Economic and International Affairs Scrutiny Panel
By email
27th November 2025

Dear Chair,

Thank you for your letter dated 20th November in which you submitted a number of questions which you did not have time to ask during the most recent quarterly hearing.

Please find the answers below.

Proposed Budget 2026-29
Please could you provide clarification as to what is included in Staff Costs and in Other Operating Expenditure as listed in the table you provided in your letter response to the Panel's questions on the Proposed Budget 2026-29 on the 30th October 2025:

- Staff costs include salaries, social security (or equivalent) and pension costs.
- Other Operating Expenditure will include travel and subsistence, learning and development, subscriptions e.g. OECD, and technology costs for the department. These are allocated across budget lines and aligned with the needs of each business unit.

a) Can you provide a detailed breakdown as to what the £12,000 figure for the Jersey London Office for Staff Costs represents?

- This is the pay award for staff employed through the grant to the Jersey London Office.

2. Minister, what impact will the recruitment freeze and ban on the use of consultants have on the department's future projects and work programmes?

- To clarify, there is no ban on the use of consultants. Instead, as part of measures to reduce Government costs, departments have been told to reduce their use. External Relations does not use consultants as a matter of course, and therefore the advice on the use of consultants is not anticipated to impact the delivery of future projects or programmes.
  As with other departments, External Relations will need to find alternative approaches to delivery, including potentially scaling back projects or engagement, in view of the recruitment freeze. To date, however, the department has maintained delivery in line with its 2025 business plan and does not currently anticipate significant impacts from the recruitment freeze on the work programme for 2026.
  As the panel is aware, global consultancy firm McKinsey have been engaged to carry out a review of Jersey's financial services industry as part of the Competitiveness Programme.

3. In the Statement of Comprehensive Net Expenditure for External Relations there is £340,000 earned through operations. The Panel notes from last year's Budget hearing that this is earned from the aerodrome licence fee. Is this still the case?

- Yes. The income is primarily from the aerodrome licence fee paid by Ports of Jersey, specifically to fund the Office of the Director of Civil Aviation (oDCA). The oDCA also generates nominal income from foreign carrier and aerial work permits to cover the administration of the permit service by the oDCA.

4. The Panel notes within the Budget 2026-29 that the Budget "also allocates a further £24.9 million to a number of areas of expenditure that are determined by pre-agreed formulae and this includes technical adjustment to increase budgets for Financial Services for the regulation of non-profit organisations" (pp47).
a) Can you provide the Panel with more detail on this? What does the work this extra budget allows for actually entail?
b) Are there any elements of the budget under your remit that will allow for growth?

- Owing to the positive nature of their work both domestically and internationally, it was felt that it would be unpalatable for non-profit organisations falling within the scope of a new regime to be required to pay for supervision by the regulator. As such, a decision was made to increase the amount paid by regulated financial services businesses in respect of annual confirmation fees that was then paid to the States. This money (£850,000) will be allocated to cover the cost of supervision of NPOs, and whatever sum remains will be used to invest in the development of policy, legislation and products to support the growth of the financial services industry under the Competitiveness Programme.

5. With regards to underspends of your department, can underspends from External Relations be allocated to Jersey Finance Limited or must they specifically come from the Financial Services budget?

- The External Relations budget sits on its own head of expenditure and would require a Ministerial Decision to be allocated to the Financial Services head of expenditure. Any underspent budget will be returned to the reserves at the end of each financial year.

6. Is there a single consolidated budget for the Minister's remit, or are there separate underspend pots for External Relations and Financial Services?

- See above

International conflicts

1. Minister, could you provide the Panel with an overview of recent international developments that have implications for Jersey, particularly in areas that fall within your responsibilities such as external relations, international agreements, and the Island's global positioning?

- 2025 has been an eventful year in terms of geopolitical volatility, which continues to affect Jersey, and my department is actively working to analyse and mitigate the impact of these ongoing challenges for the Island.
  With specific reference to international conflicts, the Panel will be aware of this Government's continued commitment to ensuring the Island's voice is heard,

including in relation to events in Israel and the Occupied Palestinian Territories, and the Russian invasion of Ukraine.

On the former, this has included direct correspondence with my UK counterparts to press in the strongest possible terms for the UK to use its diplomatic influence to enable the immediate and unconditional release of all hostages, the uninterrupted provision of aid, the protection of civilians in line with international law and a solution for a long-term peace. It is positive that progress has been made, and I am hopeful that all parties will continue to honour and implement the agreed ceasefire deal, which represents the only viable route to stability in the region.

On Russia's activities in Ukraine, and in line with UK foreign policy, we condemn President Putin's illegal invasion and ongoing bombardment of civilian targets across Ukraine. Whilst recent reports about negotiations to end the conflict are positive, it is critically important that any settlement is reached with the approval of Ukraine and the support of its European allies. Meanwhile, Jersey continues to implement sanctions against Russia in lockstep with the UK.

With reference to international agreements, the Ministry of External Relations follows the objective in the Common Policy for External Relations to bolster the Island's connectivity through the negotiation and participation in a range of agreements, both bilateral and multilateral. For example, officials undertake regular engagement with the UK Department for Business and Trade to ensure the best outcomes for Islanders in ongoing UK Free Trade Agreements. We also continue to expand our network of Double Taxation Agreements and Bilateral Investment Treaties to provide greater certainty and protections to those doing business between Jersey and key overseas markets. For example, in September this year the Government signed a DTA with the Kingdom of Bahrain.

Regarding the Island's global position, Jersey faces competition from other international finance centres. The Competitiveness Programme forms a key part of the effort to not only maintain Jersey's world-leading position, but also to ensure that government, industry and regulator are well-positioned to take advantage of new opportunities and emerging value pools in future. Alongside implementing OECD Pillar 2 reforms, we will continue to monitor global tax and regulatory reforms, and to support other departments in implementing them as necessary to ensure Jersey's reputation as a trusted international finance centre.

We also maintain strategic relationships worldwide, driven by economic, cultural, and diaspora links, reinforcing Jersey's role as a proactive and reliable international partner.

2. Now that the United Kingdom has formally recognised the State of Palestine, does the Minister anticipate any administrative, legal, or policy measures that need to be put in place in Jersey as a result?

- The UK's formal recognition of a Palestinian State is a decision made by the UK Government. As a Crown Dependency, Jersey cannot independently recognise states or formulate its own foreign policy. According to international law, these responsibilities lie with the UK as the sovereign state, which therefore handles foreign policy on behalf of Jersey.

  As a result, I do not foresee any immediate administrative or legal measures that will need to be taken by Jersey.

3. Minister, can you advise the Panel if you foresee any role for Jersey in supporting humanitarian or development efforts in the region following recognition and what discussions have you had with the Minister International Development?

- Jersey Overseas Aid, as the Island's official relief and development agency, is independent of Government and guided by need. I am not aware of any change to how the agency distributes its humanitarian funding following the UK's recognition of the State of Palestine. However, this is a matter for the Minister for International Development and the JOA Commissioners.

<u>Acceptance of Cash Payments Review recommendations</u>

1. Minister, can you update the Panel on your progress in implementing the accepted and partially accepted recommendations from the Panel's report into Acceptance of Cash Payments?

2. Recommendation 10 of the Panel's report stated that "The Council of Ministers, by 31 December 2025, should ensure that no differential pricing based on payment method is made in the provision of public services, including third party providers such as transport services and arm's length organisations". Can you update the Panel regarding this recommendation?

3. Minister, can you update the Panel on any discussions or engagement the Government has had with local banks regarding preventing anymore branch closures, and what steps are being considered to ensure continued access to banking services for Islanders, particularly older and rural customers?

4. Minister, you have previously suggested the potential for a shared banking hub model, similar to those operating in the UK, where multiple banks share one location. Could you outline whether any formal work or feasibility assessment has been undertaken to explore this option in Jersey?

5. Minister, given the trend towards digital banking and the closure of physical branches, what consideration is being given within Government to supporting financial inclusion and cash accessibility, particularly for Islanders who may be digitally excluded or reliant on in-person services?

- *(Answers to questions 1-5)*

  As Minister for External Relations, with responsibility for financial services, I wish to clarify that the recommendations within the Panel's report which fall under my remit relate specifically to access-to-cash policy.

  In accordance with previous commitments, I wrote to the banks and to the Charities Commissioner in June. In addition to this correspondence, the Government continues to maintain a constructive and proactive dialogue with the leadership teams of Jersey's banks. These engagements focus on strategic developments and decisions that may impact islanders, particularly in relation to branch operations and service accessibility. At present, we are not aware of any further plans for branch closures. On the contrary, HSBC has recently made a significant investment in its St Brelade branch, and other banks have undertaken modernisation of their St Helier branches. Where closures have occurred, we understand banks have introduced complementary services to ensure continued accessibility for customers.

  With respect to Recommendation 10 of the Panel's report, which requires that by 31 December 2025 no differential pricing based on payment method is applied in the provision of public services, including by third-party providers, this was neither accepted nor rejected in our response but will be kept under review.

Regarding the potential for a shared banking hub model, I wish to clarify that I have not proposed such a model. While branch closures may prompt consideration, Jersey's circumstances differ significantly from those in the United Kingdom. The island benefits from good public transport links to St Helier, where all major retail banks maintain a branch presence. Furthermore, cash access remains strong, with Link confirming in 2024 that ATM coverage across the island was satisfactory. On this basis, it is unclear whether a banking hub would be necessary or proportionate at this time.

<u>Funds</u>

1. **Minister, now that the updated Jersey Private Funds has taken effect (came into force on 6 August 2025), will you provide an update to the Panel on its implementation and outline any early feedback received from industry or the Jersey Financial Services Commission regarding the change?**
   - The JFSC has reported that overall, implementation of the updated framework has not incurred any significant issues.

     Industry feedback has been positive with service providers viewing the changes as a significant improvement that enhances Jersey's competitiveness in the private funds space. There is evidence of clients/promoters reconsidering/being more positive towards placing business in Jersey, a reversal of recent trends. It is too early to identify measurable growth, but sentiment suggests strong potential pipeline, and it remains to be seen whether the changes will have an impact on the popularity of the other main fund product (the expert fund).

     The JFSC are of the view the impact of the changes will not be evident for three to six months (November 2024 to February 2026) as industry needs a period of adjustment. Comparing the first 10 months of 2025 against 2024 shows a flat position in terms of number of JPFs authorised. However, authorisations in July and August 2025 were notably depressed, this seems likely to be on account of industry anticipating the changes.

     The Jersey Funds Association ("**JFA**") has confirmed that the response from industry to the changes to the JPF regime have been overwhelmingly positive. Feedback from international fund formation highlights that the reforms are pragmatic, innovative and beneficial to Jersey's funds industry. These changes strengthen Jersey's position as a leading jurisdiction and support the continued growth and capital adoption of the JPF product by global fund managers and asset managers.

2. Minister, can you advise the Panel if the Government undertook any assessment of the impact of removing the 50-investor cap and expanding the definition of professional investor on the Island's regulatory framework and investor protection standards?

- An assessment of the impact of removing the 50-investor cap and expanding the definition of professional investor was undertaken over a six-week period by a working group before implementation of the updated JPF regime. The working group examining the proposed changes, including the 50-investor cap and the definitions of professional investor.

3. Minster, could you provide an overview of the process of introducing "a 24-hour authorisation process for JPF applications submitted by registered Designated Service Providers"?

- There was no overview of the process of introducing a 24-hour authorisation process *per se*, more that since the introduction of JPFs in April 2017, the application process has been streamlined over time. With the latest amendments to the JPF regime; the previously published 48-hour period could therefore be appropriately amended to 24-hours, noting that JPFs were often authorised within a 24-hour window.

  It is important to note that where applications cannot be "straight-through processed", due to the presence of higher risk factors, it may still be possible for queries to be raised and resolved within 24 hours thereby enabling the published timescale to be met. However, if there are aspects to the application which do require close consideration and discussion with the applicant, the JFSC will undertake any necessary steps before determining the application, whether that takes 24 hours or more.

  In the 10 months to the end of October 2025, 86% of JPF applications were processed within 24 hours.

4. Minister how do you assess Jersey's current competitiveness for funds, and where do you see the main opportunities or pressures over the next year both locally and international?

- Jersey's funds industry remains competitive internationally. However, we are seeing increasing competition and choice being offered from other International Finance Centres and that increased competition is likely to increase in the future. In practice, this means that Jersey will need to focus on its funds product and its service offering to ensure that it continues to remain a relevant "jurisdiction-of-choice".

5. Minister, could you outline for the Panel if there are any more changes planned for the funds sector and if not is there any changes you would like to see introduced in the future?

- The funds industry's competitiveness has been examined as part of the Government's Financial Services Competitiveness Review. It is expected that suggested improvements to the competitiveness of the fund sector will be forthcoming as a result of recommendations of the independent expert panel appointed for this purpose.

Sanctions and Asset-freezing

1. Minister, can you provide the Panel with an update regarding your work on Sanctions and Asset Freezing?

- In addition to the legislation highlighted under 2. and 3. below, I have signed the Sanctions and Asset-Freezing (Implementation of Global Irregular Migration and Trafficking) (Jersey) Amendment Order 2025. This order implemented a new sanctions regime introduced by the UK aimed at individuals involved in people smuggling, human trafficking or the instrumentalisation of migration for the purposes of destabilisation. Over 30 persons have already be designated for the purpose of an asset-freeze under this regime.

The sanctions guidance available to the private sector on gov.je has been significantly updated and expanded, helping people better understand their obligations and therefore support the effective implementation of sanctions in Jersey.
As of the end of July 2025, £1,388,400,000 of frozen assets have been reported to the Minister. The figure for reports received up to the end of October will shortly be published on gov.je.
Additional updates on legislation and other developments are provided below.

2. Minister, the Panel understands you are looking into Reporting Obligations. Are you able to provide more details for the Panel?

- Frozen Asset Reporting
  The UK introduced regulations under the Sanctions and Anti-Money Laundering Act 2018 which require all persons that hold funds or economic resources owned, held, or controlled by a designated person to submit a report to the Office of Financial Sanctions Implementation by 30 November each year (starting in 2025), in respect of assets held at close of business on 30 September of that year.
  The timing in respect of when persons will be obliged to submit annual reporting in respect of frozen assets under the Sanctions and Asset Freezing (Jersey) Law 2019 ('**SAFL**)' is currently under consideration and an update will be published shortly.

- Trade, Aircraft and Shipping Sanctions:
  The UK Government's Trade, Aircraft and Shipping Sanctions (Civil Enforcement) Regulations introduced obligations on individuals in those sectors to report breaches of sanctions and allowed the UK Government to impose civil penalties for sanctions breaches. The Minister does not currently intend to introduce a similar civil penalties regime in Jersey, but is exploring how to ensure reporting obligations in Jersey are aligned with the UK's requirements. Officers are currently working with the Legislative Drafting Office on this draft legislation.

- Amendment to Article 32:
  The Legislative Drafting Office has drafted Regulations to broaden the scope of the reporting obligations under Article 32 of SAFL, to ensure indirect links to Designated Persons are captured in line with the equivalent provisions under UK legislation. I intend to lodge this amendment by the end of 2025 or early in 2026.

3. The Panel notes that two orders have be made this year: on 27 February 2025, the Sanctions and Asset-Freezing (Implementation of External Sanctions – Director Disqualification) (Jersey) Amendment Order 2025 came into force by introducing Director disqualification sanctions in Jersey and on 25 April 2025, the Sanctions and Asset-Freezing (Implementation of External Sanctions – Syria) (Jersey) Amendment Order 2025 came into force, amending the regime's purpose and removing specific restrictive measures. Can you provide a high level overview about these orders for the Panel?

Sanctions and Asset-Freezing (Implementation of External Sanctions – Director Disqualification) (Jersey) Amendment Order 2025

Following the introduction of Director Disqualification sanctions measures in Jersey on 27 February 2025 it is an offence for a person subject to Director Disqualification Sanctions to:

- act as a director of a Jersey company, or
- directly or indirectly take part in or be concerned in the promotion, formation or management of a Jersey company
- act as a manager of a Jersey limited liability company, or
- directly or indirectly take part in or be concerned in the promotion, formation or management of a Jersey limited liability company

  unless a licence or exception is in place.

The Sanctions Order does not provide for the automatic disqualification of acting directors who become subject to Director Disqualification Sanctions.

The Jersey General Licence (Director Disqualification) INT/JSY/2025/1 (the '**Jersey General Licence**') authorises:

- acting company directors or the managers of limited liability companies who are designated for the purposes of Director Disqualification Sanctions to undertake activities that are required in connection with the discharge of, or compliance with, Jersey or UK statutory or regulatory requirements; and
- actions taken strictly in connection with the resignation of a disqualified person as a director of a company (as defined in Article 5A of the Order) or as a manager of a limited liability company (as defined in Article 5A of the Order).

The Jersey General Licence permits activity which would otherwise be prohibited by sanctions legislation. It does not obviate the need to comply with all other statutory, regulatory and fiduciary obligations.

The Jersy General Licence expires on 31 December 2025, but it is the Minister's intention to extend it until such time as the proposed amendments to the Companies (Jersey) Law 1991 take effect, which would provide for the automatic disqualification of designated directors (please see response to Question 5 below for more detail).

Sanctions and Asset-Freezing (Implementation of External Sanctions – Syria) (Jersey) Amendment Order 2025

The UK Syria Regulations were amended by the Syria (Sanctions) (EU Exit) (Amendment) Regulations 2025 to remove prohibitions in respect of Syria, relating to investment, financial services and financial markets, aircraft, trade (including in relation to the export and import of crude oil and petroleum products), bank notes and coinage and the export of goods relating to electricity production.

The Amendment Order implemented these changes in Jersey by making the necessary amendments to the Sanctions Order.

4. Can you advise the Panel how Jersey's Sanctions and Asset-Freezing compares with other jurisdictions?

- Jersey compares well internationally in terms of the effectiveness of its sanctions implementation. In 2024, MONEYVAL published Jersey's Mutual Evaluation Report on the anti-money laundering and combating financing of terrorism (AML/CFT) measures that the island has in place.

This included an assessment of Targeted Financial Sanctions for combatting terrorist financing (TF) and proliferation financing (PF). In particular, this is reviewed under Immediate Outcome (I.O.) 10 (TF Preventative Measures and Financial Sanctions) and I.O. 11 (PF Financial Sanctions), where Jersey was found to be Substantially Effective, and Recommendations 6 and 7, where Jersey was found to be Largely Compliant. Few jurisdictions internationally have achieved these ratings.

While the international standards set by the Financial Action Task Force focus on TF and PF sanctions, Jersey was able to evidence its effectiveness in part through the work the island has done in implementing sanctions against Russia.

5. Are there any other changes that you feel should be looked at regarding Sanctions and Asset Freezing?

- As part of wider amendments to the Companies (Jersey) Law 1991, which will be lodged shortly, changes will be made to provide that a person who is designated for the purpose of director disqualification sanctions is automatically disqualified. Once that legislative change has come into force in 2026, the Jersey Directors Disqualification General Licence (which will be extended as noted in the response to Question 3 above) can be revoked as it will no longer be required once automatic disqualification is in place.

  Sanctions is a fast-changing area of work and it is possible that further legislative change will be required in 2026 in response to changes in international standards or sanctions regimes being introduced or expanded.

  The Financial Sanctions Implementation Unit will also continue to make updates and improvements to available guidance in response to feedback from the private sector and developments internationally.

Yours sincerely,

Deputy Ian Gorst
Minister for External Relations

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