



# Article

Jersey

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## First for Finance

**A willingness to adapt and innovate has been central to ongoing bank industry success**



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The banking industry in Jersey has evolved and is a radically different proposition from the model that operated when Jersey was first established as an International Finance Centre.

To continue to prosper in the twenty first century, banks in Jersey have needed to innovate, to acquire more specialist skills, to be willing to sometimes work more closely with competitors and to invest resources into the increasing regulatory and compliance requirements associated with international financial services, a trend exacerbated by the global financial crisis a few years ago.

However, some aspects of the industry do not change and one of those, and one of the great strengths of the jurisdiction, has always been the concentration of major international banking groups that have a presence in the Island. Home to 33 banking operations and employing more than 3,000 professionals, bank providers have attracted capital from nearly 200 countries and have always been the backbone to Jersey's finance industry success.

But while the volume of traditional business has reduced, this has been balanced by the increase in specialist work, a range of institutional banking services that are seen to be the primary growth area for banks in the years ahead. Meanwhile, London, the pre-eminent international finance centre, continues to view Jersey as a valuable partner in managing transactions as the research undertaken by Capital Economic in 2013 was able to highlight so effectively; Jersey has been a

conduit into London for £1/2 trillion of foreign investment, 5% of the entire stock of foreign owned assets.

Despite the downturn which affected global finance, Jersey's banking offering has remained relatively stable – about £140 billion on deposit – with two thirds of that total in foreign currencies.

As I have indicated, the evolution of the international banking sector has involved a move away from the straightforward provision of bank accounts and related financial services for retail customers working abroad or the provision of accounts for trust companies on behalf of their high net worth clients. Instead, the focus has shifted with a far greater requirement to meet the demands of financial institutions and corporate clients who are seeking various asset holding structures to support their investment structuring and wealth planning.

For example, Jersey has developed a track record in providing suitable investment vehicles for IPOs, acquisitions, the sale of an asset and other corporate transactions. London based lawyers and other intermediaries who place this business know they can rely on Jersey to provide the corporate banking, custodian and escrow services needed to support and mitigate risk in such deals, using one or more the global banking providers such as Deutsche Bank. We are also seeing more requests for lending to the corporate structure market and some of these require syndication with the funds booked in more than one location.

Alongside the major finance centres led by London and New York, there are only a small number of leading jurisdictions world-wide with sufficient international standing and possessing the concentration of banking providers, with the appropriate global footprint and balance sheet strength, to attract this business and Jersey is one of those. It competes with locations such as Switzerland and Singapore but few others outside of this group can match the Jersey offering.

It is also evident that a proportion of the specialist finance work now undertaken requires more than one jurisdiction to fulfil the needs of the structure. Once again, the international banking groups which have a significant presence in the major IFCs hold an advantage and can help facilitate the connectivity required by these structures. It is not uncommon if a structure has been formed in one jurisdiction, the Cayman Islands, for example, that other aspects of the arrangement, such as any custodial services, are placed in Jersey because of the strength of its banking proposition.

We should not under-estimate the value that is associated with having such a preponderance of globally recognised, international banking groups that are in place in Jersey. They are sending a strong signal of Jersey's enduring appeal as a jurisdiction of choice for discerning investors.

Another necessary development has been the increasing dialogue between the regulator and the banking institutions. It's not only a question of managing the increasingly complex regulatory changes within financial services, but banks are also conscious that in handling more bespoke structures in the investment markets, there are times when they need the involvement of the regulator. The experience that the regulator has accrued from supervising structures of this nature and the strong working relationship it has with the leading banks, has helped to fashion a well-trodden path for investing into Jersey. In many ways this should be seen as a "USP" for our jurisdiction.

Within the global private wealth arena, the added regulatory requirements and increasing complexity adds to the responsibility facing leading finance professionals and advisers instructed to manage the cross border wealth of many ultra high net worth individuals. As a result, we have been experiencing a growing amount of interest from intermediaries, such as family office specialists, who are drawn to the international reach and regulatory experience that a global organisation such as Deutsche Bank can call upon from its Jersey offices.

Another sector witnessing substantial growth has been alternative investments, especially the formation of structures to support private equity and real estate business and the administration of such funds. There is plenty of evidence that overseas institutional investors, such as sovereign wealth funds, are using a Jersey trust structure to ensure their property investments are made efficiently and securely and the bank's corporate services team has seen real growth in the number of foreign investors acquiring UK "real" assets.

Following the success of these arrangements, the same institutional investors are considering investments in other jurisdictions and they prefer to follow the same tried and tested path - using Jersey as their holding jurisdiction of choice.

Jersey continues to retain its leading IFC role in international banking. It has consolidated its partnership with London, the world's premier capital market and maintained its high regulatory standards. Jersey's banking industry has remained stable and solid, appreciated the need to adapt, added to its specialist skills and evolved its model to meet the demands of international investors. It makes for a compelling proposition for international investors and heralds a positive outlook for the banking sector in Jersey.