Rise of the bots
WHY ARTIFICIAL INTELLIGENCE IS SET TO REVOLUTIONISE FINANCE

Philanthropy 2.0
ADVISING THE SOCIALLY CONSCIOUS MODERN PHILANTHROPIST

The millennial entrepreneur
JERSEY IS ATTRACTING A NEW DEMOGRAPHIC

FUTURE ISLAND
How Jersey remains at the forefront of change in global financial services
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Introducing Equiom Private Office – a premium service for private and corporate clients.

Our dedicated team of senior practitioners has expertise in asset protection for high net worth individuals, wealthy families and international corporations. We specialise in areas including wealth structuring and succession planning, tailoring our services to meet individual requirements.

Whatever your international footprint, Equiom Private Office will provide the optimal team to deliver the right solution.

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WHY WE STAND OUT

Welcome to the Jersey supplement to the STEP Journal. We’re proud to be launching this publication to coincide with our annual flagship private wealth conference in London, which this year will focus on innovation, technology and artificial intelligence.

Jersey is ready to support a growing and complex wealth management landscape, and we are focused on providing certainty in a changing global political landscape. In this supplement, you’ll see how we are working with digital partners, firms, Jersey’s government and the regulator to maintain and build on our first-class private wealth offering.

On innovation, Jersey has form. The world’s first ever regulated bitcoin fund was launched here in 2014. Indeed, our commitment to digital innovation – thanks to a close working relationship between government, Digital Jersey and the finance industry – sets us apart.

Dave Birch’s article on page 16 sums up Jersey’s digital proposition. I echo Dave’s sentiments: a financial services sector that is more efficient, effective and productive is an entirely reasonable vision for Jersey. Meanwhile, Jersey continues to drive forward with legislative and regulatory innovation. In recent years, it has set out on a journey to create a robust professional environment for philanthropy. The Charities (Jersey) Law 2014 provides a framework for advisors to deliver world-class, global philanthropic solutions.

In terms of service delivery, the 13,000-strong workforce in Jersey’s finance industry have the expertise and knowledge to support the island’s commitment to working with key stakeholders to map out a positive future in areas such as philanthropy and impact investing.

And we are ahead of the game in our overseas market activity. Increasing Jersey’s presence in growth markets is vital to ensuring the long-term success of the finance industry. Half of new business here now comes from outside Europe and the UK. We are also a ‘go to’ destination for high-net-worth clients and their advisors in the Middle East. And while the Middle East, Asia and Africa are markets we plan to visit extensively this year, we will complement this with an enhanced focus on the US.

Meanwhile, on the island, Jersey Finance is working to promote careers in the finance industry and create ‘homegrown talent’. We are confident that encouraging A-level students to undertake work placements is creating a sustainable talent pool.

A commitment to innovation, high standards of regulation and a clear ability to grow our digital offering – all of this helps differentiate Jersey. Just a few of the reasons why I confidently say Jersey is, indeed, a ‘Future Island’.

Geoff Cook is CEO at Jersey Finance
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A global leader in private wealth management.

We work closely with clients and their professional advisors to deliver flexible and commercially-focused private wealth solutions.

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INTERSECTION ISLAND
Highly digital, robustly regulated and with clients in many fast-growing markets – here’s an analysis of Jersey in 2018

BY ELLIOT WILSON

Jersey never quite stands still. It’s always a step and a thought quicker than its peers, a jurisdiction whose continued success is due to its ability to plan – and plan well.

It is now 17 years since the formation of Jersey Finance, set up to market the island’s financial sector to the world. Eight years later, in 2009, the non-profit was hitting its stride, appointing McKinsey & Company to gauge the long-term effects of the global financial crisis.

Four years on, the global consultancy was back, hired to help Jersey maintain its position as a financial jurisdiction with global appeal, and to make sure it would continue to thrive in a world bedevilled by low growth, burdensome regulations, political and economic uncertainty, and new and often disruptive forms of technology.

Both reviews were a success. ‘It gave global investors genuine optimism and belief in Jersey as one of the toughest regulators in the world,’ says Louise Bracken-Smith, CEO and co-founder of Fairway Group, an independent fiduciary group offering trust, fund and pension services.

Meanwhile, recent reports from the OECD and the IMF have given the island a regulatory clean bill of health. ‘Last year, the OECD issued a glowing report on our transparency,’ notes Amy Bryant, Deputy CEO at Jersey Finance. ‘For years, we have been leaders of the pack in areas including the Common Reporting Standard and base erosion and profit shifting. Our clients know we’re always thinking ahead, always the best in class.’

FLUENT IN DIGITAL
In 2017, ministers sanctioned another strategic review, this time focusing on the threats and opportunities arising from two seismic issues: technology and Brexit.

Digital disruption, still in its infancy, is ‘already impacting the financial sector in ways that nobody anticipated’, says Bryant. She points to the rising demand for data – a direct consequence of the world’s
POLITICAL INSTABILITY ELSEWHERE MERELY SERVES TO HIGHLIGHT OUR STRENGTHS: WEALTH PLANNING, A LEGAL SYSTEM AlIGNED WITH ENGLISH COMMON LAW AND RIGHT OF APPEAL TO THE PRIVY COUNCIL

Growing interconnectedness. ‘People want information now at their fingertips, and always in myriad formats. It’s the first thing many customers ask about, even before they talk about issues such as wealth transfer. To be a top financial jurisdiction and to do business in a global, borderless world, you need to be a leader in digital.’

In 2013, Digital Jersey was created to make sure that new technologies would enable, rather than disrupt, helping to create jobs and generate growth. For example, there’s the challenge presented by bitcoin. ‘We’re seeing the first cryptocurrency licences being issued, so it will be interesting to see how they develop,’ says Bracken-Smith.

In the areas where Jersey excels – private wealth management, trust funds, advice on cross-border asset transfers, family offices – digital disruption is still more of a whispered threat than a reality. But it is coming, and it will shock the industry in ways that no one can yet foresee.

Private wealth managers and investment advisors will have to embrace disruption, using data and new platforms to intuit the needs of existing clients, win new business and personalise advice, without falling foul of local and international regulators. The trick with new technology, reckons Keith Dixon, Partner in the trusts and private wealth group of offshore law firm Carey Olsen, is to ‘find the right balance of regulation. We don’t want to stymie business or drive it away. Our regulators don’t operate in isolation. Fintech is the future, but we need to determine what level of regulation is right for everyone.’

Calm amid the storm
Brexit has placed ‘an air of caution around business transactions in general’, adds Dixon. ‘We do see some investment decisions being delayed or shelved.’ On the other hand, the European Securities and Markets Authority (ESMA) has stated clearly and consistently that there is no reason to believe that the Alternative Investment Fund Managers Directive (AIFMD) passport regime will not be extended to Jersey.

Wider political and economic uncertainty is at its highest level in decades. ‘It’s everywhere you look,’ says Bracken-Smith. But this turbulence helps rather than hinders Jersey, which, she adds, ‘is seeing a lot of new business from the Middle East, a region where we are busy rolling out pension products to wealthy clients’.

‘Wealth creation is shifting fast from West to East,’ explains Bryant. ‘But the further we go from Jersey, the less well understood the constitution of Jersey is.’ But even that is changing, reckons Dixon: ‘Political instability elsewhere merely serves to highlight our strengths: wealth planning, a legal system aligned with English common law and - very important to clients - right of appeal to the Privy Council. In an uncertain world, investors covet being able to put their money to work in a well-run IFC with respect for the rule of law - and Jersey has that in spades. That explains why we’re seeing more business from Asia, the Middle East, Africa and even Latin America.’

Much of this new business is being actively targeted. In September 2017, more than 30 member firms travelled to Jeddah and Riyadh,” says Bryant. ‘There
is a real focus on Saudi Arabia as that country opens up and diversifies its vast economy. We have an offering that really resonates with the client base there.’

In a digital age, it can be easy to overlook the critical issue of human talent. The best corporates, universities, financial institutions and even cities are those able to attract the best and brightest in their field, and Jersey is no exception. ‘We are spoiled for expertise in so many areas, from legal to accounting to the regulatory level,’ says Bracken-Smith. ‘The next big challenge is to increase our digital expertise, as this will shape the industry hugely.’

A COLLECTIVE EFFORT

Indeed, Jersey is adept not only in attracting talent, but also in refining and honing its collective skills. The jurisdiction ‘invests a lot of time, effort and money in training people and ensuring their constant development’, says Dixon. ‘Finance employs more than 13,000 people and accounts for half of all tax receipts, so investing in people is paramount. That makes us well placed to deal with all the challenges and opportunities ahead.’

Jersey has transformed itself into a globally relevant financial jurisdiction, building on a reliable and business-friendly legal system, but it remains constantly curious, always looking to the future. Its parliament is set to overhaul the four-year-old Charities (Jersey) Law 2014 this year, with the aim of attracting a new generation of young investors. ‘Millennials don’t want to just hand over their money and let people do stuff with it; they want to be engaged with a charity or a philanthropic movement in a tangible way,’ says Dixon.

In 2009, Jersey was the first Crown Dependency to pass a foundations law, reinforcing its credentials as an ideal place to set up tax-efficient charitable structures. ‘We have more than 350 foundation vehicles in place now, and more than a third are used for philanthropic purposes,’ says Bryant.

Meanwhile, draft amendments to the Trusts (Jersey) Law 1984 were tabled in parliament in January 2018, with the aim of maintaining Jersey’s place at the cutting edge of the global trusts industry.

So what’s next? As anyone here will tell you, the job is never done. Jersey will continue to innovate, always willing to change and move ahead of the times in order to reinforce its status as a leader in private wealth management. Hyper-aware of the importance of knowing one’s customer, local regulators are working to build a database designed to act as a single, highly reliable repository of client data.

‘It sounds too good to be true, but we’re all working towards this goal,’ says Bracken-Smith. ‘It’s a collective effort.’

JERSEY AND BREXIT

Jersey has always enjoyed special status with regard to the EU, neither fully in nor fully out. Broadly speaking, Jersey is within the EU’s customs union for the purposes of trade in goods, but has the status of a ‘third country’ outside the EU in all other respects.

Legislation covered by Protocol 3 of the UK’s original 1972 accessions treaty is likely to be repealed after Brexit in March 2019. At that point, unless fresh arrangements are made between the UK and the EU, Jersey will be fully out, rather than partially in.

But Brexit is unlikely to impact Jersey’s existing market access rights to the EU for financial services. Jersey typically accesses the EU market through its own bilateral agreements, which are independent from the UK-EU relationship. EU legislation provides for third country access where the island demonstrates equivalent standards.

In July 2016, ESMA recommended that Jersey be among the first group of ‘third countries’ granted a passport to market its alternative investment funds throughout the EU under the AIFMD. Since then, the EU and Britain have allocated policy resources to focus on the pursuit of Brexit, which has seen ESMA pause the process. Jersey alternative investment funds continue to be marketed through a national private placement regime (NPPR) to EU investors in Member States where there is a bilateral agreement with Jersey.

Elliot Wilson is an international business journalist who has written for The Economist and The Spectator.
greenfield investment projects in Jersey (2003–2014), valued at $237.4m, supported 323 jobs locally.

50% of foreign investment into the UK through Jersey comes from outside the London time zone.

£420m contributed to Jersey’s tax receipts in 2015 by the finance industry, enough to build 54 new schools.

1 HOUR FLIGHT TIME from Jersey to London.

£90bn amount of fund assets in the EU administered and managed in Jersey.

£0.9bn Jersey’s net tax contribution to the EU (excluding the UK).

46% EU, 32% REST OF WORLD, 13% UK, 5% US, 4% CANADA.

BREAKDOWN OF TAX-EXEMPT INSTITUTIONAL INVESTORS THAT USE JERSEY.
JERSEY & THE WORLD

Jersey’s unique third-country status – it is outside the EU, but aligned with it in many core areas – has made the island an increasingly important conduit for investment trade flows with the UK, EU and beyond.

£2.2bn
contributed by the local finance industry to Jersey’s economy in 2015

£14bn
Jersey’s value to the UK economy, including £5bn contributed to the UK exchequer in 2014, enough to pay 200,000 nurses’ annual salaries

48 out of 49
Jersey’s score in its assessment by MONEYVAL, the European anti-money laundering monitoring body

13,000+ people
employed in Jersey’s finance industry

£291bn
the net asset value of regulated funds administered in Jersey (as at December 2017)

£1.3 trillion
the estimated wealth held in Jersey’s banks, trusts, special purpose vehicles and funds...

...that’s more than Canada’s GDP
PHILANTHROPY 2.0

From ‘social engineer’ millennials to traditional religious almmsgivers, philanthropists from across the world are attracted to Jersey. Two local experts explain why

Philanthropy is now a core consideration in many wealth management strategies. That has brought a steep rise in demand for specialist, professional expertise. Jersey, as an innovative IFC, has stayed close to this uptick in philanthropic activity around the globe, and has adapted its regulatory environment and product offering accordingly – in particular through the introduction of the Charities (Jersey) Law 2014.

We spoke to two Jersey-based experts – Zillah Howard, Partner at Bedell Cristin, and Keith Dixon, Partner at Carey Olsen – to find out more about how Jersey is shaping the future of professional philanthropy.

HOW HAS PHILANTHROPY EVOLVED IN JERSEY OVER THE PAST DECADE?

Zillah Howard (ZH): Recognising the importance of philanthropy for many international families, the last ten years have seen a marked enhancement of the professional services available in Jersey to support this movement. Those services have focused on the particular needs of philanthropists, while the government has also recognised the importance of developing Jersey as a centre of excellence for philanthropic wealth structuring.

Keith Dixon (KD): The Charities (Jersey) Law 2014 has completely revised this area of law and brought it in line with modern practices and regulatory requirements. This includes the appointment of a Charity Commissioner, who has been working on the creation of Jersey’s first charities register, as well as a ‘charity test’, which will make it clear what does, and does not, count as a charitable arrangement.

ZH: Each family’s approach to philanthropy is very personal, with some being keen to publicise their giving, and others preferring anonymity. The charities register is well suited to this, with the option to register on the restricted section, so that only limited information will be accessible – such as the charity number, as opposed to name.

The Charity Commissioner can also withhold information from the public register where there may be concerns in relation to safety or security.

WHAT INNOVATIONS DO YOU ADMIRE AS MODELS FOR THE FUTURE?

KD: Although traditional structures such as trusts and companies limited by guarantee continue to work well for most charitable and philanthropic structures, many clients now wish to use a Jersey foundation. Approximately one-third of all Jersey foundations are incorporated for philanthropic purposes.

A Jersey foundation can be established with virtually any combination of objects or purposes in its constitution. This makes
it ideal for entrepreneurial benefactors or founders who wish to combine a bespoke investment strategy and/or particular commercial activities with their philanthropic objectives.

ZH: Many entrepreneurs have a clear idea of how they would like to make a difference. Having identified a particular cause, they are keen to use their skills to make a visible impact. Models for philanthropy which recognise this and are sufficiently flexible to allow for continued innovation are clearly the way forward.

LOOKING AHEAD TEN YEARS, WHAT MIGHT A FUTURE PHILANTHROPY STRATEGY LOOK LIKE?

ZH: Reasons for engaging with philanthropy, and methods of doing so, can vary greatly from one family to the next, and these drivers will define how philanthropy evolves in the coming years.

For some, a philanthropic structure might be tailored so that an entrepreneur’s business skills can be used to champion a particular cause. For others, philanthropy might be seen as a means of uniting members of an extended family around a shared set of values, or as a means of educating the next generation in relation to the family’s wealth and sense of responsibility.

KD: Absolutely. Philanthropy can help to promote a sense of cohesion and common purpose, and increase trust and mutual respect among family members, reducing the risk of division and discord. It can also enhance their reputation and ‘brand’.

WHAT ARE ‘GENERATION Y’ CLIENTS LOOKING FOR IN THEIR WEALTH MANAGEMENT STRATEGIES?

KD: Without wishing to generalise, young, wealthy entrepreneurs tend to regard themselves as active ‘social engineers’ rather than passive ‘benefactors’ or ‘donors’. They make the most of modern technology and social media, as well as their cash, in order to shape public opinion and thereby advance their chosen cause.

ZH: Trusts and foundations are popular for this cohort of clients. They can be technically charitable, or more broadly philanthropic, in order to pursue a particular chosen cause.

For those keen to have an ongoing role, there are a number of different options. For example, they might be one of the council members of a foundation, or a member of its distribution committee, or they could be the foundation’s guardian, with a supervisory role to ensure that the council discharges its functions as envisaged.

HOW DO APPROACHES TO PHILANTHROPY DIFFER ACROSS GEOGRAPHICAL MARKETS?

ZH: They vary considerably across the globe, with families from different countries, cultures and religions having their own particular requirements.

For some, there will be a focus on particular causes. For others, there will be obligatory requirements in relation to the level of giving. Sometimes, there will be a desire to publicise an individual’s association with philanthropy, whereas, on other occasions, a lower profile or anonymity may be preferred.

KD: In the main, donors from all parts of the world tend to pick philanthropic projects with which they have some personal connection or long-held interest; this seems to be a universal trait.

That said, there is a long-standing practice of almsgiving in Islamic culture, zakat, whereby those who meet a certain criterion of wealth must give alms to the poor. Consequently, most private clients from the Middle East are familiar with charitable and philanthropic structures, and they often ask that their wealth holding structures be tailored with this in mind.

HAVE PROFESSIONAL SUPPORT AND ADVICE IN JERSEY KEPT UP WITH CHANGING PHILANTHROPIC DEMANDS?

KD: Jersey’s finance industry is keenly attuned to the needs of clients, and local practitioners and businesses invest a considerable amount of time and resource in maintaining the island’s position as a top-flight IFC across all market sectors, including philanthropy.

ZH: Specialist skills in relation to philanthropy continue to be developed to support expectations, and the island maintains a focus on enhancing and expanding its offering.

The introduction of Jersey foundations and the Charities (Jersey) Law 2014 are just two examples that we can point to over the last ten years, and we are certain that Jersey will keep up this momentum going forward.
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THIS IS WHAT A FUTURE IFC LOOKS LIKE

AI-driven services for private client managers. Close contacts with the Middle East, Africa and China. Jersey’s future-focused strategy is paying off...

BY AMY BRYANT

After a decade of economic crisis and growing geopolitical uncertainty, the world of financial services has never been so complex. But, at the same time, the overriding macro trend of globalisation is offering significant opportunities for forward-thinking jurisdictions like Jersey. Investors and families are looking to diversify their investments and implement wealth management and succession planning strategies that are increasingly international in scope.

With a track record spanning over half a century, Jersey’s finance industry has always demonstrated the desire and ability to evolve with the times. It is focused on differentiating itself from other centres through its commitment to driving innovation and delivering cutting-edge insights.

Jersey has invested considerably in articulating a long-term strategy that has been updated over the past year to take into account recent changes. It is a strategy that reinforces the rationale behind our tactical output, including a focus on digital; working with gatekeepers in key overseas markets; providing clarity on international financial services through research; and evolving our products and services.

**JERSEY’S DIGITAL DNA**

As far as digital is concerned, there is only one direction of travel. Research reveals that 82% of financial institutions expect to increase fintech partnerships in the next three to five years (PwC, Global FinTech Report 2017) – and Jersey is absolutely focused on this area.

Harnessing the power of digital technologies and creating an appealing environment for fintech business have been significant drivers for Jersey’s finance industry for some years.

For instance, the establishment in Jersey of a fintech ‘development proposition group’ to engage industry is helping to ensure that Jersey remains at the forefront of fintech developments. Capitalising on the opportunities presented by digital innovation is proving pivotal for Jersey in delivering groundbreaking services for its international client base. In short, digital is transforming almost every element of the private wealth proposition.

For example, we believe Jersey can lead the way in exploring the use of artificial intelligence to provide quick, tailored wealth planning advice. Further, as governance and information exchange grow in importance globally, Jersey is looking at new approaches to data management to ensure efficient cross-border reporting.

Through the industry working groups Jersey Finance has established, a great deal of progress is being made in the regtech, cybersecurity, wealthtech and virtual currency spaces.

The world’s first regulated bitcoin fund – the Global Advisors Bitcoin Investment Fund – was launched in Jersey in 2014. And in 2016, Jersey became one of the first jurisdictions to adopt a regulatory regime for virtual currencies. At the end of 2017, Jersey’s first initial coin offering (ICO) was launched – the ARC Reserve Currency, an asset-backed ‘stablecoin’ virtual currency.

**GLOBAL AMBITION**

Jersey is well ahead of the game in terms of its overseas market activity. With Brexit on the horizon, it is significant that half of new business attracted to Jersey is now coming from outside Europe and the UK.

The importance of building relationships with markets beyond European time zones was articulated strongly in our refreshed strategic review. We are now seeing the fruits of our efforts to concentrate on key overseas markets.

Jersey is now a dominant force in the Middle East and a go-to destination for...
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DOMINION

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markets. But there is no room for complacency.

We have a clear direction and continue to work with our partners to enhance our position even further, in particular by continuing to build our library of evidence-based research to underpin our overseas activities and deliver new insights in those markets.

Over the past five years, Jersey Finance has commissioned more than a dozen pieces of independent research, something that is unrivalled by other centres. This research has highlighted, among other things, the net value Jersey provides to the UK and Europe, how Jersey is contributing positively to investment in Africa, and the role Jersey plays in moving money securely around the world.

In 2017, a further report produced in collaboration with Hubbis (Driving Forces Behind GCC HNW Investors) provided invaluable insight into Asian markets. It illuminated attitudes towards family wealth and family business succession planning in the region, and levels of understanding of international compliance and reporting requirements.

In particular, the report highlighted opportunities for Jersey to act as a centre of excellence, supporting Asian investors and families with data reporting and regulatory compliance obligations. Jersey is extremely well positioned in this respect: it is an early adopter of the OECD’s Common Reporting Standard, is one of only a handful of countries to fully comply with the OECD’s tax transparency criteria; and received an impressive assessment from the EU’s MONEYVAL group.

UNRIVALED INSIGHT

Our success in the Gulf and the Far East has shown that Jersey has the quality to attract premium new business in overseas

A MORE CERTAIN FUTURE

In the coming years, IFSCs will be judged on their ability to demonstrate genuine quality and a forward-thinking approach. By focusing on digital innovation, continuing to invest in overseas markets and research, and working with key partners to enhance products and services, Jersey will play a major role in creating a brighter and more certain future for the global private wealth industry. X

WHY JERSEY?

6 FACTS FOR INVESTORS

1. It is a cryptocurrency leader, launching the first regulated bitcoin fund in 2014 and its first ICO in 2017
2. Half of new business in Jersey comes from beyond the UK and Europe – critical leading up to Brexit
3. Jersey is an established force in the Middle East, and is focused on growth in Africa and Greater China
4. It is an early adopter of the OECD’s Common Reporting Standard
5. Jersey adapts to changing investor needs: amendments to its renowned Trusts (Jersey) Law 1984 are due in 2018
6. The Jersey Private Fund vehicle, launched in 2017, is attracting a growing number of family offices

Amy Bryant is Deputy CEO at Jersey Finance

IN STEP WITH THE TIMES

Jersey is on the front foot in enhancing its suite of services and products to meet the increasingly sophisticated demands of wealthy families and investors.

For instance, later this year, amendments to Jersey’s long-standing

‘JERSEY IS ON THE FRONT FOOT IN ENHANCING ITS SUITE OF SERVICES’

ultra-high-net-worth clients and advisors in the region, thanks to our enhanced investment. We also remain focused on Africa and Greater China, having held events in Nigeria, Kenya, South Africa, China and Hong Kong in 2017.

And we are expanding further. In 2017, we hosted our first receptions in Saudi Arabia, a market we intend to return to in 2018. This year, we will also adopt an enhanced focus on the US, ramping up our presence in a market where we see significant outbound investment and wealth structuring opportunities.

The forward thinking that informs our continued investment in new markets has been critical in ensuring Jersey’s current success. As a direct result of this investment, Jersey has not suffered the decline that has been experienced elsewhere. In fact, we can point to healthy growth in our private wealth sector and impressive forecasts for the year ahead.

JERSEY IS ON THE FRONT FOOT IN ENHANCING ITS SUITE OF SERVICES’
MY BOT IS SMARTER THAN YOURS

Soon, banks won’t sell to consumers. They’ll sell to bots, using bots, overseen by bots.

Jersey is well placed to influence the law-making that will enable this

BY DAVE BIRCH

You don’t have to buy into all the hype around machine learning, chatbots and decision support to see that there are some tasks in financial services that computers will soon be performing better than people. One of them will be the regulation of financial services, which is why artificial intelligence (AI) is central to Jersey’s strategy to create a new environment for financial services that is better and cheaper than the current one.

AI will change finance. It will change the way that companies work - but far more importantly, it will change the way that the financial services industry and its markets work.

And it is not only technologists who envisage a future that combines fintech and regtech to create a better financial sector. The Bank of England’s Working Paper No. 674 on machine learning at central banks, published in September 2017, explored banking supervision and came to similar conclusions. AI is not only a fintech that can help individual organisations shift their cost-benefit ratios around products and services, but also a regtech that can help jurisdictions create better financial services sectors.

Digital Jersey has already started to prepare the ground. The AI retreat it helped to host last September was a first step in assisting businesses, regulators and the Jersey government to make sure the island can reap the benefits of an AI revolution that is, frankly, inevitable and of such a magnitude that we cannot ignore it a moment longer. John Cryan, the Deutsche Bank CEO, was famously quoted in the Financial Times (FT) last year saying that his bank is going to shift from employing people to act like robots to employing robots to act like people. Jersey cannot hold back this tide, so it
needs to start planning to take advantage of the opportunities that will come with the new technology.

AN INTELLIGENCE GREATER THAN YOUR OWN

What opportunities will these be? It’s time for creative thinking. When bankers talk about AI, they tend to think in terms of robo-advisors and chatbots, focusing on the use of AI by their institutions to either cut costs or deliver new services. Most banking investments in AI are currently investments in machine learning, by and large targeting fraud. But there are other, more radical ways to use AI. As I asked at the Digital Jersey annual review in an echo of Fred Schwed’s 1940s financial services classic... where are the customers’ bots?

Customers will have access to AI just as powerful as the banks’. Retail customers’ smartphones and fund managers’ tablets will connect them, permanently, to an intelligence far greater than their own. This cannot happen soon enough for me. I’m not smart enough to choose the right credit card, pension or car loan, so clearly, I’m going to want my bot to take care of things for me. But which one? Should I choose the Virgin Money bot, the best-performing bot over the past 12 months or the Google self-taught super-intelligent bot that is also the world Go champion? (The new Google Go bot that taught itself to play has already beaten the old Google Go bot that was taught to play by humans – by a hundred games to zero.)

I’m not sure I really want to be in the loop for a discussion about pension plans or insurance, but I do want some sort of confidence that there’s a regulator in the loop and that, if push comes to shove, my bot will be held to account to explain why it made the decisions it did. Regulated bots are the future.

You can see why this is inevitable. My regulated bot is going to negotiate with the bots of the regulated financial institutions in order to obtain the best product for me. It’s not going to be swayed by the logo or the branch design or a double-page spread in a newspaper. It’s going to be swayed by price and performance. So if a bank is trying to sell me a mortgage or credit card, it is wasting its time showing me gibberish advertisements involving astronauts riding horses, or whatever the last one I saw was. Brand, as the industrial age’s mass-market substitute for incomplete information, becomes meaningless.

EVENT HORIZON

Perhaps the regulators will have a list of ‘authorised’ bots, much as they have lists of authorised financial advisors now. But what if the super-intelligent learning bot outflanks the regulator’s super-intelligent learning bot? What if the bot makes the regulator think it is acting in my best interests, while it’s actually acting in the best interests of the ruling political party or Mark Zuckerberg? As economist Diane Coyle pointed out in the FT last year, it may be that transparency is the key to making this work, which flags up at least one area where the technology of shared ledgers and machine learning, blockchains and bots, may come together.

My head hurts. How do the banks’ bots interact with the customers’ authorised robo-representatives is at the same time fascinating and frightening – not for customers, but for the banks unable to deliver the cost-effective products and services that those representatives will demand. This will be a world where the bank’s AI sells to my AI under the watchful eye of the regulator’s AI.

If I am right and AI is an event horizon for the financial services industry, then even though we cannot see (or even imagine) the other side of the introduction of true AI into our businesses, we can see that our traditional ‘laws’ of cost-benefit analysis, compliance and competition will not hold. So it is important to start thinking about what the new ‘laws’ might be and how our financial services can help formulate them, thereby stepping up to the plate for the jurisdictional competition that is certain to emerge.

It’s no wonder Jersey Finance chose to focus on AI at its annual private wealth conference in London this year. If private wealth practitioners are not already talking about the impact of AI on wealth management solutions, they soon will be.

My view, and the view of Digital Jersey, is that a financial services sector that is more efficient (cheaper to operate), more productive (more desirable for businesses) and more effective (a beacon to policymakers and regulators) is an entirely reasonable vision for Jersey. And it is an attainable goal if we start working towards it here and now.

Dave Birch is Fintech Special Advisor to Digital Jersey
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A NEW DEMOGRAPHIC

Young, tech-savvy, entrepreneurial – there’s a new profile of person looking to put down roots in Jersey

BY KEVIN LEMASNEY

As global wealth patterns have changed over the past ten years, so have the ways in which Jersey supports wealthy individuals and their families.

One of the biggest changes is that Jersey is now attracting a more diverse client base, and individuals and families are also looking at the jurisdiction as a potential location in which to live and establish their businesses. Indeed, in recent years, there has been a noticeable increase in enquiries from families wishing to relocate to Jersey.

In 2017, Locate Jersey, the government body with responsibility for inward investment, saw a record number of enquiries from ‘high-value residents’, with 34 applications being approved over the course of the year.

SOPHISTICATED

It’s an evolving success story, one driven by a deliberate shift in approach by Jersey in relation to inward investment, due to changing dynamics in the high-net-worth landscape. For instance, Jersey has adopted a much more sophisticated approach to inward investment in recent years so that, today, there is a greater focus on ensuring that all high-value residents moving to Jersey contribute actively to Jersey’s economy.

This means that the demographic of those relocating to the island is very different from a decade ago – over the past four years, around three-quarters of high-value residents moving here have been under 50 years old.

They are the next generation – entrepreneurial, younger, with families and looking for a home that can offer a rare blend of a first-class lifestyle, with good education and health facilities, and a world-leading business infrastructure. It’s a combination that can’t be found in many locations around the world.

As those moving to Jersey bring their innovative businesses with them, the island is benefiting from an increasingly diverse economy, and this is prompting growth in a number of new and different areas. In the tech sphere, a broad range of digital, fintech and cryptocurrency experts – established names and innovative start-ups – are showing an increasing interest in Jersey as a location that can support their ambitions. They are attracted by the stability and resilience of Jersey’s communications infrastructure, business-friendly regulatory environment, and financial and professional services expertise.

Jersey’s success in attracting these families is also resulting in significant growth in the establishment of private family offices, from small offices to full-scale operations, and in philanthropic activity, adding further depth and substance to Jersey’s private wealth environment.

STABILITY

Environmental factors are also contributing to Jersey’s success. One of the key attractions of the Island is the safety, stability and certainty it offers. In this respect, Brexit is a key driver.

In over 80% of cases, those moving to Jersey are UK residents. Often, they are seeking a more certain environment and have decided to move from the UK ahead of Brexit. Already outside the EU, but with ongoing strong links with Member States and the UK, Jersey is proving an attractive option.

At the same time, often driven by geopolitical uncertainty and a changing environment in larger cities, we are also seeing an eclectic mix of families moving from other centres around the world – from Australia and Singapore to Switzerland and Germany.

In addition, the lifestyle proposition is clearly becoming more important in the decision to relocate. Jersey offers a favourable lifestyle for families, with a rich heritage, outstanding natural beauty and leisure opportunities. There is an excellent stock of high-quality homes and good transport connections to Europe and the UK. Indeed, Jersey is actually closer to London than many parts of the UK.

The attitudes of the new generation of high-net-worth families are changing – and Jersey, as a wealth management centre, is changing with them. Jersey is focused on the future. It is ready to provide high-quality wealth planning services, and to support the next generation, their families, their lifestyle and their business aspirations.

Kevin Lemasney is Director, High Value Residency, Locate Jersey
A wealth of experience is the greatest legacy.

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5 MYTHS ABOUT IFCs

Some of your Jersey preconceptions may be misplaced...

Over the past 50 years, Jersey has made a concerted effort to differentiate itself from other IFCs by delivering insights into global markets and driving innovation in the global investment and wealth management space. By adapting with the times, Jersey has earned an excellent reputation for supporting investors, families, businesses and governments with their cross-border finances.

We work with partners across the globe to bring clarity to the complex world of finance, making it simple to use and understand. We have no time for those who bend the rules. Instead, we are forward thinking and focused on helping create a better future.

So what does Jersey do? And what does it not do? Here, we bust five common myths to help clarify.

1. IFCs HELP RICH PEOPLE AVOID TAX

It doesn’t matter who you are; the reality is that, if you invest internationally, you must pay all taxes due in your home country. IFCs like Jersey actually offer a clear and simple way for anyone to diversify their investments and grow their wealth in a stable, highly regulated location, while knowing they won’t be taxed twice.

2. IFCs DENY OTHER COUNTRIES TAX INCOME, MAKING POOR COUNTRIES POORERR

Actually, they do the opposite. Centres like Jersey provide a well-regulated environment for investors so they can safely pool funds. This supports investment into the developing world that might otherwise fail through.

In Jersey, we think this is something to be proud of. Take 2014, for example. The money coming through Jersey made up 1.5% of foreign investment into Africa. That means billions of pounds were invested into African economies.

3. JERSEY IS A TAX HAVEN

Jersey is not a tax haven. Tax evasion is a criminal offence in Jersey, as it should be. That means it’s illegal to be involved in money laundering and it’s illegal to help anyone evade taxes in another jurisdiction.

In Jersey, we pride ourselves on our first-class standards, our award-winning proposition and our integrity. We know exactly where the money coming through Jersey originates and where it’s going. We do this vital work to maintain our clear regulatory framework because we’re focused on creating a better future.

4. ALL IFCs ARE THE SAME

Jersey is different. What sets it apart is its clear commitment to fighting financial crime. In Jersey, we’re proud to offer a safe, forward-thinking regulatory environment.

In 2009, our focus on regulation helped confirm our place on the G20 white list for tax transparency. In 2016, MONEYVAL awarded us the highest rating of any state for our efforts in countering money laundering and fighting the financing of terrorism. And in 2017, Jersey scored top marks from the OECD on tax transparency.

5. IFCs ARE RELATIVELY UNDEVELOPED IN THE FINTECH SPACE

In fact, Jersey is very much a future-facing jurisdiction. It has its sights set on becoming a progressive leader in fintech, focusing on using digital innovations to make its financial services industry even more secure. That’s why it has an ambitious, yet focused, digital plan for the future, designed to make sure that Jersey is seen as a cutting-edge centre of excellence.

By investing in world-beating offices and technology, Jersey will set itself apart from other IFCs and build a better environment for the financial industry, at home and overseas. ☑
It’s spring 2017. Like many sixth-formers, Paige is wondering what life after A-levels will look like. Careers advice comes thick and fast at college, and it can be difficult to decide on a clear path. Paige has heard all about the thriving finance industry in Jersey, but is unsure whether it’s for her. Isn’t it all a bit too maths-heavy?

Twelve months later, Paige can look back with satisfaction at a glowing review from global trust specialist Zedra, where she undertook a two-week work experience placement. Working with their accounts team, she was able to seek out the advice of younger team members, who faced some of the same questions as Paige just a few years before.

Paige was just one of 36 students, hosted by 26 different firms, who took part in Jersey Finance’s annual Life in Finance scheme for 2017. This programme is just one way the island is focused on supporting young people looking to get a flavour of working in one of the world’s most forward-thinking IFCs. It gives local sixth-form students the chance of a placement in one of Jersey’s leading firms and demonstrates the variety of roles on offer. Paige’s insight into the finance industry has given her confidence in taking her first career steps – and understanding that finance isn’t just about maths.

With schemes such as Life in Finance, it’s no surprise the industry is proving so attractive to younger people. In Jersey, more than 300 students from school or university join the finance industry annually.

Employers relish the opportunity the scheme gives them, too. Embracing the creativity and enthusiasm young people can offer is invaluable at a time when financial services is adapting to meet the demands of a new, younger market.

More than 800 new jobs are expected to be created in Jersey’s finance industry over the coming five years, adding to the 13,270 people already working in the industry. The future looks very positive indeed, both for Jersey and for those, like Paige, looking for an exciting, rewarding career.

It is Jersey’s sustainable, forward-thinking approach that has enabled it to cement its position as an attractive place to work. The island does business with firms that are active in the leading markets around the world, from the Americas and Europe to Africa and Asia. Clearly, the industry offers huge opportunities for employees to broaden their horizons and make a positive difference – traits that really matter to millennials.

Jersey is a place where young people can look to the future with certainty and real ambition around their career options. By working with the right people in the right ways, the island plays a vital role in supporting internationally dynamic investors and their families. It does that because it succeeds in attracting and nurturing the brightest talent. After all, young people are the future.

Find out more about Life in Finance at www.jerseyfinance.je/life-in-finance
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