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People and purpose

From economic substance to sustainability and wellbeing, Jersey is leading the way on new thinking for the post-pandemic era

GLOBAL PHILANTHROPY

HOW THE COVID-19 PANDEMIC LED MORE HNWs TO GIVE BACK

SERVING THE NEXT-GEN CLIENT

WHY ADVISORS NEED TO KEEP AHEAD OF FAST-EVOLVING TRENDS

SIX DECADES AS AN IFC

CELEBRATING 60 YEARS OF JERSEY'S MODERN FINANCE INDUSTRY

A new era in wealth management

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Welcome to the Jersey supplement to the *STEP Journal*. For the past four years, this publication has launched alongside our annual private wealth conference, which I am pleased will take place once again as an in-person event in London.

This year is a special one for Jersey – it is our 60th anniversary as an international finance centre (IFC). Celebrating a milestone such as this often brings with it an opportunity to reflect, as well as plan for the future.

The next 60 years

Globally, we've seen a seismic shift in the way people live, work, travel and interact. For the private wealth community and IFCs like Jersey, now is an opportune time to reflect on the impact of reputation, embrace new thinking and prepare for a new era.

While much remains uncertain in the future, for me there is good reason for Jersey to remain positive. We are committed to the communities and clients we work with. We are resilient, future-focused and adaptable. Our lead feature on page four explores how Jersey has remained a beacon of stability – from adapting to new ways of working with clients and employees, right through to dealing with major global tax harmonisation measures.

Thinking about Jersey, a key message to emerge from our IFC's private wealth sector in the past year has been the increasing shift among private clients toward sustainable investment objectives – designed to make a positive difference in the world – particularly in response to the effects of the pandemic. On page 20, David Postlethwaite, our Sustainable Finance Lead, provides an overview of our vision as an IFC, with insights from leading experts in this field.

Next-gen clients are very much fuelling environmental, social and governance (ESG) and sustainable finance trends across the globe. Jersey Finance's Global Head of Business Development, Allan Wood, writes about this on page 11, and our UK Director, Robert Moore, hears similar views from Jersey experts when it comes to family offices on page 17.

Philanthropic giving is closely linked to our conference theme of 'purpose'. Speaking to a selection of Jersey-based firms, Lisa Springate, Jersey Finance's Head of Legal and Technical, explores how the pandemic has impacted the global philanthropic agenda. Interestingly, firms on Jersey are seeing pronounced differences in giving across regions and cultures. Find this article on page 18.

We often write about the expertise found on-island, with one of the largest and busiest STEP branches among IFCs. Supporting the digital skills of our flourishing finance industry workforce is our island's robust digital infrastructure – which will set us apart from other IFCs when overcoming the challenges presented by a new era of digitalisation. Karolina Pilcher, Senior Strategy and Research Manager at Jersey Finance, writes about this and more on page 22.

Ready for the future

There is no doubt that world economies are set to face unprecedented challenges as a result of the coronavirus pandemic, and reputable IFCs like Jersey, with their expertise, infrastructure and specialist skills, will be vital to the global economic and social recovery from the pandemic. Jersey is indeed ready to support a new era in wealth management.

Joe Moynihan is Chief Executive Officer at Jersey Finance

From strength to strength

Amid a paradigm-shifting crisis, Jersey has remained a beacon of stability thanks to its future-focused outlook and seat at the global table

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No one can predict the future. In a crisis, even the best informed, from global fund managers to heads of state, are left scrambling to catch up. We just have to try to adapt as events unfold, and to prepare for normality when it returns.

But some institutions and jurisdictions manage this better than others – and Jersey was better prepared than many when COVID-19 hit.

Take the Crown Dependency's decision to deliver ultra-fast internet to 40,000 homes and businesses, a project completed in 2018. When the pandemic struck, it meant Jersey was ready. When office workers shifted to remote working in spring 2020, they could bask in some of the world's highest download speeds. That meant no dropped Zoom calls and no fighting with family members over precious bandwidth.

'You don't realise you are planning for a particular risk, but we had the forethought to roll out a fibre-optic network to the whole of Jersey,' says Amy Bryant, Deputy CEO at Jersey Finance.

Adds Jill Britton, Interim Director-General at the Jersey Financial Services Commission (JFSC): 'If that additional bandwidth was not in place, the island would have been in difficulty. As an international finance centre with a global client base, Jersey would have really struggled; our reliance on technology to facilitate business is key.'

Flexibility matters too. Jersey kept its companies registry open throughout – something that has not gone unnoticed by other markets and businesses looking to move to the jurisdiction. 'We were business as usual immediately, both as a regulator and registry. Similarly, so was the finance industry. I was very pleasantly surprised,' says Britton. Adds Bryant: 'Other jurisdictions didn't extend that service to clients in lockdown, so it was a bit of a USP for us.'

Jersey was also able to reap the benefits of decisions made in more stable times – for example, the hard work of the government and finance industry to keep Jersey abreast of changing financial regulations and to ensure the island was represented at the highest levels whenever global bodies convened to rule on the future of finance.

Colin Powell, a former government advisor whose links to Jersey stretched back to the 1960s, deserves a special mention. Powell sadly passed away two years ago, and Tom Cowsill, Tax Director at PwC Channel Islands, says the economist did 'incredible work' in building strong bonds of 'mutual respect' between Jersey and regulatory bodies, including the Financial Action Task Force and the OECD.

'Jersey retains a seat at the table with the OECD on international tax policy discussions. That enabled us to influence debate, assess the impact early and take appropriate action to retain Jersey's competitiveness,' says Cowsill.

Being at the heart of talks, notes Britton, enables Jersey to be 'better sighted on what is coming down the line, and to be prepared to act accordingly to meet international standards'.

'Jersey is right at the heart of discussions, so we will be able to see risks ahead of time and prepare for them,' says Henry Baye, CEO of Standard Chartered Bank Jersey.

Further, the decision by the Jersey government to hire the likes of Dominic Murphy as Assistant Comptroller of Revenue and Cora O'Brien as Deputy Comptroller of Revenue was a far-sighted move, with international tax policy discussions becoming ever more complex and resource intensive.

Global tax harmonisation

Powell's years of hard work at the coalface of financial regulation have paid »

'WE HAVE CONSISTENTLY KEPT PACE WITH GLOBAL STANDARDS, ENSURING WE ARE NOT SEEN AS LAGGARDS BEING DRAGGED TOWARD THE FINISHING LINE'

Tom Cowsill, Tax Director, PwC Channel Islands

off handsomely. Global bodies sought for decades to strike a unified agreement on cross-border taxation. The process moved forward haltingly at times, and at a breakneck speed at others, depending on the state of the political and financial backdrop. Key moments include the launch of the OECD's Base Erosion and Profit Shifting (BEPS) project in 2013; adoption of the US *Foreign Account Tax Compliance Act* (FATCA) and OECD Common Reporting Standard, and more recently, the support of the OECD/G20 Inclusive Framework on BEPS for a two-pillar approach to addressing the tax challenges of digitalisation.

Again, that has worked in the island's favour. 'The OECD was not looking to simply dictate to the offshore world, but to have a dialogue with them,' says Steve Meiklejohn, a Partner at Ogier. 'Over a number of years, we have demonstrated we are a responsible partner that is advancing the case of tax neutrality as a principle.'

The OECD/G20 July 2021 statement on a two-pillar approach is a major development, not just for global tax harmonisation, but also for every participant in Jersey's financial services sector. Initially signed by 130 of 137 BEPS Inclusive Framework members, including Jersey, the proposals (although not yet finalised) are split into two pillars. Pillar One would create new taxing rights in relation to the world's largest corporates, excluding financial services firms, by allocating a share of taxable profits to the markets in which those corporates' consumers reside. Pillar Two aims to ensure that certain multinational companies pay a minimum rate of taxation (likely at least 15 per cent) on global profits, worked out on a country-by-country basis.

It is notable that the draft proposals include exemptions for, *inter alia*, funds and groups with a consolidated turnover under EUR750 million. 'Pillar Two is understood not to include the funds sector, which is clearly a big industry for Jersey,' says Britton.

She adds: 'Jersey has a really strong reputation as a well-regulated global financial jurisdiction, which is invaluable for investors. Because of that strong reputation, the island attracts a lot of business that could go elsewhere. Being

'JERSEY HAS A REALLY STRONG REPUTATION AS A WELL-REGULATED GLOBAL FINANCIAL JURISDICTION ... THE ISLAND ATTRACTS A LOT OF BUSINESS THAT COULD GO ELSEWHERE'

Jill Britton, Interim Director-General, Jersey Financial Services Commission

well regulated and open to facilitating new business, as well as protecting that reputation, will secure Jersey's future.'

Economic substance

Jersey's ability to foresee future risks and temper their impact before they happen is a sign of its collective intelligence and maturity as a jurisdiction.

The *Taxation (Companies – Economic Substance) (Jersey) Law 2019* was a reaction to concerns raised by the EU in relation to a need for tax-resident businesses to demonstrate economic substance in the island. Jersey faced the charges head on. The new legislation required banks, fund managers and certain other companies undertaking 'relevant activities' to ensure they had local links of real economic substance.

For most companies, that wasn't difficult. 'We have real depth of quality and personnel,' says Cowsill. Out of a population of 107,800, more than 13,500 work in finance, with a broad range of expertise at both director and administrator levels. 'It is important, though, that companies and administrators fully understand the rules and the reporting requirements so that, in turn, Revenue Jersey's consolidated reporting to international peers is accurate and helps to allay any concerns they may have in relation to the island's financial services sector.'

Jersey has actually turned the law into a positive on many levels. 'It gives us a chance to get closer to clients, and many have consolidated into Jersey, further enhancing their presence here,' says Cowsill. 'Investors are increasingly reputationally conscious and are looking to simplify structures and rationalise the number of jurisdictions in which they operate, with Jersey being a net beneficiary of this.'

The legislation has now gone through a full financial cycle, allowing Revenue Jersey and the industry itself 'to see how the law works in reality', adds Cowsill. 'We have seen the first round of tax returns under the economic substance regime, and most companies are well placed to meet requirements without having to materially change their models.'

Leading from the front

Events of recent years have presented myriad other challenges and opportunities. Strength is forged in adversity, and Jersey has stood up to be counted, whether over substance laws, global tax initiatives or the long-tailed pandemic. To Cowsill, the island's trump card is its ability to set the tone on issues and to lead from the front. 'We have consistently kept pace with global standards, ensuring we are not seen as laggards being dragged toward the finishing line. That allows us to prove our financial responsibility to the outside world and is increasingly important for reputationally conscious businesses.'

Bryant considers the foremost reason for the island's strength to be its 'ability to be agile. Our primary aim is to create a stable and attractive environment for cross-border business. Over the past 18 months, the words clients and businesses have used to describe Jersey are "stable" and "resilient".'

That stability has counted double over a decade when so much has happened, including Brexit. One obvious impact of the referendum was to convince private wealth clients to look around for more reliable jurisdictional partners. Many were attracted to Jersey's steady moorings.

'We have seen an uptick in the number of high-net-worth individuals seeking to relocate to Jersey in recent years and particularly since the outbreak of the pandemic,' says Cowsill. 'They not only want to reside here, but to bring their businesses and to integrate into the community.'

Jersey's allure is an 'amalgamation of factors', he adds, whether that be the world-class telecommunications grid, the fiscal and political stability or the work-life balance the island can offer.

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'WE ARE REMOVING THE STIGMA AROUND MENTAL HEALTH ... COMPANIES ARE WORKING TO CREATE A SUPPORTIVE CULTURE, ALLOWING PEOPLE TO BRING THE BEST VERSION OF THEMSELVES TO WORK'

Amy Bryant, Deputy CEO, Jersey Finance

Mental health and wellbeing

The pandemic presented the financial world with a new set of challenges that demanded a new set of responses. With office workers locked down at home, juggling relationships and childcare, and spending hours each day in video meetings, thoughts turned to physical and mental wellbeing. Indeed, as crises so often do, the pandemic has altered our world in unexpected ways. It accelerated the diversity and inclusion agenda within businesses of all sizes. And it forced firms to think properly about the state of mind of their staff.

'We are removing the stigma around mental health and allowing it to be discussed more openly,' says Bryant. 'Companies are working to create a supportive culture, allowing people to bring the best version of themselves to work and helping talent to thrive.'

Cowsill notes that PwC introduced a well-received five-point wellbeing plan along with initiatives such as an 'everyday flexibility' policy. 'The key is that leaders are accountable and visibly committed to wellbeing,' he says. 'It now pervades the entire organisation, from firm-wide through to individual team initiatives. For example, our tax team has created its own wellbeing programme, with champions ensuring it's always on the agenda.'

The professional services firm actively discouraged overtime and came up with a new timesheet category that allowed staff to attend to private matters during work hours, with no implications for workplace assessments.

'The outcome was that our productivity was actually higher throughout the lockdown period, as staff recognised that we were prioritising their wellbeing,' James de Veulle, Head of Banking for PwC Channel Islands, told Jersey Finance as part of its *Jersey Means Business* research.

Risks and opportunities

As ever, challenges lie ahead. The environmental, social and governance movement is only just getting started, and Meiklejohn believes Jersey would be wise to keep abreast of the latest thinking, just as it did with shifting attitudes toward economic substance or global tax standards.

'The whole sustainability discussion could present a risk to an offshore centre,' he says. 'There is a lot of regulation already introduced or coming down the track that will affect the conduct of financial services. Investment firms will be required to ensure products meet minimum standards in terms of sustainability. Jersey has launched its own sustainability initiative to stay ahead of the pack.'

But, Meiklejohn adds, it is easy for the reputation of any jurisdiction to be tainted by association with a particularly egregious environmental offender.

COVID-19 has also forced financial and professional services firms to ramp up investment in technology. Britton points to digital identities as a hot topic, along with cybersecurity, adding: 'We do a lot of webinars for clients, and have done a substantial amount of outreach.'

Some final words of acknowledgement must go to the island's joined-up thinking. Jersey's regulators, politicians and financial services practitioners can only work at their peak by thinking and acting collectively – and that only happens with good communication.

'The Jersey Bankers Association met on a monthly basis throughout the pandemic, giving industry a direct line of communication to government, the JFSC and Jersey Finance,' says Baye. 'Having that kind of forum available to stakeholders has been extremely useful.'

Cowsill says the key to future success is a 'healthy working relationship between government, industry and the regulator. Healthy tension between stakeholders avoids the danger of an imbalance or an echo chamber, but with all parties working to ensure Jersey remains internationally competitive and keeps pace with international tax and regulatory standards.'

Changing of the guard

A global perspective on the evolution of the next-gen client

By Allan Wood

The convergence of the 'Great Wealth Transfer' and the repercussions of the COVID-19 pandemic has brought the next-generation client into focus for wealth advisors and the wider private client community.

Never has the need for specialist experience been more apparent. With more than 13,500 finance professionals managing an estimated GBP1.3 trillion of assets, Jersey is well placed and ready to support the complex needs of the next-gen client. The jurisdiction has been evolving its international proposition for many years, informed by a strategic vision set out over a decade ago. As a result, most of the new business coming into Jersey originates from markets outside Europe.

The significance and importance of the island's global network is reflected by Jersey Finance's presence in key markets, with offices in Dubai, Hong Kong and New York; representation in London, Johannesburg and Shanghai; and a virtual office in Mumbai. Our in-region representatives outside Europe are witnessing emerging trends first hand. I met with each of them to discuss the trends in investment behaviours adopted by next-gen clients in their respective markets.

ESG and technology

In the Middle East, says Faizal Bhana, Director, Middle East, Africa and India, many next-gen clients are moving away from traditional real-estate sector investments and 'focusing on investing directly and funding start-ups and series A and B investment cycles for both regional and global ventures'. It's also clear that the pandemic has accelerated thinking and best practice in the sustainable finance and environmental, social and governance (ESG) space. 'Driven in part by green initiatives from governments and a growing awareness of the power held by next-gens, ESG and sustainable investing are the most significant trends in the Asia region,' says Maria McDermott, Business Development, Asia.

It's a similar picture in the Gulf Cooperation Council (GCC). 'Advisors have seen a shift of assets towards impact investing, with next-gens being more interested in the value proposition behind impact investing strategies,' says An Kelles, Director, GCC.

In Schroders' *Global Investment Survey 2020*, 45 per cent of those surveyed said their financial advisor only provides them with information on sustainable investing when prompted – evidence that the investment industry could be doing more to satisfy investors' appetite for sustainable investments.

Digital first

Financial services firms globally have learnt how quickly technological change can happen when barriers are swept aside by pure necessity – and clients have adopted or increased digital engagement with speed across age groups. But do next-gens want to revert to pre-pandemic relationships with their advisors?

'In South Africa, we're seeing an increasing number of intermediary practices using robo-advisors in conjunction with traditional human advice,' says Dr Rufaro Mucheka, who suggests a blend of both virtual and human advice to set goals, assess individual tolerance and develop personalised plans.

In India, Bhana says digital platforms and virtual solutions have been a 'lifeline' for investors and intermediaries throughout the pandemic. 'Advisors have relied on technology to carry out real-time, cross-border work with multiple parties in different time zones.'

From a US perspective, says Philip Pirecki, Business Development, the Americas, 'the challenge now is to deliver on value-added and advisory services digitally. That said, both clients and intermediaries are looking to get back to in-person meetings for discussing sensitive issues and relationship-building, respectively'. »

This change in client demands is an opportunity for international finance centres (IFCs) like Jersey to consider how they can maintain their competitive edge. Jersey is in a good position, with world-class connectivity standards in place to support digital innovation. Out of 200 countries, Jersey ranks first in Europe and second in the world for broadband speeds, above Japan, the UK and the US.

Managing risks

The Great Wealth Transfer will see the next generation of wealth owners inheriting an estimated USD15 trillion by 2030, and advisors therefore have a vital role to help mitigate and manage conflicts between generations.

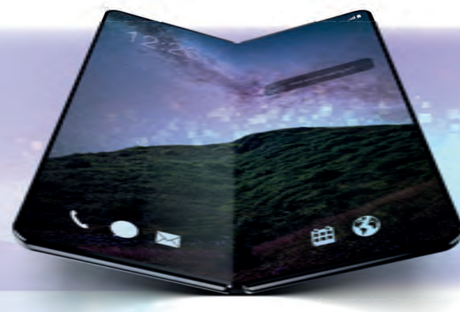
In Asia, family businesses are central to family wealth, yet most families are unprepared for the Great Wealth Transfer, according to Jersey Finance research carried out with Hubbis. Conflict is almost certain to arise when the ambitions and priorities of the next generation clash with the investment objectives of the older generations. 'Advisors will be key in managing conflicts,' says McDermott. 'Next-gens are often western-educated and more aligned with western values, which will drive their investment objectives, but may also conflict with more traditional Asian values.'

In Africa, advisors are witnessing more positive developments among families. Bhana says there is a willingness among families to start conversations around succession and governance, not only at a family level, but also within family businesses. He believes 'the fatal nature of the COVID-19 pandemic has brought these discussions to the fore'.

Pirecki adds: 'US advisors often see themselves as family mediators. A core part of their work is conflict resolution, and advisors often map out sets of values for the clients to reference long before they encounter conflict. These "game out" scenarios act as a useful touchstone when the inevitable conflict arises.'

Navigating uncertainty

As governments look for new revenue sources, political risk and the possible transformation of taxation regimes can bring uncertainty.



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'PROGRESSIVE REGULATIONS HAVE BECOME CENTRAL TO HOW INTERMEDIARIES ARE EXPECTED TO TREAT AND CHARGE CLIENTS'

'Changes in taxation regimes create an opportunity for advisors to help their clients mitigate the consequences,' says Kelles. 'For instance, the new VAT law introduced in Oman prompted businesses to turn to their advisors to assess their legal structures and supply chains to identify and highlight Omani VAT risk areas and review their contracts to ensure they contain the appropriate tax clauses.'

From an African perspective, this is nothing new. For some time, governments there have been driving and creating regulatory platforms that focus on treating customers fairly. Mucheka comments that 'progressive regulations have become central to how intermediaries are expected to treat and charge clients'.

In the US, transformation of taxation is a significant consideration for private clients, Pirecki explains. 'With the current administration's interest in treating capital gains over certain thresholds as income, clients are having to make difficult choices about selling certain assets on an advanced timetable to avoid getting caught up in the proposed rule changes. Furthermore, there is a growing interest in protecting underlying assets from a range of potential non-commercial risks.'

In the Middle East, Bhana sees both the positive and negative effects of government interventions. 'Positive developments have been the tech hubs, sandboxes and other incentivised initiatives allowing tech to develop and increase access to products and services for the benefit of the general public.' On the negative side, he suggests digital taxes could adversely affect small and medium-sized businesses.

In a constantly evolving environment, clients seek stability. Jersey scores higher than most IFCs when benchmarked against global standards. It achieved one of the highest scores globally when evaluated by MONEYVAL; is one of just 14 countries worldwide to be deemed 'fully compliant' by the OECD in terms of tax compliance after two peer reviews; and is a signatory to the US *Foreign Account Tax Compliance Act* and the OECD's Common Reporting Standard. Added to this, the island's legal framework provides vital support to its finance industry, making sure that it remains flexible and attractive for domestic and international markets.

Next-gens and Jersey

The fact that Jersey has found favour among investors in recent years is no accident. As they look to the future, there are clear indications that investors, including next-gens, will continue to have global ambitions and put their capital to work in sophisticated ways. To do so, they will need a platform that is stable, straightforward and well regulated, and that offers easy access to expertise.

On the digital side, Jersey's finance industry recognises the importance of innovation as a differentiator and an enabler. With financial services firms looking increasingly to technology-based solutions to provide better services for investors, it is Jersey's ambition to be the easiest IFC to do business with remotely in a digital world.

By drawing on the expertise of our people to build and maintain strong relationships with global markets and develop innovative solutions, we are confident Jersey will play an increasingly important role on the international stage, setting it apart from other IFCs and placing it in a strong position to meet next-gens' demands. ✕

Allan Wood
is Global Head of Business Development at Jersey Finance

JERSEY: 60 YEARS AS AN IFC

A timeline of key milestones as Jersey marks the 60th anniversary of its modern financial services industry

1961 Banks begin to establish offshore operations in earnest to meet the growing demands of British customers living or working abroad

■ M. Samuel, which later became Hill Samuel, is the first merchant bank to arrive in Jersey

■ The *Income Tax (Jersey) Law* is drafted

COURTESY OF THE JEP

1970s The authorities in Jersey decide that bank licences should be limited to those in the world's top 500 banks

1971 Jersey adopts the decimal system

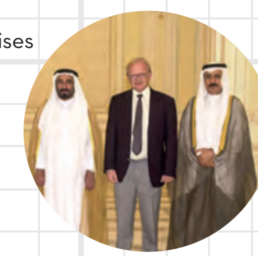
1972 After the UK joins what is now the EU, Jersey negotiates a special relationship via Protocol 3 so that it remains outside the EU for most matters

2001 Jersey Finance is founded to promote Jersey as an international finance centre (IFC) globally

2002 Jersey enters into a political commitment with OECD Member States to negotiate bilateral tax information exchange agreements

■ Jersey Finance hosts its first conference in London promoting financial services

■ Jersey Finance organises the first official industry visit overseas when it arranges a trip to the Middle East region led by senior ministers from Jersey's government



1962 Abolition of the *Code of 1771*, whereby the maximum rate of interest chargeable in Jersey was 5 per cent per annum – this leads to the arrival of other major merchant banks

1967 Jersey takes its first steps in the protection of the interests of depositors with the enactment of regulatory legislation

1969 The first American bank opens its doors in Jersey


COURTESY OF JERSEY HERITAGE

1984 Jersey is the first jurisdiction to bring trust and company service providers within a regulatory regime by passing the *Trusts (Jersey) Law 1984*

1993 The STEP Jersey Branch is established

1998 Jersey's financial regulator, the Jersey Financial Services Commission (JFSC), is established

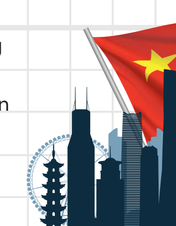
■ The Channel Islands Stock Exchange is established

DID YOU KNOW?

JERSEY'S IFC HAS WON MULTIPLE AWARDS GLOBALLY FOR ITS SERVICE OFFERING

2004 A streamlined regulatory regime is designed to attract increasing levels of alternative investment funds business while maintaining appropriate regulatory standards

■ Jersey joins with other European 'third countries' and dependent and associated territories of EU Member States in lending support to the EU in the implementation of its Taxation of Savings Income Directive



DID YOU KNOW?

JERSEY BOASTS THE OLDEST CHAMBER OF COMMERCE IN THE COMMONWEALTH, FOUNDED IN 1768. THE FIRST BANK IN JERSEY WAS ESTABLISHED IN 1796.

JERSEY HERITAGE

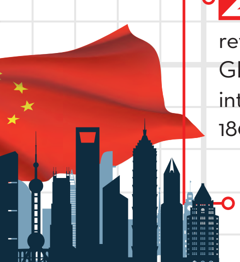
2009 Jersey is one of the first IFCs to be placed on the OECD 'white list', having implemented internationally agreed tax standards

■ The *Foundations (Jersey) Law* comes into force, widening Jersey's global appeal as a centre for private wealth management

■ Jersey Finance opens an office in Hong Kong and Jersey companies are able to list on the Hong Kong Stock Exchange

2011 Jersey Finance celebrates the 50th anniversary of the finance industry with a gala event and series of charity fundraising events

2013 Jersey Finance publishes research that reveals Jersey was responsible for GBP500 billion of inward investment into the UK and supported around 180,000 jobs



2014 Jersey Finance establishes a 'launchpad' presence in Shanghai

2016 A report from MONEYVAL finds Jersey 'compliant' or 'largely compliant' with 48 out of 49 Financial Action Task Force (FATF) recommendations, placing it in the top tier of jurisdictions

2017 The JFSC announces a new regulatory framework for private funds to enhance Jersey's competitiveness

2018 The States Assembly approves the *Charities (Jersey) Law*

■ Jersey becomes the first IFC to set up an office in the Dubai International Finance Centre

2019 ECOFIN confirms Jersey's position as a cooperative jurisdiction following an extensive period of assessment

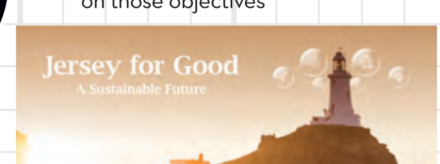
■ Jersey commits to align with the principles set out by the EU's Fifth Anti-Money Laundering Directive and move towards a public register of beneficial ownership for companies

■ Jersey Finance opens its office in New York

2020 During the pandemic, Jersey Finance stages its first global webinar series to highlight the positive and evolving role Jersey plays in global economies

2021 Jersey Finance celebrates 60 years of Jersey as an IFC with events including its 'Ask the Experts' community drop-in and the 'Together We Shine' fundraising week, and sponsorship of two categories at the Jersey Charities Awards

■ Jersey Finance unveils *Jersey for Good: a Sustainable Future*, a new report that makes the case for Jersey's finance industry to support the transition to a more sustainable future and sets out a vision and a number of objectives for where Jersey intends to be by 2030; it also includes an initial two-year 'pathway' to deliver on those objectives



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Flight to quality

Robert Moore explains why HNW families are looking to jurisdictions with a proven track record of stability and deep expertise

A new generation is setting its sights on Jersey. Over the past year, clients wanting to relocate to the island have been likely to have children rather than grandchildren, according to Locate Jersey, the team within government responsible for guiding high-net-worth (HNW) individuals and families through the process of relocating to Jersey.

With six decades' experience as an international finance centre (IFC), Jersey has earned a reputation as a leading jurisdiction when it comes to supporting wealthy families with their cross-border wealth management, succession and legacy planning objectives. More than 30,000 trusts are administered in Jersey with a total value in excess of GBP600 billion.

According to industry experts, the pandemic has led to a flight to quality IFCs such as Jersey. 'A number of clients have expressed uncertainty about the response of overseas governments to COVID-19 mitigation measures, so clients may wish to invest in countries where the economy is already responding well to businesses reopening,' says Darren Kelland, Global Head of Private Client Services at Hawksford.

Expanding on this trend, Fred Milner, Counsel at Mourant, adds: 'I think the quality element really comes down to three things: people, law and regulation. Jersey has a great talent pool in this space, whether it be lawyers or fiduciaries. The laws, and the judiciary, are second to none. The sheer volume of case law relating to private wealth matters, and particularly trusts, means it really is an exceptional jurisdiction when it comes to legal advice and legal certainty.'

A well-established legal framework has set Jersey apart from other jurisdictions for hundreds of years; the Royal Court of Jersey is one of the oldest courts in Europe. Aside from the certainty provided by a legal framework, experts tell us that the range of wealth management structures on offer continues to attract family offices to Jersey.

'By working with industry, the regulator and the government we've deepened our understanding of Jersey's family office offering. We know family offices are as unique as the families they service, and appreciate the flexibility required to cater for a wide variety of objectives, from profit to philanthropy.'

Joanna McAviney
Legal and Technical Manager, Jersey Finance

'We continue to see interest from clients in setting up family office and co-investment structures on Jersey. One of the drivers is the fact that we have a well-respected common law-based legal system and significant experience of dealing with different trust and partnership structures. Another is our tax neutrality for non-residents and for structures owned by non-residents.'

Garry Bell
Partner and Head of Tax, PKF BBA

'While there is still an interest in traditional structures, clients have become more sophisticated in their requests. We have established a small number of Jersey foundations for commercial and philanthropic purposes. Equally, there has been much more interest in Jersey private funds among private clients,' says Kelland.

Jersey Finance's thought leadership paper on the Great Wealth Transfer, *Flourishing Futures: Making succession a success*, found that modern and sophisticated HNW families often have complex family arrangements. It is no surprise then that governance is playing an increasingly important role for family offices.

'Clients sometimes choose to hardwire additional governance into their personal affairs, because of heightened concerns about the future management of their wealth,' says Milner, who goes on to describe a governance trend whereby families are minimising the number of jurisdictions involved in a structure to reduce reporting obligations.

With disputes being common among families, robust family governance arrangements can act as a mitigating measure. 'Sadly, we continue to see too many family conflicts that arise unnecessarily. In one case, I have been mediating between two strands of one family where there have been various interpretations of the matriarch's verbal wishes. These exceptions often prove the rule that governance should not be overlooked,' says Kelland.

Alongside the complexities of mediating family disputes, international political and market uncertainty, and more recently the COVID-19 pandemic, are also driving demands from HNW individuals and family offices seeking greater certainty and assurance from their investment plans.

'We see clients with capital to invest, but there is a degree of caution around investment strategy,' says Kelland. 'Some of that caution has resulted in a move towards traditional investments, with significant results. Identifying consumer needs at this time, as well as making the most of the initial volatility as economies struggled, has seen one client double the value of their significant Amazon stock holding in little more than a year.'

While we have witnessed a number of fast-changing trends among family offices in the past year, it is clear that expertise, governance, robust platforms and solid advice, which IFCs like Jersey are renowned for, will be increasingly sought after in the coming years. ✖

Robert Moore
is Director – UK
at Jersey Finance

Wealth in action

How the COVID-19 pandemic has impacted the global philanthropic agenda By Lisa Springate

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The shift toward philanthropic causes, evident among ultra-high-net-worth (UHNW) individuals even before the pandemic struck, has appreciably stepped up during the last 18 months.

Sarah Bartram-Lora Reina, Executive Director, Private Client, at Ocorian and President of the Jersey Association of Trust Companies, believes the globalised nature of the pandemic and climate change has led the wealthy to leverage their business skills and networks to deliver cross-border projects with social impact at their heart.

This trend is supported by Ocorian's own global survey of private client advisors, in which a significant majority (76 per cent) stated that the pandemic had led to an increase in philanthropic projects undertaken by their clients.

This matches the experience of Barclays Private Bank, where many clients felt compelled to give back through the pandemic and, as such, have continued – or even increased – their support for their chosen causes.

Dynamic, innovative and hands-on

Significantly, the pandemic has been a wake-up call for many about the relationship between people and places across the globe. Not only is it driving a desire to make a positive difference, but those who have funds at their disposal want more control on where their money is invested.

'The fact that COVID-19 has affected every part of the world has made people realise that the world is very connected and that each of our efforts may have a far-reaching impact,' said Nancy Chien, Partner and Head of the International Private Client Team at Bedell Cristin. 'Given this realisation, we have seen that UHNW individuals and their families are increasingly moving away from simple charitable donations, where the recipient would spend the money as they see fit, towards a much more dynamic, innovative and hands-on approach.'

She added that the lines between philanthropy and business are blurring as wealthy donors seek active involvement in the management of their charitable funds, applying the same principles of control and accountability as they would for regular investments.

A previous Barclays report published just before the pandemic explored some of the barriers to giving among the wealthy; it cited a lack of control over how donations are used and a lack of faith in charity management as significant issues. In contrast, explained Juliet Agnew, Head of Philanthropy at Barclays Private Bank, as the pandemic developed, early philanthropic responses focused on getting money out the door quickly, with greater flexibility, to enable charities to adapt to local needs. She also pointed to the general movement towards 'trust based' philanthropy.

'This approach is characterised by looser restrictions on funding by donors, greater humility and collaboration. There are also high-profile billionaires, led by Bill Gates and Warren Buffett, encouraging the world's wealthiest individuals to contribute a majority of their wealth to philanthropic causes, establish their giving plans sooner and give in smarter ways.'

Kevin Lemasney, Head of High Value Residency Engagement at Locate Jersey, part of the Jersey government, said: 'Anecdotally we can say that philanthropy has had a huge impact among the families moving to Jersey. We know, through working with other organisations and government departments, that a lot of our clients have become very involved in philanthropy.'

Lemasney was able to illustrate this commitment to charitable causes, which looks like being a legacy of the pandemic, through his own experience in Jersey.

'From a Jersey perspective, residents have had more time to reflect and discuss the areas that they wish to support, and better decisions are being made by donors. We made calls to high-net-worth families to help with the Bailiff Covid fund and a joint venture with the Education Department on the digital divide in primary and secondary schools.'

In a matter of weeks, GBP1.2 million was raised for the Bailiff Covid fund and a further GBP125,000 was collected to assist with the purchase of iPads and laptops. Another high-net-worth (HNW) client was able to provide access to an engineering company that had developed respiratory apparatus and was able to acquire equipment for Jersey's General Hospital.

Growth in regulation

Alongside the mushrooming in philanthropic support from the wealthiest individuals, there will be equivalent growth in the rules that regulate the charitable giving sector.

'Governance around ESG investing will definitely increase. From setting the investment objectives to how they are measured, through to demonstrating the actual impact of an investment, [governance] will become increasingly sophisticated in order to avoid greenwashing,' said Bartram-Lora Reina.

Chien indicated that, as the industry is already seeing changes to sustainable investment disclosure requirements for funds, trusts and foundations that are invested in funds or managed by fund managers will also be affected by the various regulations and legislation. However, given the flexibility of the legislation applicable to trusts and foundations, there does not seem to be any urgency to amend the legislation in order for ultimate beneficial owners and trustees to carry out philanthropic investments. 'Nevertheless,' added Chien, 'it is important that the constitutional and any investment documents are well drafted to ensure that the parties' objectives can be achieved without risk of any breaches of duty.'

'ANECDOTALLY WE CAN SAY THAT PHILANTHROPY HAS HAD A HUGE IMPACT AMONG THE FAMILIES MOVING TO JERSEY. WE KNOW, THROUGH WORKING WITH OTHER ORGANISATIONS AND GOVERNMENT DEPARTMENTS, THAT A LOT OF OUR CLIENTS HAVE BECOME VERY INVOLVED IN PHILANTHROPY'

Kevin Lemasney, Head of High Value Residency Engagement, Locate Jersey

Cultural context

The move toward philanthropic endeavours is a global phenomenon, but is it consistent in different parts of the world? Most practitioners noted regional differences. The Ocorian survey revealed that Asian respondents (88 per cent) saw philanthropy as an important factor in driving client discussions about changing their wealth structuring, more than any other continent. As Bartram-Lora Reina pointed out, 'This could be linked to Asia's wealthy population being significantly younger than those seen in other regions and the younger generations generally being more socially conscious in their investment strategies.'

Chien noted that the number of billionaires in China is increasing at a rapid pace and the landscape is changing. In 2020, 39 individuals in China donated over USD15 million each towards philanthropic projects.

Agnew said that best practice in philanthropy is usually relevant regardless of someone's location, but it is also important to be mindful of the local context and giving culture when supporting clients on the optimal strategies for their giving.

Taxation may also play a role in the increasing culture of giving and this may vary by region. Lemasney suggested that governments could encourage giving by using schemes that provide tax benefits to donors or add the tax paid to those receiving the gifts. These schemes are quite sophisticated in some jurisdictions, but not in others.

Bartram-Lora Reina added that, although global philanthropy is on the rise, as identified in Wealth-X's *World Ultra Wealth Report 2019*, it is drastically uneven: 'A one-size-fits-all approach to private wealth simply does not hold. From common- and civil-law issues around wealth structuring, to differing religious and cultural perspectives influencing philanthropic strategies, to discrete country-by-country challenges, clients expect bespoke planning that accommodates their specific wishes.'

The next stage

Nevertheless, whatever the response in different parts of the world, it is hoped that philanthropy, driven by the wealth management industry, is set to have a significant role to play in the long term. 'It is clear that philanthropy has made a very positive contribution to society over the past 18 months,' said Agnew. 'It is now the hope that crisis giving will evolve into thoughtful long-term giving aimed at addressing some of the systemic vulnerabilities that have been laid bare by COVID-19.

'Less certain is the extent to which the levels of giving and the greater trust we've seen among philanthropists will continue. There are many factors at play here, including the trajectory of post-pandemic recovery and its effect on family finances and obligations.' ✖

Lisa Springate
is Head of Legal and Technical at Jersey Finance

Green shoots

How Jersey is taking steps to support a future built on sustainable finance

By David Postlethwaite

There is no stopping the march toward a greener, more inclusive economy. It is evident that investors are no longer focused solely on returns, and the international wealth management industry has needed to respond swiftly to meet the growing demand for portfolios that reflect purpose. We have truly entered the era where increasing numbers seek investments that provide both financial returns alongside positive environmental, social or governance (ESG) impact.

While the landscape for financial services continues to be reshaped by the rise of sustainable finance, where does that leave the leading international finance centres (IFCs)? Those with the foresight to have put in place the right frameworks and a commitment to nurturing the right environment for sustainable finance will be the ones that most readily capture the opportunities.

Competitive edge

'Jersey is well positioned,' explains Kay McCarthy, Head of Jersey Office at The International Stock Exchange (TISE). 'As a jurisdiction, we have been providing a range of sustainable financial products and services for many years and they are now gaining wider prominence among intermediaries and clients. The island is also nimble, which means that we can quickly adapt to this growing interest in sustainable finance.'

Jersey also has the ingredients in place to sharpen its competitive edge. However, Amy King, Senior Manager at Jersey-based KIT Consulting, acknowledges that the industry is still in the education phase, with firms and talent amassing the knowledge and sourcing the skills required to deliver best practice.

'To get an edge, we need to be more innovative and think about ways to consolidate the number of proprietary and bespoke ESG assessment methods being used,' says King. 'We also need to continue upskilling and specialising in particular areas of sustainable finance, such as ESG fund administration and reporting.'

KIT Consulting has established #BuildBackBetter, a year-long interactive programme of sustainable finance training for 30 of the industry's rising talents.

'We want to inspire the next generation of Jersey's sustainable finance leaders. As the managers and administrators of billions in global wealth, we have both an opportunity and a responsibility to build back better from the pandemic and channel this capital into sustainable, ESG-positive outcomes,' says King.

Investor commitment

These developments are taking place alongside increasing pressure from

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investors keen to discuss the rationale for their investments with their boards, leadership teams and advisors.

McCarthy says that the trend of applying ESG criteria to the investment process is gaining momentum among high-net-worth (HNW) individuals. An increasing number have adopted ESG and socially responsible investing strategies, a trend that will only accelerate.

'ESG integration and impact investing are already core elements in investment strategies across family offices and will continue as a conduit for the next generations as they align their investments with their own personal values,' McCarthy adds. 'This means opportunities will continue to be presented for the emergence of new and innovative ESG strategies in the future.'

Firms and organisations working in the private wealth space must not only be mindful of this investor commitment, but also implement methodologies that measure and evaluate investments through an ESG lens. McCarthy outlines how TISE is responding to this: 'We have established our sustainable market segment with qualifying criteria where issuers and securities must have a third-party assessment against a recognised framework or standard. This not only mitigates against the potential for mislabelling and greenwashing, but also rewards those positively assessed issuers and securities with enhanced connectivity, credibility, transparency and visibility among investors.'

For those HNW individuals and families keen to ensure that they meet ESG goals, the team at KIT Consulting suggest that they should start by considering and creating a core ESG investment philosophy and documented policy.

'The policy should include a stewardship strategy for active engagement with investee companies to achieve desired outcomes; and identify the criteria against which investors will choose their asset managers. Investors should also educate themselves about the types of reporting and data available to quantify and illustrate the impact of their investments and seek out these reports from managers on a regular basis,' explains Dr Emiko Caerlewy-Smith, founder and CEO of KIT Consulting.

'THROUGH THE LAUNCH OF THE JERSEY FUND FOR A WILDER WORLD, JERSEY PRACTITIONERS WHO HAVE EARNED FEES FROM SUSTAINABLE FINANCE WORKFLOWS CAN DONATE A PORTION TO THE FUND, WHICH WILL THEN BE APPLIED BY CONSERVATION BODY DURRELL TO SUPPORT ITS REWILDING SITES. THIS SCHEME ADDS TO JERSEY'S EXISTING SUSTAINABLE FINANCE CREDENTIALS FOR PROVIDERS IN THE FUNDS SECTOR LOOKING FOR OPTIONS TO SUIT THE ESG OBJECTIVES OF THEIR INVESTORS'

Elliott Refson, Head of Funds, Jersey Finance

Symbiotic convergence

In Jersey, firms have already started to integrate ESG standards into their business models and adapt their client offering to respond to changing demands. There has also been an emergence of a number of large Jersey-based alternative fund structures deploying much-needed capital into areas such as renewable energy.

Greater symbiotic convergence and integration between Jersey's burgeoning fintech and sustainable finance sectors is also noticeable. It is leading to a number of service providers, supported by the expertise of the fintech companies, developing new tools that deploy the latest IT innovations to collect, evaluate and report ESG data.

However, to build on this, Jersey has recognised that, prompted by emerging regulation and a greater appreciation of the need for standardisation in evaluating ESG credentials and performance, a formal, robust framework is desirable. In response and as a guiding platform for the future, Jersey has launched a 2030 vision for sustainable finance, a strategy designed to position the jurisdiction as a leading IFC in this arena.

That strategy will allow Jersey to build on the foundations it has in place and will help coordinate its financial, regulatory and technological offerings to enable clients to make investments that align with their economic, environmental and social values.

King reflects that the focus should be on providing the industry with the knowledge and skills to build sustainable financial services companies at a firm level and to get innovative in the creation of ESG products and services.

'Everything starts with education, knowledge and skills,' she says. 'A survey to understand the status of ESG appetite and perceived barriers would be another good first step, so transformational efforts can be targeted accordingly.'

Remaining relevant

Elliott Refson, Head of Funds at Jersey Finance, highlights a sustainable finance scheme targeted at the funds sector. 'Through the launch of the Jersey Fund for a Wilder World, Jersey practitioners who have earned fees from sustainable finance workflows can donate a portion to the fund, which will then be applied by conservation body Durrell to support its rewilding sites. This scheme adds to Jersey's existing sustainable finance credentials for providers in the funds sector looking for options to suit the ESG objectives of their investors.'

Meanwhile, recognising the direction of travel, TISE has established TISE Sustainable, a market segment that forms part of Jersey's sustainable finance offering to a global audience. Several global issuers have already been admitted to the segment.

'It provides qualifying issuers and securities with enhanced visibility among investors and, as such, is an enabler for the flow of capital into investments that promote ESG activities,' says McCarthy.

It is important that the island continues to monitor wider developments in the provision of sustainable finance products to ensure that its offering remains relevant for clients, adds McCarthy. 'In doing so, we will also ensure that we maintain and develop on-island expertise and knowledge in this specialist and fast-maturing sector.' ✖

David Postlethwaite
is Sustainable Finance Lead
at Jersey Finance

Winds of change

Overcoming the challenge of digitalisation will bring manifold client benefits

By Karolina Pilcher

The new era of digital innovation is dramatically changing how we work with clients, transact business and measure and evaluate investment performance. This brings challenges for international finance centres. According to the 2020 report *Upskilling the Channel Islands' workforce for a digital world* by PwC Channel Islands, thousands of jobs in Jersey might be at risk in the next decade if nothing is done to invest in the skills required for a digital world. Fortunately, Jersey has already embraced the digital direction of travel, while its firms are responding to investor demand.

The Digital Jersey Academy, designed to support the teaching of key digital skills, was launched in 2019. Jessica Osman, Business Development Manager at Digital Jersey, explains that the intention was to provide everything from the degree Digital Learning Programme to shorter courses for upskilling/reskilling purposes.

'We have recently introduced short courses in artificial intelligence [AI], something that has proven popular and that we hope to build on as the skills demand increases in Jersey,' she adds.

It is essential that firms invest in skills training to remain competitive over the longer term, says Paul Hunter, Group Head of Family Office Services at Crestbridge: 'Upskilling is really at the heart of transitioning to a sustainable, technologically driven platform – and while we had a strong digital infrastructure in place before the pandemic, we have since rolled out professional development and skills sessions to staff in all locations specifically to help us maintain a position at the cutting edge.'

Alongside upskilling, jurisdictions need to invest in the framework to deliver the services. Commentators agree that infrastructure is key to supporting a successful digital environment.

'The scale of investment decisions being made nowadays on the basis of sustainability credentials has led to investors demanding more information, and getting that reporting right is critical. There's an absolute tsunami of non-financial reporting regulations coming down the road in the next couple of years, and regtech is going to be absolutely essential to help meet those reporting requirements.'

Harry Briggs
Associate Director, KPMG

'In Jersey, we have a world-class setup, with 1GB full-fibre broadband to all premises and three tier-1 telco providers offering reliant and resilient services,' notes Osman. Such a framework sets the scene for the fintech innovation required to meet demands from ultra-high-net-worth clients, for instance, for a greater digital service offering.

'Our trajectory is being driven by client-led trends, and we're seeing a greater appetite towards digital adoption in a number of areas,' explains Daniel Channing, Director of Family Office Services at Crestbridge. 'We're also seeing a tendency towards next-gen family members driving digital change. We've responded to that by focusing on our own skills and capabilities, and by focusing on relationships with digital providers in specific and niche areas.'

'We have some pioneering experts on the island doing some very interesting things in the AI space, and more firms I talk to are using clever algorithms to optimise output,' adds Osman.

Perhaps the greatest challenge is keeping up with the pace of change across the digital sector.

'Technological innovation is unrelenting, and we've seen considerable acceleration in terms of digital adoption among clients over the past 18 months during the pandemic as families have pivoted to a digital-first approach and adapted to remote operations,' says Hunter. 'That pace of change will continue and will filter through to all areas, including cybersecurity, remote access, portfolio management, compliance and due diligence. For advisors and service providers in the family office space, being ahead of the curve, identifying gaps in demand and ensuring you have the right skills to meet those demands are going to be persistent challenges.'

It is evident that upskilling, tied to innovation and supported by an effective digital framework, will be crucial for a leading jurisdiction such as Jersey, which aims to become the easiest jurisdiction to do business with remotely in a digital world. ✖

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