

## Embracing change - a critical element to Guernsey's success

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Guernsey has continued to be an exceptionally successful jurisdiction with a high standard of living, enviable quality of life and buoyant economy throughout the vast majority of the last four decades.

As with any success, there's never any one single, simple reason to explain this. The world is more complex than that.

But an absolutely critical element of our success is our readiness - and in some cases eagerness - to consider and embrace innovative changes. This is what sets Guernsey apart.

This Island has a long and consistent track record of embracing innovation and change, to being bold and being prepared to move first on opportunities, and to taking an appropriate and pragmatic approach to that change.

That outward facing posture led to Guernsey introducing a comprehensive regulatory framework for all investment activities and investment funds as far back as 1987, to adopting all crimes anti-money laundering regulation in 2000, and to extending regulation to trustee and corporate services providers since 2001. All of these steps were taken some considerable time before larger countries - including some major onshore jurisdictions and some of our vocal critics not so far from our shores - got their act together to do the same. Indeed, many major nations still lag well behind us when it comes to these issues.

But the story goes on - Guernsey was an early adopter of the Common Reporting Standard framework, was one of the first movers in creating a network of Tax Information Exchange Agreements that spreads around the globe (60 countries and counting, from the US to Germany, and from Switzerland to the UK), and is currently one of the jurisdictions actively engaged in the debate about developing substance requirements for companies to address EU blacklisting requirements.

Very importantly, however, the spirit of innovation has always been and continues to be tempered with a pragmatic attitude to how the necessary regulation should operate in practice. The agreement, for example, to adopt a register of beneficial ownership of companies and to share it on request with law enforcement agencies and tax authorities but not make it public, is a clear and tangible example of striking an intelligent balance between meeting international best practice, playing a responsible role within the international community, and recognising the legitimate confidentiality expectations of individuals in the 21<sup>st</sup> century.

Another area of our innovation has been our readiness to look to new markets and new sources of opportunity. We've long since ceased to be solely reliant on the UK. Industry in partnership with government and with the significant support from Guernsey Finance have worked very hard to seek out new markets across the globe - from the Middle East and Africa to Eastern Europe and North and South Asia.

The results of that innovative attitude is what we see today in the Island's world class financial services industry.

The net asset value of investment funds under administration continues to rise and rise - the latest figures for the end of 2017 show a rise of 5.6% (or £14 billion) to £270 billion. And not just that, we continue to see growth in work on funds not domiciled here - the non-Guernsey schemes sector remains buoyant. Professionals choose Guernsey administrators and managers even where the investment funds are based elsewhere because of the reputation for professional excellence that we have developed.

Our success is not just limited to investment funds. Total bank deposits in Guernsey rose in the last quarter of 2017 to £91.48 billion - the third-highest quarterly figure recorded since September 2012.

There are other important areas as well. In the last year, my team and I have worked on the migration of numerous companies from the Caribbean to Guernsey, the migration of several investment funds from the Caribbean and Europe to the Island and the migration of a foundation to Guernsey. The decisions to move these companies, investment funds and foundations - worth several billion pounds in aggregate - is because Guernsey plc's reputation. The successful combination of world-leading regulation, innovation and pragmatism (along with the rule of law, our court system, absence of corruption, first-class infrastructure and communications and highly able service providers) sets us apart from other jurisdictions - both onshore and offshore.

None of the innovations Guernsey has made and the change we have implemented over the years have been easy. At every stage there has been real - and absolutely legitimate - concern regarding the risk of over-regulation and loss of business. But history has proved our approach to be the correct one.

A critical element of our success is what Guernsey has been doing for decades - being bold, being innovative, and being prepared to lead the way.

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