersey Finance is that we cannot direct the wind but we can adjust the sails. In this unprecedented global environment, it is natural that there will be a lot of adjusting to do in the months to come. However, given Jersey's stability, resilience and compliance with global standards, the expertise and depth of its workforce and its established and growing channels in international markets, we remain ideally placed to play a prominent role in the recovery process for economies worldwide.

### DR GUNTHER THUMANN

*Dr Gunther Thumann, Chairman, Jersey Finance.*

*Gunther was appointed Chairman of Jersey Finance Ltd on Friday 19th May 2017, following a successful career in the private financial and the public sector that spans four decades.*

*Gunther graduated with a PhD in economics and statistics from the Friedrich-Alexander University Erlangen-Nurnberg (summa cum laude) and, between 1978 and 1994, was an economist in the German civil service and subsequently senior economist for the International Monetary Fund in Washington DC.*

*After working for Salomon Brothers in London as Managing Director, he founded a consultancy specialising in the analysis of central banks. In 2007, Gunther was appointed partner, CEO and Chairman of the Board of Brevan Howard Capital Management in Jersey. During his 10 years there, he built the offshore business and established the Jersey business as the hub of the Brevan Howard Group.*

# Outlook

**by Pablo Shah**

As the world welcomed in a new decade at the start of the year, the spread of transformative technologies, rising environmental pressures and a shifting geopolitical backdrop meant that the 2020s were widely tipped to be a period of profound change for the global economy. Few could have anticipated just how quickly these predictions would materialise. The jolt delivered by the COVID-19 pandemic has brought about a pace and magnitude of economic and societal change that is without precedent in peacetime.

The early years of the 2020s will be a period of rebuilding following the economic carnage brought about by the pandemic. The Centre for Economics and Business Research (Cebr) forecasts that the world economy will be 4.4% smaller in 2020 than it was the previous year. This figure belies considerable variation between countries. The UK and France are expected to record GDP contractions of 13% and 11% this year, respectively, while the US and Germany are projected to register less severe GDP declines of 5% and 7%. In the case of the US, this is due to a less widespread and centralised

By Soloma / Copyright Shutterstock

imposition of lockdown restrictions, while in the case of Germany this is due to the country's relative success in containing the COVID-19 outbreak, which allowed restrictions to be eased sooner in the second quarter. Remarkably, given the state of affairs in February, China is on course to register positive GDP growth in 2020, with its recovery having started in the early months of Q2 when much of the rest of the world was battling the worst of the pandemic.

So far, government furlough schemes and the expansion of welfare have provided a buffer between household incomes and the wider economic downturn. Businesses on the whole have been less insulated. As a result of the intense uncertainty and dramatic fall in revenues, business investment has plummeted throughout the global economy, at a pace significantly greater than the contraction of GDP. The OECD has projected a fall in foreign direct investment of at least 30% in 2020.

The global investment climate in coming years will be shaped by five key factors:

1. The trajectory of the COVID-19 pandemic
2. Monetary policy
3. Fiscal stimulus measures
4. Developments in the global trading environment
5. Transitioning to a greener economy

Following a relatively rapid economic bounce back at the start of the summer – which coincided with the re-opening of shops, pubs and restaurants – the low hanging fruit of the recovery has now been gobbled up, meaning that further gains will be harder to come by. Moreover, with many parts of the world now in the midst of a second wave of the coronavirus outbreak, lockdown restrictions and weakening sentiment are erasing much of the economic gains that had taken place in Q3.

Encouraging developments in scientists' search for a COVID-19 vaccine have been met with euphoria by the markets, with hopes that the roll-out of a vaccine this year will allow economies to reopen earlier than previously thought. The widespread availability of a safe and effective vaccine would undeniably deliver a major boost to the economic recovery. However, irrespective of how and when the pandemic can be brought under control, the COVID-19 crisis will leave in its wake countless shuttered businesses, companies and governments

By Have a nice day Photo / Copyright Shutterstock

Fearless Girl statue in Wall Street, wearing a mask.
By Heather Hacker / Copyright Shutterstock

saddled with unprecedented levels of debt and large pools of displaced workers. This means that suppressing the virus is just one of many important steps that will be needed to achieve a strong and sustained recovery.

On the monetary policy front, the Federal Reserve's new approach of targeting average inflation of 2% means that the US' monetary stance will remain extremely accommodative, with interest rates unlikely to be raised from their rock-bottom levels until after 2023. This will in turn allow other central banks to maintain their loose monetary stance with a reduced risk of triggering falls in their respective currencies. Low interest rates together with government-backed loan schemes in many countries will support business lending during the recovery. However, record borrowing by businesses in Q2 has reflected the need for emergency loans to survive the worst of the crisis. It will be some time before businesses feel confident enough to resume borrowing for the purposes of long-term capital investment.

The fiscal outlook is less certain. So far, governments across the world have generally stepped up to the plate on the economic front, rolling out creative measures to support their economies during the crisis. The key question is at what point governments will blink and take their foot off the fiscal accelerator in the face of a drastically enlarged pile of public sector debt.

In the US, the ongoing risk of political gridlock means that little can be taken for granted on this front. In Europe, the EU has suspended its fiscal rules until at least the end of 2021, which will provide member states with more freedom to maintain their stimulus measures if they have the inclination and capacity to do so. Meanwhile in the UK, the last-minute extension of the furlough scheme until the end of March has averted what could have been a cliff-edge withdrawal of stimulus.

Next, there is the question of the international trading environment. In the Brexit negotiations, the clock is continuing to run down on agreeing a free trade deal between the UK and the EU. Failure to do so would burden thousands of businesses on both sides of the channel that have already been pushed to the brink by the COVID-19 crisis with additional trading frictions and costs. There is also the issue of the West's relationship with China. Sino-American relations have hardened in recent years, as disagreements over intellectual property protections and state subsidies among other things led to a full-blown trade war between the world's two largest economies. Meanwhile, developments in Hong Kong have driven a sizeable wedge between the UK and China that looks set to remain an issue for the foreseeable future. More strained and or distant economic relations on a number of fronts have the potential to take the wind out of the sails of any nascent economic recovery.

In recent years, intensifying public pressure has pushed governments to step up their efforts in lowering carbon

Hazard reduction burns underway before summer bushfire season, Sydney NSW, Australia, 17th October 2020. By Gillian Vann / Copyright Shutterstock


emissions and protecting the natural environment. The devastating fires that have ravaged many parts of the world in 2020 including Australia, Brazil and most recently the US will have served to heighten awareness of this issue among the public and policymakers alike. Many countries have committed to targets of reaching net-zero emissions by 2050 and in some cases earlier. These commitments will require a fundamental transformation of energy systems, production methods and consumption patterns, which in turn will have a profound effect on the investment landscape over the next decade.

While the path ahead is littered with obstacles, there are causes for optimism. Rarely do societies emerge unchanged from crises of the scale of the current pandemic and the COVID-19 crisis will leave an indelible mark on the global economy that will far outlive the pandemic. The habits and preferences formed during lockdown will eventually drive the creation of markets which cater to customers' newfound tastes. The spread of remote working will fuel the growth of localised hotspots for economic activity in new areas, while the extended closure of physical shops and other outlets will have brought forward trends towards online shopping and digital uptake by several years. Therefore, while the dislocation brought about by business closures and redundancies will undoubtedly be painful, these displaced workers and resources will eventually be deployed towards the rebuilding of a global economy that reflects societies' needs and demands in a post-COVID world.

Fundamental to this rebuilding process will be investment – both from the private and public sector. Just as investment tends to fall more sharply than the wider economy during a downturn, it also tends to climb more dramatically during the upswing. Therefore, as the current uncertainty begins to subside, investment is set to surge as countries begin the process of building large swathes of their economies from the ground up.

During the last global economic crisis in 2008/09, countries were generally successful in limiting the economic turmoil to a severe recession rather than a depression. Where they fell short was in producing a sustained economic recovery accompanied with notable improvements in standards of living. This shortcoming can be attributed to the dismal rates of productivity growth that advanced economies have seen since 2008. Cebr's research with Jersey Finance has identified some key areas to focus on during the recovery in order to promote higher productivity. These are investment in R&D, continual updating of technology, regular monitoring of productivity and a diverse workforce. This provides a blueprint for how the rebuilding of the global economy can also address the productivity puzzle that has befuddled policymakers for more than a decade.


**PABLO SHAH**

*Pablo Shah, Managing Economist, Centre for Economics and Business Research (Cebr).*

*As a core contributor to Cebr's macroeconomic forecasting, Pablo provides ongoing commentary and analysis for major economies across the world and is a lead author of Cebr's annual 'World Economic League Table' publication. He also leads research streams spanning an array of fields including taxation in the housing market, the health of UK businesses and illegal activities within international fisheries.*

*Prior to training as an economist, Pablo worked as a civil engineer, focusing on the design of water supply systems and flood defence schemes in the UK and internationally.*

SETTING NEW STANDARDS
An award-winning provider of private wealth, fund and corporate administration services.
HIGHVERN
PRIVATE WEALTH | FUNDS | CORPORATE | HIGHVERN.COM
HIGHVERN IS THE REGISTERED BUSINESS NAME OF HIGHVERN TRUSTEES LIMITED AND HIGHVERN FUND ADMINISTRATORS LIMITED WHICH ARE REGULATED BY THE JERSEY FINANCIAL SERVICES COMMISSION.

# Covering all bases

**by Martin Moloney**

The Jersey Financial Services Commission (JFSC) is a unitary regulator combining expertise across the broad range of activities within Jersey's financial services industry. These activities include banking, funds, trust and company services, investment advice, investment management and affiliated professions.

The JFSC's remit includes a combination of responsibility for proper conduct, strong prudential compliance, comprehensive registers of businesses, including beneficial ownership information and coordinated efforts to combat financial crime.

As you will read in other contributions to this publication, the breadth and maturity of Jersey's financial services industry makes Jersey a highly competitive jurisdiction with an international reputation for quality. That reputation for quality is borne out by the approach that businesses here take to compliance with regulation. In turn, that approach to compliance has seen Jersey consistently meet the standards set by international bodies including the International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), European Securities and Markets Authority (ESMA) and Financial Action Task Force (FATF).

As a jurisdiction, Jersey is unashamedly focused on combating financial crime as our number one priority and this means that the people and global organisations who do business here can be confident that they are investing in an international finance centre that is relentless in its commitment to deter, detect and fight money laundering and terrorist financing. Global regulation does not stand still in this context, indeed it cannot. This means our efforts have a focus on maintaining the strength of our regulation such that Jersey's businesses remain compliant with those international standards.

In respect of conduct and prudential regulation, our work is equally robust in ensuring equivalence with the international standards. This means vetting and monitoring businesses and the senior managers who work within them as well as ongoing assessments of compliance with robust liquidity and solvency benchmarks.

Across these core supervisory imperatives: fighting financial crime; ensuring proper conduct; and maintaining robust finances, Jersey's regulatory regime safeguards the interests of the clients of our financial services industry both locally and internationally. The Island has an ethos that is geared toward meeting high standards and our role as regulator therefore includes ensuring those standards evolve in line with global expectations, while focusing our interventions on the small minority of businesses that pose the greatest risk of failure to meet them.

During the first quarter of 2020, global society experienced shocks that are still being felt. Our first concern was minimising the human impact as our people contended with the need

JFSC Building. Copyright Chris George.

to take care of their families and community. Rightly, every business in Jersey similarly focused on doing the right thing by their staff and clientele.

This focus continues as we look to the next stage of managing the gradual approach to recovery, yet it is a testament to the integrity of Jersey's finance industry that amongst the management of very real human needs, regulated businesses have also worked to ensure continuity in the services they provide to their global client base. A significant part of Jersey's ability to respond to the shocks the world has experienced is its pragmatic commitment to high standards. This is a practical benefit of Jersey's strong regulatory regime and the high quality people and businesses that operate here.

Jersey's enviable digital infrastructure played a part in rapidly enabling the shift from face-to-face business to virtual with minimal impact. For our part, not only did we work to maintain the right level of engagement between our supervision teams and regulated businesses but we also accelerated the progress of our work to digitise our Registry and, where possible, our other initiatives.

Our readiness to respond during the events of early 2020 was supported by the Government of Jersey's commitment to ensuring that the environment for doing business accommodates the unexpected. Island agencies pulled together to protect the environment in which our regulated businesses operate and this, in turn, reinforced the strength of the Island's collaborative approach to maintaining high standards – not just when times are good but also when times are tough, very tough.

Looking back to 2019, the majority of Jersey's financial services industry had enjoyed a sustained period of prosperity since the 2008 financial crisis. The Net Asset Value of our funds held was at record levels, there were more than 300 Jersey Private Funds (a product launched in 2017) and, holistically, employee numbers had been stable or had grown each year. Professional services firms continued to win business, Jersey banks experienced stable or increasing deposits and there had been similar stability, or growth, within the other sectors that we regulate.

In this context, during 2019 the JFSC went through a process of taking stock and planning for the future. A clear message that came out of our planning exercises was that Jersey's financial services industry holds an enviable position economically and reputationally. While we know that the picture for the remainder of 2020 presents significant challenges, the stability and growth that Jersey's financial services industry has experienced means we enter the next stage from a position of strength.

Opportunities exist to invest in the right infrastructure and be smart in these times that are not so prosperous. As with all jurisdictions, in the coming months and years, Jersey will be put to the test. A key part of passing that test will be ensuring that Jersey continues to lead the way in complying with international standards, expectations and the global transparency agenda.

Jersey's strong infrastructure continues to evolve and contribute to the attractiveness of the jurisdiction as one of the world's leading international finance centres. Coordinated efforts between the Island's agencies and businesses, continue to develop a safe, stable and well-regulated environment for the international business and investment communities. This includes our work:

- supporting digital transformation across the finance sector particularly for regtech and fintech
- ensuring our workforce acquires the knowledge, skills and resilience needed in 2020 and beyond
- developing the effectiveness of our supervision of regulated businesses
- embedding risk based choices throughout all of our decision making
- aligning our activities with new and developing international standards including in respect of beneficial ownership and sustainability disclosure

One example from 2019 that demonstrates the JFSC's commitment to improvement, is the relaunch of our website. Our new website was the most improved website in the UK Consumer Finance INDEX moving up 157 places in Q1 2020 to fourth position. It really is worth taking a look at: www.jerseyfsc.org.

## MARTIN MOLONEY

*Martin Moloney, Director General, Jersey Financial Services Commission (JFSC).*

*Prior to joining the JFSC, Martin worked for 16 years at the Central Bank of Ireland (CBI) where he held a range of senior positions.*

*He has been Chair of ESMA's Investment Management Standing Committee and of the European Systemic Risk Board's Expert Group on Investment Funds. He has represented Ireland on the EU Committee of Securities Regulators and has represented Europe on the Board of IOSCO. He was recently a member of the Moneyval Strategy Review Group.*

*Martin has an LLM in Business Law and a Masters qualification in Economic Policy, both from Trinity College Dublin. He has Postgraduate Diplomas in Arbitration and Regulatory Management and has completed professional examinations of the Chartered Institute of Bankers and the Chartered Institute of Arbitrators.*

# Compliance challenges and developments during COVID-19

**by Luciano Brambilla**

Jersey, as a well-established International Finance Centre (IFC), has long been at the forefront of regulatory change and maintaining its 'gold standard' in this regard. Although Jersey is well established, it has kept up with technological advances to ensure threats are tackled and its financial stability maintained. This continuous drive to self-improve has been crucial in ensuring compliance officers and money laundering reporting officers have met the regulatory requirements during the COVID-19 lockdown and thereafter when exiting the lockdown.

## COVID-19 THREAT RESPONSE

Despite Jersey not having been subject to any hurricanes, major earthquakes or major disasters and having a stable environment, the Jersey Regulator – the Jersey financial Services Commission (JFSC) – has long been an advocate of ensuring that firms are able to manage such threats by ensuring they test their business continuity procedures and disaster recovery procedures annually (testing at appropriate intervals is required in the various Codes of Practice) and that the compliance function reviews these as having been carried out successfully. Whilst there are fully equipped disaster recovery sites in the Island, many workers had already worked from home, with some firms offering this flexibility and even those who had not, had this ability tested to ensure it worked.


By Photon photo / Copyright Shutterstock

Even though there was no time to transition slowly to 'working from home arrangements' most workers and compliance functions were easily able to access and safely interrogate their work systems and via the paperless office concept monitor existing and new clients and transactions. Firms ensured workers kept their home working spaces secure and were strict on no printing or paper being taken from the office.

COVID-19 also created new risks to be added to Business Risk Assessments and made insurance renewals more difficult as some insurers did not afford businesses the same level of cover as they had previously.

Thanks to firms complying with the Handbook for the Prevention and Detection of Money Laundering and the Financing of Terrorism for Regulated Financial Services Businesses (AML/CFT Handbook) and the Codes of Practice, they were able to continue business as usual in that key risks identified in their Business Risk Assessments and fed through to their procedures and compliance monitoring plans were monitored and the results, actions arising and reports, transmitted to the Boards by email and online meetings through channels such as Microsoft Team Meetings and Zoom.

### JFSC RESPONSE TO COVID-19

The JFSC was proactive and suspended or delayed immediate examinations, extended deadlines for annual returns and provided webinars on 'working through the pandemic', 'virtual examinations' and 'COVID-19 implications for customer due diligence' which covered the difficulties in not being able to meet customers face-to-face or obtain wet ink certified documents, plus the use of appropriate technologies for identification and how flexibilities within the anti-money laundering regime could assist firms and how they use electronic identification. They also provided helpful webinars on 'outsourcing' and 'reliance'.

The JFSC provided information for businesses covering business continuity planning, the relaxation of lockdown requirements, AML/CFT Requirements – customer identification, board resilience and span of control, the Compliance Monitoring Programme and Professional indemnity insurance and encouraged open communication.

The JFSC expected all regulated businesses to continue to meet regulatory requirements during lockdown and adopted 'virtual examinations' without face-to-face interviews and increased the amount of time for businesses to provide requested information and for internal reviews and fieldwork, together with longer reporting and response timeframes.

### E-SIGNATURES

During the crisis electronic signatures proved useful and the Jersey authorities had already embarked on an e-signatures project of which 'phase 2' was due to start in 2020, ensuring Jersey was fully able to conduct business and close deals remotely. It is intended that the Electronic Communications (Jersey) Law 2000 will be amended by the end of January 2021. This will assist compliance by facilitating remote witnessing of signatures, authority to attach signature electronically on behalf of another, statement of positive use of electronic signatures for all documents, electronic notarisation, electronic company documents and seals, authority to attach a signature electronically and rules on attaching electronic signatures.

### COMPANIES REGISTRY LEGISLATION

Jersey is modernising its laws in relation to companies to meet the digital age and Financial Action Task Force (FATF) requirements, which sets standards for combatting money laundering, terrorist financing and other threats to the international financial system. As such the Financial Services (Disclosure and Provision of information) (Jersey) Law was adopted in July 2020 and secondary legislation in the form of an Order and Regulations are due to come into force circa 1st December 2020.

The Order will ensure compliance with the requirements of FATF Recommendation 24 and details information to be provided to the JFSC about beneficial owners of entities and significant persons (directors and officers) of entities, additional information from companies and exemptions regarding entities in bankruptcy.

The Regulations seek to provide what information about a significant person will appear on a public register of significant persons, set out the application process to prevent information about a significant person being available for public inspection, set out an appeals process and additional confirmation fees and will include transitional provisions and consequential amendments which will include a prohibition on bearer shares. Under an agreement with Jersey's Government and those of the Isle of Man and Guernsey on a proposed approach in 2019, it was agreed that information about beneficial owners will not be made public at this stage.

### REGULATORY SUPERVISION

The new Financial Crime Unit (FCEU) of the JFSC published their key findings on their financial crime examinations which were conducted in quarter four of the previous year. This covered board responsibilities, the business risk assessment and strategy, ongoing monitoring, transaction monitoring and automated systems, policies and procedures for reporting, the MLRO and screening, awareness and training of employees. Examples of best practice were given. Whilst there were findings, the FCEU noted high levels of awareness of financial crime risk and consequences of non-compliance with policies and procedures amongst the employees examined. Compliance officers continue to engage senior management in ensuring full compliance.

The JFSC also published its findings in relation to its themed examination on 'reliance on obliged persons' for Customer Due Diligence (CDD) and as a result of some findings, the application of Article 16 of the Money Laundering (Jersey) Order 2008 and section 5 of the AML/CFT Handbook will continue to be reviewed in examinations conducted by FCEU and Pooled Supervision Team examinations.

The JFSC has committed to support the industry by the development of a shared 'know your customer' (KYC) utility which will be a shared tool for verifying customer identities. This would in theory reduce take on costs and provide greater quality assurance on take on.

For the banking sector the JFSC also intends to implement the Basel III framework in full by 2023 having received back consultation from the industry.

### MIGRATION OF FOREIGN LIMITED PARTNERSHIP

Jersey has made possible the migration of foreign limited partnerships into Jersey via application and submission of a declaration from the general partner, if they are formed in a jurisdiction which does not prohibit this, they do not have legal personality and are solvent. Once approved by the JFSC they can continue as a Jersey Limited Partnership (LP) registered under the Limited Partnerships (Jersey) law 1994. This ensures the smooth continuation of the LP and it meeting regulatory requirements under Jersey law.

### SUSTAINABLE INVESTMENTS

There are also amendments to the Codes of Practice coming in on sustainable investments which covers any fund with environmental, sustainable or social investments (ES) and firms providing investment business related to ES funds. The funds and firms must have policies and procedures that disclose, verify and document the credentials of the ES investments, with funds requiring an appropriate corporate governance and structure to support them. This is to avoid 'greenwashing' where investments are mislabelled as ES investments. This means Jersey will be on par with international environmental, sustainable and governance (ESG) regulations, such as those introduced in the EU from ESMA and meet the wide-ranging EU reforms being introduced in 2021. The requirements will include the fund producing public statements, verifying and documenting the ESG credentials of the investment in the due diligence process, by way of a recognised taxonomy, continuous (annual) review and monitoring of the investment management process. Whilst creating more work for compliance officers, it will give investors added comfort in relation to sustainable investments and their authenticity.

### THE NATIONAL RISK ASSESSMENT AND RISK BASED SUPERVISION

The Jersey Financial Crime Strategy Group (JFCSG) have conducted a National Risk Assessment of Money Laundering and Terrorist Financing (NRA), a requirement of FATF, using the World Bank NRA Methodology. The review covers the national threat, national vulnerability and sectoral modules which include all financial services businesses. So far this has covered mainly money laundering but will focus on terrorist financing in 2021. The first NRA published September 2020 (covering 2013 – 2018) shows healthy compliance and an understanding of AML regulations and requirements by the financial services industry in Jersey, albeit with some areas for improvement for which an action plan has been put in place. Financial services were identified as being the sector most exposed to money laundering risk which is no surprise as Jersey is an International Financial Centre. It can be noted that the JFSC also collate this information as part their risk-based supervision enabling them to assess firms' risk levels and identify areas of focus for visits.

### ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM (AML/CFT)

Jersey has proposed amendments to the AML/CFT Handbooks to implement the requirements of the 2012 FATF Recommendations. These include, in relation to Business Risk Assessments to make a copy available on request to the JFSC, for CDD guidance on required documents in a variety of cases and being more specific for legal arrangements and entities, for Reliance, shortening the period to produce evidence of original documents from five to two working days and to review the country risk of the Obliged Person and for equivalent countries and territories the JFSC no longer providing a list but guidance instead and merging the four AML/CFT Handbooks which presently cover different sectors. This extra compliance work will give clients and other jurisdictions added confidence that Jersey is meeting all of its obligations and more.

In terms of progress on the 5th EU Money Laundering Directive (5MLD), as previously mentioned the companies registry is committed to a public register of beneficial ownership by 2023 and feedback from Jersey has been provided to the UK Government (who issued their summary of responses in July 2020) in January 2020, which also covered trusts to ensure no discrimination regarding their treatment where the regulation is similar to the UK and where the trust company provider is subject to regulation in a compliant jurisdiction. Whilst ensuring law enforcement agencies and relevant competent authorities have full access, there are concerns from a criminal, security and privacy data protection point of view, of allowing access to those without legitimate interests and also of cutting across long standing case law.

From the Island's point of view AML/CFT continues to be a major focus ahead of the MONEYVAL visit to Jersey, which has been postponed to 2023.

### THE JERSEY COMPLIANCE OFFICERS ASSOCIATION (JCOA)

The JCOA has continued to deliver up to date and relevant seminars to its members during lockdown via webinars from various guest speakers. This has proved successful and maintained a satisfactory level of Continuing Professional Development for its 500 plus members.

The challenges brought about by COVID-19 on Jersey's finance industry and its compliance professionals, have meant they have had to adapt, develop and continue to meet the regulatory requirements in Jersey which are continuously evolving to comply with international standards, as they unravel.


LUCIANO BRAMBILLA

*Luciano Brambilla FCIS, MCSI, GdL, Chair, Jersey Compliance Officers Association (JCOA).*

*He has worked at the Jersey Financial Services Commission (JFSC), held director, senior management and registered compliance roles at a variety of local and international financial services businesses and was a director of a compliance consultancy firm. Luciano is currently a Director and Compliance Consultant for Accurate Regulatory.*

By Tex vector / Copyright Shutterstock

# A solid foundation for global connections

by Allan Wood

Jersey, as a world-class International Finance Centre (IFC), has not achieved its positive reputation and achievements through standing on its own. Our finance industry and Island representatives know that by working in partnership with each other and growing our network globally, we are much stronger and can offer the best possible service to investors, tailoring a bespoke and professional service to their needs – wherever they are in the world.

Jersey Finance, as an Island representative body which promotes the finance industry in Jersey, is working with the Government of Jersey, the Jersey Financial Services Commission (JFSC), Digital Jersey, Locate Jersey and Jersey Finance Member firms to deliver a combined strategy to ensure that Jersey has a financial services eco-system that is well placed for a long and prosperous future as one of the world's leading IFCs.

## A GLOBAL IMPACT

Jersey Finance's global business development team has focused on deepening relationships in key target markets in the Middle East, Greater China, Africa, India, US, UK and Europe. Working with these markets has had many clear benefits, as investors look for access to Western and emerging markets through well established and robustly regulated jurisdictions like Jersey, with our well known attributes, such as jurisdictional and tax neutrality, country risk mitigation, expertise and quality of service. Furthermore, this ecosystem has seen the development of a stream of new products to ensure our offering is relevant and attractive to our international target markets.

Jersey's finance industry acts as a very significant cog in the global economy, helping manage and administer more than £1.3 trillion of global assets. As a forward-thinking IFC, Jersey Finance has developed strategic and effective decisions over the last decade, culminating with the opening of our New York office last year.

With offices in Hong Kong, the Dubai International Finance Centre (DIFC) and London, plus fly-in models to Africa, India and China, Jersey's global representation in the world's leading finance centres is truly unique amongst our competitors.

In fact, 50% of business attracted to Jersey now comes from outside Europe, reflecting Jersey's evolution as a centre for facilitating global financial flows. This is particularly positive for the UK, with Jersey now helping to facilitate some £0.5 trillion of good quality foreign investment into the UK each year. In total, this adds £14 billion to the UK economy and supports in the region of 250,000 jobs.

Jersey is also playing a key role in putting UK investor capital to work overseas. Our strong relationships within Europe, for instance, enable the Island's industry to facilitate around €200 billion of high-quality inward investment into the EU each year.

Our recent industry figures show resilience and an innate ability to adapt to global trends and investment needs. The net asset value of regulated funds was £361.7 billion during Q2 2020 and the value of total funds under investment management stood at £27 billion at the end of Q2 2020.

As a jurisdiction, we are playing our part in helping the world economy move forward, with Jersey attracting Foreign Direct Investment (FDI) totalling around US$66 billion each year from sources including the UK, Ireland, India, France and South Africa, as well as distributing outbound FDI of around US$76 billion to both developed and emerging markets around the world.

## CEMENTING INTERNATIONAL RELATIONSHIPS

A vital connection for us recently has been the US. We made a concrete commitment to this relationship by setting up a Jersey Finance office in New York in October 2019, enhancing Jersey's visibility in the US and promoting our proposition as a gateway to Europe for US alternative fund managers. Jersey

NYSE, Wall Street, March 2020.
By Cory Seamer / Copyright Shutterstock

offers a compelling proposition for US managers who are seeking a stable, reliable platform to support their European strategies. We already have good familiarity among the US funds community, with the value of US promoter assets administered in Jersey more than doubling over the past five years or so. However, with pandemic-induced disruption in the US in 2020 (whose economy shrank by 32.9% year-on-year), this gives Jersey an even stronger opportunity to prove itself as a resilient, stable jurisdiction for managers. Our route to market is well-established, our substance rules are solid and we are consistently compliant with international standards of transparency and cooperation.

The US office is only the latest in a suite of Jersey Finance offices being established in key centres around the world. In addition to our longstanding London presence, in 2018 Jersey Finance formally opened its office in Dubai and became the first IFC to open an office in the DIFC – a hugely significant move for Jersey in a market where we have a long and solid history.

Africa is another key global partner for us, a region with great industry potential and which we have the expertise to nurture. Jersey's relationship with this region is helping it to diversify the range of services it can provide both to African investors and investors looking to invest into Africa too. The Government of Jersey is helping deliver support and sustainable growth to African countries by providing access to capital markets, investor protections and through capacity building in areas of expertise such as tackling financial crime. For more than two decades, Jersey has earned a reputation among African investors as a jurisdiction of choice for private wealth management, working extensively with high net worth families to internationalise their wealth and support cross-border investment, wealth structuring and succession planning.

Jersey is seeing an uptick in demand for supporting outbound investment into new markets and sectors such as philanthropy, impact investing and alternative assets. In addition, Jersey's fund structuring and market access capabilities are enabling fund managers in Africa to attract investment from European institutional investors, whilst we are also seeing a growing number of Jersey firms working with African businesses to provide robust access to pools of capital in key investor markets, such as London. As a future-focused jurisdiction, Jersey has already negotiated a range of international agreements with partners in sub-Saharan Africa, including Double Taxation Agreements (DTAs), Asset Recovery Agreements and Memoranda of Understanding (MoUs) on cooperation and knowledge sharing.

## STABILITY IN UNCERTAIN TIMES

This year, Jersey's presence in these regions has become more important than ever. Recognising the challenges and rapidly evolving COVID-19 situation, particularly in the Gulf Region and Asia, Jersey has been proactive in taking steps to support clients and partners in these regions. The industry has come together quickly with the Government and JFSC, to ensure that business can continue despite the challenges posed by the current environment. Measures taken by Jersey have helped ensure that, as far as possible, it is business as usual for advisers in Jersey with clients overseas.

Jersey Finance's business development team has been working hard to ensure we are keeping conversations open, meeting the continuing demand for client opportunities promoting Jersey's consistently high-quality service and stability.

A global perspective is essential in today's increasingly international financial services landscape – it is no good thinking small, we must all think global and work together to succeed and ensure future prosperity for both local and global economies. Particularly through these unprecedented circumstances, Jersey will continue to help channel capital to where it is needed most and we look forward to many more years of forging long-lasting, robust relationships with our key global partners.

### ALLAN WOOD

*Allan Wood, Global Head of Business Development, Jersey Finance.*

*As Global Head of Business Development, Allan is responsible for overseeing the promotion of Jersey as a leading international finance centre across key strategic overseas markets including Africa, the Gulf region, Asia, the US and the UK.*

*Allan joined Jersey Finance as Business Development Director following five years with Barclays International in Jersey. Born in Liverpool, he has more than 25 years' financial service experience in Jersey and the UK.*

*Prior to Jersey Finance, Allan was Vice President and leader of the Jersey International business within Barclays Wealth & Investment Management division. Allan also spent 20 years with Royal Bank of Scotland and has extensive experience managing business units, teams and clients within the international arena. Professionally, he is a member of the Chartered Institute for Securities & Investment (CISI).*


Safe and secure
Keeping your data protected
Alongside our market-leading technology partners, we provide protection from attack and continually manage ongoing risk in a fully-compliant offshore environment.
Trust Sure to protect and deliver for your business.
Connectivity
Voice & Mobile
Managed Services
DC & Cloud
Security
Protect
business.sure.com
sure. business

By Blue Planet Studio / Copyright Shutterstock

# Jersey for fintech

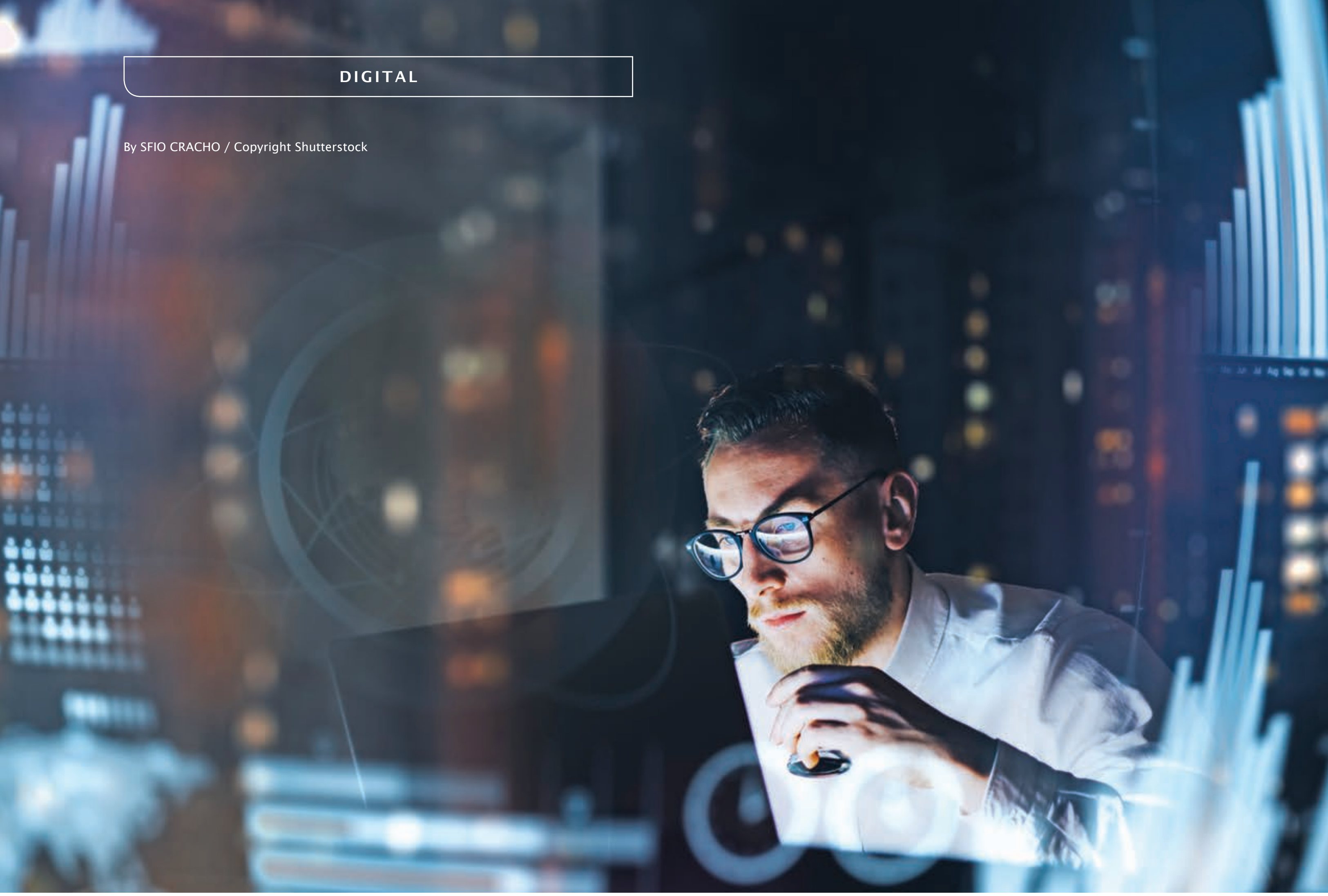
**by Jason Laity**

The financial services industry in Jersey is incredibly successful, by any measure. It delivers a wide range of specialist services to a huge range of global clients, provides careers to a large number of people – many of whom come to Jersey from all over the world specifically to get experience of working in a fast paced, dynamic industry and has close connections to the City of London, without the practical downsides of living there.

Jersey is a recognised leader in some areas of financial services and a hugely important part of the infrastructure that moves capital around the world.

I am occasionally asked about my vision for fintech in Jersey, which is to be much the same as the financial services industry. I would like to see Jersey take its rightful place alongside similar jurisdictions as a place that provides innovative and sustainable fintech services and products to businesses all over the world – using a combination of local and off Island talent, whilst creating a dependable pipeline of technology talent in the process.

The good news is we have a roadmap to achieve just that and we are focused on the journey described by that map, along with some interesting and unplanned detours along the way. The not very good news is that making fintech a success in Jersey will be challenging and require a lot of hard work.



By SFIO CRACHO / Copyright Shutterstock

Jersey is of course not alone in that ambition but this should not mean it is overlooked. It means we simply have to work harder to differentiate ourselves wherever we can. Very few jurisdictions will be able to describe a closer or more collaborative relationship than we have between the various organisations responsible for making fintech a success in Jersey and even fewer will be able to boast our incredible internet speeds.

Being a small island makes it easier to get around using your electric bike and experience less range anxiety in your electric car. More seriously, this means that it is very easy to facilitate discussions between the financial services and digital industries, together with government, regulator and other agencies as appropriate. However, Jersey's size has not held it back in financial services and it should not hold it back in fintech – there is every opportunity to plug into existing global networks and ecosystems and learn from and collaborate with the world beyond these shores.

Of course 'digital transformation' is one of those buzzword phrases we hear a lot these days but the interesting thing about the financial services sector, is that it has transformed itself many times over the years. As rules and regulations change around the world, the financial services sector has consistently innovated and adapted and has never buried its head in the sand.

In fact Jersey was an early fintech innovator with the birth of global e-commerce with Worldpay in 1994. There is therefore every reason to believe that financial services businesses will, with the right help and in the right conditions, take full advantage of the opportunities afforded by digital transformation. In many cases this of course starts with a cold hard look at existing (non-digital) policies, procedures and processes rather than expect technology to solve all of those problems too. In a competitive environment such as Jersey, businesses are already adopting this approach, to maintaining and improving profitability and providing regulatory robustness, resulting in the best customer experience.

Jersey should be very proud of its fast and reliable network and connectivity and now is the time to really exploit and unleash its potential, before other jurisdictions catch up. Remote working, collaboration across sites and testing of new technology are all things this wonderful and virtually unique infrastructure allows. I am currently home working on a 1GB fibre connection. How many other places in the world can say that?

Having great infrastructure only gets us so far though – we also need the people who know how to work it. Jersey's challenge to get the best digital skills are no different to other jurisdictions but we have the additional pressure of being a small island. However, we are tackling this head on, together with reskilling of talent currently engaged in other areas, by the establishment of the Digital Jersey Academy. This dynamic space – right alongside the Digital Jersey Hub, our collaborative working space and Digital Jersey's own offices – provides impressive lecturing, video and podcasting facilities. In a short space of time the Academy is already hosting a huge range of exciting learning activities, many led by industry themselves.

My personal view is that the industry is only beginning to explore the opportunities afforded by artificial intelligence – and by that I mean everything from Robotic Process Automation (RPA) upwards. Conversations are slowly evolving into projects but the pace needs to quicken. Similarly organisations are at different stages in organising their data to make best use of it. The trusts and companies at the heart of a large part of Jersey's financial services industry are of course entities created by governing documents – such as trust deeds, articles and memorandum of association. How long before machine learning is able to 'read' those documents and operate the entities in accordance with the instructions therein. What will that mean for efficiency, risk management and fiscal rules? These are all questions that will need to be answered sooner rather than later. In addition, whilst Jersey has innovated in the past, given the pace of change in this area, it no doubt needs to accelerate to at least keep up in the future and go even faster to join the leading pack.

Other than artificial intelligence, there is obviously a massive range of other new technologies which could transform our existing financial services industry and in some cases create new services. Jersey has expertise in many such areas including cryptocurrencies, blockchain, data, cloud and information security. In many cases the regulatory position of these services will be unclear or require clarification as it develops. Jersey's financial services regulator – the Jersey Financial Services Commission (JFSC) – is fully committed to innovation generally and fintech in particular, whilst of course doing everything it needs to do to protect and enhance Jersey's excellent reputation. The JFSC was one of the first regulators globally to issue guidance around virtual currencies which has driven quality over quantity businesses to the Island. They work closely with Digital Jersey (in fact a member of their team is regularly stationed at Digital Jersey's collaborative working space dealing with member queries one to one) and we operate a virtual 'sandbox' environment with them, whereby businesses can discuss with us and them, the regulatory aspects of their proposals.

Jersey's tax system and lack of capital gains tax can be an attractive proposition for the right type of business. There are a growing number of startups in the fintech area, serving clients on and off Island – both in and outside of financial services – and they enjoy no corporate tax and low personal taxes in Jersey. Many of those startups have turned into scale ups and Digital Jersey have helped many of those with general support, office space, help with business licensing and many other issues. A number of those startups have been able to take advantage of the close proximity of an international financial services industry and are closely aligned to the industry's needs.

The thread running through all of these initiatives is collaboration and it is worth mentioning how strong the collaboration is between all of the government departments and arm's length organisations with an interest in this area. Indeed Jersey Finance, Locate Jersey, Digital Jersey are now collaborating under a new common branding 'Jersey for Fintech'. Together with the Island's financial services regulator (the JFSC), the Jersey Information Commissioner (Jersey law incorporates all the applicable elements of GDPR to ensure that Jersey has a level of protection equivalent to that of the European Union) and government themselves, are all easily accessible and working closely together.

If we really are going to exploit the technology in financial services in Jersey, it is essential that we focus on the opportunities and not just the challenges. There are plenty of both.


JASON LAITY

*Jason Laity, Head of Fintech, Digital Jersey.*

*Jason has spent his business career in Jersey. He was Senior Partner and Chairman of KPMG in the Channel Islands until 30 September 2019. He is a Chartered Accountant, a Chartered Tax Adviser and an Accounting Technician. He has extensive experience of the financial services industry in Jersey, significant leadership and board level experience, and has participated in or led a wide variety of engagements in his career.*

*Jason has been Chairman of the local branch of the Institute of Directors and a Governor of Victoria College. He has had a keen interest in technology before it was acceptable to talk about it and is particularly excited by the prospect of collaboration between financial services and technology businesses improving efficiency, reducing risk and enhancing the user experience for businesses and customers alike.*

# Cyber security, cloud and financial services

**by Malcolm Mason**

At the start of COVID-19, cyber attacks on financial services organisations were growing at 238% and at the same time, around 41% of people said they would avoid businesses that had been victims of a malicious security breach.

The stats are alarming and of course, most organisations now take cyber security very seriously indeed. As digital and cloud services become ever more ingrained in our daily lives, what are the underlying technology challenges facing financial services organisations?

To date the financial sector has been reluctant to move away from on-premise, in-house technology platforms and systems to run their computing, data storage and cyber security protection. This is changing as market forces and advanced threats from cyberspace outstrip the commercial

By Blackboard / Copyright Shutterstock

viability and security protection of in-house data centre operations.

Cybercriminals continue to find new ways to breach defences. Seventy-five percent of attacks now start through an email and once an account has been compromised, hackers tend not to launch an immediate attack. They bide their time, monitoring emails and company activity to maximise the impact of their breach. Channel Island businesses have seen such attacks, with simulated and malicious messages, ostensibly from colleagues, being circulated internally with dangerous consequences.

Protecting valuable and sensitive data from a security breach is an arms race between cybercriminals and technology solutions providers. It is mission critical to protect sensitive data and eliminate downtime in the event of an incident. The consequences of a malicious cyber attack can threaten the very survival of a business.

The evolution of cloud services over recent years has seen a growing acceptance by the financial sector. The difficulties running and maintaining legacy systems, along with a demand for simpler and more agile customer services, now makes the ‘do it yourself in-house’ model both uneconomic and ill-advised.

Globally, there is a technology skills shortage in cyber security and because of this, highly secure enterprise and private cloud services that meet very stringent operational requirements are increasing in popularity.

Fears of control loss and the sharing of ‘compute’ hardware with other organisations have gone away. Foundation platforms and business systems can now run on dedicated and isolated equipment in highly secure, on island based data centres. This enables information technology (IT) departments to remotely access and securely manage applications and data on island cloud services, often in combination with managed infrastructure in the same data centres.

There is a commercial logic to managing core IT in this way. The physical hardware and networking on which cloud services run is the very latest and best available. No capital expenditure is required and businesses pay only for the services they consume. Legal and regulatory requirements are another factor, with top-tier cloud infrastructures exceeding requirements and enabling organisations to prove operational compliance.

The very latest global cyber security protection is deployed and tailored security services can layered to meet business needs using Gartner recognised, leading industry partners. Customers no longer need concern themselves about the threats from cyberspace and the lack of local expertise to protect against this.

Cloud based disaster recovery services continuously capture and track data changes and should an incident occur, automated recovery and back-up takes over, ensuring no loss of service, whilst a rewind and restore of core systems – back to any point in time before the failure – takes place.

Leading cloud services come with 24/7 back-up and support, negating the need for ‘in-house’ round the clock management and monitoring of services. IT leaders can sleep soundly in their beds knowing they have done all they can to protect their systems, intellectual property and operational performance.

Scalability is another headache that has been removed. Such datacentres have ‘bucket-loads’ of resource and capacity, enabling businesses to scale up quickly when launching new services and managing peaks in demand.

Business stability and credibility underpin financial services, and companies have been rightly nervous of making a move to cloud services too early.

It seems that enterprise and private cloud evolution has reached the point of acceptance, just as a perfect storm of malicious cyber threats, the demand for always on-services and a lack of cyber tech human resources, hits us.

The cloud’s coming of age is occurring at the very time when many legacy IT systems are about to utter their last breath. Mission critical, highly secure services are ready and waiting to pick up financial services’ workloads.


**MALCOLM MASON**

*Malcolm Mason, Professional Services Consultant for Cloud and Data, Sure Business.*

*Malcolm is responsible for the Sure Data Centre, offshore cloud services and managed services. Having organised disparate global teams in the development of digital products and services, he is focused on developing next generation data services to deliver data digitisation, data visualisation and data intelligence services using statistical and deep learning models, whilst also exploring the potential benefits offered by advanced data science activities. Malcolm has a Master of Science in Information Technology (MScIT) from the University of Liverpool.*

# Jersey Finance Virtual Roundtable 2020

**Participants:**

**CHAIRMAN: ALEX WRIGHT,** Business Journalist and former News Editor of *Insurance Times*

**JOE MOYNIHAN:** Chief Executive of Jersey Finance

**MARTIN MOLONEY:** Director General of the Jersey Financial Services Commission (JFSC)

**RICHARD CORRIGAN:** Chief Executive, Financial Services and Digital Economy, Government of Jersey

**JASON LAITY:**
Head of Fintech, Digital Jersey

**LORRAINE WHEELER:** President, Jersey Association of Trust Companies (JATCo)

**FARAH BALLANDS:**
CEO, Ocorian

**SUE FOX:** CEO, Channel Islands and Isle of Man, HSBC

**ALEX WRIGHT:** ***With 2020 being dominated by the COVID-19 crisis, I would like to ask you how Jersey has responded and what it has meant for Jersey economically, within the context of the global environment it now faces and perhaps consider ways in which the Island and its finance industry may meet further challenges brought about by this crisis?***

**JOE MOYNIHAN:** Most businesses, as we approached shutdown, were very concerned about how we were going to manage to continue to service our global client base and with essentially most of our teams working from home. The message I get from CEOs is that industry has coped extremely well, much better than any of us would have anticipated or expected. That highlights the quality of our businesses and the quality of our staff. We've been helped by the government's decision, all those years ago, to support investment in the telecommunications infrastructure. Because of the good working relationship between the industry, the government and the regulator, we were able to get decisions quickly, without compromising on any of our regulatory standards or the quality that we hold so dear as a jurisdiction. International business has handled the crisis really well. The messages I get from across the sectors, funds, corporate and indeed private clients, suggest that people are very busy. Our industry certainly appreciated the fact that the Registry was still open for business. We were still effectively serving our customers.

**RICHARD CORRIGAN:** The proactive response from the financial and professional services sector in the Island greatly assisted in the early days of the COVID-19 pandemic hitting the Island, bringing together a loan guarantee scheme, something never done before on the Island. That's work that normally takes months in normal circumstances and was put together just in a matter of a few weeks. It is testament to all those involved in bringing those groups together and particularly to the banking sector. The responsibility that banks took in terms of forbearance measures with their customer base helped immensely in the small to medium business sector, where they would otherwise have had loan repayments that were due but potentially unaffordable. With their businesses being forced into closure due to necessary restrictive measures to prevent the spread of COVID-19, it has helped those businesses to survive and to trade through a difficult period in their histories.

**JASON LAITY:** All those months ago when this crisis started, if we were to look forward and look at the position we're in now, from a business perspective, we would probably have deemed this to be a success, notwithstanding the unfolding crisis in between. We have had the ultimate business recovery plan test and, on the whole, the Island fared well. We have certainly seen interest from businesses, both during lockdown and after, in asking us how the Island coped with remote working, whether or not the infrastructure stood up. We can say, hand on heart, yes, it worked. It is tested. Overall, and purely from a business perspective, we would judge the outcome to be relatively positive, from where the fears we had all those months ago.

**ALEX WRIGHT:** ***Changing tack slightly, is it possible at this time to evaluate the implications of the UK leaving the EU for Jersey and what actions have been taken to ameliorate any potential impact?***

**RICHARD CORRIGAN:** Jersey is in a good state of readiness despite what are still a series of unknowns in the UK itself and, of course, in EU member states and their capitals. We have worked to ensure resilience in our own supply chains and for the continuity of equivalence regimes, particularly with the changed UK status as a third country rather than as an EU member state. Where we've had EU equivalence on certain matters, with the UK no longer being an EU member state, we've had to move to a different basis of relationship with the UK on issues like GDPR, for example. Our parliament, the States Assembly, has been adept at passing the necessary legislation to ensure that continuity. We have invested considerable time with ministerial and government official counterparts across portfolios in the UK Government. The backdrop of Brexit has given an even better opportunity to promote awareness and a deeper understanding of what Jersey does vis-a-vis the UK and also on the global stage. We have continued our longstanding engagement efforts in Brussels. We've also significantly stepped up direct engagement by Government of Jersey ministers and officials in capital cities of EU member states. Looking to the longer term, we have contributed to free trade agreement discussions that the UK is participating in at the moment with a range of other countries and ensuring that Jersey's interests are suitably represented at the table.

**JOE MOYNIHAN:** The key point from a financial services perspective is that Jersey has never been part of the EU, and Protocol 3, which covers Jersey's relationship with the EU for non-financial services, doesn't affect financial services. Our relationship with the EU, for financial services, has always been that of a 'third country'. In recent years, we have achieved equivalence status from ESMA, which has allowed us to sign bilateral agreements with a number of EU countries, certainly with the EU countries that we wish to do business with. From our perspective, that won't change post-Brexit. Those bilateral arrangements will stay in place and we can confidently advise potential fund managers that we have certainty of outcome in terms of using Jersey as a domicile.

**ALEX WRIGHT:** ***Let's turn our attention now to some of the other key banking and finance, tax, regulatory and legislative challenges you have faced in the last year: what are they and how have you tackled them?***

**SUE FOX:** Regulation itself isn't something that we see as a challenge. The real challenge in the last 12 months has been keeping up with and adapting to change. Whether that be customer behaviours, developments in technology, fraud threats and, obviously most notably, the global pandemic which in itself was a huge challenge but also accelerated some of those other factors as well. The challenge in the last 12 months was adapting to that change. HSBC is a large employer on the

By Adelaides / Copyright Shutterstock

Island; close to a thousand people. We are highly regulated across many lines of business so we had to completely change our ways of working and get people operating in a very different environment while maintaining those regulatory standards. Also, mitigating any risk that came of that, at the same time as managing the surge in demand from customers because of the financial difficulties that they were facing too. The biggest challenge really was just how do we operate in that new environment? We've shown that we can innovate and be agile. A lot of good came from close working relationships with the JFSC, everyone was very pragmatic about the responses. That's something that we need to hold onto for the future because customer behaviour has definitely changed. So we see that through a very positive lens and we innovate and evolve as necessary.

**MARTIN MOLONEY:** Over the last couple of years, the focus has shifted, both here and internationally, very much to the supervisory relationship rather than to legislative and regulatory innovation. Innovation has been a particular focus for us but you can't get away from Brexit and COVID-19, I'm afraid. What we were interested in doing when the crisis hit was dialling up the level of conversation between us as the regulator and regulated businesses, so that we understood clearly where they were coming from and what their prospects were. We spent a significant amount of time, particularly in the second quarter, in that kind of detailed engagement with many regulated businesses across the Island. We try not to go from a fixed playbook of approaches but to adapt our approach to individual entities and the circumstances they have. We greatly valued that detailed dialogue that we had with entities. While initially there was great fear that COVID-19 was going to significantly affect the financial position of many businesses on the Island, actually as we worked through it business by business and sector by sector and we came to see that actually the position was quite robust. When you look at Brexit, we did a lot of the preparatory work in 2018, 2019 and earlier this year, so as to get ourselves technically ready for whatever the key date happened to be, that Jersey has its legislation in place ready to be triggered at the end of the year and we will engage bilaterally again with regulated businesses to understand how they're dealing with the uncertainty of the next phase.

**RICHARD CORRIGAN:** On the domestic front, we're coming to the back end of a multi-year project around the Registry, in Martin's area at the JFSC and the accompanying legislation that goes alongside that. That will radically modernise the regime that goes around beneficial ownership and a number of the products that are adopted by the Registry's users. We've also published our first national risk assessment of anti-money laundering and that's an important step in bringing together industry views, as well as those of government, the regulator and law enforcement agencies, around the effectiveness of the anti-money laundering regime that we have here in the Island. That will inform a forward-looking multi-year programme of work as well. Then finally, I'll just say that we've been working with a broad range of colleagues on the OECD GloBE Initiative, which is often known as Pillar 1 and Pillar 2. It's about dealing with base erosion issues in the global tax environment. That's consistent with their policy of helping national governments to assess and collect tax liability where it is due. It complements the Island's continued standing as a compliant jurisdiction under both the European Code of Conduct Group on business taxation and also our compliance under the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. The work over the last 12 months and looking forwards will all be about maintaining that adherence to high international standards because we recognise those that trust their business to Jersey are looking for a well-regulated international and cooperative jurisdiction.

**ALEX WRIGHT:** ***How is Jersey ensuring that it remains fully transparent and compliant with the latest international laws and regulations, including progress in the automatic exchange of tax information between jurisdictions under the OECD's Common Reporting Standard and the Island's forthcoming introduction of a fully digital central register of beneficial owners, controllers and significant persons, in response to the 2016 MONEYVAL report findings and Jersey's compliance with the Financial Action Task Force's recommendations?***

**RICHARD CORRIGAN:** Our longstanding approach and early engagement in the adoption of international standards has served Jersey well for decades. I'm pleased to continue that approach today with a range of first-rate colleagues across tax, regulation, policy, legislative and law enforcement areas. We've consistently found that high-quality clients, whether it's for corporate, institutional or private wealth, value those attributes in the jurisdiction. Our consistent adoption of those high global standards has helped secure Jersey's evolution as a jurisdiction in which more of these clients wish to entrust their business and where we ourselves can benefit from a continued flight to quality.

I recently published a National Risk Assessment, which informs a multi-year forward-looking programme around anti-money laundering measures to keep us at the forefront of global efforts to fight financial crime. That will serve us well ahead of a predicted MONEYVAL assessment in 2022 or 2023. In May of 2019, the Government of Jersey proactively, together with counterparts in Guernsey and the Isle of Man, committed to make steps towards a public register of beneficial ownership. That's going to take place in three steps. The first one is the interconnection of Jersey's own beneficial ownership registers with those of EU member states, for the purposes of law enforcement and financial intelligence and information sharing. Then secondly, to provide access for financial services businesses and certain other prescribed businesses that need access for corporate due diligence purposes. Then thirdly, to move towards eventual public access and that would reflect what has been successfully implemented by EU member states.

**ALEX WRIGHT:** ***As Jersey continues to maintain its position and reputation as a leading International Finance Centre with high standards and a robust regulatory environment, what changes are still required to grow and attract new business?***

**JOE MOYNIHAN:** We need to ensure that we remain relevant to our customers and our clients that use the jurisdiction. That means really to ensure that industry adapts to changing client needs and, indeed, clients' changing views of the world. We must ensure that we have the right client offering that will develop into technology to be able to deliver that offering on digital platforms and that we are aware of global trends, particularly in areas such as sustainability. That's a key focus area for the industry but also indeed for the Island more generally. As an industry, we need to see continued investment in our infrastructure, including our legislation and regulation. We have to adapt and develop new products and new services as the market requires them and retain the ability to move quickly.

**MARTIN MOLONEY:** Firstly, from our point of view as a regulator, we have recognised clearly that regulation is becoming an increasingly capital-intensive business. We are rolling out our largest ever capital investment programme in 2020. We will spend a lot of our time in 2021 and thereafter reaping the benefits of this capital investment programme. The kind of things we're focusing on are a complete redevelopment of our portal framework allowing us to engage even more with industry, both on the Registry and the regulatory side. This redevelopment includes both speed of engagement and ease of engagement, alongside new features, such as the capacity of people to update their own data in our registry system. Features like that, that are really important for the next generation of regulators. The second theme I would highlight is the theme of effectiveness. We're beginning to move into an era where just ticking the box of global standards is not enough. We have to prove, both to ourselves and to the world, the effectiveness of our supervisory activity. To do that, we need to start collecting more data about your activity as a regulator, while also collecting and analysing more data from industry so we can focus and rezone our regulatory resources on the areas at highest risk.

**ALEX WRIGHT:** ***Could we also reflect on some of the other significant developments impacting Jersey's finance sector over the past 12 months, including the introduction of new technologies, automation and digital transformation, as well as how the Island is playing a role in the innovative strides being made across digital banking, fintech, regtech, lawtech and other services?***

**JASON LAITY:** Our reputation has been hard won and it's at the core of Jersey's identity. We are in many ways a fast follower, probably only when we are at top speed but fairly deliberately never at the very leading edge. The same translates into the embedding of technology into financial services. What we've seen over the last 12 months is a continuation of the trend of financial services businesses on the Island using all the technologies that you've referenced and more to improve efficiencies, reduce risk and provide a better quality of service to clients. That trend was in play before COVID. It accelerated during COVID because many firms had to adopt new ways of working and new technologies to continue working. Honestly, I do not see that trend slowing down. It's across the pace but it's been done in the Jersey fashion of being a fast follower and, at the core, protecting our reputation.

**RICHARD CORRIGAN:** The role of government on this one is to help create the right enabling environment for things to happen, rather than be involved in supporting or trying to pick winners and losers in fintech, regtech, lawtech and so on. Our first-class digital infrastructure provides an excellent platform for businesses to establish in the technology space, to bring test ideas into the Island, to trial those and to grow from here. From the sector perspective, Jersey is unlikely to see the emergence of challenger banks like Revolut, Starling and others. But it's fair to say that those are helping to push standards up across the board in some of the incumbent banks in terms of how they build out their own propositions. We've seen that acquisitions have added to the capability of some of the major banking groups so that rather than be disintermediated by technology, they are very much at the forefront of how that is delivered to their customers.

**ALEX WRIGHT:** ***In terms of policy, regulation and legislation, could you summarise some of the more notable developments that have taken place recently, plus those in the pipeline?***

**MARTIN MOLONEY:** The obvious one is all the work that we're doing on developing our supervisory engagement in relation to money laundering. But also, there are a number of tasks that we also hope to make progress on. I'm confident that we will, in relation to both the refinement and improvement of the money laundering legislation and the development of regulatory regimes for virtual asset service providers. This is important to facilitate the kind of innovation that we've just been discussing and I would expect that to be coming in the next period. Also, an important part of our work in the next period is to push for the development of an appropriate resolution, a legislative framework for Jersey, which we will also be doing. There are other items on our agenda in relation to consumer lending and pension legislative change. But I would also identify, in particular, that we have started a programme to do a complete review of our authorisation processes. From the point of view of businesses and individuals considering coming to Jersey, that's an important development in terms of ensuring the efficiency, the effectiveness, and the alignment with our risk, of our approach to authorisation.

**RICHARD CORRIGAN:** There has been a huge amount of work on the Registry law, which will provide for a number of things, with the introduction of a public register of directors, requirements for timely updating of information held by the registrar, greater controls on nominee shareholders and directors and also defining beneficial ownership effectively in law. There are a number of measures there that I think users in the industry will see some huge benefit from as the Registry itself launches again later this year. On the wider front – and it's the work behind the scenes – is our work on limited liability companies, limited partnerships and around a safer banking system with Jersey's own Recovery and Resolution regime.

**ALEX WRIGHT:** ***Moving on to new business, which markets has Jersey been actively targeting for new business, while developing its relationships with other countries, for example, signing tax agreements and MoUs?***

**SUE FOX:** HSBC is growing business both on the domestic side and the international. In terms of international corridors, we have some strong international propositions. Notably, expat global personal banking, commercial banking, private banking and trust. Actually, the expat proposition for the whole of HSBC globally is very much strategically headquartered in Jersey. Our most active corridors are with Asia and the Middle East and we have teams established in Hong Kong and the UAE. But we are obviously a global business and looking to expand our franchise across the group, particularly in other European corridors and the US. That remains an ongoing development. For our private banking and trust business, again, it's very attractive for Middle Eastern and Asian clients. We have recently opened a new private bank office in the UAE from which we are seeing some significant inflows into our Channel Island private bank business. In terms of our international business, we see a lot of business from subsidiaries of major global corporates because of Jersey's reputation. We are increasingly doing more business with sovereign wealth funds and that is something that's an area of focus for us going forward. Predominantly, to date, we've seen that coming from the Middle East.

**JOE MOYNIHAN:** From a Jersey Finance point of view and across the industry perspective, our focus has been and continues to be, global. We have representation in the UK, which is obviously a core market for us and will continue to be a core market for us, given the amount of international business that is coming through the UK. We have an office in the GCC and have been there for many years. Again, it's an important market in terms of business flows. We have a growing interest in Africa and we're beginning to see more business flowing in from the markets there that we engage with. We have an office in Hong Kong, which remains important given its strategic position in that region and we launched an office in the US last year. Unfortunately, progress is a little slower than we planned, given what's going on in the US but we remain very optimistic about the long-term opportunity. From a Jersey Finance or a Jersey Plc perspective, that's the global view that we're taking and we'll continue to do that into the future.

**ALEX WRIGHT:** ***As Jersey develops the depth and breadth of its funds segment, offering fund administration and associated services across various investment structures, including of course a range of alternative investment funds such as real estate, how is it building on its extraordinary success within the current investment environment?***

**FARAH BALLANDS:** In the funds space in particular, Jersey's strength in servicing funds is centred around the quality of its people and the deployment of specialist technology. We at Ocorian have invested heavily in leading funds' platforms, along with specialist core sources like data automation capabilities. This is the direction of travel for the funds industry and for the Island more generally. The legal and regulatory landscape here in Jersey supports the funds industry, helping fund managers establish new products quickly and efficiently. New fund regimes like the introduction of the Jersey Private Fund and the Jersey Private Placement Fund have proven very popular, create incredible platforms for managers to set up funds very quickly. Jersey's reputation as a robust jurisdiction with strong compliance standards and a legal framework is recognised internationally by institutional investors. We're a go-to jurisdiction. As a result, fund managers respond by favouring the Island as a preferred jurisdiction. Another thing that is a huge advantage to us is the ease and speed of legal entity formation. It creates lots of flexibility. Transfers to Jersey from other jurisdictions are relatively painless also, which is attractive to managers and investors alike.

**ALEX WRIGHT:** ***In these uncertain times, are you finding clients are increasingly looking to a safe harbour for their international assets and do Jersey structures provide the right toolkit for meeting today's demanding wealth management and family office requirements, including accommodating Environmental, Social and Governance (ESG) considerations?***

**LORRAINE WHEELER:** In the trust industry, JATCo has been in close communication with its member firms. What quickly became apparent was that many individuals began thinking about their own mortality during this period. Just as the legal sector saw an increase in the number of wills being made, in the trust industry, we also saw families being more mindful of succession planning for the future for their families. With growing political concerns and economic issues around the world, we've seen clients in many countries just looking for that safe harbour for their investment. With the very stable political and economic environment in Jersey and the quality of our laws, the quality of our people within the industry, Jersey has seen an influx of new clients during this period. In connection with our laws, a trust working group meets five or six times a year to review the legal position, potential threats and opportunities following case law judgments here and abroad and to keep an eye on what other jurisdictions are doing. By way of example, last year saw the introduction of ISPs – international services plans – as a new offering for clients, particularly from the Middle East. There are also more family offices being set up in Jersey, whether that's a question of single family offices, where they're devoted to one family, or multi-family offices, where they don't have the scope and the range of assets to warrant setting up a single family office. We're seeing that the largest trust companies on the Island are setting up specialist teams to deal with that family office work. We're also seeing more of an uptake in that offering. I think as people get busier in their everyday lives, a lot of people don't want the hassle of dealing with all of their own affairs. So, as far as passing that on to an experienced trust professional, through a family office, within a trust company business, or indeed setting up standalone family offices, Jersey has got a very good reputation. Also, the training of staff and the professionalism of the trust industry businesses here in Jersey are at the forefront of the international financial centres around the world. In terms of ESG, what we've seen through COVID, in particular, is that those companies that have, in particular, a very strong corporate governance structure, the companies that are invested with low leverage levels, for instance, have done really well during the pandemic. It's easy to see now that the performance of investments in sustainable finance doesn't necessarily mean that you have to take a hit on the return that you receive. So, we're seeing higher returns, actually, from many of the companies that are strong in the ESG environment. JFL and government are working with industry and Andrew Mitchell to develop Jersey as a known ESG centre.

**FARAH BALLANDS:** On the private client side, we found that the pandemic induced feelings of mortality, which in turn led people to finalise arrangements for the creation of wealth structures quickly. There was a movement to put in place structures

By The Hornbills Studio / Copyright Shutterstock

that had been in the minds of potential clients for some time and that led to a peak, if you like. The other really important factor, so far as the Island is concerned, is that flight quality. In difficult and challenging times, people look to safe harbours, to a place that they feel that their assets, their wealth will be safe. I'm sure other firms like us, benefited from that collective mindset. In terms of family office, we're seeing more and more ultra-high net worth. Families use the Island's services. For them, the family office is a known type of model that they're very familiar with, easy about and look for that almost-concierge service. So, we and others are happy to provide it.

**ALEX WRIGHT:** ***Focusing now on philanthropy, can you outline some of the work Jersey is doing to help the wider community?***

**JOE MOYNIHAN:** We know that there's a significant amount of philanthropic effort that's going on from an industry point of view, not just recently but over an extended period. Individual firms and individual trustees know what they're doing but they're also very aware that for confidentiality reasons they often can't broadcast it. At Jersey Finance we have just launched a Jersey for Good campaign. The first stage of that is to look at how local firms are making a positive impact both locally and globally through sponsorship, assistance, charity, volunteering and also highlighting the good work of our more than 13,000 industry employees. We have a new page on the website which covers quite a lot of that activity. In the next phase of that we will be able to share some real, live examples about structures that are being run by our trust companies, that are very supportive of philanthropy, either as part of a family office or as part of a well-established trust. We are aware that there is a huge amount of work going on, for example, through Jersey, for education in Africa.

**SUE FOX:** Philanthropy is an important part of the DNA of the Island and certainly of our business. It's important that we give as much to society as we do to our shareholders. That's a core message for us. It takes many forms, this philanthropic effort. It's not just about giving financial support. We give all of our employees paid leave to volunteer. Obviously, that's been a bit more difficult during COVID but we've still found ways of doing it. We've supported local charities and foundations. Because of the COVID effort, we donated to food banks locally. But this forms a big part of our efforts on employee engagement and how people feel, not just around the firm that they work for and how that enhances that employer-employee relationship but also the pride in the jurisdiction. It's multifaceted in terms of how we engage with our communities.

**ALEX WRIGHT:** ***Looking ahead and moving forward, is Jersey actively investing in its infrastructure, new technologies, education and personnel? What are the Island's main priorities as a jurisdiction for the year ahead?***

**JASON LAITY:** The decision that was made some years ago to invest in fibre to each home and premises has really paid off over the last year and I think there's still much more that we can do with that. The network has a huge amount of capacity. We're certainly not at the point in time where we need to think about moving on to the next thing. It's doing more with what we already have. We're second in the world for broadband speeds. For an Island of our size, that is quite incredible. But we are not resting on our laurels. There is an IOT network in place. We are testing 5G. We already are lucky to have three 4G networks here. Other than the technology infrastructure, there's still building work going on around the International Finance Centre and elsewhere and other investments in infrastructure have been and will continue to be made. As I said, if ever there was a year where that decision has been proven to be the right decision, it has been this year.

**LORRAINE WHEELER:** In terms of education, we've talked about educating people in terms of digital, of just ongoing, continuing professional development that's required. But also, we see it as very important that that education should also stretch to individuals and perhaps corporates further afield, in Jersey and abroad, in terms of educating them about what Jersey is and what we do as an International Financial Centre. It's really important to educate people about just what a strong environment we have in terms of accepting business, monitoring business throughout its life and just the very many benefits that structuring can bring. Really, the core of our structuring products here, on the trust side, is all about succession planning. It's about parents not wanting their children to inherit large sums of money in a big block of funds and not know, first of all, how to manage it. That use of trustees, which is basically how trusts were set up in the first place, it's how can somebody stand in the shoes of that person and look after their children in an economic sense, as their parents would have done had they still been alive.

**SUE FOX:** The investment in digital is critical, as is the education around digital. It is about future skills of our people but it's also about education for our customers. We've had to adopt new technologies quite quickly, particularly through the crisis. That has increased the pace that our customers are adopting those technologies as well. Things like promoting safe digital skills to customers and using our platforms to educate them on what the pitfalls are, particularly in relation to fraud and confirmation of payee which we launched this year. There have been 100,000 matches in terms of people having confidence in who they're making payments to. The investment and the education is also around our people and the culture that we are creating. Because in times of crisis, that's when you need to draw on people to be their true, authentic selves and their best selves. Sometimes when everything else is happening around us, things like training and development are the first to fall by the wayside and it takes a lot of effort to make sure that we keep focusing on our people, on the inclusion ambition. That's the focus for us.

**RICHARD CORRIGAN:** We've kept our borders open, which has really been an important part of this. It has helped put us in the shop window. We've had some great write-ups in national press and further afield. Also, people visiting the Island have looked at it as an enviable place in which to do business because they've looked at some of the restrictions foisted upon them back in their home economy and have looked at the relative freedoms that we've been able to continue to enjoy, thankfully, here in the Island. What we see today is that firms are increasingly building out their economic substance on the Island and the demand to be able to bring in key personnel, key leadership in the business and to have first-class office space in which to base themselves. Again, that's proven to be a sound investment that was initially conceived quite some time ago. Then it's the continued investment in education and in skills. The Digital Skills Academy is a core academic offering for young people, helping to equip them not just for the world of work but for a lifelong skills journey that will see them probably change career paths several times, rather than having an employer for life as many of us thought we may have when we were leaving school, college and university all those years ago.

**ALEX WRIGHT:** ***Lastly, Joe, could you please wrap up by telling us how you feel Jersey has performed as a jurisdiction over the last 12 months and what sort of direction you think it's going to take over the next year or so?***

**JOE MOYNIHAN:** The core message is very positive. We have had some massive challenges to deal with this year and the industry has proven to be extremely resilient. The key parties involved; industry, government and the regulator, have always said it's important that triumvirate works well together. One of the reasons that we have come through this so well is because all of the parties have played a role and got us to where we are today. In terms of the future, we have a solid foundation on which to build. We've seen quite a lot of change that has had to happen. One of the challenges for all businesses, ourselves included, is how do we take the lessons that we've learnt over the last six months and ensure that we don't flip back into our old ways. How do we make sure that we keep the pace that we've managed to generate but also the positive workarounds, if you want? How do we make sure that we deliver more and better, into the future, based on these lessons? Because certainly, it has been a period of change and adaptability and we've all operated differently. Some of those operations have worked extremely successfully. Certainly, that's the big challenge for us but one of the key points about Jersey as a jurisdiction is, for lots of different reasons, we have proved to be extremely resilient, not just during the pandemic but before that. We have challenges on the horizon but we need to keep the mutual respect, good quality relationships and maintain the wealth of talent we have on the Island. We've proven over an extended period of time to have the ability to deal with challenges and change, to see where the future is and where the opportunities lie. That's a culmination of the relationship with industry, government and regulators. We need to keep that focus and move forward on a positive basis.


By everything possible / Copyright Shutterstock

# Man or machine: who's really driving your portfolio?

**by Euan Dangerfield and Mark Ainsworth**

Artificial Intelligence (AI) is an increasingly popular topic for the finance industry. Despite recent advances, many applications of this extraordinarily expansive area of computer science are still in their infancy. This is particularly the case with regard to AI and asset management. It is our belief that the real source of help to the industry is Intelligence Augmentation (IA), which uses AI to help humans make decisions, rather than making the decisions for them. So, in what ways can human led data science be used in a sustainable and repeatable way to improve outcomes for investors?

AI is a widely covered subject. Coverage of driverless cars, for example, has fostered excitement and sparked the imagination of what may be to come. Within the investment industry, such innovations have created intrigue as to whether machines will replace human portfolio managers. 'Robo-advisers' already exist, providing basic financial advice using algorithms calculated from questions being asked. Computing power continues to grow and a vast library of historical market information is now at our disposal from which we can attempt to predict future outcomes with greater accuracy. However, before we pass our fiduciary responsibilities (and our capital) over to machines, let us first compare how the use of IA and AI could be applied to investing.

Conceptually, driving a car and investing have some similarities – both involve getting from A to B as quickly and easily as possible without taking too many risks. The Autonomous Driving Platform (ADP) instantaneously and continuously collects data, which along with a pre-loaded guidance database enables it to produce a synthetic driving behaviour similar to that of a human driver, such as adherence to traffic signals, acceleration or deceleration and responding to obstacles in or near the path of the car.

This is referred to as a Perception-Action Cycle (see Figure 1 below). What makes the ADP unique is that all of the information is stored and constantly re-evaluated in order to refine the external output. That is, the system 'learns' how to be a better driver with each mile driven.

What determines the quality of learning is the quality of the input. When it comes to obtaining optimal AI outputs, there are five key computation parameters:

1. A constant environment where the rules are fixed and do not change
2. The data is digital and quantifiable
3. Data is abundant (this could vary by industry)
4. There is low uncertainty
5. Objectives are clear

In our view, these elements are necessary for AI to succeed.

AI computing systems like IBM's Watson and Deep Blue and Google's AlphaGo have been highly publicised successes in the gaming sector and in this domain AI has performed well. Some hedge funds also employ algorithmic AI trading strategies which seek to predict patterns in short-term market trends and exploit these trends through thousands of trade executions.

However, what makes these systems so powerful in areas like gaming and problem solving is that they are, for the most part, bound within a closed informational universe. If we refer back to those five parameters, most AI systems (especially investment-driven programmes) do not adhere to all of them.

IA on the other hand – which has been around for about the same time as AI – has a strong track record and can be observed in virtually all areas of our daily lives. IA is simply the enhancement of intelligence through technological means. Returning to the example of driving, cars have had features that augment a human's abilities for many decades. They include everyday features like mirrors, speedometers and more recently, satellite navigation (or satnav).

For investors, IA is a much more relevant area of science than AI. It enables us to extract insights few others can discern – even with the data being in plain sight. This has tremendous advantages when it comes to fundamental investing. Any fund manager in considering an investment has access to many useful pieces of information about a company – its financial state, its revenues, the stated plans of its management.
Yet there are other important things that investors do not currently have access to through traditional channels. For example:

- What do consumers really think about a particular brand?
- How are consumers' opinions being influenced by a company's strategic initiatives or a scandal that might have occurred?
- What demographic group does it currently most appeal to, and is its growth going to be achieved by focusing on them or expanding to other groups?
- Are its retail outlets located in the areas within driving distance of its target consumers?

The companies themselves will be able to answer those questions, as it is central to how they plan their corporate strategic goals. Whole departments are dedicated to mapping and analysing data on local populations, running surveys and examining loyalty card data to inform their strategic plans. However, most investors only get to see fragments of this information in company reports and earnings guidance, rather than a complete picture of that company and their sector.

How then does any one investor gain an advantage? The main issue is that publicly available datasets are far too big and too unstructured for an investment professional to utilise. Turning the data into insight, to fill a blind spot, requires deep expertise in statistical methods, data engineering and mathematical modelling. Imagine seeing the GPS traces of millions of phones when really all you want to know is if the roads have a traffic jam. In order to condense data into something that can augment intelligence and help a human to make a better decision, an IA interface is required.

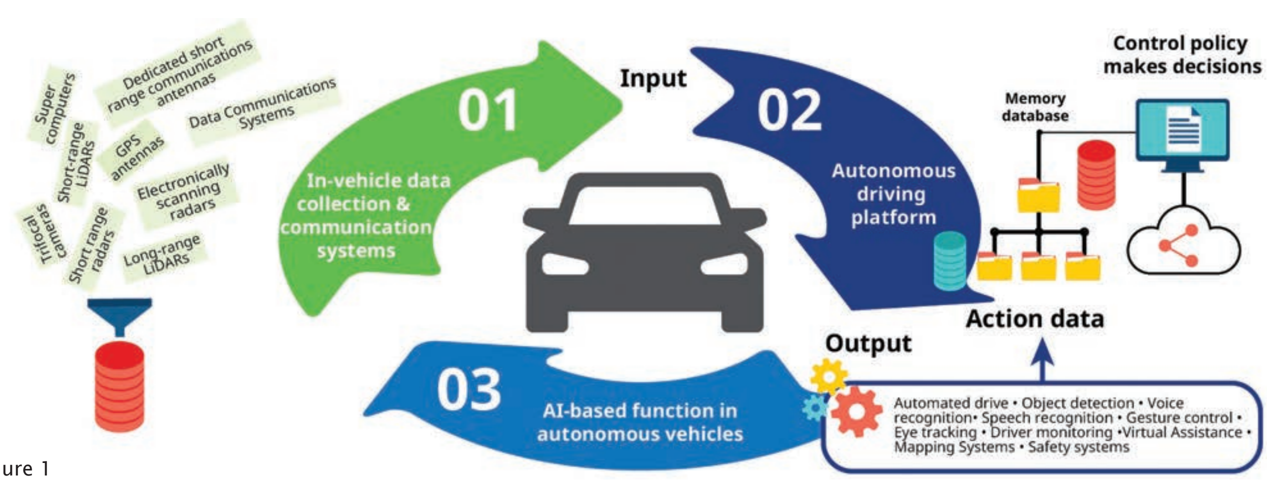



Figure 1

Returning to the five conditions required for AI tools to succeed, we believe that long-term investing will remain a human task because the following conditions for AI to be effective are often lacking:

1. Constant environment: This isn't the case for investing. Markets are always changing, with continuous innovations in structure, regulations and the behaviour of market participants.
2. Abundant data: This can be the case for short-term trading but it would be difficult to apply this to fundamental investing as good quality company data only goes back a few decades. This is not nearly enough for any algorithm to tease out any complex relationships. The global financial crisis of 2007-08 played out more like the 1930s depression than more recent recessions but there are few data sets that go as far back as that.
3. Low uncertainty: This is not applicable for investing. Financial markets are volatile and unpredictable with prices driven by investors operating on multiple different time horizons and thrown by market impacts and irrational biases. Complex networks of algorithms can trigger flash crashes, adding to market volatility.
4. A clear objective: For investing as a general concept this is clear but for individual funds with different objectives, there is no single moment in time when any given investment has succeeded or not. Investment objectives are dependent on the audience: for example a closed defined benefit pension fund is unlikely to want the volatility of a Small Cap Equities fund, while the same fund may be very appealing to those with a larger risk appetite.
5. Digital information: Good investors synthesize all the relevant information available to them (including but not limited to: research reports, their understanding of market forces, the effects of company management, regulators and politicians, the mood of the market). However the nuances of that information and particularly the more qualitative aspects are difficult to digitise.

We believe the biggest opportunity to achieve better investment outcomes for asset owners, using artificial intelligence and machine learning, is for data scientists to augment the intelligence of fund managers, closing their blind spots and allowing them to see further, more clearly and more reliably. The information edge is particularly significant when many market participants lack the ability to close these blind spots, whether through lack of technology, initiative, scale or structure. In addition, there are ample opportunities to use AI techniques such as Machine Learning to refine and sustain this information edge.

It is still up to the individual fund manager whether to buy or sell a security. Yet think how good it feels to exit the motorway a mile before congestion and take a traffic-free detour while everyone else sits in their cars because they did not know the jam was there. Conversely, an even more well-informed driver, with specific familiarity of a newly opened route or upcoming incident, might elect not to blindly follow the guidance that his or her GPS system instructs them to take – in some instances a rather dubious detour based solely on an unattended algorithm. This, in our view, is where AI and IA find their optimal balance.

## EUAN DANGERFIELD

*Euan Dangerfield, Client Director, Cazenove Capital.*

*Euan joined Cazenove Capital in 2011 from the investment consulting firm ARC, where he was managing director of the Jersey Office. Since 1993, Euan has built up broad experience serving the investment needs of individuals and trustees from both offshore and onshore jurisdictions. Euan was also on the PAM Awards judging panel for seven years. Before returning to Jersey in 2003, Euan headed the private client discretionary team at Royal Bank of Canada (RBC) in London and has previously worked for HSBC and Hill Samuel. He is a qualified Chartered Fellow of the Securities Institute.*

## MARK AINSWORTH

*Mark Ainsworth, Head of Data Insights and Analytics, Investment, Schroders.*

*Mark joined Schroders in 2014 and currently as Head of Data Insights, he is building a platform to use data to provide new insights and improve the efficiency and quality of investment decisions. Prior to joining Schroders Mark was recruited by the McLaren F1 team as a Race Strategy Analyst. In 2002 he moved to Tesco, initially reporting on trade performance and analysing customer spending behaviour and then heading up the analytics team in the Site Location Planning function. In 2007 he became Chief Technology Officer of Talent Innovations, a start-up selling online 360 degree feedback software and in 2012 joined Telefonica Digital as Head of Analytics of Smart Steps.*

*Mark has a BA (Hons) from Oxford University in Experimental Psychology, MA in Operational Research.*


Equiom
GUIDING YOU FORWARD
The Equiom Way
For over 40 years Equiom has offered fiduciary services to the private wealth sector and our proactivity and passion for progress continues to guide our clients forward today.
We provide sophisticated clients with professional expertise in delivering multi-jurisdictional investment and asset protection solutions.
Our heritage underpins our ethos of responsiveness and excellence in client advisory services, leveraging our global asset class, industry and investment structuring expertise.
equiomgroup.com
Equiom (Jersey) Limited and its affiliates are regulated by the Jersey Financial Services Commission.

St Ouen, Jersey. By Alagz / Copyright Shutterstock

# An ideal location in uncertain times for a family office

**by James Campbell and Jonathan Hughes**

We are living in uncertain times and family offices currently face material challenges. The COVID-19 pandemic has raised immediate issues for many wealthy families notably around tax residency and immigration but on the flip side it has given wealthy families the opportunity to take stock and consider how they want to be structured and fundamentally where they want their family office to be located.

The prolonged period of inactivity has also given families the opportunity to consider difficult issues around family governance. Outside of COVID-19 concerns around political instability in many parts of the world are getting worse and continue to drive structuring in private wealth, with clients wanting a safe harbour for their assets in a reputable jurisdiction with certainty around asset protection.

As a result of these factors we are seeing a significant increase in enquiries from both existing family offices wishing to relocate their seat of business to Jersey or set up branch offices in Jersey (which could take a more prominent role going forward if concerns over political instability materialise) and enquiries from wealthy families wishing to establish a family office in Jersey for the first time.

It should be noted that a significant number of family offices are already located in Jersey ranging from single family offices which manage investments for a single family, to multi-family offices which manage the investments of multiple families.

The purpose of this article is to consider what really makes Jersey attractive for family offices.

## PROPERLY REGULATED JURISDICTIONS ATTRACT FAMILY OFFICES

There is little doubt that properly regulated jurisdictions such as Jersey will be the ones that attract family offices as the global landscape continues to shift in favour of transparency. This is inevitable as we have seen with the introduction of FATCA, CRS, rules around economic substance and further anti-money laundering initiatives. Jersey has always been a leader and early adopter on these initiatives with the expertise and professional services to deliver on the subsequent requirements. Family offices want to be located in a jurisdiction which is properly regulated and with a sound reputation. Jersey is not a light touch regime, it is well-regulated and that is something that wealthy private clients are looking for.

## JERSEY AS A SAFE HARBOUR

The current turbulent political climate would suggest that deep-seated fears over radical politics, the seizure of assets by political means and threats to nation state sovereignty look set to continue. It is inevitable that these concerns will be a key factor in determining the location of a family office.

This is a global phenomenon. It impacts upon clients, in differing degrees, from all over the world, including clients in East Asia and the Middle East among other places.

For a number of reasons ultra-high net worth families are choosing Jersey as their jurisdiction of choice to locate their family office. Jersey is politically stable and has close links with the UK and Europe as well as strong legal foundations.

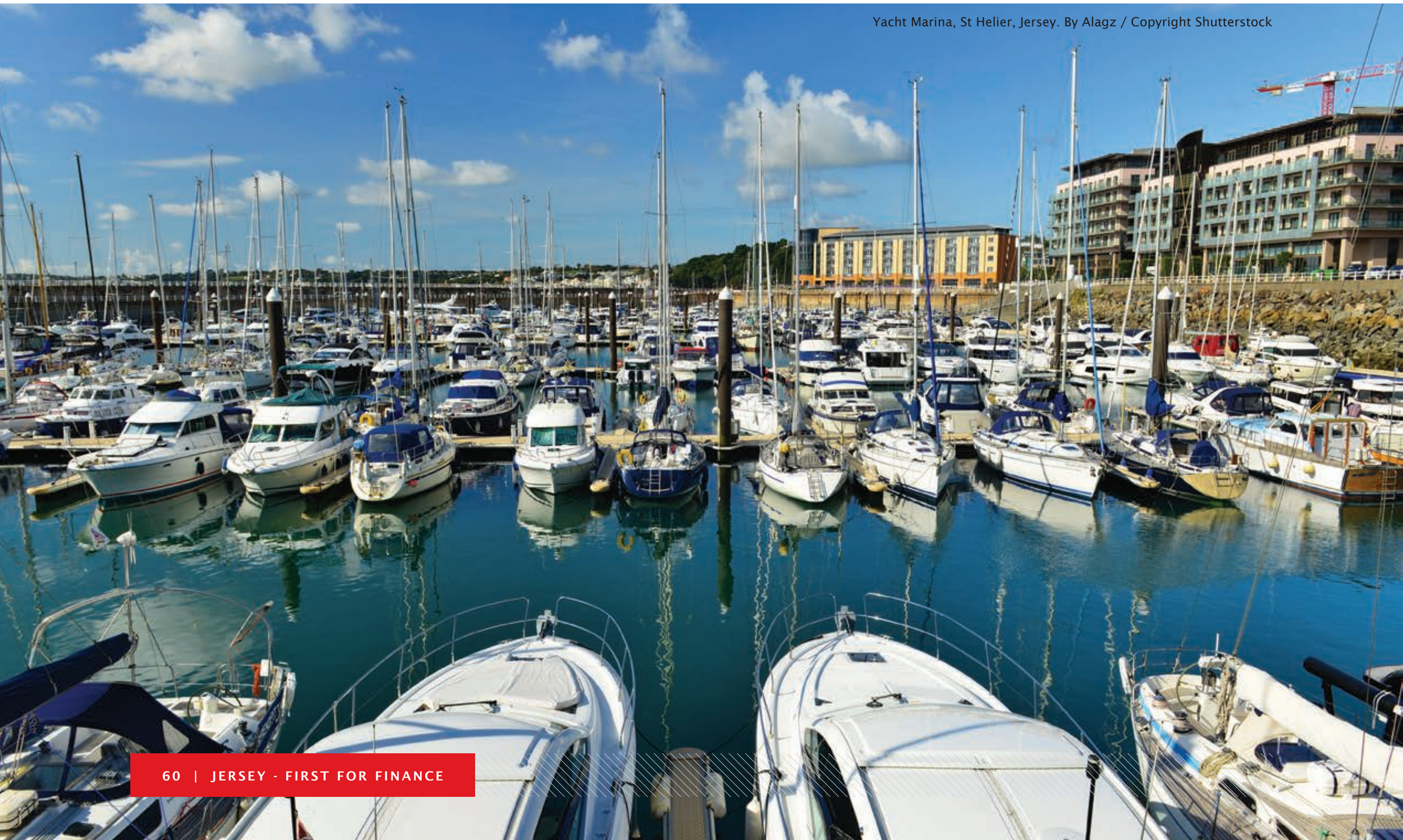
There are also multiple structuring options in Jersey which are tried and tested, offering clear asset protection.

## JERSEY AND ACCESS TO KEY PROFESSIONAL SERVICES

Jersey is also particularly attractive because of the high quality of professional services available in the investment, accounting and legal sectors. A family office is only as good as those running it and the right mix is crucial, both in terms of providing for the key professional services needed by a family office (e.g. accounting, legal and investment services) and the softer skills required for diffusing difficult family issues and ensuring individual family members buy in to the family's vision for the future.

## THE IMPORTANCE OF GOVERNANCE IN FAMILY OFFICES

Every family office is different and reflects the needs and



Yacht Marina, St Helier, Jersey. By Alagz / Copyright Shutterstock

interests of the family or families that it serves. Nonetheless the research is clear that early investment in an effective governance structure will likely pay dividends for the family in the long term. Family governance is not as simple as taking an 'off the shelf' legal solution which on paper works from a structural perspective with no consideration to the specific dynamics or culture of the family.

In order to be effective, family governance needs to take into account all interested family members in the planning process and to be consistent with the existing family culture, which is likely to have evolved over multiple generations. Jersey and its professional services firms and trust companies have built up expertise in family governance over many years.

## THE IMPACT OF ECONOMIC SUBSTANCE RULES

It is also likely that the recently adopted economic substance provisions will influence where ultra-high net worth individuals are locating their family office. Jersey was very much on the front foot in ensuring it was reaffirmed by the European Union as a cooperative jurisdiction in terms of good tax practice and transparency.

In our experience, local family offices are sophisticated structures, with such of their companies as are resident in Jersey already meeting the substance criteria. Insofar as foreign entities within those structures are concerned, we are seeing an increase in inward company migrations as family offices seek to take advantage of Jersey's excellent reputation and attractive private wealth offering.

## WHERE ARE THE ENQUIRIES COMING FROM?

We have assisted a number of wealthy families from different parts of the world, including South East Asia (notably Hong Kong) and the Middle East, establish family offices in Jersey. Founders from these jurisdictions are increasingly looking to benefit from all a family office has to offer and, in particular, protect wealth in the face of political instability.

## WHAT IS REQUIRED ON THE GROUND IN SETTING UP A FAMILY OFFICE?

It is essential to have a dedicated family office team that can help ultra-high net worth individuals establish or relocate family offices in Jersey, preferably with experts from private wealth, funds and local legal services teams.

In recent times many mandates have been connected to asset management, such that a fund structure might well be incorporated into the family office platform. Inevitably these structures will need funds and regulatory advice. Private wealth advisers may also advise on the holding structure for the family office, the form of which will often be driven by succession planning, control and tax. It is also possible to coordinate all the local legal services required for establishing a family office too, from assisting with finding premises, property advice, employment advice and obtaining the requisite business licence.

## CONCLUSION

There are multiple components to setting up a family office in Jersey but the primary focus is to provide the client with a seamless service from start to finish. With such a focused approach being complemented by the various factors highlighted within this article, we would submit that Jersey – perhaps now more than ever – offers the ideal location for a family office.

### JAMES CAMPBELL

*James Campbell, Partner and Global Head of Private Wealth, Ogier.*

*James has extensive experience advising professional trustees, family offices, intermediaries and high net worth families (both internationally and locally) on all aspects of Jersey trusts, foundations and estate planning together with all related company and commercial law issues.*

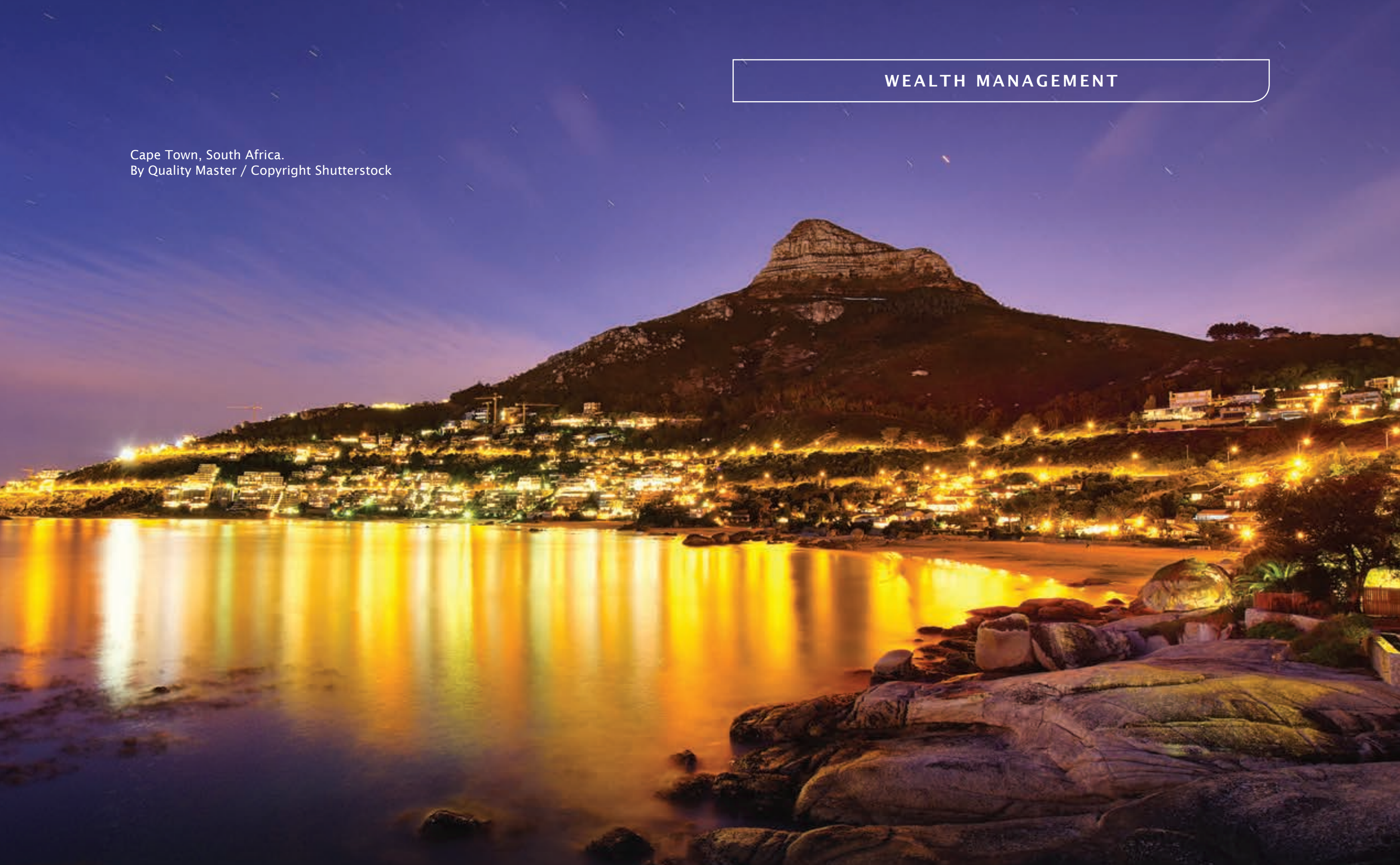
*Before joining Ogier in May 2017 James was a partner in the trusts group of another law firm in Jersey specialising in international private client work. He is an English Solicitor, an Advocate of the Royal Court of Jersey and a member of STEP.*

### JONATHAN HUGHES

*Jonathan Hughes, Partner and Head of Local Legal Services, Ogier.*

*As Global Senior Service Line Head, Jonathan works with Ogier's Executive Board in formulation and implementation of strategy across Ogier's global legal services and as Head of Local Legal Services he has responsibility for legal services provision within Ogier's home jurisdictions.*

*Jonathan holds an LLB (Hons) degree in law and an LLM Master of Laws degree in International Commercial Law. He is a Jersey Advocate and before joining Ogier in 2007 qualified as an English Solicitor and an Australian Solicitor having worked for a number of years in both London and Sydney at a top tier international law firm.*



Cape Town, South Africa.
By Quality Master / Copyright Shutterstock

# Prioritising the personal touch

by Greg Barclay

As the world recovers in fits and starts from the coronavirus pandemic, it is only natural to reflect on how this cataclysmic event might impact the future of the wealth management industry.

At first glance, there may not be glaring changes in the habits and outlook of wealthy and corporate clients. However, upon closer inspection it is clear that emerging industry trends have been accelerated by COVID-19.

At a macro level, political and economic rumblings have now boiled over into open conflict, which are most evident in growing global trade disputes.

With relations between major nations strained, it is only fair to assume this will have a knock-on effect on individual and corporate ambitions.

That assumption may be misguided.

Findings from our *Africa Wealth Report 2020* – a review of a segment of the wealth market with which we are wellacquainted – easily dispels the notion that wealthy individuals and enterprising business owners will be discarding their global ambitions.

## GLOBAL DIVERSIFICATION REMAINS KEY

We were little surprised, therefore, that our latest *Africa Wealth Report* showed that clients prioritise diversification of income streams and investment risk.

The report polled 265 respondents in Ghana, Kenya, Mauritius, Nigeria and South Africa. The individuals surveyed, were active in industries spanning real estate, manufacturing, construction, financial services, technology, oil and gas, education, entertainment, retail and trade.

Nearly two-thirds of those surveyed have an estimated net worth of between $1 million and $5 million, some 16% had an estimated net worth of $5 million to $20 million and a small percentage topped out at more than $100 million in net worth.

Although there are distinct regional differences in attitudes and approaches across the continent, diversification features highly in their list of priorities.

This is evident in the strong preference among successful African entrepreneurs to participate in multiple industry sectors. The survey shows that, once established, many are open to exploring new opportunities regardless of whether they have direct experience in that sector.


By hyotographics / Copyright Shutterstock

This attitude could be ascribed to the greater range of opportunities available because many economies are growing at such a rapid pace. There are far more opportunities, therefore, to develop new products, services and solutions to meet demand.

It is not surprising then many of Africa's wealthiest apply a similar hedging strategy to growing and preserving their wealth. The study shows a strong appreciation for diversification across Africa and beyond as being critical to long term wealth preservation.

These insights may be limited to only one slice of the global wealth market but there is little reason to believe that Africans are the only ones that will continue to have a global rather than local viewpoint.

## ACCELERATION OF RECENT TRENDS

So, if the wealth management industry is unlikely to suffer with clients retreating, what does the immediate future hold?

The expectation is that trends which have been emerging will now be adopted more broadly. Some of the impetus will have been provided by the pandemic and the accelerated adoption of digital solutions, while the remainder is due to maturation.

Take, for instance, the growing interest in responsible investing and sustainability.

This has emerged over the past decade from a fringe interest to a mainstream investment philosophy that is now well established and regarded.

The younger generations seem to have a much bigger interest in sustainable investments and obviously as they embark on their own investment journey they have increased demand for digital solutions.

## TRUST AND TRANSPARENCY

At the very heart of the wealth management industry remains its single-most valuable asset, trust.

It is in this respect that Jersey Finance plays a pivotal role in allowing the industry to present clients with an unequivocal guarantee of transparency and governance.

International finance is a complex environment at the best of times that operates best when clients can transact and trade with confidence, without reservation. Therefore, it is very encouraging that global efforts are being stepped up to block the flow of illicit money.

Central to these efforts are commitments by all stakeholders in the Jersey financial services industry who are ensuring the highest levels of compliance and standards, giving clients the confidence that their investments and funds are being maintained in a very reputable jurisdiction.

## HOW AFRICA'S WEALTHY MANAGE THEIR WEALTH

The *Africa Wealth Report 2020* sheds light on the priorities of key individuals regarding wealth creation and preservation. Often operating in politically and economically volatile jurisdictions, the regional preferences often mirror their immediate challenges and opportunities.

Understandably, the political environment is considered a significant risk to wealth preservation. This was most marked in South Africa where 82% of respondents see this as a concern, followed by Ghanaians (67%), Nigerians (64%) and Kenyans (55%).

Quite understandably, real estate emerges as the primary repository of wealth, particularly in markets that lack sophisticated stock exchanges and other investment product markets.

For many African respondents, property carries a powerful psychological importance that is far more than simply an investment vehicle. In many cases. it is considered a source of long-term family financial security.

Once again, wealth preservation preferences differ quite starkly across the region. In South Africa, for instance, equities (51%) are the most popular asset class, with property comparatively less important at 18%. By contrast, tangible assets are the preferred asset class for wealth preservation in Kenya (38%), Mauritius (29%), Ghana (26%) and Nigeria (23%).

### SOLID REGULATORY FRAMEWORK

Jersey's position as a preferred destination for international finance was established when it was recognised as an International Finance Centre (IFC) of excellence almost 60 years ago. Central to this is its strong regulatory framework built around governance, tax transparency and compliance.

Today, Jersey is a modern business environment home to more than 13,000 professionals able to serve clients' global needs thanks to a politically stable, legally sound and supportive government. It is no surprise then that it has become the preferred destination for firms facilitating transactions, including many in Africa.

Operating within a solid regulatory environment, Jersey Finance has established close ties with partners such as the Government of Jersey and the industry regulator, the Jersey Financial Services Commission (JFSC).

A recent example of how these partnerships foster trust and transparency was the adoption of the API / Digital Registry Platform (Portal) & Financial Services Disclosure & Provision of Information (Jersey) 202 Law (the "New Registry Law") with the final approval slated for 1st December 2020. The registry law aims to further enhance transparency, combating tax evasion, money laundering and terrorist financing.

### CREDIBILITY BREEDS CONFIDENCE

This level of transparency is crucial to maintaining Jersey's reputation as an IFC of excellence. It also goes a long way to allaying fears of clients looking to use Jersey as the launching pad for their international ventures or adventures, with the jurisdiction well placed for serving the needs of African private, high net worth individuals (HNWIs) and corporate clients.

While credit ratings, liquidity and capital adequacy levels are important, having a physical presence in major African markets, is often a deciding factor in winning client confidence.

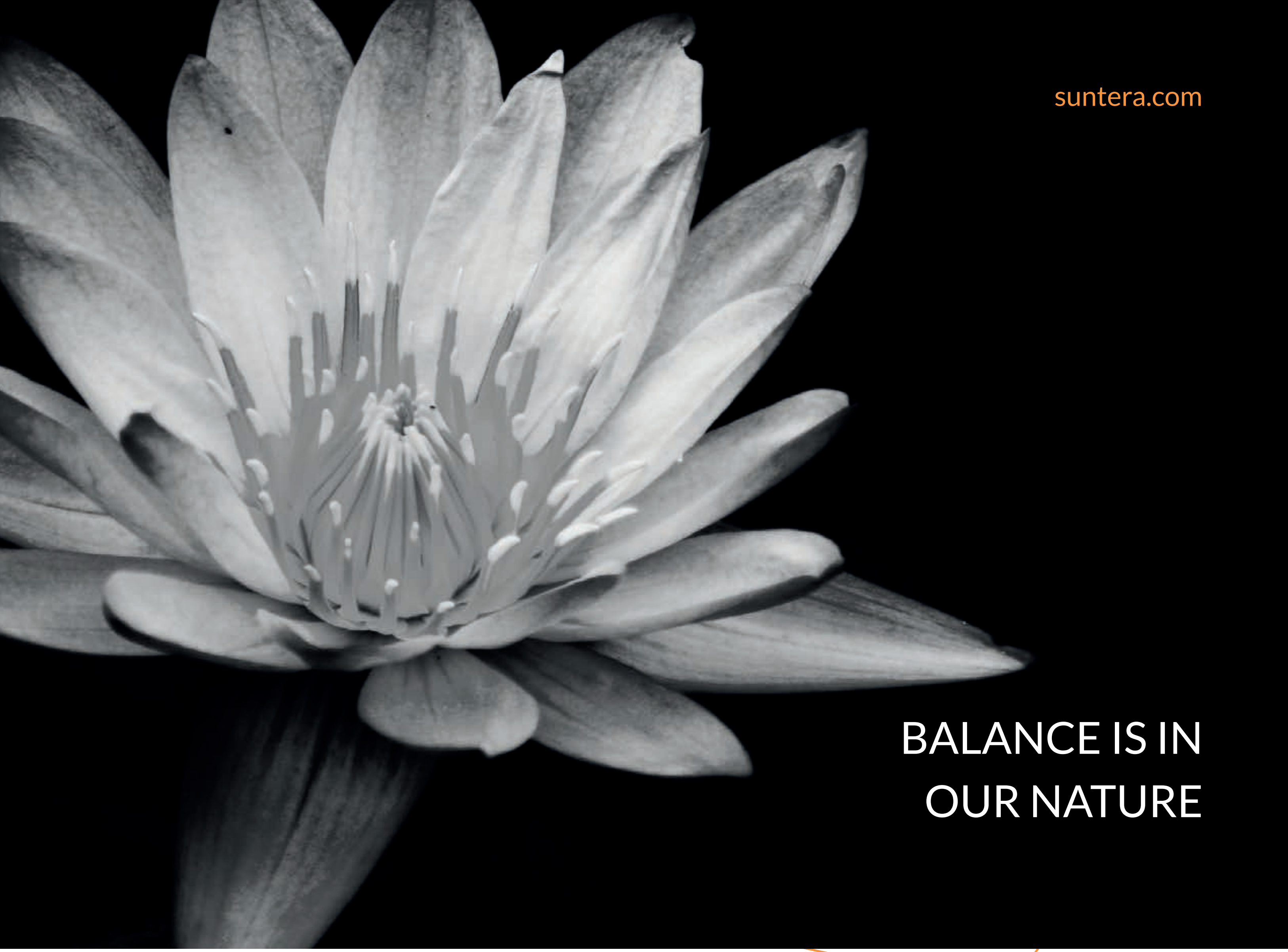
The implications for the future of the wealth management industry based on this experience is that the personal touch remains a critical component in client management. Investments in technology to improve access to services and communication are undoubtedly needed but service providers unwilling to invest in personal relationships are likely to be excluded when clients are considering new providers.

Also, with a premium being placed on transparency, the role of Jersey Finance, the Government of Jersey and the JFSC, will increasingly be pivotal to assuring clients that their best interests are being protected.

### GREG BARCLAY

*Greg Barclay, Head: International Wealth & Investment, Personal and Corporate Wealth, Standard Bank International.*

*Greg has over 29 years of financial services experience. He has extensive knowledge of Africa and is driving efforts to grow the Bank's vision to be an integrated financial services organisation with a focus on client experience and digitisation.*


suntera.com
BALANCE IS IN
OUR NATURE

By Blue Planet Studio / Copyright Shutterstock

# A trusted fiduciary centre of excellence

by Lorraine Wheeler

The COVID-19 crisis has changed the landscape of the financial services industry for all times to come, be it in terms of working from home, keeping Jersey open for business, or managing potential reputational risks in the wake of the pandemic – with the booming trust industry in the Island proving its resilience and helping the jurisdiction maintain and enhance its status as a tried and trusted International Finance Centre (IFC) of note.

A report by Jersey Finance has highlighted that over £1 trillion of assets are held in Jersey trusts and other asset-holding vehicles, of which £400 billion are held in private trusts and roughly £600 billion in corporate asset vehicles. Jersey also has robust legislation for the creation of trusts and other asset and investment management and pooling vehicles, which makes it attractive to individuals, businesses and institutions with cross-border asset portfolios. No wonder then that, as the world has become more aware of the use of trusts as a way of protecting assets and for succession planning, Jersey has seen a rise in the overall values of structures being established and business flows have increased from further afield.

How then does Jersey manage to take tough challenges in its stride to develop the trust industry and enhance its reputation as a fiduciary centre of excellence?

### WORKING FROM HOME IN THE FACE OF COVID-19

At the outset, we have all faced and dealt with the challenges of working from home and have achieved this so successfully in Jersey that the way we work will look very different in the future. Office space requirements will certainly change as we see more people working from home on a regular basis – although office facilities will still be needed in respect of client visits and investor footfalls to the Island.

As always, it was very pleasing to see the way that the Government of Jersey, the JFSC, Jersey Finance and the financial services industry worked together, with regular meetings by video conference and a weekly report to Government throughout the lockdown. In this way, any challenges that the industry was facing could be raised and answered efficiently and effectively. We were incredibly fortunate that the JFSC and Government continued to be able to action business as usual during this difficult time. This manner of working together as a team to support and grow the financial services industry in Jersey has shown how we can quickly and efficiently adapt to factors beyond our control and has proved that Jersey is resilient and open for business.

### DIGITALISATION OF THE INDUSTRY CONTINUES UNABATED

The Jersey trust industry has one of the highest number of qualified employees in the offshore world and has a breadth and depth of fiduciary knowledge that sets it apart as a jurisdiction of note. The way in which the Jersey Association of Trust Companies (JATCo) and other trade bodies work with Government to advise on the implications of any new legislation, through various forums and the use of different working groups, ensures that there are no surprises for the industry. In addition, working groups in the digital technology space, in which JATCo is heavily interested, can contribute to the digitalisation of our industry.

For example, working groups which focus on the further digitalisation of JFSC have been extremely useful in sharing knowledge to ensure that increased digitalisation of the JFSC will not add to the industry's burden but will rather make it easier for trust companies and the JFSC to share information going forward.

### DEEPENING RELEVANCE OF JERSEY AS A LEADING FIDUCIARY CENTRE

Jersey is recognised worldwide as a leading fiduciary centre due to the depth of knowledge, industry communication flow and its highly regarded legal industry and court system. JFSC, the industry's regulator, has an effective oversight system in place to ensure the regulation and reputation of our industry and to ensure that periodic visits to trust companies are handled in a highly efficient manner to ensure that potential reputational risks to our Island are mitigated to the greatest extent possible. All of these factors, along with the stability of the Island in


Mathias Rosenthal / Copyright Shutterstock terms of politics and the economy, ensure that Jersey is front of mind when professional advisors are advising clients on which jurisdiction to use as a safe haven for assets.

As new generations become more educated, there is a greater knowledge base around how trusts and companies can assist with the collation of family assets and more assets available to structure. Jersey professionals take their legal, tax and regulatory reporting very seriously and also work hard to build relationships with clients and their families to ensure that they are looked after in the best way possible, so that we become trusted advisors to families across the globe and within diverse cultural contexts.

For instance, Middle Eastern clients wishing to treat all heirs in the same way instead of favouring male heirs can use trusts to achieve their desired results. Asian families that wish to ensure that businesses continue to be managed upon the demise of the patriarch or matriarch can ensure succession without gaps in trading and a wait for probate before assets may be utilised.

An increase in the number of family offices being set up in Jersey is also pleasing to see and trust companies have had to become more sophisticated and aware of clients' wishes – particularly regarding long-term family views around the use of environmental, social and governance (ESG) investing and also around the types of investment made, particularly through the use of capital markets. Some fiduciary companies have set up dedicated family office teams to service the higher demands around service and breadth of service offered. As Jersey's industry figures have adapted flexibly to these increased demands – and based on the reputation of the industry – we are well positioned to continue our growth in the future.

Jersey's trust industry will have to maintain its ability to nimbly adapt to change, by building on its excellent reputation as a fiduciary services centre. Over the last few decades, the source of our new business has diversified from being largely from the UK to servicing clients from around the globe.

Jersey Finance, which is seen as a leading example among IFCs around the world, has been instrumental in laying the groundwork for clients with interests in regions such as the Middle East, Africa, the US and Asia. Many of our existing and potential high net worth clients are displaying heightened concerns around the potential for civil unrest and political instability in their home countries and are seeking a safe jurisdiction to settle their family wealth.

This is a huge opportunity for Jersey, be it dealing with Muslim families who wish to structure their international wealth to avoid forced heirship applications to benefit female relatives, or dealing with concerns over the transfer of wealth to the next generation. With its excellent legal framework, the Jersey jurisdiction is very attractive to families who have previously had no exposure to fiduciary structuring and to families who wish to set up a family office to manage their family wealth.

## TACKLING THREATS TO WORK TOWARDS A BRIGHT FUTURE FOR THE TRUST INDUSTRY

In a world where Jersey's role in international finance is not always clearly understood, more must be done to educate journalists and individuals alike as to the workings of our industry and the important role it plays as a safe haven for assets.

Many onshore jurisdictions are bringing in legislation around the holding of assets abroad – and the introduction of tax implications around so doing – and it is imperative that families hand over their wealth to caring, professional trustees with a track record of understanding the requirements and wishes of global families, that have the qualifications and experience to preserve and enhance wealth in this ever-changing global landscape.

In conclusion, I believe that in a world where the requirement for succession planning will continue unabated, Jersey – with its excellent reputation and stable political and robust regulatory environment – will be among the top jurisdictions of choice for (ultra) high net worth individuals and families who wish to be serviced by fiduciary practitioners with the know-how to deal with complex structuring and the understanding to build lasting relationships.


### LORRAINE WHEELER

*Lorraine Wheeler, President, Jersey Association of Trust Companies (JATCo).*

*As well as being the President of JATCo, Lorraine was formerly Chair of STEP Jersey and is the only person ever to have led both JATCo and STEP Jersey, which looks after individual trust professionals in the jurisdiction.*

*Lorraine is a Director in Private Wealth at IQ-EQ and has worked for over 30 years in the financial services industry spanning the UK, Bermuda, Switzerland and Jersey, serving as an active contributor to the fiduciary sector in Jersey and beyond.*

By Andrii Yalanskyi / Copyright Shutterstock

# Succession planning and the PTC

**by Claire Machin**

The wealth management landscape has been evolving over recent years, with international developments such as Brexit, political and environmental challenges, regulatory change and digital advancements all playing their part. Then in March 2020, the coronavirus pandemic plunged the world into uncharted waters.

Investors and HNWIs have become more anxious during these volatile times and have begun to think about how best to protect their wealth as they face an uncertain future.

In these uncertain times, clients need a balance of trusted and experienced advisors handling their wealth and assets while retaining a degree of control and flexibility for the family, so they are not dependent on a complete stranger when the future is so changeable.

When establishing a trust, settlors use a professional trust company. This way, they can ensure that their wealth is in capable hands as their trustees are experienced professionals with expertise and familiarity gained over years of handling other trusts. However, given the current climate, settlors may be reticent to hand over full control to a stranger when things can change in an instant and they may need to respond rapidly to adapt their requirements. In these circumstances, a more appropriate solution could be using a Private Trust Company (PTC).

**WHAT IS A PTC?**

A PTC is an entity whose sole purpose is to act as a trustee in relation to a specific trust or trusts. Such entities do not provide trust services generally and it is a condition that they must not solicit business from the public at large.

**USE OF A PTC**

The most common use of a PTC is to act as trustee for a purpose trust or a discretionary trust which in turn can hold a variety of asset classes either directly or through underlying special purpose vehicles. This can include shares in a family company. Settlors of such trusts often wish to maintain some level of control of the assets themselves. A professional trustee will often be wary of allowing the settlor any level of control in normal circumstances. This is because failure to retain full control to manage and diversify assets will almost always be a breach of their duty as a trustee and could be criticised by the beneficial classes at some point in the future.

In the past, this has been resolved by placing express provisions in the trust deed which provides that the trustees shall hold the particular assets and removes all discretion on their part to deal with the investment. The alternative is to provide the settlor with reserved powers in the trust in connection with specific assets or investments but this is not always preferable with the settlor and can cause adverse tax issues.

The PTC provides a solution as the settlor retains ownership while benefitting from the trustees who have experience in administering trusts and can assist with running the PTC and the trust it administers. The PTC also allows other family members or trusted advisors to be appointed alongside the settlor and professional trustees on its board.

## ADVANTAGES AND DISADVANTAGES

For a settlor, the key advantage of establishing a PTC is the additional element of control which the PTC can provide. Control can particularly be an issue when the settlor is from a jurisdiction unfamiliar with the trust concept or lives overseas, which may make the settlor unwilling to give away total control of the assets to strangers in another jurisdiction, particularly in unpredictable times such as these.

With a PTC, the settlor and/or his or her family could be the shareholder(s) of a PTC and through that shareholding, they would be able to appoint and dismiss the PTC's board of directors. Whilst this is an obvious disadvantage to the professional administrator, the control of the board of the PTC is often a welcome feature for settlors wishing to retain control.

However, if the settlor and/or his family were shareholders of the PTC, the potential tax consequences of that ownership would need to be fully investigated. Alternatively, it is common for the settlor to establish a purpose trust with its only purpose to hold the shares of the PTC. The settlor could have the added benefit of being the enforcer of the trust, enabling them to remove the directors of the PTC or the entire structure away from the professional trustee if required.

On a practical level, a PTC ensures more privacy in relation to the trusts and allows for rapid commercial decisions to be made. The annual costs can also be lower than they would be should a public trust company run the trusts. The PTC also does not compromise the validity of the trust structure and its residency for tax purposes and can provide immediate and long-term tax planning advantages.

The main disadvantage of a PTC can be the cost in establishing a PTC structure. In addition to the creation of the trust, a company must be incorporated. The cost would be further increased if a purpose trust was used to hold the PTC, although little activity is expected in the purpose trust.

As a result of the potential cost, PTCs are likely to only be attractive in a commercial context or for very large family structures. For the latter, the costs may be outweighed by the advantages of having a dedicated trustee to look after a complex structure and the control provided to the family.

## JERSEY

Jersey is one of such jurisdictions that can provide PTCs. The PTC is not required to be licensed and regulated by the Jersey Financial Services Commission (JFSC), although certain provisions of the Law will still apply so as to enable the Commission to exercise a supervisory role despite the lack of registration. The stipulation is that the PTC must be administered by a Jersey licensed trust company and from a corporate governance perspective, it is common for one or two directors of the licensed trust company to be on the board of the directors of the PTC.

With worldwide uncertainty set to continue, Jersey's PTC solutions demonstrate their commitment to protecting their clients' wealth and offering a level of reassurance, certainty and forward-thinking to prepare for whatever the future brings.


### CLAIRE MACHIN

*Claire Machin, Group Director, Head of Trusts and Private Wealth, Suntera Jersey.*

*Claire started out in the trust and corporate services industry with Abacus Financial Services, the trust arm of PWC, in 1993. Claire has over 12 years of managerial experience and worked in several senior positions prior to joining Helm as a Manager in 2010. An Associate Member of the Institute of Chartered Secretaries and Administrators, Claire was instrumental in managing multi-jurisdictional trust and corporate structuring for the business and was appointed to the board of Helm in January 2017. In September 2019, Claire was appointed as a Group Director of Suntera Global following their buyout of Helm in July 2019 and is the Head of Trusts and Private Wealth for the Jersey office. She also won the Citywealth Trustee of the Year award for the Channel Islands and Isle of Man in January 2019.*

# The future of philanthropy

**by Simon Voisin**

The number of philanthropists continues to increase year on year, giving tens of billions to charitable and good causes but with possible recession looming and the economic impact of the COVID-19 pandemic, has it reached its peak, is it sustainable?

By violetkaipa / Copyright Shutterstock

The role of private philanthropy in international life has increased dramatically in the past two decades. Nearly three-quarters of the world's 260,000 philanthropy foundations have been established in that time and between them they control US$1.5 trillion. The UK sits second in the league table to the US. The scale of giving is enormous, a prime example being the Gates Foundation which alone gave £5 billion in 2018.

Philanthropy does come with some tensions and controversy, especially in its relationship with democracy where it can impact upon the spending in areas such as education and healthcare and overwhelm priorities of the democratically elected. However, much of the influence is indirect and is far outweighed by the benefits it can bring. Take the aforementioned foundation's support into research for malaria, that has nearly doubled the amount spent on the disease worldwide. Polio too has been virtually eradicated due to the same philanthropic support, making good the failures of pharmaceutical companies and governments worldwide to tackle the issues.

Yet society holds contradictory views over the issue, never being totally at ease with the philanthropist's ideals, on one hand citing it as a way that unfairly tilts debate and policy with their money. However, that view is turned on its head when the cause is liked and then they become the hero, stepping forward to level the playing field. A prime example of this being the support given to a local sports team to help survival, growth or team success.

Whatever society's views, it is clear that philanthropic support is now needed more than ever, as government faces up to the inevitable, post-COVID budgetary implications – let alone the further possible impacts of a second wave – there will be tough decisions needing to be made as to where money is spent. That conundrum, however, presents opportunities for the philanthropist.

Governments worldwide offer generous tax incentives to encourage charitable giving and in the UK, those various exemptions have existed for charities since income tax was first introduced. Pursuing charitable support for relief of poverty, advancement of education, promotion of religion and 'other purposes for the benefit of the community' does ensure that the choice of the philanthropist can be quite broad.

Indeed philanthropists have a great opportunity at a time when both government and business face their own pressures, in that they sit in an ideal position of representing neither, removing themselves from political or commercial pressures and offering something to civil society, social institutions and causes that would otherwise be at risk in such difficult worldwide circumstances. It could be argued that this support will indeed help aid the post-COVID recovery process making sure the most disadvantaged in society are allocated and supported with the allocation of private resources toward a public good.

For the philanthropist that wants to set up initiatives to support local charity groups, community projects, teacher associations, cooperatives, faith groups, environmental causes or disadvantaged groups, they really can help empower ordinary people to change, provide a better future for many and give some a prosperous outlook that would have never had that opportunity.

So clearly the time and opportunity for the philanthropist is now – where they can engage their knowledge, skills and resources to tackle some of the world's immediate challenges. Carefully balanced with wealth succession, philanthropy and active engagement in the activity is become increasingly common. A prime example of this is the recent announcement of the £50 million 'Earthshot' prize initiative by Prince William and the Royal Foundation. This initiative encourages new solutions that have a positive effect on environmental change, which has been supported and partially funded by leading philanthropists. Highlighting how philanthropists, Royalty and global non-profit organisations, can work together for the common good.

Jersey is well placed to support that growing desire amongst wealthy families where there is a wish to engage in charitable

By The Photo Fab / Copyright Shutterstock


and philanthropic activities whilst balancing this with wealth succession requirements. This includes the set up and administration of charitable structures to give effect to charitable requirements, applying structures that allow a client to carefully frame objectives and, in some cases, have input on when funds are released when they are most needed.

Although many have a strong desire to help others, the possibilities can be quite broad. Seeking experienced professional advice can be vital for ensuring important factors are considered before launching into such an important project, helping navigatate the philanthropic universe and planning a path towards achieving such worthwhile ambitions and desires.


## SIMON VOISIN

*Simon Voisin, Director, Forward Group.*

*Simon has over 27 years' experience in providing professional fiduciary wealth management services to private and corporate clients. He has worked for both independent and institutional trust companies and was previously head of a single-family office.*

*Specialising in establishing and administering complex structures for geographically diverse clients, he has particular experience in looking after multi-generational entrepreneurial families with a UK touch point, global property interests and trophy assets.*

*Simon is a qualified trust practitioner holding the STEP Diploma in International Trust Management, IOD Certificate in Company Direction and the Certificate in Offshore Administration.*
*Email:* sv@fw.je


Forward Group Limited and its affiliates are regulated by the Jersey Financial Services Commission for the conduct of Trust and Company Business.

# ESG and Jersey: Who Cares Wins

**by Simon Burgess**

Jersey's reputation as a leading international financial centre positions it as a go-to jurisdiction to support sustainable finance, including Socially Responsible Investment (SRI), Environmental, Social and Governance (ESG) and impact investing.

ESG has come of age. The funds industry is preparing to respond to the changes and Jersey is ready to play its part in supporting the needs of managers and investors alike. I recently discussed this with Jersey professional, Monique O'Keefe, who is a non-executive director of LSE listed real estate company, Phoenix Spree Deutschland and is Chair of its Corporate Social Responsibility (CSR) Committee. Monique said: "The board recognises the importance of long-term sustainable growth - that means ensuring that the Company's activities contribute positively to society, especially within the communities it operates and also in terms of its environmental impact."

By Profit Image / Copyright Shutterstock

However, creating the right platform takes time involving multiple counterparties. She said: "It has taken us over three years to develop and implement our policies. I would describe it as a cultural journey for the business where the people who implement the policies are educated along the way.

"ESG principles have become embedded into the business and it has changed the way we communicate, especially to our investors."

It was not so long ago that investors may have once been reluctant participants. After all, a company director's fiduciary duty was to maximise shareholder value with less regard to environmental or social considerations or more general governance issues. Yet this is not the case today. The rise of ESG has shifted things and it is now seen as an important component of fiduciary duty.

In 2013-14 studies were published reflecting how good sustainability performance associates with good financial performance. Evidence is now to hand showing the importance of sharing ESG data in assessing risks, strategies and operational performance. More investors are now integrating corporate ESG risks in their decision-making with the aim of increasing returns, particularly pension funds which are being reported as targeting managers with ESG capability.

The shift is the correlation between ESG factors and financial performance, especially as they relate to climate change. Climate change is no longer a distant threat. It is already having far reaching economic consequences and will continue to do so over the long-term. Monique explained: "The key is to be proportionate and demonstrate to investors the value it brings. Value can be about profit but also other non-financial metrics, such as energy conservation, job creation and enhanced reputation. I've yet to see a shareholder or investor complain about a proportionate approach to ESG."

ESG covers a wide sphere of subjects and factors that historically have not formed part of investment analysis. It may include:-

- Response to climate change
- How workers are treated
- Supply chain management
- Corporate culture that is positive, builds trust and builds innovation

Managers are now expected to track and report their ESG data. This is now likely to form part of investors' due diligence to understand the strategy and management philosophy. Monique said: "The key is to actively manage this through competent governance and a board committed to ongoing reporting.

"In the case of Jersey, we are well placed to offer international investors with highly flexible structures which are managed by professionals with credible and long-standing experience of corporate governance and transparency. For many funds in Jersey, there are no direct employees or offices, so it becomes important to be able track and report on the activities of key service providers."

This is also just as important for private funds as it is for listed companies. Many closed-ended private funds will be expected to report on their particular ESG factors, even though the fund may be closing soon, as the platform will inform investors as to the next fund launch. The manager's credentials and reputation will develop from this.

In Jersey, the Jersey Financial Services Commission (JFSC) has taken the lead with their Consultation on Proposals to Enhance Disclosure and Governance Requirements for Sustainable Investments. This is aimed at funds that specifically market or hold out to have environmental, sustainable, or socially responsible investments. The consultation closed on 30th September 2020 and feedback is expected during Q4 2020.

Over the last 15 years ESG investing has grown in recognition and is now estimated at over $20 trillion of assets under management or a quarter of all professionally managed assets globally.

It has been built on the principles of the Socially Responsible Investment (SRI) movement with a focus on ethical and moral considerations. SRI tended to focus on the negative (e.g. having a policy not to invest in certain assets), whereas ESG has developed a more progressive approach.

The Global Insights on ESG in Alternative Investing survey of 97 institutional investors in 22 countries conducted by LGT Capital Partners and Mercer found that respondents believed ESG improves risk adjusted returns and formed an important part of risk and reputation management. JP Morgan has reported that ESG factors influence consumer and investor behaviour and corporate returns are higher.

The Financial Reporting Council's UK Corporate Governance Code has a focus on board responsibility for risk management and the Stewardship Code now further develops this to cover long-term value creation that lead to sustainable benefits for the economy, the environment and society.

For listed real estate companies, the European Public Real Estate Association (EPRA) offers their Sustainability Best Practices Recommendations Guidelines. Monique said: "EPRA Guidelines are based on the latest GRI Standard, and offer a consistent way of measuring sustainability performance to enhance transparency and comparability."

Real asset investing can have a significant impact on the environment and it is not surprising that the industry is driving standardised benchmarks. For example, it was some 11 years ago that the Global Real Estate Sustainability Benchmark (GRESB) was established by a group of large pension funds who wanted to have access to comparable and reliable data on the ESG performance of their investments. They have now grown to become a leading ESG benchmark for real estate and infrastructure investments across the world.

Investors use GRESB data and analytical tools to manage ESG risks, capitalise on opportunities and engage with investment managers. GRESB validates, scores and benchmarks ESG performance data provided by individual managers on the ESG performance of their assets and portfolios.

For equity investing generally, the PRI's *A Practical Guide to ESG Integration for Equity Investing* guides managers and investors on the implementation of ESG integration into their investment decisions and processes. PRI explain that integrating ESG factors into analysis of listed equity investments is the most widespread responsible investment practice in the market today. Several drivers, including increased capital flows into funds with integrated ESG factors are encouraging more and more investors to practice ESG integration.

Different organisations may employ different strategic approaches. These could follow one or more of the following:-

- Exclusions - investments are not held that have a poor ESG performance record.
- Positive tilt - investments are targeted that have a positive ESG performance.

## SRI/ESG TIMELINE

- 2000: Global Reporting Standards launched
- 2004: Letter by UN Secretary General Kofi Annan to 50 CEOs of major financial institutions inviting them to integrate ESG in the capital markets
- 2005: *Who Cares Wins* published by Ivo Knoepfel suggested embedding ESG makes business sense
- 2005: Freshfield Report produced by UNEP/FI linking ESG to investment valuations
- 2007: Sustainable Stock Exchange Initiative (SSEI) integrating ESG into analysis/decision making. SSEI (supported by Geneva UNCTAD) grown such that many exchanges now mandating ESG disclosure for listed companies or providing guidance on how to report on ESG issues.
- 2018: GRI Standards used by over 80% of the world's largest corporations
- 2020: *Consultation Draft Toward Common Metrics and Consistent Reporting of Sustainable Value Creation* by the World Economic Forum
- 2021: EU disclosure requirements on ESG and sustainability

- Best in class - investments are held in assets that are ESG leaders.
- Thematic - a top down investment approach where investments are held in themes or assets specifically related to sustainability.
- Impact - where the goal pursued is to achieve a specific positive social or environmental benefit while delivering a financial return.

Whichever is followed, the industry is responding to the need for standardised reporting with the leadership and assistance of the World Economic Forum. Published in January 2020 was the *Consultation Draft Toward Common Metrics and Consistent Reporting of Sustainable Value Creation* prepared by the World Economic Forum in collaboration with Deloitte, EY, KPMG and PwC.

EU focused funds will also be faced with the new European Disclosure Regulations governing transparency requirements of both UCITS management companies and AIFMs. Whilst the introduction of these regulations is to be staggered, most of the requirements will apply from March 2021.

Requirements contained in the regulations cover all fund managers whether or not they are managing ESG funds or sustainable investment objectives. Disclosure will include details on the sustainability risks that are integrated into the investment decisions and the impact of these risks on returns. If they are considered not to be relevant then reasons why must be given.

At this stage, it seems that the UK Government has yet to confirm whether the regulations will apply in the UK. However, at the very least it is anticipated that measures will be implemented that align to the UK's Green Finance Strategy.

The tools needed to collate and report ESG data are improving all the time but the standardisation of reporting is maturing. Following the launch of the Global Reporting Standards in 2000, 80% of the largest corporations globally now use GRI Standards to report on their sustainability impact. Also, the International Integrated Reporting Initiative (IIRC) and Sustainability Accounting Standard Board (SASB) has developed sector specific reporting. This has enhanced relevance to investors.

Better technology enables transparency and it makes handling data easier, faster and ever more accurate. As Michael R. Bloomberg was quoted as saying: "Increasing transparency makes markets more efficient, and economies more stable and resilient."

This is an area in which Jersey is well placed to support fund managers. Fund services businesses in Jersey have decades of experience handling large quantities of data from multiple sources and have invested heavily in technology that offers data aggregation and analysis. Just take the introduction of the AIFMD depositary services that Jersey took up with ease through the use of existing technology and in-house expertise. These technologies can be easily re-tooled to support investment funds' ESG reporting needs, making Jersey well placed to lead from the front.

### SIMON BURGESS

*Simon Burgess, Head of Alternative Investments, Ocorian.*

*Simon leads Ocorian's Alternative Investments business globally. He has more than 30 years' experience working in the funds and real estate industry and specialises in the establishment of both single and multi-jurisdictional investment platforms with an emphasis on real estate, infrastructure, debt and private equity assets.*

*Simon has gained many years' experience as a director of both fund and investment management companies in the UK, US, Channel Islands, Ireland, Luxembourg and the British Virgin Islands. He has previously held senior management positions at State Street and Mourant, prior to which he was a partner in a property advisory firm in the City of London.*

# The best of both worlds

**by Trevor Norman**

Shariah-compliant finance was taking an ethical view of investing long before the rise of sustainable investment strategies in western financial markets. Now, as both Shariah-compliant and sustainable investments expand, investors and issuers are finding increasing complementarity between Shariah-compliant investments and those that also comply with international standards on sustainable investing.

The sustainable finance spectrum ranges from negative screening (where the primary focus is to achieve a financial return, while also making a positive impact), to impact investing (where the primary focus is to achieve a positive impact, while also making a financial return).

The underlying function of Islamic finance is to serve the needs and requirements of Muslim clients and as such it operates within certain core principles derived from Shariah Law. This requires that any Islamic financial institution operates within appropriate moral and ethical principles and that it promotes transactions that are for the public good, which has a natural link to sustainable investing.

Hassan II Mosque in Casablanca. By Al.geba / Copyright Shutterstock

The term that is commonly used to summarise this is 'maslaha'. The literal translation is 'benefit' but maslaha refers to any action taken to promote any one of the five basic objectives of the Shariah: protection of faith, life, offspring, property and reason. In summary, the activities of Islamic finance are only appropriate if they serve the public's benefit or welfare and are not speculative.

## FEATURES OF SHARIAH-COMPLIANT STRUCTURES

There are several features of Shariah-compliant investment structures that conventional investors or their advisers may question but the majority of these arise either from a lack of knowledge or simple misunderstanding. Such features include Shariah screening, terminology and the role of a Shariah Supervisory Board but all of these – and other potential barriers – can be resolved through education and sharing of information.

- **Myth – 'Shariah Law only allows Muslims to invest in companies undertaking certain activities':**
  Quite the opposite. Muslims are allowed to invest in any company or transaction, unless the underlying activities are considered to be haram (disallowed or harmful activities under Shariah), or where it is financed in a haram manner, for example when there is too much interest-bearing debt.
- **Interest versus profit:**
  Whereas the earning or payment of interest is forbidden (as 'usury', in cases where the return is guaranteed irrespective of performance of the underlying investment), the sharing of profits (and losses) from economic activity is fundamental to the concepts of partnership in Islamic finance. This is best summarised by a phrase, commonly used in Islamic financial contracts, 'the profits that Allah bestows on our joint venture'.

Al Qasba Mosque family area in the heart of Sharjah, 12th July 2020.
By Kateryna Galkina / Copyright Shutterstock

- **Terminology:**
  Recently, an adviser queried 'the differences between the three forms of contract starting with M?' – he was referring to Mudarabah, Murabaha and Musharakah. Even after 20 years involvement in this sector, there are still times I have to think which of these may apply in a particular contractual relationship between two parties in a commercial investment structure or transaction. Each of these Islamic contracts has an economic parallel in conventional finance – an example being 'Ijara' which is very similar to conventional leasing – although the subtle differences must be noted and adhered to.
- **Cost versus benefit of a Shariah Supervisory Board (SSB):**
  Several misconceptions exist about the role of Scholars; their role is a passive adviser to be consulted over issues requiring clarification not, as frequently misconceived, active investment selection or involvement in the management of the structure. Fortunately, the days of 'fatwa shopping' (in which investment managers would consult a series of scholars until they received the opinion they wanted) are long behind us and many investment structures are now subject to more general approval overall, use of precedents and standardisation of documentation as the Islamic finance sector has matured.

In summary, the real problem is a lack of knowledge regarding the differences between a Shariah-compliant investment structure and a conventional structure; or as I would prefer to put it, a lack of knowledge regarding the similarities.

## PRINCIPALS GUIDING INVESTORS WORLDWIDE

There are many variations of the definition and basis of sustainable investing but the generally agreed summary is that it is a type of investing that takes into account investors' personal values and beliefs. As such, it will mean different things to different people. An individual's values are derived from sub-sets of social, moral, religious, political and environmental principles, many of which overlap with others and some may even conflict.

**Social:** Societal factors dictate what is acceptable to a particular society and what is not. As previously mentioned, in a Muslim society these are generally summarised within the concept of maslaha which requires that a Muslim considers what could be beneficial to society as a whole, prior to making investments.

**Moral:** Investors will not invest in any industry or company that does not align with their moral values. For example, an investor with strong feelings that certain industries – such as the tobacco industry – are against their morals, would not want to invest in this sector. Typically, this form of investing is viewed as negative screening and has certain similarities to haram screening which is one example of the overlap between these categories.

**Religious:** Every religion has its own practices, beliefs and culture, yet while certain sectors of the media seem to concentrate on the differences, I prefer to highlight the similarities. Under Shariah Law it is prohibited to invest in alcohol production – a belief shared in the preaching of John Wesley, the founder of the Methodist Church, along with his injunction to refrain from investing in industries that harm others.

**Political:** The political climate can affect the way investors perceive the state of the economy and thus influence their investments. This is particularly important in times of crisis, where investors' confidence in governments and their policies influence the choice over whether to invest or divest.

**Environmental:** Environmental or 'green' investing is rapidly growing in importance. What started in the 1990s as a move away from fossil fuel investing toward renewable energy investment, has developed into an increased focus on mankind's effect on the environment and this in turn has led to the establishment of several green investment funds.

Ethical investing is a very personal matter determined by the importance and influence of individuals' values, so generic policies and standards for ethical investing are not always possible. However, within the green sector, standards for green bonds are evolving, such that with a greater sharing of information by organisations like the Climate Bond Initiative and the International Capital Market Association's Green Bond Principles, it is anticipated that international standards and guidelines will be agreed.

## CONVERGENCE OF SHARIAH-COMPLIANT AND SUSTAINABLE FINANCIAL PRODUCTS

Sustainable investment is not new and there has been overlap in the asset management industry for some time. Shariah-compliant fund managers are embracing sustainability standards in order to broaden their investor base, whilst some conventional managers are adopting procedures and screening to attract Muslim clients.

Malaysia has led the way in this sector. In 2014, the Malaysian Securities Commission revised its Sukuk guidelines to state that the proceeds of SRI Sukuk can be used to preserve the environment and natural resources, conserve the use of energy, promote the use of renewable energy and reduce greenhouse gas emission. These are still early days in the development of Green Sukuk but it does already seem clear that Sukuk structures lend themselves easily to sustainable finance. By their very nature, Sukuk are restricted to a pool of approved assets and environmentally friendly projects which enable a sustainability focused client to invest in renewable or clean energy initiatives.

One advantage of Sukuk is their similarity to a securitised debt instrument that is more widely understood by conventional markets. In mid-2000 we established a Sukuk structure for a client; following discussions regarding the differences and similarities of Sukuk and conventional debt securities, the investment arm of a UK high street bank purchased the whole ticket for one tier of the overall issue based upon the quality of the underlying issuer and the return that was supported by the underlying assets. Conversely, in another structure, we were working towards issuing conventional debt secured against the leases of a pool of assets but following interest from an Islamic financial institution the structure was reworked to become Sukuk al-Ijara.

## IT IS AS SIMPLE AS KNOWING WHAT MATTERS TO YOU

In 1996 we launched Jersey's first Shariah-compliant real estate fund for a Geneva-based Islamic Finance Institution which led to us establishing a number of similar structures for other clients. As a result, we have developed a deep cultural understanding of the Muslim world, knowledge of sustainable investment structures and useful expertise in an expanding and very exciting part of global financial markets.

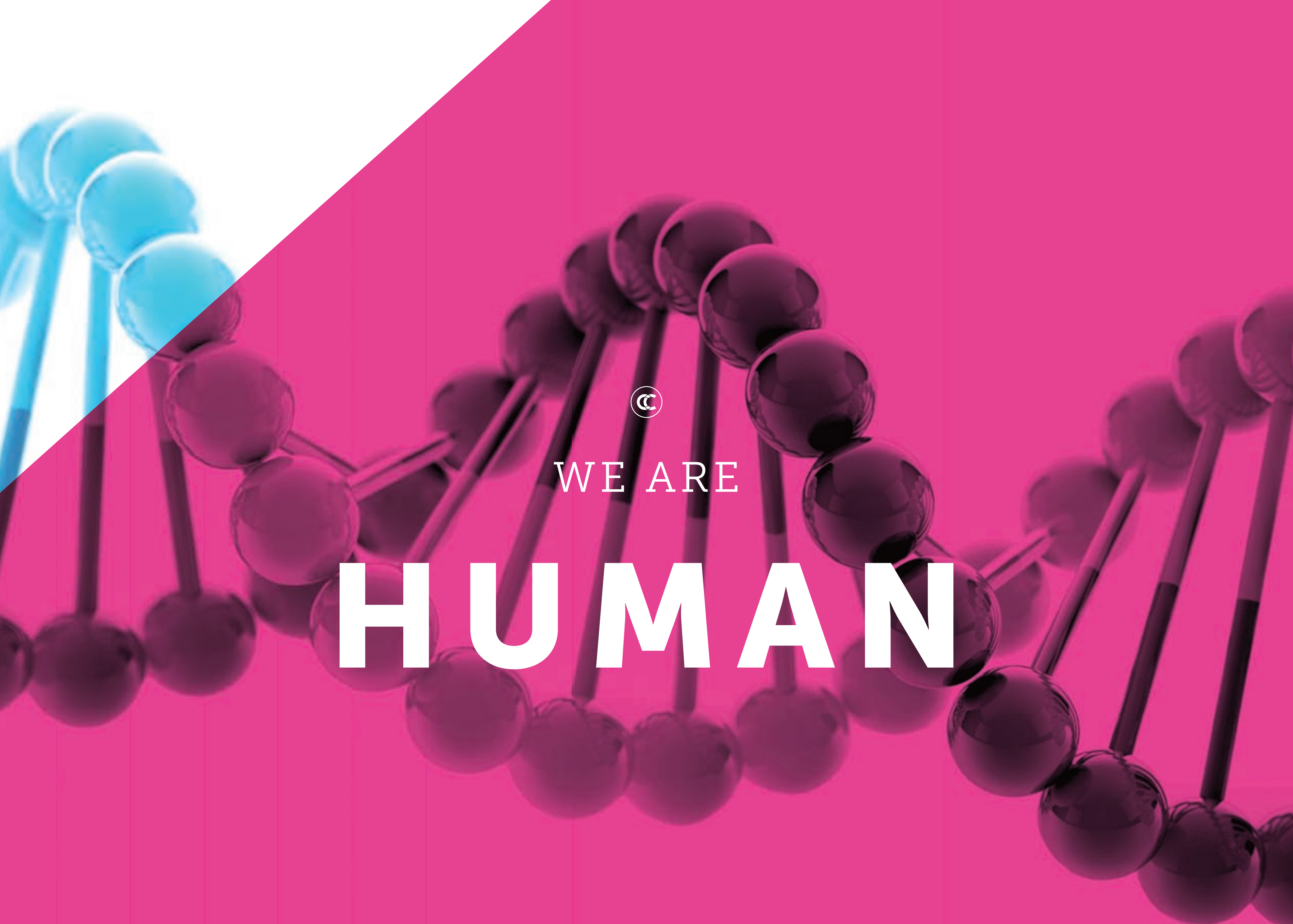
A major factor in the continuation and development of our Shariah-compliant offerings was the flexibility of Jersey's commercial laws. I have never had a problem accommodating Shariah-compliant forms within Jersey's legal system and equally the Jersey Financial Services Commission has been receptive to the requirements of these structures.

Jersey's long-standing track record of establishing Shariah-compliant and sustainably focused structures, offering sustainable and Shariah finance, makes it a natural choice for clients looking for a jurisdiction with experienced providers that have the right credentials to administer Shariah-compliant and sustainable funds.


### TREVOR NORMAN

*Trevor Norman, Director, Islamic Finance and Funds Group, VG.*

*Trevor is a Chartered Accountant, a member of STEP and an acknowledged industry specialist in Islamic finance, assisting GCC families and institutions in structuring the ownership of assets through the use of structures established in Jersey and elsewhere. Since 1995, he has worked on a wide variety of Shariah-compliant transactions, including several real estate funds, various specialist Shariah screened equity funds and Sukuk structures.*


WE ARE
HUMAN

# Nurturing the perfect ecosystem for alternatives

**by Tim Morgan**

Thanks to a forward-looking approach that is focused on creating an ideal ecosystem for alternative investments, Jersey's funds proposition remains one of the most robust elements within its range of financial services and, despite challenging global conditions, continues to prosper.

Over the course of 2019, figures for the industry, collated by the Jersey Financial Services Commission (JFSC), continued to be extremely positive, with total funds business serviced in Jersey growing 8% to reach £346 billion by the end of the year. This momentum was maintained into 2020, with new record levels of funds business being realised in the first quarter of the year, against a backdrop of emerging pandemic-related restrictions, to peak at more than £360 billion.


By metamorworks / Copyright Shutterstock

The statistics show particularly strong and sustained performances in the alternative asset classes, including real estate, private equity, venture capital and hedge funds, which now represent around 85% of Jersey's total funds business.

With figures from Preqin (Investor Update H2 2020) finding that 93% of investors expect to maintain or increase allocations to alternatives in the longer term, the future for Jersey's funds industry looks positive – particularly with investors increasingly looking for alternative fund jurisdictions that can provide long-term stability and certainty, underpinned by a cost-effective, flexible regime, high standards of governance and oversight, expertise and global distribution capabilities.

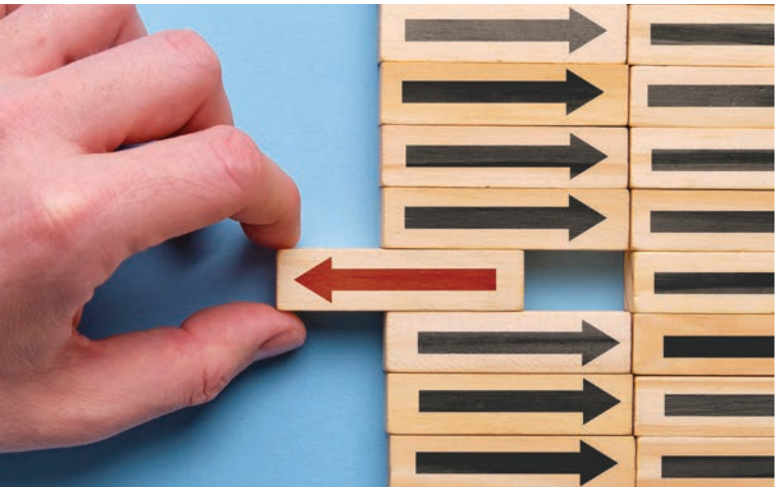
The indications are that investors continue to see Jersey as a resilient, stable, high-quality centre for managing, structuring and servicing alternative funds and these are qualities that will be highly sought after in the months ahead as managers and investors look for support to navigate what has become an unprecedented environment.

## INNOVATION

There is no doubt that 2020 has been an extraordinary experience for any business involved in fund structuring and for Jersey, the COVID-19 pandemic has thrown up a host of challenges around testing the ability to continue to structure, service and transact across fund related business.

However, what has been positive has been the extent to which the pandemic has reinforced a number of strengths that Jersey's funds industry has been demonstrating for some years and its ability to balance an innovative, progressive regime with maintaining a stable, no-change, no-surprises environment.

As an industry, we are very clear that maintaining growth requires a commitment to innovation, continuing to source the best talent, engaging with stakeholders and differentiating ourselves through service quality, ease of doing business and stability.



By Pixels Hunter / Copyright Shutterstock

By ilikeyellow / Copyright Shutterstock

The launch of the Jersey Private Fund (JPF) in 2017 was a case in point. Introduced following collaboration between the regulator, industry and government, the JPF is geared specifically towards the needs of small numbers of professional investors needing a streamlined, quick-to-market option.

Take-up of the JPF has been impressive, with JFSC data showing that there were more than 330 JPFs registered in Jersey at the end of March 2020. Evidence suggests that the structure is finding favour right across the client base, from institutional investors through to family offices coming together to co-invest.

More recently, Jersey introduced amendments to its Limited Partnership legislation that will make it significantly easier for managers to migrate limited partnership fund structures to the jurisdiction. Considered a really important development, the expectation is that it will prove an attractive proposition for managers who are re-evaluating their domicile choices and are exploring how they can better navigate the complex environment they operate in.

Further enhancements to Jersey's product range are anticipated over the coming year as Jersey remains focused on delivering innovative solutions to support managers across the alternatives landscape, including rolling out a Limited Liability Company (LLC) product that should prove a particularly attractive vehicle for managers in the US – a market where we are seeing real traction.

Digitisation remains a key element in the innovation mix too and in a survey of JFA members last year over 56% of respondents said that they had employed automated technology over the year. That sort of investment is impressive and will be pivotal in meeting the needs of alternative managers in the coming years in areas like cyber security, reporting and data management.

This is whilst also focusing on further enhancements to Jersey's private placement regime, revisiting third country passporting and being more proactive in meeting the needs of an industry that is increasingly engaging on sustainability, green finance and ESG – areas that will be exacerbated by COVID-19.

## GOVERNANCE

On the regulatory front, meanwhile, Jersey continues to lead in terms of transparency and governance and we have seen asset managers continuing to commit to relocating to and establishing a presence in Jersey, a huge positive in light of the economic substance rules introduced last year.

Over the last five years, the community of fund managers operating in Jersey has more than doubled to now include some of the most significant hedge, real estate and private equity fund managers.

Importantly, all these managers are undertaking a full spectrum of fund management, risk and portfolio management functions and are supported by a large pool of skilled staff that are specialists in alternatives, combining to form a platform of real substance.

Getting to this position is no accident. The outcome of Jersey's work around key issues such as Brexit and the recognition Jersey received from the EU in 2019 following the introduction of substance rules, have been extraordinarily positive.

## GLOBAL PLAYER

Jersey's ability to offer seamless, efficient access to investor markets around the world is a major part of its increasingly global appeal. It is noteworthy that the top five sources of capital committed to Jersey funds, for instance, are the UK, the US, Ireland, Luxembourg and Canada.

Europe remains an important market, of course and Jersey is extremely well placed to play a pivotal role in supporting non-EU (including, post-Brexit, UK) managers wanting to access EU investor capital.

Significantly, the JFA's member survey last year found that on Brexit attitudes were positive, with over 80% of respondents saying Brexit would be neutral or increase business for Jersey.

There are good reasons for this. Jersey is already a third-country in relation to the EU and has all the infrastructure in place to enable funds to continue to market seamlessly into the EU through its tried-and-tested private placement route.

Whilst the onshore AIFMD passport may be suitable for some managers, it is not necessarily the only or best option. In fact, in the vast majority of cases – 97% in fact, according to the EU's own figures – managers want access to only three EU markets or less. In those circumstances, private placement is a much more efficient, flexible and quicker option.

That is reflected in recent figures, as the number of alternative managers marketing into Europe through private placement in Jersey rose 9% in 2019 to more than 180 and the expectation is that, against the backdrop of Brexit, private placement is likely to become increasingly attractive to UK and other non-EU managers.

At the same time, Jersey is also playing an important role in enabling EU managers to mitigate the impact of Brexit. A huge proportion of investors in alternatives are based in the UK making access to the City a massively important issue for EU managers.

What has really emerged over recent years though, is Jersey's global platform. Beyond Europe, Jersey is well placed to connect global managers and investors, with a growing number of managers in the US and Asia in particular looking for a European time-zone hub, outside of AIFMD rules, that can offer a stable, straightforward, transparent environment, offer easy UK and EU investor access and superior standards of governance. Jersey is ticking the boxes.

## LONG-TERM

Even in these unprecedented market conditions, Jersey's funds industry remains focused on honing its vision to provide the perfect ecosystem for cross border alternative funds. Now more than ever, our absolute focus is on providing clarity and simplicity in everything we do.

As an industry, we are clear that maintaining growth requires a commitment to innovation, talent, engagement and differentiation through service quality, ease of doing business and stability. Those are qualities that will be vital in the coming months as we look to support economic recovery but that will also provide managers and investors with confidence in the long-term too.


### TIM MORGAN

*Tim Morgan, Chair, Jersey Funds Association (JFA).*

*Tim is a Partner at offshore law firm Mourant and has practised in Jersey since 2003 advising promoters, investors, boards, regulators and service providers across asset classes, particularly private equity, credit, real estate and, hedge. He has been involved in advising on a range of significant transactions over that period including changes and innovations to Jersey's regimes. Prior to moving to Jersey, Tim practised with Taylor Wessing and PwC Legal, as well as with Dresdner Kleinwort Wasserstein in London and New York, advising on private equity sponsored transactions.*

# An attractive alternative to raising capital: acquisition IPOs are SPAC

by Shervin Binesh and Sam Sturrock

SPACs (Special Purpose Acquisition Companies) are trending and not only in the North American market where these vehicles have been popular for a number of years. They are now gaining interest from investors globally and particularly in the UK.

Earlier this year and during the initial stages of the pandemic we experienced a resurgence of interest in Jersey cash box structures as a quick means of raising capital for UK listed companies. With private equity and venture capitalist investors looking at acquisition targets and searching for yield within an opportunistic environment, SPACs have become an appealing and increasingly popular alternative to the traditional IPO process. These vehicles also seem to mirror a similar cycle to that of the cash box structures, in that their popularity seems to have increased as a result of market volatility and a demand for cash liquidity caused by the recent pandemic, similar to the period following the financial crisis in 2008.

**WHAT IS A SPAC?**

A SPAC is a newly incorporated company founded by one or more sponsors, with the single objective of making one or


By Den Rise / Copyright Shutterstock

more target 'acquisitions'. The funds are raised through the IPO process and investors will 'buy-in' to the track record and experience of its founders/sponsors, often being high profile wealthy entrepreneurs or private equity partners. The special purpose vehicle will be listed on a chosen exchange and investors and the founders/sponsors receive shares or warrants (long-term options giving a right but not an obligation) to purchase shares at a set price within a specified period) in the vehicle, with the founders/sponsors typically receiving 10-20%.

The investment strategy for the acquisition published in its listing document would usually be expected to be completed by the founders/sponsors within approximately 18-24 months (depending on the rules of the exchange), hence these vehicles often being referred to as 'cash shells' or 'blank cheque vehicles'. Many SPACs also have a minimum transaction size requirement of approximately 80% of available funds.

Interestingly, whilst the SPAC can acquire assets through a simple purchase of another entity, there have been a variety of corporate techniques used to make these 'acquisitions', including takeovers, mergers with a target and retaining rights in the surviving entity, raising additional funding, being 'purchased' by a target (with equity in return) or a reverse takeover where a private (non-listed) company is acquired by the SPAC and then merged with it. As such, they can be seen as a new way of doing an M&A deal and having a suitably wide definition of the permitted 'business combinations' for the acquisition provides useful flexibility.

## KEY FEATURES OF THE SPAC PROCESS

The features will be dictated somewhat by the market and exchange which the vehicle is listed, although there are some fundamental points which will need to be considered and potentially supported by a third party. These are:

- Incorporation: Incorporation of the company in the jurisdiction of choice and arranging the key corporate requirements including company secretary, registered office, administration, compliance and accounting.
- IPO and holding funds: Compliance with listing requirements, listing application/approval and management of the cash received (which would be typically placed into an interest bearing escrow/treasury/trust account) and cashflow management to deliver returns which can cover working capital expenses incurred between IPO and acquisition.
- Operation and management of the SPAC: Given the nature of these vehicles, the establishment and running costs associated with supporting SPACs should generally be lower than other more active vehicles, such as investment funds. They will however continue to require governance, compliance, accounting and listing rules monitoring support. It is important to ensure you have visibility and transparency on costs as this can be a distinguishing feature when deciding to outsource the corporate administration.
- Acquisition / M&A: Using IPO proceeds, debt and issuance of equity, the acquisition can be achieved in various ways (as outlined above). Coordination and project management by an administrator present in the various jurisdictions can help manage associated costs and work to be undertaken for this corporate event. Depending on the exchange, there may be a variety of shareholder approvals, listing compliance approvals and prospectus issues to be considered.
- Liquidation / wind up: Liquidation may occur if the investment strategy is not executed within the required timeframe and monies will need to be returned to the investors.

## RECENT EXAMPLES

High profile recent SPAC IPOs include Richard Branson's Virgin Galactic (merged and taken public by a SPAC which raised $800m) as well as his recent new business venture through VG Acquisition Corp. ($400m, Cayman Company). US healthcare company MultiPlan also went public in an $11bn merger with a SPAC, Churchill Capital Corp III, which raised $1.1bn in February 2020.

In terms of asset class, SPACs are well known for being weighted to technology and growth companies.

The NYSE has reportedly seen 55 SPACs raising $22.5bn as at early September this year. This compares to 59 SPAC IPOs collectively raising $13.6bn in 2019.

Whilst the London Stock Exchange has not reached similar levels in terms of both volume and value, the trend is significantly upwards with a 30% increase in market value of SPAC IPOs in 2019, over 50 SPACs over the last five years and over $2bn raised since 2017.

## BENEFITS OF A SPAC AND ATTRACTION TO INVESTORS

Whether listing on the NYSE, Nasdaq, LSE, AIM, or TISE, all will be comparatively more flexible and lighter on regulation than a premium main market listing (which may not be available because of a lack of trading history). Some of the relaxations being provided by exchanges include:

- A simple and straightforward process for listing a SPAC
- Less time and cost when compared to the traditional IPO process with various road shows
- No requirement to appoint a financial adviser, sponsor or a Nomad (an AIM listed SPAC must have a Nomad)
- Low required minimum market capitalisation
- Potentially flexible application of corporate governance codes
- May not need to provide shareholders with pre-emption rights
- May not need shareholder approval for reverse takeovers or acquisitions
- May not be subject to any time limit to make its initial investments (or a fairly long timescale)
- Generally has greater flexibility around share dealings and related party transactions

- Low cost corporate administration to support the incorporated company during the IPO and acquisition process

Speculative investors will undoubtedly have their preferences on the type of exchange used and this will be a key driver for the founders of the SPAC who may wish to attract certain types of investors.

We have also seen geographical factors at play, such as the attraction of the UK markets for Asian investors and high-net worth entrepreneurs. SPACs are also attractive to hedge funds which can view the holding as a cash proxy and provide investors who can only invest in listed securities with exposure to private companies with illiquid securities.

A listed SPAC can be used to access a greater range of investors than are typically possible in private equity fund structures which are sometimes restricted to professional and institutional investors by law or regulation.

## IS A SPAC A FUND?

SPACs sometimes resemble investment funds and can have a collective pooling of capital, they can make multiple investments (therefore arguably risk spreading), allow discretion to the management team to make investments on their behalf and invest in similar types of assets as a private equity fund.

The costs associated with establishing a SPAC and its supporting structure are generally lower than those applicable to a fund. A SPAC does not require a fund management company to be established. This saves time and cost of set-up and compliance with regulations applicable to funds and managers.

SPACs' investment policies and objectives are not (usually) intended to achieve a spread of risk for investors. The regulatory frameworks of certain jurisdictions and how they identify investment funds can impact on the proposed jurisdiction for certain multi-investment SPACs.

## WHY HAVE AN OFFSHORE SPAC?

There are a number of advantages to using an offshore SPAC, most notably:

- Reduced cost compared to other structuring options
- Ecosystem of experienced service providers and advisers
- Regulatory flexibility as regards SPACs, investment funds classification and capital raising but a robust regulatory environment
- Flexible companies laws in the Channel Islands and Caribbean adaptable to the rules of most exchanges, including regarding dividends, financial assistance, tax neutrality for global investors and for the variety of corporate acquisition techniques (such as takeover or merger)
- Established track record of their use for SPACs

## CONCLUSION

Whilst investment in SPACs should always be considered carefully by investors due to the discretion provided to the sponsors/founders, they are proving to be a real source of market activity and an attractive proposition for experienced private equity experts looking to take advantage of market conditions and deliver quick returns against that next target unicorn.


### SHERVIN BINESH

*Shervin Binesh, Director, Corporate Services, SANNE, Jersey.*

*Shervin joined Sanne in 2020 as a Director in the Jersey office and is responsible for managing and strengthening client service and key intermediary relationships within the Corporate Services business. Prior to joining Sanne, Shervin held numerous senior roles, most recently at Link Asset Services in London and Intertrust in Jersey. With more than 15 years of management and consulting experience in the financial services industry, Shervin has vast knowledge and experience working in the corporate and employee incentives industry.*
*Email:* shervin.binesh@sannegroup.com

### SAM STURROCK

*Sam Sturrock, Group Partner, Corporate Finance and Funds, Collas Crill, Jersey.*

*Sam is an experienced funds, corporate and regulatory lawyer who heads the Collas Crill Jersey funds team. Sam joined the firm in 2020 following over 10 years in top tier Jersey law firms, two years as a director at a multinational administration business and a year assisting Jersey Finance on legal and technical matters. Sam was also the chair of the IoD Jersey Industry sub-committee for 2019/20.*
*Email:* sam.sturrock@collascrill.com

# A unique jurisdiction for accessing global capital markets

**by Guy Coltman and David Allen**

Jersey is renowned as a premier International Finance Centre (IFC) and Jersey companies are often used as holding companies for large international groups, including those seeking to be listed on the world's exchanges. The factors that underpin Jersey's position as a unique jurisdiction for accessing global capital markets, are as well established as its reputation.

## WHY JERSEY?

There are a number of reasons why Jersey is chosen as the place of incorporation for a holding company of international groups. Not least is the Island's reputation as an established offshore jurisdiction providing an excellent financial services offering in a well regulated, stable and reliable environment. In addition, the Organisation for Economic Cooperation and Development (OECD) has placed Jersey on its 'white list' and this ensures international confidence in Jersey as a jurisdiction.

Companies looking to have their holding companies in Jersey know that there is a plethora of legal, accountancy, banking and other financial expertise available in Jersey and transactions are often easier and more cost-effective as a consequence. What is also attractive to investors is that Jersey's court system is well developed and is capable of handling the most complex and difficult cases.

By Alexander Limbach / Copyright Shutterstock

## LEGAL CONSIDERATIONS

Jersey provides a stable, tax-neutral environment in which to establish and maintain corporate structures. Jersey companies (apart from locally regulated financial services companies and utility companies) are, typically, zero rated for income tax and are not subject to capital gains tax within the jurisdiction. In addition, there is no Jersey stamp duty on share transfers. Companies can be – and often are – incorporated in Jersey but resident for tax purposes in another jurisdiction.

As it is modelled on English company law, Jersey company law is familiar to investors around the world, making it easier to understand the implications of using a Jersey company. The law provides further flexibility such as the choice of types of corporate entity available and more flexible options on dividends, share issues and financial assistance regimes (there is no prohibition on financial assistance in Jersey for either public or private companies). In addition, the share buyback, share redemption and capital reduction regimes are straightforward.

Jersey law is also flexible enough to permit the holding of virtual shareholder meetings (provided that the relevant company's articles do not contain provisions to the contrary) and this has greatly assisted companies in keeping their shareholders and employees safe in relation to the ongoing COVID-19 pandemic.

The flexibility of Jersey law is highly attractive to companies and investors when seeking the place of incorporation for a holding company. If need be companies can also replicate investor protection and other market standards through a Jersey company's memorandum and articles of association.

Furthermore, Jersey law provides a suite of potential options should investors in a Jersey company be looking to exit their investment whether such exit takes the form of a Jersey scheme of arrangement, a takeover, a merger, demerger or an initial public offering.

## LISTING JERSEY COMPANIES ON THE WORLD'S EXCHANGES

For those seeking to list via a Jersey company on exchanges around the world, including the main market and the Alternative Investment Market (AIM) of the London Stock Exchange (LSE), the New York Stock Exchange (NYSE) and the Hong Kong Stock Exchange (HKSE), Jersey provides access to high quality advisory services.

Jersey has, in particular, attracted companies seeking a listing on the LSE, on both the main market and AIM. This is partly because Jersey company shares settle in the same way as UK shares on the London market (either through the paperless CREST system or through stock transfer forms). In addition, the UK Takeover Code (Takeover Code) applies to a Jersey company listed on AIM and the main market of the LSE (other than an open-ended investment company), irrespective of where it is managed and controlled. This is attractive to investors as the Takeover Code is highly regarded among many investor circles.

There are a number of Jersey companies currently listed on the NYSE and Nasdaq. Jersey company law is flexible enough to largely reflect the market standards that US investors would expect to see and recent changes to the law allow Jersey company shares to trade using the systems operated by those exchanges including the use of the DRS system. In addition, there are certain share registrars that have operations in both the US and Jersey which enhances Jersey's offering regarding listings in New York.

Companies also continue to be listed on the HKSE. While Jersey and Hong Kong company law are both largely based on English company law, where there are differences between the two, the HKSE will expect any issues to be bridged by way of amendments to a Jersey company's articles of association. The company's internal management and the protections and control afforded to the shareholders will therefore largely reflect the 'norms' under Hong Kong law and will be in line with local market expectations.

## THE INTERNATIONAL STOCK EXCHANGE (TISE)

As a complement to other services that can be accessed directly from Jersey, The International Stock Exchange (TISE) is a regulated marketplace which offers a convenient and cost-effective service for listing a wide range of securities. Trading companies, such as SandpiperCI Group Limited (which is the Jersey holding company of an international retail and food service operator), have listed their shares on TISE and TISE continues to be an exchange of choice for debt listings and REITs. TISE has also being working on expanding its range of services and one recent innovation is TISE Green which is a market segment for green investments, including bonds, funds and trading companies which enhance or protect the environment.

## THE FUTURE

It is expected that the trend of using Jersey companies as ultimate group holding companies and to effect listings on exchanges around the world will continue.


### GUY COLTMAN

*Guy Coltman, Partner, Carey Olsen, Jersey.*

*Guy is one of Jersey's most experienced corporate law practitioners and heads Carey Olsen's Jersey corporate law group.*

*He has significant experience across a wide range of corporate practice areas, including mergers and acquisitions (public and private), IPO and equity capital market advice, private equity transactions and special corporate situations.*

*Before moving to Jersey in 2005, Guy practiced corporate law in London with Skadden, Arps, Slate, Meagher & Flom (UK) LLP. Guy is a Jersey Advocate.*
*Email:* guy.coltman@careyolsen.com

### DAVID ALLEN

*David Allen, Counsel, Carey Olsen, Jersey.*

*David has significant experience in relation to UK and cross-border M&A, IPOs and private equity transactions.*

*He has a particular focus on AIM and main market listings of Jersey companies, M&A and general corporate advice. He also has particular expertise in relation to US listings and transactions conducted via Jersey schemes of arrangement. Prior to joining Carey Olsen in 2009, David practised corporate law in London at Weil, Gotshal & Manges. David is a Jersey Advocate.*
*Email:* david.allen@careyolsen.com

By GreenTech / Copyright Shutterstock

# Jersey Propco structures: still a strong foundation

**by Andrew Weaver, David Dorgan and Daniel Healy**

On 22nd November 2017 the UK Government announced tax reforms aimed at more closely aligning the tax treatment of non-UK resident owners of UK immovable property with that of UK residents holding UK real estate. The first of these reforms was brought into effect when non-UK resident entities became subject to capital gains tax for all capital gains realised from 6th April 2019.

A year later, the second round of such reforms took effect whereby rental income received by non-UK resident landlords became subject to corporation tax rather than income tax.

These reforms were introduced as part of the UK government's wider efforts to tackle tax avoidance, evasion and non-compliance which are designed to 'level the playing field' in terms of taxation of gains between non-UK resident and UK-resident investors in UK real estate.

Notwithstanding such reforms, investors are free to structure their investments in UK real estate through offshore structures

without any adverse UK tax implications and they are not required to use UK vehicles to hold such investments.

## SO WHY THEN SHOULD INVESTORS LOOK TO USE JERSEY STRUCTURES?

With a more level playing field in terms of taxation, there are still a number of compelling reasons to invest in UK real estate through Jersey structures.

First, there are a number of possible vehicles which investors could utilise in structures which offer a lot of versatility. Limited partnerships and property unit trusts (or JPUTs as they are more commonly known) provide options for tax transparent structures, while limited companies benefit from Jersey's very flexible company law; as highlighted in the various ways profits can be returned to investors and that a Jersey company can make a distribution from a wide range of sources and not merely from distributable profits.

For those investors who have estate planning in mind, Jersey has a well-developed trusts practice and is a world leader in this area.

Jersey is in the process of establishing a new LLC vehicle which will be an attractive – and familiar – investment vehicle for many investors, particularly those based in North America.

Jersey companies are also commonly used in real estate investment trusts (or REITs) which are exempt from capital gains tax realised on property investments (which include capital gains made on the indirect sale of real estate by the sale of a property owning subsidiary) and suitable for real estate investment companies or private 'club' deals where there are at least six investors.

By Pupes / Copyright Shutterstock

There really is something for everyone, no matter the disposition or tax analysis.

Secondly, Jersey has an excellent reputation as a well-regulated and transparent international finance centre. It has robust anti-money laundering laws and has entered into over 30 Tax Information Exchange Agreements (TIEAs) based on the OECD model.

In addition, Jersey has a world-class professional infrastructure with the numerous law and accountancy firms and corporate service providers. Investors will find that they receive robust and expedient advice based on a high degree of expertise and deep and broad experience.

The Jersey Financial Services Commission (JFSC) also provides quick incorporation services and it is possible (upon receipt of all properly completed documentation) for a company to be incorporated in two hours.

Thirdly, ultimate beneficial ownership of structures is not currently publicly available. Such information is currently disclosed to the JFSC and shared pursuant to the Common

Canary Wharf, London, 8th May 2020.
By CK Travels / Copyright Shutterstock

Reporting Standard or TIEAs. In accordance with developing international standards, work is also underway to bring in a register of beneficial ownership consistent with the European Union's approach to transparency of beneficial ownership data; with such register targeted at being in force around 2023.

Further, trust instruments, limited partnership agreements and LLC agreements are not (or will not as the case may be) publicly available, so investors can manage their affairs privately.

Fourth, while the tax treatment from a UK perspective may have been levelled, neutral tax treatment in Jersey is attractive. No Jersey stamp duty is paid on the transfer of shares in a Jersey company, the units in a property unit trust or the interests in a limited partnership. There is no capital gains tax or inheritance tax chargeable in Jersey. Jersey based international real estate holding structures also benefit from a 0% income tax rate in Jersey.

Finally, obtaining finance to acquire property (or refinance acquisition costs) should not be an issue. Most major UK, US and EU financial institutions – including both clearing banks and alternate debt lenders (such as funds) – have knowledge of Jersey structures, meaning that the involvement of Jersey entities would not be a hurdle to overcome to obtain credit sanction for financing.

The Security Interests (Jersey) Law 2012 (SIL) creates a modern, effective security regime permitting security interests to be created over present and future intangible moveable property in Jersey. Security can be easily taken, by way of a Jersey law security interest agreement, over (amongst other things):

- bank accounts maintained in Jersey
- shares in a Jersey incorporated company
- units in a Jersey property unit trust
- interests in a Jersey limited partnership.

SIL also makes available wide-ranging enforcement powers which provide lenders with a number of options upon any default in the financing arrangements.

## HAVE UK GOVERNMENT REFORMS BROUGHT A NOTICEABLE DROP IN USE OF OFFSHORE STRUCTURES?

In short, no. Rather, since the UK government permitted collective investment vehicles (CIV) to make either a transparency election or an exemption election (and thereby meaning that the investors in such CIVs will not be subject to possible double taxation in a structure), we have seen a steady use of Jersey holding structures and continue to see a number of new enquiries. We have also experienced a number of structures migrating to Jersey to benefit from the jurisdiction's reputation and expertise.

As we have outlined, there are clearly a considerable number of benefits to investors in utilising Jersey real estate holding structures, with a great deal of flexibility and variety, to form a structure to suit any investor.

### ANDREW WEAVER

*Andrew Weaver, Partner and Corporate Local Practice Group Head, Appleby, Jersey. Andrew specialises in real estate, hedge and private equity funds, regulatory advice and corporate work in matters of Jersey and Cayman Islands law. He advises leading fund managers, advisers and financial institutions and service providers in the UK, Europe, the USA, the Middle East and Asia. He has substantial experience in public equity offerings, M&A and corporate structuring and an in-depth knowledge of partnerships and unit trusts. He worked for several years in the Appleby Cayman Islands office and before that for six years at a leading firm in the City of London.*
*Email:* aweaver@applebyglobal.com

### DAVID DORGAN

*David Dorgan, Group Partner and Private Client & Trusts Local Practice Group Head, Appleby, Jersey. David has established himself as one of the leading lawyers in Jersey uniquely combining strengths in private client and trusts, corporate and finance work.*
*Email:* ddorgan@applebyglobal.com

### DANIEL HEALY

*Daniel Healy, Senior Associate, Appleby, Jersey. Daniel is a Senior Associate in Appleby's Jersey office and a member of the corporate department. He specialises in all areas of offshore corporate and finance work with a particular emphasis on real estate finance, fund finance, Sharia compliant financings and corporate restructurings.*
*Email:* dhealy@applebyglobal.com

# Global Jersey: ideal host for pensions and savings related products

**by Peter Culnane**

Jersey has continued to strengthen its international connections and overseas presence as it focuses even greater efforts on becoming a global provider of international financial services solutions.

The value of that global footprint is particularly significant in the provision of international savings products and other pension related schemes since economies the world over are braced for disruption to existing models as they grapple with the long-term funding problems associated with either citizens who are reaching retirement age or globally mobile employees working in locations where there is no history of pension or savings provision.

## INNOVATION

The innovative International Savings Plan (ISP) solution was first announced following extensive consultation in Jersey in 2018 and the legislation was effective from 1st January 2019. It was first proposed by the Jersey Pensions Association (JPA), whose members were keen to develop a further competitive advantage that would accrue from providing such a solution. Since the introduction of Article 118D onto the statute, the Jersey tax authority now has the ability to formally recognise the establishment of savings plans in Jersey, for non-resident employees, by multinational and international companies. These ISPs are designed to be tailored to meet the needs of employer and employee, enabling a payout to employees when their employment ends or on the occurrence of a major trigger event such as redundancy or a health issue. Since the introduction of Article 118D service providers in the Island have been exploring the opportunities worldwide for the uptake of the product.

One of the markets first on the agenda had been – and remains – countries in the Gulf Cooperation Council (GCC), where it had already been identified that end of service gratuity (EOSG) schemes were required as a means of supporting the needs of employers who employ vast numbers of expatriate employees working in the region. The Dubai International Finance Centre (DIFC), a key regional hub for financial services, has led the developments across the Gulf in 2020 by implementing a new scheme. Entitled DEWS (DIFC Employee Workplace Savings), its purpose is to provide savings benefits for their expatriate workers, as an alternative to the existing EOSG arrangements. The intention is to give employees more choice in how they invest for the long term and reports indicate that more than 1,000 employers have signed up to the scheme, representing more than 17,000 employees. It is also the stated intention of DIFC to open this opportunity to third-party independent providers, in order to compete with DEWS.

The shift toward auto-enrolment schemes of this nature is likely to extend beyond the confines of the DIFC to other locations in the region. Jersey remains committed to the GCC through its extensive commercial links and its experienced industry workforce which possesses a number of skilled practitioners in the pensions arena who have an insightful knowledge of the region and its requirements. It is expected that Jersey's nascent ISP regime will be viewed as a suitable alternative option for providers to innovate solutions that meet the requirements of the regional authorities.

## GLOBAL APPEAL

However, as we had anticipated, it has become particularly apparent that the scope for such schemes and the role Jersey can play as a facilitator, extends far beyond the Gulf. Jersey practitioners in the pensions and benefits marketplace have been encouraged by the Jersey ISP regime's attractiveness to a wide cross section of multinational and other commercial outfits, with globally mobile ranks of staff, looking for new solutions to delivering employee reward.

The potential value of such schemes has already become evident in industries that are more disparate in nature, like oil and gas or the seafaring market. In fact schemes have recently been established for leading crew providers to the superyacht market, where there has historically been a lack of provision for such schemes.

Although a Jersey based ISP has wide international appeal, we are also conscious that there are a number of existing schemes available in the marketplace, so it is helpful to examine the factors that helps to set the Jersey ISP apart as a leader in the pack.

## LEADER

First and foremost, the environment in which the ISP will be set up and administered is a vital element. Global companies seek a stable economic and political environment with an innovative but robust legal and regulatory infrastructure that ensures business can be transacted with certainty and confidence. In the unpredictable world in which we live at present, with the pandemic continuing to loom over us all, investors would rather rely on long established, sure footed jurisdictions which can offer the expertise required within a tax neutral environment and which have also invested in the digital technologies that have become an ever more crucial element in delivering results.

Jersey – which in a recent report was shown to have several million clients worldwide and is managing more than one trillion pounds in wealth – has become a jurisdiction of choice for increasing numbers of institutional investors. Additionally, Jersey has the expertise within its workforce and can call upon a close network of highly qualified advisers, lawyers, administrators and pension specialists, to tailor solutions in what is inevitably a complex economic environment. Jersey also has the track record, having providers that already administer the pension assets of approximately 60 million people around the world.

The second string to the bow is the flexibility of the Jersey scheme, designed to adapt to meet a range of requirements. The ISP in Jersey is sufficiently flexible that it can for example, meet the unique demands of institutions working in the Gulf region, while it can also be adapted to suit the objectives of multinational employers wherever they are based in the world. It can be established to offer an end of service benefit but has the scope for adding savings or share options, depending on requirements.

Further regulatory amendments are proposed as we continue to work with the authorities in Jersey to enable us to continue to innovate in this space. Thus, while companies providing pension related services are regulated, there is currently no specific regulations for pensions business itself, so a new framework of pension specific regulation is being proposed which is intended to further protect the rights and interests of clients who use Jersey based pension products. These latest regulations will support business growth in the sector, while providing even greater reassurance to potential clients keen to use a product based in Jersey.

## CHOICE DESTINATION

It is evident that the direction of travel in many jurisdictions is auto-enrolment which will force employers to provide some provision for their employees and Jersey is ideally positioned to play a positive role in facilitating solutions. It is building a global footprint with industry expertise and investment in the associated technologies that will ensure it can deliver solutions, with regulations that are robust and offer scope for innovation. At the same time, the ageing population and changing workplace demographic will place an increasing burden on nation states to seek solutions ever more urgently. As a result, we are seeing huge opportunities to market Jersey as a destination of choice for innovative international savings and pension related schemes.

### PETER CULNANE

*Peter Culnane, Secretary, Jersey Pensions Association (JPA).*

*Peter is Director & Head of Pensions at Fairway Group and has over 18 years accumulated experience within the UK, Jersey and international pension arenas. His background is in investment management, international financial planning and as a pension trustee.*

*Peter's expertise spans the personal and corporate pensions markets in Jersey and includes the structuring of multi-jurisdictional pension schemes and international pension transfers. He has also represented both the domestic and international pensions industry in Jersey, as a member of numerous Working Groups responsible for advising the Government of Jersey on legislative change.*

*Peter is a Fellow of the Securities & Investments Institute, an Associate of the Institute of Financial Planning, a Member of the Institute of Directors and is a Certified Financial Planner.*

By Andrey Suslov / Copyright Shutterstock

# A mutually beneficial relationship

**by Anoop Ghai**

Considered by many as the father of modern economics, the 18th century economist Adam Smith once said: “It is not by augmenting the capital of the country but by rendering a greater part of that capital active and productive than would otherwise be so, that the most judicious operations of banking can increase the industry of the country.”

Whilst Adam Smith probably did not have a small island in the English Channel in mind when he said this, he might have recognised the relevance of his words to a multi-billion pound economy (on many measures) that Jersey has become.

Jersey is a small but nearly perfectly formed financial market and the evidence of this is portrayed in the vast array of articles in this publication, covering virtually every aspect of finance from wealth management to money transmission. However, the one sector that is relied upon by all others, not quite 'the one ring to control all others' but one that does support all others, is banking.

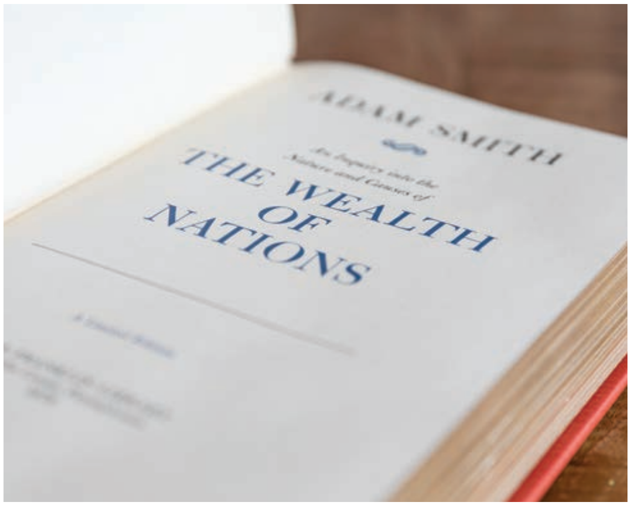
The Jersey Bankers Association (JBA) represents a membership of 19 international banks with very significant breadth of geographic reach. Membership ranges from the very familiar high street names such as our UK clearing banks, private banks from Switzerland and beyond to major international banks from the US, Africa and the Middle East.

Together this very broad reach of expertise and interests ideally support the Jersey finance industry's unique mix of business, from fund management, trusts, corporate services and capital markets, through to private and retail banking.

The size of balance sheet invested within Jersey banks, circa £152 billion, is a very significant investment by global head offices and oils the wheels of Jersey's markets providing the liquidity, credit, funds, transmission and specialist structures that are needed. Banking of course also supports local businesses, the public of Jersey and not least the Government of Jersey.

Banks are very aware of their responsibility in the fight against money laundering and countering terrorist finance, acting as one of the key gateways in the movement of funds to and from Jersey. Hence the JBA continually work with Jersey Finance, the Jersey Financial Services Commission (JFSC) and the Government of Jersey, on improving the management of these risks.

The recently published Jersey National Risk Assessment was the culmination of a number of years work which was supported by many volunteers from the banking sector and has highlighted a range of ongoing risks that banks and others from the sector can work on.




An early edition of *The Wealth of Nations* by Adam Smith.
By Kjell Leknes / Copyright Shutterstock

Innovation and support for the Community has never been more relevant than 2020 with the onset of COVID-19. Working with Government a number of banks helped provide support services such as the Business Disruption Loan Guarantee scheme, they also provided direct support to business and individuals through additional credit and repayment forbearance on loans, mortgages and credit lines such as credit card repayments.

A consortium of Jersey banks also provided the Revolving Credit Facility of up to £500 million for the Government of Jersey. This was all achieved whilst activating contingency planning which saw over 95% of all the Jersey banking workforce, working from home.

The current pandemic makes it even harder than ever to predict the future. Globally, banks are finding it hard to create a positive economic value (i.e. make profits sufficient to reward shareholders for the risks they take in owning bank shares). However, the commitment to Jersey is there because the vibrant international financial services originated here help generate real earnings for banks. The benefits are therefore mutual and hopefully long lasting in achieving the vision of the aforementioned Mr Smith in the 'judicious operations of banking increasing the industry of the island'.

## ANOOP GHAI

*Anoop Ghai, President, Jersey Bankers Association (JBA).*

*Anoop is Country Officer for the Channel Islands and Private Bank Jersey Business Head, Citigroup (Channel Islands) Limited. Prior to moving to Jersey, he served as Portfolio Manager and Senior Team member in Real Estate Finance for Citi's ICG Markets business. He joined Citi over 30 years ago and has held a number of roles in Citi's UK-based Consumer and Markets franchises, including Credit Director for UK Consumer, Credit Director for European Card Acquiring and Head of CMBS Conduit. Anoop has also served as a Senior Credit Officer since 2000 and led Citi's efforts to manage a large loan portfolio through the recent crisis. Before joining Citi, he was a Corporate Banking Relationship Manager at Bank of America.*

*He holds a BA Hons in accounting and finance and an MBA from the University of Manchester.*

By Andrey Popov / Copyright Shutterstock

# Adaptation of the finance industry in a global pandemic

**by Tim Knight**

Whilst the human cost of the COVID-19 pandemic should of course not be overshadowed, the economic impact and the implications for global capital markets created uncertainty for institutional clients, yet recently announced vaccines have now injected some cautious optimism as we move into 2021.

For providers of corporate services, the initial impact of lockdown required swift adaptation of administration practices and working closely with clients, to mitigate any concerns around pandemic-driven financial result and its influence on current/planned transactions.

## ADAPTATION IS KEY

In Jersey, service providers with robust IT infrastructure and largely paperless operations adapted the quickest to home-working and were able to provide continuity of service to their clients when it was needed the most.

Jersey's internet service providers upgraded all users on the Island to the fastest internet speeds to help with the increase in demand, an added touch of assistance on top of the already expanded fibre-optic network which took place in the last few years.

The Comptroller of Revenue in Jersey was also quick to issue guidance to reassure controllers of Jersey companies which were temporarily unable to meet the conditions set out in Jersey's economic substance legislation. In particular, companies will not be determined to fail the economic substance test where they have to adjust their normal operating practices, for example by holding board meetings virtually, rather than physically in Jersey, because individuals decide to avoid travel or to self-isolate.

### SUPPORTING CLIENTS THROUGH THE PANDEMIC

For real estate clients with assets in the already beleaguered retail sector, COVID delivered a harsh blow with centres suffering a significant reduction in footfall and food and beverage services outlets closing. As such, Jersey administrators have been busy working out covenant waivers, re-financing, rent concession agreements and re-gears, for their clients.

Whilst this has resulted in additional work locally, it has been difficult and also uncomfortable passing on higher costs to clients already needing to manage cash-flow issues. In these circumstances, we have offered fee holidays and discounts to help clients manage their business through the pandemic and which will hopefully strengthen relationships in the long-term.

To date, the banks have been supportive but one wonders how they might behave at some point in future, should the economy fail to show signs of recovery into 2021. The UK Government's business disruption loans will assist along with supportive fiscal policy and other measures and interest rates could fall to zero or below.

### WHAT DOES THE FUTURE HOLD?

It is evident that many corporates have put plans for investment and expansion on hold and there has been a consequential slow-down in transactional activity. Financing of new ventures will also become more difficult. However, there have been benefactors, most obviously in IT infrastructure companies and we have seen new vehicles established for corporates taking advantage of value.

Mergers and acquisitions activity should also increase, resulting from companies seeking to combine strengths and manage costs given the uncertain outlook, even with the distribution of the recently heralded vaccines.

Whilst the exact timing is subject to some conjecture, the arrival of a tested and effective vaccine will certainly be the catalyst and 'shot in the arm' for global markets and will also give more confidence to corporates currently holding off investment plans.

There were eight vaccines in phase three trials and typically half of pharmaceuticals at this point achieve approval. At least two of these are now set to be approved before the end of the year. There will undoubtedly be initial delays to distribution as some require cold storage and initial doses will likely be prioritised to hospital/essential-workers but potentially vaccinations on a larger scale could be available from summer 2021.

For real estate, rents are likely to be soft in the near term and clients holding most asset classes may need to accept a lower rate of return until the economy fully recovers. For Jersey's financial sector, we will need to capitalise on the efficiencies generated and resulting from lockdown.

COVID-19 has certainly proven the robustness of the Island's IT infrastructure and the adaptability of the financial services sector to remote working. This has been essential to deliver service continuity and has been of great reassurance to clients. It has already changed the way we work, enhancing efficiency and providing greater flexibility to many employees now enjoying an office/home-working balance.

Jersey already has an enviable reputation as a leading global financial services centre for the experience and quality of its workforce, political stability and regulatory infrastructure. These key qualities will remain a requirement for international corporate clients choosing a reliable jurisdiction to base funds and investment structures. The resilience and resourcefulness of service providers to help their clients navigating through this pandemic should prove to underpin that reputation.


TIM KNIGHT

*Tim Knight, Head of Corporate Services – Jersey, JTC.*

*Tim joined JTC in 2012 and heads up the Corporate Services division in Jersey. He is a director on a number of institutional funds boards focusing on real estate investment and is also actively involved in the management of a varied portfolio of vehicles for clients covering private equity, real estate and energy.*

*Email:* tim.knight@jtcgroup.com

# The insolvency landscape in Jersey

**by Simon Hurry and Mike Williams**

The COVID-19 pandemic has given us an indelible reminder of the fragility of the social and economic constructs that we had perhaps taken for granted. While governments take urgent steps to support businesses and individuals to weather the storm, it is inevitable that insolvency and restructuring regimes around the world are going to be increasingly stress tested.

Jersey is fortunate to benefit from sophisticated and robust legislation which can fairly balance the often competing interests of creditors who might want their money now and shareholders who might prefer to explore whether the business can continue and ultimately offer better returns to its stakeholders.

## CORPORATE INSOLVENCY PROCEDURES IN JERSEY

The two key pieces of legislation in the jurisdiction are the Companies (Jersey) Law 1991 (CJL) and the Bankruptcy (*Désastre*) (Jersey) Law 1990 (BDJL). The former is principally based on the United Kingdom's Companies Act 1985, the latter is derived from Jersey's customary law.

Whether a Jersey company is deemed insolvent depends on whether it can pay its debts as they fall due. This is known as the 'cash flow' test. Unlike in other jurisdictions, for a company to be insolvent it is not necessary that the value of the company's liabilities exceed its assets or that the company has failed to pay a statutory demand.

At the time of writing, *Désastre* proceedings brought under the BDJL are the only Jersey insolvency procedure for an insolvent company that may be started by a creditor. So, where a creditor wants to liquidate a company to try and recover what is owed, it must apply to the Royal Court of Jersey (the Royal Court) for an order that the company's assets be declared *en désastre* (in disaster). In general terms, a successful application vests the assets of the company (wherever situated) in the hands of the Viscount of Jersey (the chief executive officer of the Royal Court), who will then facilitate the orderly and fair distribution of its assets. However, change might be on the horizon. Consideration continues to be given to enabling a creditor to apply for the winding up of a company under the CJL and the appointment of a liquidator.

In the meantime, there are two other Jersey procedures that may be used to liquidate an insolvent company; a creditors' winding up (which, despite its name, cannot be initiated by a creditor) and a winding up on just and equitable grounds. These procedures are governed by the CJL and result in the appointment of an insolvency practitioner to administer the winding up of the company and distribution of its assets to its creditors. The manner of this distribution is prescribed by the BDJL.

### *Secured creditors*

The vast majority of companies carry on business outside Jersey. In a typical financing transaction, the company will create security over its Jersey intangible movable assets (e.g. shares, debt securities, bank accounts and contractual rights) as well as its assets located outside Jersey (e.g. shares in foreign subsidiaries or real estate).

Crucially, where a creditor holds a perfected security interest in any Jersey intangible movable assets under the Security Interests (Jersey) Law 2012, the secured creditor may enforce its security interest despite the company becoming insolvent or any of its assets becoming subject to insolvency proceedings.

Where a company owns assets that are or deemed to be located outside Jersey that are secured by a valid security interest, the rights of the secured party will be determined by the law which governs the security interest.

### *Set off and subordination*

Where there are any mutual credits, mutual debts or other mutual dealings between a company and a creditor, both the BDJL and the CJL require the debts to be automatically set off on the date on which the insolvency procedure started. Under the Bankruptcy (Netting, Contractual Subordination and Non-Petition Provisions) (Jersey) Law 2005, a set off provision or a close out netting provision in an agreement will be enforceable in accordance with its terms despite:

- the insolvency of any party to the agreement or any other person; or
- any lack of mutuality of obligations.

## CORPORATE RESCUE

The Jersey insolvency regime does not yet include reconstructive procedures like an administration under the UK Insolvency Act 1986 or Chapter 11 proceedings under the US Bankruptcy Code.

Drawing deep on its Norman French roots, the only Jersey procedure with a suspensory measure specifically to permit or facilitate reconstruction or rehabilitation is a *remise de biens* (which is governed by the Loi (1839) sur les remises de biens). This, in essence, places the affairs and assets of the company in the hands of the Royal Court for a period of usually between six to 12 months. To apply for a *remise*, the company must own immovable property in Jersey and – as long as the secured creditors have been paid in full, with a payment (no matter how small) to unsecured creditors – the company can, in theory, be discharged from all other debts and start afresh.

The Royal Court retains full discretion on whether to order a *remise* and has commented that it is of less importance in light of the evolution of the *désastre* procedure. The overarching point is that a *remise* is not geared towards handling complex and cross-border corporate insolvencies.

Instead, the Royal Court has adopted a broad interpretation of when it is just and equitable to wind up a Jersey company when exercising this jurisdiction under the CJL. This procedure enables the Royal Court to issue a bespoke order which can draw on the provisions of both the BDJL and CJL and enable the company to realise a better return for its creditors by, for example, permitting it to trade for a further period or enter into a pre-pack sale of its assets. The effective use of the just and equitable procedure in Jersey is a shining example of the Royal Court's pragmatism and flexibility. However, the procedure is still technically a terminal one and therefore limited in application.

A further avenue available to a Jersey company or a creditor is to apply to the Royal Court for a letter of request for the Jersey company to be placed into a foreign statutory rescue process. Such cases typically involve placing a Jersey company into administration in the UK. However, the Royal Court's jurisdiction in this regard is not fettered.

## OTHER OPTIONS

### *Scheme of arrangement*

Although not strictly speaking an insolvency procedure, the CJL enables a company to enter into a scheme of arrangement with its creditors or any class of them (a Scheme).

In order for the Royal Court to sanction a Scheme, it will need to be agreed to by a majority in number of the creditors or shareholders (or a class of either of them) representing:

- 75% in value of the creditors (or class of creditors); or
- 75% of the voting rights of the shareholders (or class of shareholders).

Once sanctioned, the Scheme is binding on all the creditors (or class of creditors), the company itself and, where the company is in the course of being wound up, on the liquidator.

The CJL also includes provisions specifically dealing with Schemes for reconstruction or amalgamation and gives the Royal Court the power to make a wide array of orders when sanctioning them.

***Creditor arrangements***

As an alternative to a Scheme, the CJL has a mechanism under which an arrangement entered into between a company and its creditors immediately before or during a creditors' winding up of the company will be binding on the:

- company if it is approved by a special resolution; and
- creditors if it is approved by three-quarters in number and value of them.

The main benefit of a creditor arrangement is that it does not require the approval of the Royal Court and although an objecting creditor cannot prevent an arrangement, it can cause the terms of the arrangement to be varied by the Royal Court.

***Informal reorganisation***

Companies and creditors can often be quick to pull the trigger on a formal insolvency procedure. Before this happens, careful consideration should be given to an out of court restructuring (or informal reorganisation). Once a statutory insolvency regime is called upon, the steps that can and must be taken are (necessarily) prescribed. No statutory regime can cover all eventualities and all scenarios of financial distress. In contrast, an informal reorganisation permits the company and its stakeholders to agree upon 'tailor-made' arrangements so as to be as mutually advantageous as possible. Informal reorganisations can also take place in relative silence when compared to a public insolvency procedure before a court and can result in significant cost savings.

However, with flexibility comes uncertainty. Consequently, a principal advantage of informal restructuring can be a significant disadvantage, particularly where stakeholders adopt unreasonable positions or fail to agree (because they can outside of the context of a prescribed statutory insolvency regime). The success of an informal restructuring therefore rests on the reasonableness of all of those participating (which is never certain).

To the extent that an out of court restructuring is not viable, Jersey's sophisticated statutory insolvency regime combined with the Royal Court's pragmatic and flexible approach should be seen as a safe harbour for both creditors and shareholders alike.

**SIMON HURRY**

*Simon Hurry, Group Partner, Collas Crill.*

*Simon is a Group Partner within the dispute resolution team in Collas Crill's Jersey office. Since joining the firm in 2008, Simon has developed a practice focused on high value commercial litigation, asset tracing and cross-border insolvency in both a contentious and non-contentious context. Simon regularly advises directors, shareholders and creditors in contentious matters. He is able to draw on multi-jurisdictional litigation and alternative dispute resolution experience having worked in Collas Crill's Cayman Islands office for three years. Simon has extensive advocacy experience, appearing regularly before the courts of Jersey and the Cayman Islands.*

**MIKE WILLIAMS**

*Mike Williams, Group Partner, Collas Crill.*

*Mike is a Group Partner at Collas Crill and heads up the corporate, finance and funds team in Jersey. He advises listed companies, private groups, family offices, sovereign wealth funds, private equity vehicles, directors and shareholders on a wide range of activity including mergers and acquisitions, corporate migrations, group restructurings, joint ventures and class rights, shareholder disputes, private placements and public offerings, and corporate governance. He also advises borrowers and lenders on areas such as acquisition and leveraged finance, asset finance, Islamic finance, project finance, real estate finance and debt restructuring. He also advises arrangers, dealers and SPVs in relation to debt issues and structured products. Mike has experience of working in a number of jurisdictions including the British Virgin Islands, Australia and the UK.*

By Andrey Popov / Copyright Shutterstock

# Stability in the turmoil

**by James de Veulle**

It has been a very challenging year for the accountancy and audit profession as firms and their clients respond to the global pandemic and adjust to a new way of working. Our members can come from all different industries and sectors, so it is hard to generalise but most financial services businesses have held up well.

Clearly there were some firms that struggled initially with either technology aspects or changes to working practices required with working from home in lockdown but on the whole the industry has shown huge flexibility and adaptability to continue to service clients over the last six months. In practice, many of Jersey's ultimate clients are based internationally, so we have been well used to maintaining strong relationships with them by phone or digitally and the various service providers locally are therefore set up to deal with remote engagement. The fact that the accountants, lawyers, administrators and

By Profit Image / Copyright Shutterstock


banking contacts are normally only a stone's throw apart does not change that we have been set up to conduct business in this way previously and so working from home (up to 10 miles apart) has not made too much difference in the short term. It is clear, however, that building new relationships, coaching teams and sharing ideas can be more challenging when not meeting in person and so there is certainly enthusiasm to return to a more 'normal' working environment.

## TAXATION DEVELOPMENTS

***Substance regime***

As I discussed in more detail in last year's publication, the implementation of Jersey's substance regime continues to be the primary point of relevance from a tax perspective. This requires that companies which are tax resident in Jersey and undertaking / earning gross income from 'relevant activities' need to satisfy three key tests to demonstrate substance on the Island. Failure to meet the requirements will result initially in penalties but repeated offences could result in the company being struck off.

Most businesses are now into their second calendar year of complying with the law and should have solid procedures in place to ensure compliance with the technical requirements.

However, the filing of the first tax returns in the economic substance era are due in December 2020 and administrators are realising the complexity and time involved in completing the returns, which was previously little more than an admin exercise for most. To reduce the impact on internal resourcing and to avoid passing costs on to clients, they are looking for efficient and tech-driven ways to complete and file.

Helpfully, Revenue Jersey issued guidance in response to the COVID-19 pandemic, noting that a company would not be determined to have failed the economic substance test where its operating practices had to be adjusted to compensate for the outbreak. This is not a 'free pass' for companies which were already failing but will be of value to companies which were ordinarily in compliance.

***Response to COVID-19***

Governments around the world are acting decisively to protect their people and economies from the disruption being caused by the COVID-19 pandemic and Jersey is no different.

Whether through fiscal support packages, incentives to generate stimulus in the local economy, or a rebalancing of revenue measures going forwards, tax systems will play a significant part in helping to alleviate the financial and economic turmoil.

The Government of Jersey continues to be in a strong net asset position, having built up significant reserves over the years for just this type of event, which therefore puts us in a better position than most to take a more pragmatic approach to restoring fiscal normality, potentially over a longer period of time.

***DAC6 and MDR***

Jersey has lodged legislation introducing 'Mandatory Disclosure Rules' (MDR), following commitments given by the Government of Jersey to the EU Code of Conduct Group. The rules, which were debated in June 2020 but, at the time of writing, are continuing to be reviewed by legislators, are expected to come into force late 2020 or, more likely, 2021. They will require promoters, service providers and, in some circumstances, users of Common Reporting Standard (CRS) avoidance arrangements and opaque offshore structures to provide Revenue Jersey with information about those arrangements and structures. Information relating to users resident in other jurisdictions would be exchanged with the tax authority of that jurisdiction.

Given the strength of Jersey's AML regime, it is not anticipated that reportable arrangements will commonly occur but firms are reviewing their onboarding and transaction processes to ensure they are in compliance, putting in place training for staff to ensure they can identify red flags and escalate to MDR champions. They are additionally dealing with EU DAC6, which introduces similar but more complex rules. Although the EU directive does not have direct effect in Jersey, its drafting is wide and a number of Jersey businesses are realising that they or their administered entities are potentially within scope of the legislation. There is additional complexity whereby, as a directive, it is being implemented slightly differently in each Member State and those nuances need to be considered by local firms, along with developing a compliance regime which deals with MDR and EU DAC6 efficiently.

## AUDITING DEVELOPMENTS

Meanwhile, several UK reviews of the auditing profession were published in the last 12 months and will likely filter down through the local market, addressing three main areas:

1. Market structure – the Competition and Markets Authority published their report into the UK statutory audit market, making a number of recommendations in relation to areas such as oversight of audit committees, joint audits and operational separation for certain categories of audit (mainly the listed FTSE350 market)

2. Regulator – the Kingman report has led to the creation of a new audit regulator (ARGA) with increased transparency, enforcement powers and market intelligence
3. Product – the Brydon review focused on the needs and expectations of the users of audits and among its 64 recommendations it suggested a new stronger corporate auditing profession with a unifying purpose and principles, relevant to a wider group of stakeholders, and wide-reaching change throughout the corporate reporting ecosystem, impacting company boards, executives, investors and regulators, as well as audit professionals and the audit product.

On top of these reviews, there have been some updates to certain auditing standards and requirements, principal of which are:
- Financial Reporting Council (FRC) Revised Ethical Standard
- ISA 570(R) – an updated auditing standard in relation to Going Concern
- ISA 540(R) – revisions to Auditing Accounting Estimates and Related disclosures

All of the aforementioned updates were predominantly in response to certain large corporate failures over previous years but are also very relevant in responding to the potential impacts of COVID-19.

## ACCOUNTING DEVELOPMENTS

In the world of international accounting, there are relatively few changes for financial services entities, with the most significant two being: IFRS 16 Leases, which was applicable for periods beginning on or after 1st January 2019 and required lessees to recognise nearly all leases on the balance sheet, reflecting their right to use an asset for a period of time and the associated liability for payments; and further guidance on the treatment of expected credit losses (ECL) under IFRS 9, which has been particularly relevant in response to COVID-19.

## JSCCA SUPPORT FOR ITS MEMBERS

In these challenging times, continuing to be engaged with emerging developments is paramount to ensuring that we remain up-to-date, able to respond to our clients' needs and service their requirements.

With so much change about, the Jersey Society of Chartered and Certified Accountants (JSCCA) fulfil some very important roles for the profession:
- Members of the Executive Committee regularly participate in discussions and panels with the local regulator, government, Jersey Finance, the taxes office (Revenue Jersey) and other industry leaders to help shape strategy and ensure that all parties are mindful of the impact of certain actions
- Our technical and regulatory subcommittee chairs ensure that representatives from industry meet to discuss, collaborate and respond to consultations and emerging regulations
- Our training sub-committee ensures that there are comprehensive development opportunities for members, both on a monthly basis but also through our two-day CPD conference, to stay abreast of emerging issues.

We also have strong links with other related organisations, such as the GSCCA in Guernsey and the UK's professional bodies (ICAEW, ICAS and ACCA), to ensure that we uphold the highest standards of professional conduct and are aligned on key areas of topical interest.

The accountancy profession – including tax practitioners, auditors, management accountants, book-keepers and those who may have moved into other tangential sectors, such as risk, compliance, operations and management – continues to be a core pillar for the various professional services the Island provides to support the international business, finance and investment communities and staying up-to-date with emerging developments is key to all of us in the industry.

### JAMES DE VEULLE

*James de Veulle, President, Jersey Society of Chartered and Certified Accountants (JSCCA).*

*James de Veulle (FCCA) is a director in PwC's Assurance practice in Jersey and leads PwC's Channel Islands Banking practice. He has more than 20 years of experience in the industry, delivering audits to a broad range of financial services clients in banking, capital markets, asset management and fiduciary industries.*

*In addition to core audit services, James also leads on other assurance services (such as controls reporting) and provides advisory services in areas such as compliance, regulatory and process improvement.*

*Prior to moving back to Jersey in 2007, James worked for nine years in PwC's Banking & Capital Markets division in London, gaining broad experience on investment banking clients, broker dealers and other capital market institutions, leading multinational teams and working with clients during IFRS transitions, US GAAP conversions and preparation for SEC listings.*

*James has been President of the JSCCA for two and a half years, and formerly chaired the training sub-committee. Previously, James also served on the Jersey Funds Association committee for four years.*

# The Jersey Factor

For many businesses that choose Jersey as a jurisdiction for their operations, there are certain elements which have contributed to their decision to be based here. We caught up with some of them to see how they have been faring in these unprecedented times and gain an insight into some of the benefits the Island provides as they develop their business activities here.

The COVID-19 pandemic has had a dramatic impact on all industry sectors – including the financial services industry – and Jersey has been working hard to continue supporting the Island's finance industry throughout the crisis and maintain its resilience and reputation, with many in the workforce having to work from home to ensure that this premier IFC remains open for business.

## AFFINITY

DAVID STEARN

Seeing itself as very much a Jersey company since being established on the Island in 2011, Affinity has grown its wealth management business – both organically and through its recent acquisition of Pinnacle Trustees – from five to 56 employees. Despite remote working and not being able to travel, COVID-19 has had little impact on its business activities.

David Stearn (above), CEO of Affinity said: "The pandemic has not proved a significant headwind from a commercial perspective and our new client pipeline has been pleasingly strong. Our decision, from the inception of Affinity, to prioritise technology spend, proved a key enabler and helped ensure the continuity of our business during this challenging time.

"As the pandemic took hold, we put in place a number of measures to protect the health and safety of our employees. For a time we all worked from home, spending much of our day on Zoom calls with colleagues and clients around the world. Consistent with our Mental Health policy and as part of our on-going Wellbeing Program, we offered online Pilates lessons, mindfulness sessions and ensured we continued our all-important Friday afternoon drinks."

Over the best part of a decade, Affinity has come to appreciate Jersey's inherent benefits as a stable and well respected jurisdiction, the levels of support available from the Island authorities and the high degree of resident expertise. David said: "The jurisdiction offers a robust regulatory and legal framework from which to operate globally, with our client base now spanning some 30 countries. From the outset we have enjoyed an open and collaborative relationship with the regulator and actively engage with our industry body, Jersey Finance.

"Jersey offers a highly skilled workforce with a large pool of expertise. As a firm we prefer to 'grow our own' whenever possible – hiring locally and investing significantly in the training and development of our staff. Our increasing numbers necessitated an office move, at a time when many were questioning the future and function of such space. Whilst we are supportive of working from home, we also strongly believe in the need for in-person and team interactions. The availability of competitively priced, state of the art office space in central St Helier means this October has seen us move into a modern working environment – complete with breakout areas and collaboration pods. Importantly, as a new building, we now have a lower carbon footprint per employee and, where possible, we have worked with our local architects and suppliers to select sustainable furnishings. The size of the Island lends itself to cycling to work so we have installed plenty of bike racks to support this."

"Looking ahead – as we enter our 10th year – we remain committed to stakeholder capitalism, resolutely focused on more than just the bottom line. As members of Jersey Good Business Charter, alongside being signatories to the UN Global Compact and the Living Wage, we aim to be a sustainable business which very much 'walks the talk'."

## BUTTERFIELD BANK

NOEL MCLAUGHLIN

At Butterfield, which took the decision to set up in Jersey just a couple of years ago, it has very much been business as usual. The Bank found that Jersey's fibre broadband connectivity enabled its team here to continue working effectively from home during the pandemic.

Noel McLaughlin (above), Managing Director of Butterfield Bank (Jersey) Limited, said: "Butterfield is a leading independent offshore bank and as Jersey is a leading offshore financial centre there is a natural alignment. The potential for growth fitted our strategy in a market we knew well and knew we could thrive in. The Island's status as a Crown Dependency allows businesses to benefit from an offshore centre that is independent from the UK and mainland Europe, while still being a short flight away from the City of London."

In 2018, Butterfield acquired the banking and custody business of Deutsche Bank, which provided a foothold in the market. Noel said: "Our focus has initially been on the local fiduciary market, which has been well received as clients want a more partnership-driven relationship with their banker. We continuously listen to our clients and it is our aim to be agile and we have the autonomy to make quick decisions locally. Towards the end of 2020 we are rolling out our new online banking platform and in 2021 we are planning to expand our private client offering as well as begin offering local residential mortgages."

The Bank has found the regulator, the Jersey Financial Services Commission (JFSC), Jersey Finance and other government stakeholders, accessible, helpful and coordinated. Noel said: "Banking is a heavily regulated industry and we have had significant dialogue with the JFSC from the outset, working together in an open and transparent way, which reflects positively on how welcoming Jersey is to new businesses.

"Jersey Finance made several introductions within government and helped organise meetings for the Group's executive team and senior officials. This approach was the catalyst for Butterfield being one of five lenders in the Government of Jersey's revolving credit facility scheme, as part of the Island's pandemic response.

"Our first year focused on establishing and building brand awareness on the Island while assembling a strong team. The pandemic then hit in our second year. Throughout the COVID-19 lockdown, the team was working from home and it wasn't possible to travel, so the Island's fibre broadband connectivity has been key to ensuring we maintain business as usual.

"We have a highly skilled workforce, all of which are locally based and have worked in the industry for a significant period of time. The recent acquisition of ABN AMRO Channel Islands demonstrates Butterfield's ambition to grow market share; attracting and retaining highly talented local staff are critical to achieving this objective.

"We are committed to supporting the communities and environments we call home. With the majority of Butterfield's offices based in island jurisdictions, the Bank reflects this geographical profile in its commitment to protecting the marine environment. In the Channel Islands, Butterfield works in partnership with the Plastic Free organisation and Jersey Marine Conservation to teach people about the devastating impact of plastic pollution on marine life. We also work closely with Durrell through the sponsorship of the Durrell Challenge 13k road race and our employees participate in volunteering projects at Jersey Zoo.

"Butterfield has very ambitious plans for the Channel Islands, in which Jersey will play a key role as we continue to grow our business. We are committed to the jurisdiction and by building long term relationships with our clients, we are extremely confident about the future."

# PURITAS

TREVOR COLE

Over at finance software and solutions specialist Puritas, they were initially watching and waiting with understandably interested anticipation – and a little trepidation too – at how Jersey would be impacted by the pandemic.

However, the team at Puritas soon realised that its software solutions would be fully supported by the Island's robust digital infrastructure and were impressed with the way clients stood-up during the COVID-19 lockdown.

As Trevor Cole (above), Managing Director of Puritas put it: "Very few of us gaze with excited anticipation towards angry black clouds signifying a gathering storm. But if there's nowhere to take shelter, the only option is head down, steady steps forward and hope that what you take in will bring you safely back out the other side.

"One looming uncertainty in March 2020 was how well Jersey's finance industry would hold up under the gathering dark clouds of COVID. Especially our vital digital infrastructure and systems. Would it see us safely back to the sunshine? Or struggle in the fading light?

"From the start, however, it was obvious that Jersey's digital and finance infrastructure was comfortably weathering the storm.

"Connectivity and bandwidth remained constant thanks to farsighted investment in the Island's universal fibre-to-the-premises and high-speed gigabit network.

"It also meant that remote working from the office presented little challenge.

"The digital community, led by Digital Jersey, remained active and positive towards its members. And Jersey Finance continued its important role focused on promotion, regulation and support."

Overall, COVID's threatened stormy conditions turned out far less troubling than might have been. Which to a finance software and solutions company like Puritas was great relief and a positive reminder of why Jersey remains an attractive location for its business.

Yet if Jersey managed to retain much of its stability, what about the Puritas team, the technology and the experience of clients it serves? How well did they fare in these conditions?

Trevor, whose role encompasses many of the key corporate and client functions required to deliver critical organisational performance – including quality management, service planning and delivery, governance, compliance, budgeting and risk mitigation – said: "Since launch in 2006, our aim has been to improve client performance through assuring reliability, eliminating complexity and creating efficiencies.

"As finance accounting, compliance, audit and reporting demands have increased exponentially over that time, so too has our understanding and ingenuity.

"We specifically design software solutions to help fund administrators and investment portfolio managers navigate multifaceted requirements such as KYC, CDD and AML, risk assessments, FATCA and CRS.

"We create solutions to allow straightforward customer onboarding and migration, entity data and document management. And incorporate key facilities such as share register and dealing and investor portal. And do so with quality as a priority, having recently acquired ISO 9001 accreditation.

"Crucially, the software solutions into which we package all these specialist services have streamlined automation and stable resilience at their core.

"While some administration systems continue to rely on physical documents and records, or manual processing, our PureClient and PureFunds products have eliminated much of this.

"This has meant our clients enjoyed continued, consistence system performance throughout the COVID lockdown and beyond.

"As the COVID-19 storm hopefully eases – in Jersey at least – we can look back over what Puritas and the Island has been through during 2020 with a good deal of positives. And when that next storm begins gathering on the horizon, look forward with confidence to finding a way through to sunshine on the other side."

# TRIDENT TRUST

GEORGE BRYAN-ORR

In spite of the challenges brought about by the pandemic, Trident Trust's Jersey operation has retained an optimistic outlook on its future in Jersey.

George Bryan-Orr (above), the Managing Director of Trident Trust, said: "We made the decision to open in Jersey in 1983. In fact, our Jersey office was the second office of the Trident Trust Group. At that time, Jersey was the leader in offshore private wealth management, operating under internationally well respected English Law, with tax neutrality and providing security to our clients' affairs. Jersey catered well to the needs of our clients, while being easily accessible from the UK. We originally supported a range of international clients, who were becoming increasingly affluent and sophisticated in the wealth management structures they were using. Nearly 40 years later, many of the families that trusted us with their wealth in Jersey, remain clients."

Over the last four decades, the Trident Trust Group has opened offices worldwide. Its core services of trust and company administration in Jersey are now offered to clients introduced by its network of offices across Europe, Asia, the Middle East and Americas. George highlighted how the utilisation of a variety of Jersey legal entities and arrangements for private wealth structuring, has for many decades enabled clients to realise their long-term charitable and philanthropic objectives: "With the recent introduction of the Charities (Jersey) Law (the Charities Law), Jersey has reinforced its attraction as a leading centre of excellence to support global clients, whether private or institutional, in respect of their international philanthropic and charitable activities."

Most recently, Trident Trust added a fund service licence to its range of services in Jersey to complement its trust and corporate service offerings. George said: "Fund administration is very a fast-growing segment of our business globally. The application process was robust but straightforward. With our near 40 year regulatory record in Jersey, the JFSC understands our business well and the reasons why we wished to add this service line to our business.

"The Jersey Private Fund is proving very popular with our fund management clients where they wish to attract capital from European investors with light touch regulation and accessing national private placement regimes within targeted jurisdictions."

George feels that the assistance of Jersey Finance has proved invaluable as Trident Trust has sought new business: "Jersey Finance has been very helpful with our business development activities. The network of Jersey Finance offices across Asia, the Middle East and the US matches jurisdictions where we also have offices. So, our offices are in good touch with the Jersey Finance teams and regularly collaborate on events and opportunities in those regions."

Trident Trust has been located in unique offices on Bath Street for over 20 years. Recently they brought two buildings together and due to business growth are investing heavily in an office refurbishment. George said: "While we know many of our competitors are moving towards the Esplanade, if we moved, our historical client base may not be able to find us.

"As an international Group, we do attract staff from off Island. For myself, this is my third jurisdiction with Trident Trust after tenures in Guernsey and Luxembourg. I feel I have it right this time. As we are supporting growth driven from Asia, we are soon to bring in one of our colleagues from our Hong Kong office, who speaks fluent Mandarin and Cantonese. Many of our other staff hail from the UK, Portugal, Poland, South Africa and good old Jersey of course. With our focus on not just providing jobs but careers to our staff, we are proud that numerous staff have been with us for many years."

George explained that while Jersey's excellent transport links have historically been important, in the current pandemic it is the Island's digital connections that have been vital, ensuring his team were able to work remotely (although they are now back in the office): "Jersey is a world leader in the use of fibre broadband. Every home in Jersey is fitted with fibre, after forward thinking telecoms execs made this a goal."

Having lived in four other jurisdictions during his financial services career, George finds that Jersey has the perfect mix of professional opportunities and lifestyle: "My daughters are well cared for in Jersey's schools and we are enjoying being back near the sea after being landlocked in Luxembourg for five years. Jersey has been the perfect place to shelter from a global pandemic. The on Island testing facilities and pre-travel registration process has done a world-class job of keeping the borders open, while keeping the local population safe. I've never played so much golf as I have this year."

## INDEX OF ADVERTISERS



## JERSEY FINANCE OFFICES

**JERSEY**
Jersey Finance Limited, 4th Floor, Sir Walter Raleigh House, 48-50 Esplanade, St Helier, Jersey JE2 3QB
**Tel:** +44 (0)1534 836000 | **Email:** jersey@jerseyfinance.je

**LONDON**
Jersey Finance Limited, 4th Floor, 2 Queen Anne's Gate Building, Dartmouth Street, London SW1H 9BP
**Tel:** +44 (0)207 808 1148 | **Email:** london@jerseyfinance.je

**HONG KONG**
Jersey Finance Limited, Room 5, 20th Floor, Central Tower, 28 Queen's Road Central, Central, Hong Kong
**Tel:** +852 2159 9652 | **Fax:** +852 2159 9688
**Email:** china@jerseyfinance.je

**NEW YORK**
Jersey Finance Limited, Suite 341, 1185 Avenue of the Americas, New York, NY 10036, USA
**Tel:** +1 201 370 1749 | **Email:** philip.perecki@jerseyfinance.je

**DUBAI**
Jersey Finance Limited (DIFC Branch), Office 520, Level 5, Index Tower, Dubai International Finance Centre, Al Sa'ada Street, Dubai, United Arab Emirates, PO Box 507306
**Tel:** +971 (0)4 289 0490
**Email:** jacqueline.price@jerseyfinance.je

**SHANGHAI (VIRTUAL OFFICE)**
Unit 8170, Level 8, International Finance Centre Tower 2, 8 Century Avenue, Pudong Shanghai 200120, P.R.China
**Tel:** +86 (21) 6062 27170 | **Email:** an.kelles@jerseyfinance.je

**MUMBAI (VIRTUAL OFFICE)**
Mumbai Office, Jersey Finance Limited, 9SE, 9th Floor The Ruby, 29 Senapati Bapat Marg Dadar (West) Mumbai 400028
**Tel:** +971 (0)43199923 | **Fax:** +971 (0)43197474
**Email:** jacqueline.price@jerseyfinance.je

## ADDITIONAL RESOURCES

**JERSEY FINANCE**

**www.jerseyfinance.je**
Jersey Finance represents and promotes Jersey as an international finance centre (IFC) of excellence and is funded by members of the local finance industry and the Government of Jersey.

**JERSEY GOVERNMENT AND REGULATION**

**www.gov.je**
The official website of the Government of Jersey.

**www.jerseyfsc.org**
The Jersey Financial Services Commission (JFSC), responsible for the regulation and supervision of the Island's financial services industry.

**www.locatejersey.com**
The official website of Locate Jersey which assists individuals or organisations looking to relocate to the Island.

**DIGITAL JERSEY**

**www.digital.je**
Working alongside government and industry, Digital Jersey coordinates activities towards improving the Island's environment as a location of choice for digital business.

**JERSEY BUSINESS**

**www.jerseybusiness.je**
Jersey Business provides free, independent, confidential advice and support to businesses in Jersey.

KENDRICK ROSE

RESOURCING EXCELLENCE

# The Year of the Pivot

By Shelley Kendrick, Managing Director, Kendrick Rose

Pivot is one of the words you will have heard a lot this year. Not quite as much as Covid-19, or Coronavirus, but its frequency of use is linked.

To pivot is to turn, like a basketball player, in any direction, with one foot on the ground. In many ways, this is what all industries and individuals have had to do this year to some extent, and recruitment is no exception.

At Kendrick Rose we have pivoted our services, from being almost entirely face-to-face with clients and candidates, to operating online a significant amount of the time. While previously we might have begun the recruitment process with candidates on the phone, there are people we have helped hire this year who we have only met virtually. Along with many of our clients, we have also adopted a flexible approach to where we work, with team members working between their homes and the office, depending on what suits their situation.

While we have continued to be busy recruiting for the highly skilled roles financial services businesses require, we have also had to help some clients work out the best way to reduce their head counts. For this we have developed our Outplacement Services. Redundancy can be an incredibly stressful time for the employees affected, and the human resources staff involved, but managing the process kindly and efficiently helps everyone achieve a better outcome.

And perhaps our biggest pivot of all is developing a new part of the business, with a focus on non-executive director roles.

Over the past few years, we have seen a growing demand for offshore non-executive directors, along with an increasing number of executives from different career backgrounds who would like to take on non-executive directorships.

In a world where we may travel less and attend fewer events, making new connections is challenging.

**Club NED is therefore designed to connect boards with fresh talent, bringing people together, and helping widen the talent pool to improve board diversity.**

Once Covid-19 came along, 2020 was never going to be a 'slam dunk', but with the right moves, our careers and businesses won't be left sitting on the bench.