

Banking on Jersey for 60 years

BY ALEX WRIGHT

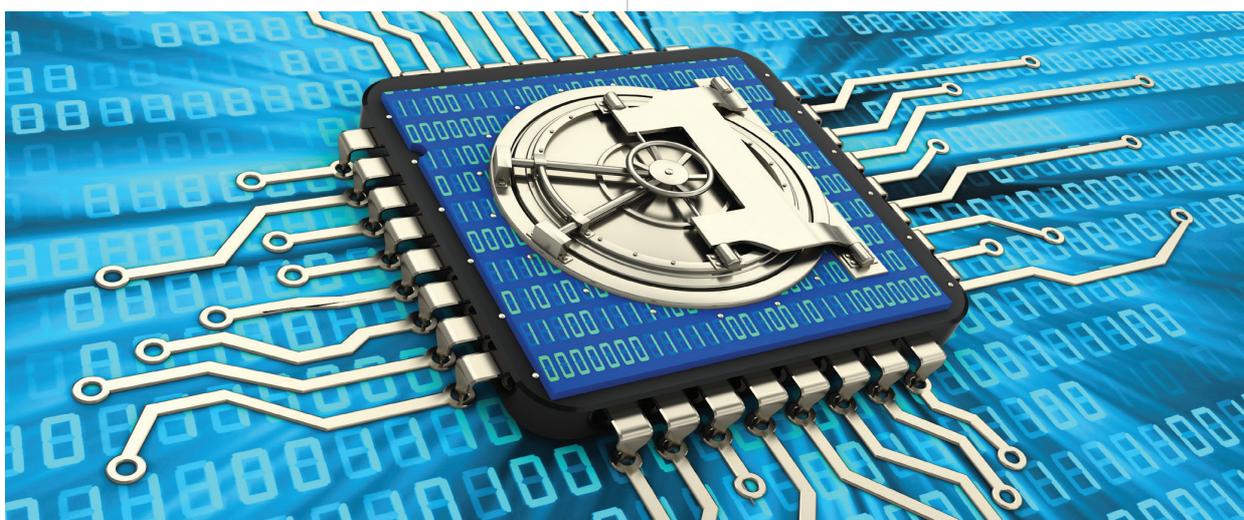
This year marks the 60th anniversary of Jersey establishing itself as an international finance centre (IFC). The Island has come a long way since the first bank was opened by M (Hill) Samuel in 1961, the forerunner to the Hill Samuel Group, closely followed by Kleinwort Benson a year later and a host of others soon after.

Over the next decade, building on the foundations laid by Senator Cyril Le Marquand, Jersey soon became a jurisdiction of choice for UK investors and expatriates going there to retire. This was largely due to the Island's strong and stable fiscal, tax, legal, regulatory and political regime for international business as well as its broad range of financial services.

Such was its global appeal that, in 1969, First National City became the first US bank to open an office in Jersey. By 1970, 25 deposit-taking institutions had been formed under the 1967 Depositors and Investors (Prevention of Fraud) (Jersey) Law, holding almost £500 million in deposits.

The banking industry continued to flourish throughout the 1970s, with a big increase in the number of banks, deposits, investment funds and trust activity as it strived to enforce the latest international standards and enhance its reputation as an IFC. The sector had grown to such an extent that, by June 1981, bank deposits had risen to £10 billion, held by 42 registered deposit takers, much of which was used to fund international loan operations in Latin America and the Far East.

The banks used their Jersey subsidiaries to book these loans because the profits were taxed at a significantly lower rate than in the UK of two to four percent, agreeing an 'introduction' fee with the Comptroller of Income Tax to offset against any



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profit earned. The UK's decision to end its exchange controls in 1979 further opened up the Island to fund investment and new company formations, which reached 2,474 by 1981.

Financial services continued to boom on the Island during the 1980s, driven by business growth, global wealth creation and a surge in investment in property, equities and commodities through mutual funds.

Having weathered the 2007 global financial crisis, by June 2010, total bank deposits stood at £167 billion and collective investment funds £176 billion, while there were 46 bank licenses, down from a high of 79 in 1998.

Today, Jersey is home to more than 20 banks from the UK, Europe, North America, South Africa, Asia and the Middle East, with range of private and institutional clients worldwide. The Island's banks now hold £129.3 billion in deposits and employ more than 13,500 finance professionals.

Throughout, Jersey's banking industry has strived to capitalise on new opportunities and emerging overseas markets, such as the BRIC (Brazil, Russia, India and China) economies, helping parent banks to address the immediate liquidity gap left by the financial crisis. "Jersey is well known as one of the most developed and mature offshore financial centres in the world," said Henry Baye, chief executive officer of Standard Chartered Bank, Jersey and a member of the Jersey Bankers Association Committee. "There is a well-developed and experienced ecosystem of various firms including funds, trusts, law firms, accountants and family offices that are among the best in the world."

The Jersey Bankers Association (JBA) has continued to tirelessly represent the interests of the Island's banking sector since its inception, supporting open and constructive dialogue with the Government of Jersey and the regulator, the Jersey Financial Services Commission (JFSC).

The JBA also collaborates with professional bodies and trade associations, as well as other key stakeholders, through its committee, sub-committees and working groups.

Since its formation in 2001, Jersey Finance has also played an active role in promoting the Island's banking and finance sector across the world, visiting and hosting events in key markets including the UK, Europe, Africa, China, India, the USA and the Gulf region. During that time, the not-for-profit organisation has pursued its vision of selling Jersey as a gold-standard IFC, working with financial services firms to champion the industry by advocating the highest regulatory standards and the best products and services available to global investors.

Jersey Finance also continues to work closely with the Government and JFSC, to ensure that the banking industry has a voice at the table when it comes to enacting the latest legislation and regulation.

Jersey's banking sector and its associated professional service providers have also focused on improving the quality of their personnel and ensuring they continue to attract the brightest and best talent through dedicated training programmes.

Like many other sectors, Jersey's banking industry has had to contend with a host of challenges caused by the COVID-19 crisis. In response to the restrictions imposed as a result of the pandemic, the industry has pivoted, with all those staff who could be required to work from home.

The crisis has also accelerated the digital transformation of the sector through the development of greater technological capabilities such as artificial intelligence, machine learning and the Internet of Things, enabling deals to be transacted faster and more efficiently than could ever have been envisaged just 12 months ago.

"Jersey's installation of 100% fibre to the premises for all fixed broadband connections, both commercial and residential, meant that financial services was able to function as normal with remote working," said Baye. "The agility of the industry ensured that with the use of technology all firms managed to serve clients without a hitch."

Moving forward, the sector remains on the cutting edge of innovation and product development and diversification, whilst constantly evolving to meet current and emerging challenges head on and capitalise on new opportunities.

Sixty years on from its inception, Jersey's banking industry continues to thrive, with more new business coming to the Island's shores every day.

If it continues on this trajectory, 60 years from now, the Island will have firmly established its legacy and position at the forefront of international banking and finance.

ALEX WRIGHT



Alex Wright, Business Journalist.

Alex was previously the news editor of Insurance Times and Global Reinsurance, as well as the deputy business editor at The Royal Gazette in Bermuda.

He currently edits for The Guardian, the Mail on Sunday, The Sunday Times and The Telegraph, among others.