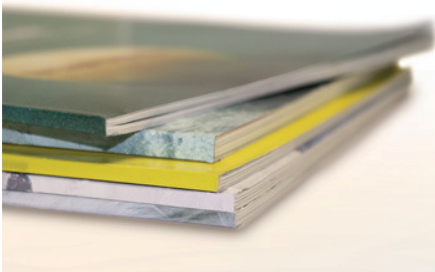


Jersey Praised in the Latest IMF Reports

As originally appeared in Finance – Jersey Autumn 2009



BY FRANCIS KATAMBA

Jersey Praised in the Latest IMF Reports

Jersey's status as one of the world's leading international finance centres has been further strengthened by the recent assessment of its financial, regulatory and supervisory standards by the International Monetary Fund ("IMF") in its latest report, which was published in the Autumn of this year.

The latest IMF report follows a series of appraisals of Jersey's financial services industry carried out by the IMF this year which have placed Jersey securely in the top tier of international financial centres. Jersey has been able to demonstrate that it is committed to meeting the highest standards of transparency and regulatory oversight in its financial services sector and it compares favourably with other financial centres, including those of G20 countries and EU member states.

The Four Key Areas of IMF Assessment

The IMF assessments have focussed on four key areas namely, anti-money laundering ("AML") combating the finance of terrorism ("CFT") (see IMF Country Report No. 09/280), banking supervision (see IMF Country Report No. 09/281), financial stability assessment (see IMF Country Report No. 09/282), and insurance (see IMF Country Report No. 09/283). Detailed analysis of each of these sectors can be found in the relevant Country Report, and the key findings are briefly set out here.

AML/ CFT

Jersey was found to have put in place a "*comprehensive and robust AML/CFT framework*" and was praised for the high level of compliance with almost all aspects of the benchmarks laid down by the Financial Action Task Force ("FATF"), which is widely considered to set the standard by which international compliance in these areas can be measured.

The FATF findings were particularly welcomed by Jersey Finance who point out that Jersey is one of only seven jurisdictions that complies with 15 of the 16 FATF "*key*" recommendations, and is the only jurisdiction that has been assessed as compliant with 44 of the general FATF recommendations.

Banking Supervision

The IMF confirmed that Jersey has a high standard of regulation and supervision in the banking sector and that the sector as a whole has ample liquidity. The IMF found that the JFSC has numerous and effective powers to regulate the banking sector and is also subject to suitable accountability. The conclusions of the IMF report are generally very positive, particularly considering the challenging environment banks throughout the world are currently operating in. The IMF also made recommendations for the further strengthening of the sector which included a more active role for the JFSC in assessing risk, a review of the provision of parent guarantees which are acceptable, and consideration of some form of depositor protection scheme.

The Jersey legislature has already begun to address some of these areas and has recently approved legislation to establish a Depositors Compensation Scheme with immediate effect.

Financial Stability

The IMF found Jersey to have high levels of financial sector regulation and supervision which comply with international standards and commented that both processes and resources have been enhanced in recent years.

The IMF emphasised the importance of the role of the JFSC as an effective financial services regulator, alongside the Treasury and other institutions as the cornerstone of financial stability. It was impressed with the efforts of these participants and stressed the need for continuous efforts to strengthen and improve the sector by, for example, not only putting in place contingency measures to deal with unforeseen adverse events but also improving stress testing and other risk prevention policies in order to minimise their impact.

Insurance

The IMF recognised that insurance is a relatively underdeveloped sector of the Jersey economy and

that the impact of the global economic crisis which had badly affected insurers in other jurisdictions had consequently had less impact on the insurance industry in the Island.

The insurance sector is regulated by the JFSC and the Island tends to look to the UK for its detailed accounting, auditing and actuarial supervisory framework. Jersey does, of course, have its own companies legislation which also deals with some of these matters and amendments are currently being drafted that would lead to increased oversight of the quality of audit work in Jersey.

Conclusion

The overall conclusion of the IMF assessments was overwhelmingly positive and should be welcomed both by financial services professionals in the Island and investors wishing to do business here. At a time of increased scrutiny of the financial services sector as a whole and the “offshore” finance centres in particular, it is hugely encouraging that Jersey has received such a ringing endorsement from the IMF.

Author: FRANCIS KATAMBA
English Solicitor
fkatamba@applebyglobal.com

This publication is intended only to provide a summary of the subject matter covered. It does not purport to be comprehensive or to provide legal advice. No person should act in reliance on any statement contained in this publication without first obtaining specific professional advice.

November 2009

© Appleby

Bahrain
Bermuda
British Virgin Islands

Cayman Islands
Hong Kong
Isle of Man

Jersey
London
Mauritius

Seychelles
Zurich