

# Jersey – an IFC island in the mainstream of global finance

*Jersey Finance is making great progress in Asia communicating its strengths as a specialist wealth management jurisdiction. The first Chinese company registered in Jersey in 1994, since when China's economy has nearly quadrupled in value. Jersey Finance set up in Hong Kong in 2009, established representation in India and UAE in 2011 and is spreading its message across the region. Richard Nunn, Head of Business Development at Jersey Finance, met with Hubbis to explain Jersey's growing footprint in Asia.*



RICHARD NUNN  
Jersey Finance

**J**ERSEY FINANCE (JERSEY) EMBARKED on one of its regular Asian roadshows earlier this year, stopping off in Hong Kong and Shanghai to meet private wealth experts to discuss a wide range of high-level topics including transparency, succession planning, philanthropy and the internationalisation of Chinese wealth.

Geoff Cook, Jersey's CEO, said at that time: "Over recent years we have seen a rapid growth of interest from the Asian community in Jersey's expertise in terms of how to effectively manage their private wealth."

Cook and colleagues focused during that visit on Jersey's extensive experience in managing private wealth for international clients, meeting international standards on the Common Reporting Standard (CRS) and Automatic Exchange of Information, and continued market access

to the UK and the EU.

Nunn picked up on this vital regulatory theme in a very recent discussion with Hubbis. “Jersey’s stature as a leading, forward-thinking International Finance Centre (IFC) is growing around the world and especially in Asia,” he said. “Reputational advantage is paramount, and our priority is to positively differentiate Jersey as an IFC so that we stand out from the crowd.”

### **IFCS – QUALITY WILL PREVAIL**

The opportunities for Jersey are immense. “There is an escalating need for first-class IFCs such as Jersey and financial practitioners to provide a full suite of cross-border, corporate, funds and wealth management services for Asian investors. More than 40 Jersey firms are now active across the Asian markets, and of the £1.3 trillion of wealth held in Jersey structures and vehicles, around 40% originates from investors outside of Europe, including Asia.”

One of the Jersey Finance team’s key challenges is differentiation of jurisdiction and value proposition. “Our efforts to differentiate Jersey in the market are paying off too. We have a formidable reputation for private wealth in the GCC, for example, and we are now seeing this evolve into more alternative funds work. In China, where the links have historically been corporate in nature, we are now seeing a rise in family wealth and more funds work too.”

Real estate is a case in point, with a rapid rise in flows of Chinese and GCC investment through Jersey into high value commercial real estate in the UK, with London the prime focus.

### **JERSEY’S FOUR PILLARS**

Jersey has four key pillars of private wealth - funds, capital markets and banking - that support businesses, governments and investors make investments across the globe as securely and efficiently as possible.

And Jersey is intent on moving as rapidly as needed to adapt to the ever-changing global regulatory and financial landscapes. “The world does not stand still and Jersey has been successful in adapting to the times. Whilst our four key pillars have remained stable, we have been successful in working with new regulatory frameworks and bringing new structures and products to market.”

Nunn cites one such example as the digital arena. “The Government of Jersey wants to position the island as a leading centre for digital business, and the financial

## **OUR CLIENTS UNDERSTAND OUR SENSIBLE APPROACH TO COMPLIANT CONFIDENTIALITY AND OUR COMMITMENTS TO INTERNATIONAL CO-OPERATION.**

services industry is tapping into and supporting this drive. The industry is now offering cutting edge fintech solutions to investors around the world.”

Digital transformation will also further enable Jersey’s leadership in the areas of regulatory transparency. “We have been a leader in the global thrust towards transparency,” Nunn reports. “Our clients understand our sensible approach to compliant confidentiality and our commitments to international co-operation.”

The CRS has not been a massive game-changer for Jersey, as it had been sharing information with the UK for a year by the time CRS came in. “We are proud of the fact that we have been rated as entirely tax transparent by the OECD and received endorsements from the likes of MONEYVAL and the IMF,” Nunn adds. “That gives investors using Jersey clarity and real confidence in us as a jurisdiction.”

### **ANALYSING, STRATEGISING, ADAPTING**

In 2016, Jersey commissioned Hubbis to help research and publish a white paper on the internationalisation of Chinese Wealth. A key finding of that report was that in the Asian markets there are still uncertainties about what CRS and other transparency initiatives mean to them, to privacy and to how their information is used and shared.

“Jersey’s experience gives us a real advantage here,” says Nunn, “as well as a great opportunity to play a vital role when it comes to supporting Asian clients who need help and reassurance with their reporting obligations.”

Nunn and colleagues face another immense challenge in the face of accelerating globalisation. Cross-border lending and borrowing by banks rose from US\$1 trillion in 1980 to US\$25 trillion in 2015 according to research Jersey conducted with Capital Economics. “The pace of change is quite remarkable,” Nunn asserts. “Investors the world over are looking to diversify their investments, both in terms of regional markets and asset classes.”

Despite what Nunn sees as political moves towards protectionism, these trends underscore a rising demand for services that facilitate efficient and secure cross-

## JERSEY FINANCE: AMBASSADOR FOR JERSEY'S WORLDWIDE ASPIRATIONS

Jersey Finance is a not-for-profit marketing organisation that was formed in 2001 to represent and promote Jersey as an international financial centre of excellence. Funded by members of the local finance industry and the States of Jersey Government, it is an International Finance Centre (IFC) with offices today in Jersey, Dubai, Hong Kong, representation in London, as well as virtual offices in Shanghai and Mumbai.

Located between England's southern coast and France's northern coast, Jersey as a leading IFC therefore straddles not two but numerous countries, financial markets and regulatory regimes.

Historically, the UK and what Jersey terms 'Mature Europe' were the key target markets for Jersey and they continue to offer considerable growth as demand expands for a politically and economically stable offshore jurisdiction for investment/wealth structuring opportunities.

Jersey remains a favourable jurisdiction for the European market, particularly in relation to investment products and wealth management vehicles, such as trusts, foundations, partnerships, as well as real estate, private equity and hedge funds.

Jersey has signed 39 Tax Information Exchange Agreements including with Denmark, Finland, Germany, Austria, Italy, France and Latvia. The island has also signed 8 DTAs including agreements with Luxembourg, Malta and Estonia. The agreements demonstrate Jersey's commitment to international standards and facilitating further business flows between jurisdictions.

Jersey of course has a longstanding partnership with the City of London and is frequently part of the same transaction chain, client relationship and conduit process as the City, facilitating the deployment of mobile international capital, which is vital to the operation of free markets and to the global financial system.

Jersey is a 'jurisdiction of choice' for listing holding companies on the Main Market of the London Stock Exchange and Jersey also has the greatest number of FTSE 100 companies registered outside the UK.

The first Chinese company registered in Jersey in 1994, since then China's economy has nearly quadrupled in value.

Jersey boasts tax neutrality, a wide range of wealth management and investment vehicles, and high-quality service providers in its drive to expand its reach. This message has been well received in The Gulf Co-operation Council (GCC) countries for more than a decade, leading to a Jersey Finance regional office in the UAE established in 2011.

Jersey's history in Asia dates back considerably further, as it recognised the enormous progress in wealth generation, as well as historic links, would provide a platform for exciting growth for its services across the region.

With representative offices in Hong Kong and UAE, and representation in India, London and Shanghai, Jersey is intent on consistently communicating the unique strengths of Jersey's finance industry to key decision makers.

border investment and robust private and family wealth structuring.

### LOCAL PROFESSIONALISM, GLOBAL EXPERTISE

"These are precisely the kind of services available in Jersey, thanks to our expertise and strong regulatory regime," Nunn says. "The support and certainty of onshore and offshore experts who can help investors navigate cross-border structuring and achieve their objectives will

become increasingly valuable."

Where there is growth, there is competition. "It is a tough competitive arena in the IFC services space," Nunn concedes, "but there are relatively few that can genuinely demonstrate the professionalism, range of expertise, depth of knowledge and innovation necessary in the modern global landscape. Jersey is one of those which ticks those boxes."

Regulatory and market pressures will likely mean that there will be a flight to high quality IFCs offering the best



reputational profile. “We are already seeing that,” says Nunn, “as firms are booking business here now that might otherwise traditionally have gone to other centres. The outcome is likely to be fewer mainstream IFCs over time.”

Huge growth in global wealth, regulatory tightening, possible rationalisation of IFCs driven by expertise and reputation, all these factors are giving Jersey an increasingly strong hand to play on the world stage.

“There will certainly be an even greater need for the expertise and services provided by IFCs as conduits for pooling investments efficiently and protecting individual and family wealth, as well as helping enable capital projects,” Nunn observes. “But a key differentiator for jurisdictions will be adapting to demand and innovating new products and solutions.”

### **NEW PRODUCTS AND SERVICES**

Jersey earlier this year launched the new Jersey Private Fund (JPF) regime, an innovative, streamlined and fast-track regime, under which funds for up to 50 investors can be established in 48 hours. Nunn reports that the initiative has enjoyed strong take-up from institutional investors.

“The JPF is an appealing pooling vehicle for family offices looking at ways to co-invest in niche UK and wider

European assets, something that should particularly resonate with Asian investors.”

Jersey has also introduced what Nunn calls ‘cutting-edge’ regulations regarding virtual currency exchange and launched the first regulated cryptocurrency fund. And Jersey’s regulator, The Jersey Financial Services Commission, has recently made a statement regarding requirements for Initial Coin Offerings.

Looking further ahead, Nunn reports Jersey’s new regulatory framework for charities is due in 2018. “Our enhanced charities initiative is a major step as it will further advance Jersey as a leading jurisdiction for philanthropic wealth management. All this adds to our toolbox, and it is this sort of progressive approach that will keep Jersey interesting, relevant and set us apart from the pack.”

Nunn and colleagues are energised by the challenges and the opportunities. “We have invested heavily over the years in extending our reach to emerging markets beyond the GMT time zone. We think relationships with these markets will become even more important as Brexit unfolds. Against this geopolitically fragmented backdrop, expertise, stability and experience are qualities that ensure Jersey is leading the way as it continues to support Asian investors.” ■