

Industry Seminar – 22 November 2017

International Developments

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Good afternoon everybody. Last year, the challenge I found when writing my speech on international developments was, as others were doing, to attempt to predict the outcome of the U.S elections. This year, actually, it's knowing exactly where to start.

The title of this year's event is "Brexit, Innovations and International Standards", however I propose to reprise that as "Disruption, Diversity and Dependency".

It seems that disruption is all around us, but I'm not going to go into references to songs as my predecessor has done. I note that my prediction last year of a snap general election was correct, though I am less heartened by the consequences of it. Brexit was just a start, and since then we have had the election of President Trump, the king of disruption, but perhaps that is to be expected of a property developer. And he is by no means alone, President Macron's election who, together with his party "La République En Marche!" achieved outstanding success in France, essentially coming from nowhere in around 12 months. We will have to see where Monsieur Macron goes next as he attempts to assert his presence within the European Parliament in the 2019 elections. Whilst President Macron is more pro-business than perhaps more recent French presidents, he is a very loyal European and his election along with the re-election of Mrs Merkel does not necessarily bode well for all the negotiations which are upcoming. Although stop press, we may well yet see a second General Election in Germany this year although it is less clear whether Mrs Merkel will be leading her party into it.

Also in Europe we have seen perhaps concerning results in Austria and, in a different yet surprising manner, the interference with the democratic process in Catalonia – not, so far as we believe, Russian interference, but it seems by cyber-attacks reportedly undertaken by the Spanish State itself on the Catalan electoral register to delegitimise/undermine the poll.

Further afield, we have seen the continued standoff and perhaps playground name-calling between the United States and North Korea, although moving to an even newer level, North Korea are now looking to build ballistic missile submarines.

Finally, in its own way China has created some disruption through the Premier not naming his successor and thereby interrupting the ten year cycle of changes to the Chinese leadership, creating the expectation that he will seek a further five year term from 2022. I think it is perhaps possible now to say, as we did in 2008 in respect of financial services markets, that in the political

sphere, disruption is the new norm.

The trouble is that whilst we have seen these disruptive elements creating pressure waves in public opinion, it is difficult to discern fundamental changes to the way in which things are done. After all, disruption is the life-blood of developing successful businesses as opposed to delivering good government. The job of government is a more tried and tested path, perhaps aided by service level standards and the odd postcode lottery to encourage the system to improve.

Diversity

Turning to diversity. It is important that Guernsey looks to ensure that innovation is at the forefront of its mind. You have heard the Director-General talk about the steps that have been taken in the last twelve months that have led to establishing the private investment fund regime and also the lending, credit and finance consultation that explores a number of diverse areas from electronic platforms to green fund initiatives. These have come about because the Commission sees it as important to provide a climate that is conducive to financial services innovation. It is important to remember that a regulator is here to regulate, and not to promote, but that there are areas where a regulator simply by being open, engaging and available can assist a jurisdiction's overall perception as a good place to choose to do business, and that such a state of mind is not mutually exclusive with its role to regulate. At this point, I would like to pause and provide what perhaps some of the younger members of the audience might call a "download" from Jacob Cherry, the Commission's Senior Regulatory Adviser in Hong Kong.

[Jacob Cherry's video]

Well, I hope you found that informative. For me, and for perhaps those of you who have visited Hong Kong, I must admit looking at the outtakes in Jacob's piece - I still find it hard to reconcile that Hong Kong island is, as Jacob said, with its sky scrapers, fly-overs and metro system, exactly the same size as Guernsey. I hope however that Jacob's piece has given you an insight into some of the work that is being undertaken in Hong Kong. Amongst the large amount of technical detail, Jacob made an interesting observation on cross sectoral working possibilities in relation to the aircraft registry that Fiduciary and Insurance could collaborate on providing a complete bespoke solution. I can tell you that Jacob has established good contact with the three British Consulates for South China, Hong Kong and Singapore respectively, they also see opportunities for Guernsey businesses in the region. I would also perhaps suggest interaction with the British Chamber of Commerce in Hong Kong, whose remit stretches beyond Hong Kong and into China. I will leave Jacob's contact details up on the screen.

Dependency

To turn then finally to Dependency: International Standards. We depend on these for our place at the international table, and indeed quite rightly so. Guernsey is a highly credible jurisdiction and when subject to international assessments whether by the International Monetary Fund or MONEYVAL has achieved results that leave most of the onshore world behind.

Now, where we are going next of course is to ensure that we continue to develop to meet international standards, and for this we have the revision of laws project which again, as the Director-General mentioned, is progressing. We have had the draft Enforcement Law out for engagement, and we are working our way through the sector laws. The Banking Law will, I hope, shortly be available for engagement, again on a fatal flaws/unintended consequences basis, and thereafter we hope to have the Protection of Investors Law and the Fiduciary Law to follow. These draft laws are key parts of ensuring that we are meeting international standards by keeping our laws current and fully functioning pieces of legislation.

The last few weeks have seen the International Finance Centres as a group, centre-stage in the news, and there will always be, as the media like to find, the borderline case to illustrate a point. However, I think we have all noticed the extra amount of caveating in the news reports stressing that they're not actually alleging that anything illegal has been undertaken, though of course they do fail to mention the fact that the hack itself was illegal.

You might wonder why I choose to speak on this topic at an event such as this; well, it's important to because it links straight back to international standards. Firstly, the fact that we must continue to ensure that we meet them; Guernsey's future depends on this being understood as a given. In turn, industry, okay with some grumbles, no doubt is here reminded of the importance of following the rules and guidance that the Commission issues, but more from the Deputy Director of Enforcement shortly.

Secondly; being merely the recipient of international standards is not enough. Guernsey, however, can and should, as the Chief Minister did, remind the international community of the high standards that Guernsey holds itself to, and in proposing and leading the work to create the international standard for the Regulation of Trust and Corporate Service Providers where there was nothing before allows us to remind the world of our leadership on the international stage; a position acknowledged by EU officials and understood by the Financial Action Task Force.

It is also perhaps for us now to say more loudly to others in the onshore world that it is time to move to adopt regulation of Trust and Corporate Service Providers, for, as the FATF's own research has shown, in jurisdictions where TCSPs are regulated, there are lower instances of anti-money laundering and terrorist financing.

Conclusion

So, to conclude, we have seen a period of disruption, but don't expect it to go away any time soon, but please note Brexit is in fact only a part of it. Diversity will allow Guernsey to develop, and dependency on international standards and following the rules is very important for Guernsey's future. Thank you for listening.