

THE CHANNEL ISLANDS AND THE EUROPEAN UNION IN 2020

**Speech by the Chief Minister of Guernsey, Deputy Gavin St Pier, and the
Minister for External Relations of Jersey, Senator Ian Gorst,**

4 March 2020

1. Yours Excellencies, Ladies and Gentlemen, we are very grateful to all of you for sparing the time in your busy schedules to be with us here this evening.
2. Jersey and Guernsey are separate jurisdictions, but we work closely together in many areas. The establishment 9 years ago of the joint office in Brussels of our two governments – the Channel Islands Brussels Office (CIBO) is tangible evidence of that. The two of us have been coming to Brussels at least twice a year in recent years. Our visits provide the political underpinning for CIBO’s day to day work. We were asked by a Channel Islands journalist a few weeks ago whether we still need a Brussels office now that the UK has left the EU. The short version of our answer – which I’m sure CIBO will be reassured to hear - was that we need the office now more than ever.
3. We have for many years pursued a “good neighbour” policy towards the EU. We do so for several reasons. We are geographically part of Europe, we have economies strongly interlinked with the European economy, and we share the democratic values that underpin the EU. We will continue to be good neighbours to the EU and to the UK whatever their own future relationship.
4. In most key areas of cooperation, we have been third countries (outside the EU) for the past half century. Let us give you a few examples.

5. On **tax**, we share the EU priority to fight against tax fraud, evasion and harmful avoidance. In response to the EU's Code of Conduct Group review of various jurisdictions, we introduced a comprehensive Economic Substance Regime, enshrined in domestic law, from 1 January last year. In March 2019, ECOFIN confirmed our status as cooperative jurisdictions – which they reaffirmed last month in the latest annual review.
6. We are firmly committed to preventing **financial crime** such as money-laundering, bribery and corruption. The Islands are internationally recognised for holding accurate, adequate and timely information on the beneficial owners of our companies. A key to this achievement is regulation and supervision of Trust and Company Service Providers (TCSPs) – which we've been doing for 20 years.
7. We are committed to working with the EU to share **corporate beneficial ownership information** with tax and law enforcement authorities on a reciprocal basis. In June 2019, we announced an action plan to develop further accessibility and transparency of corporate beneficial ownership information, in line with the principles of the EU fifth Anti-Money Laundering Directive.
8. **Data protection** has, for many years, been a vital area of cooperation between the Channel Islands and the EU. We each obtained a Commission adequacy decision after voluntarily applying the standards of the 1995 Directive – two of the small group of third country jurisdictions that benefit from this status. We have responded to the evolution of data protection law and practice. Our new regime has applied since May 2018, the same as the EU's. As a result, we are confident that our regime is essentially equivalent

to the EU GDPR and to the Law Enforcement Directive (LED). We were pleased to meet EU Justice Commissioner, Didier Reynders, this afternoon to review this cooperation.

9. The Islands are specialist finance centres, and our **financial regulation** is robust and internationally respected. Our independent Financial Services enjoy excellent regulatory cooperation with their EU counterparts, including the European Supervisory Authorities (ESAs). They also have a respected profile in international standard-setting bodies.
10. Among the priorities of the new European Commission, we have noted with particular interest initiatives to encourage responsible long-term investment, such as those set out in the Green Deal, and to encourage innovation, technology take-up and digitisation of key economic sectors. We are keen to identify areas of practical cooperation.
11. On the shared and urgent challenge of **climate change**, we are confident we can play our part. We are of course setting and implementing ambitious targets for the reduction of emissions by our respective islands to enable us to achieve our stated aim of climate neutrality. In global emissions terms, we are irrelevant. But we can be and we are determined to be a force for good – we want to be part of the solution.
12. We are in the vanguard of making **green and sustainable finance** a reality. Guernsey launched the Guernsey Green Fund in July 2018 – the world’s first, regulated green investment fund product. It ensures that investors can be assured that their investments have a positive environmental impact on the planet, monitored against internationally-recognised criteria. Now the EU’s

green taxonomy has been adopted, it has also been incorporated into the rules for the Fund. Green insurance and other products are also under development.

13. Both islands have developed our regulatory and supervisory regime to encourage the use of safe, secure and efficient **technology**, for instance for electronic customer due diligence. This is also an area of increasing focus by the EU and hence of potential cooperation. The finance sector increasingly understands that improving technology can enable them to meet their regulatory requirements *and* enhance their customers' experience. It's not a question of either/or: it's both. Equally we are now proactively engaging with businesses at an early stage on issues relating to emerging technologies.

14. So, as you've heard already, as third countries (long before Brexit) and continuing good neighbours, there is a great deal of continuity. This also applies to the key issue of **citizens' rights**. EU nationals make up an important section of our resident populations (20% in Jersey and 7% in Guernsey). We greatly value the contribution they make to our community life and our economies. Our two governments have been crystal clear from the start that we *will* protect their rights. Both islands have introduced EU Settlement Schemes, similar to the UK scheme. The application process has been designed to be as straightforward as possible and there is no fee.

15. Although there is much continuity for us and the EU, some change is inevitable too as a result of the UK's departure. The main direct impact is what used to be covered by Protocol 3 of the 1972 UK Accession Treaty. Essentially Protocol 3 meant that we were part of the Customs Union and

applied relevant EU rules for trade in goods. These provisions continue during the Transition Period but not afterwards.

16. Of course, the outcome of the future relationship negotiations between our two big neighbours, the UK and the EU, will be important for the Channel Islands. The UK Prime Minister, Boris Johnson, has stated that the UK Government will act on behalf of the whole “British family”, including Guernsey and Jersey. Our constitutional link is through the British Crown, on whose behalf the UK government has formal responsibility for our external relations.

17. We established excellent consultative arrangements with the UK government at political and official level during the Withdrawal Agreement negotiations which worked well. However, we know the pace of the negotiations during the Transition Period will need to be rapid to achieve agreement by the end of this year. Our consultative arrangements with the UK will need to be robust and agile. We are confident they will be.

18. In conclusion, we think back to the question from the local journalist about the need for our continued direct engagement in Brussels now the UK has left. As far as anything is certain in life, we can be pretty sure of 3 things:

a. there will be plenty on the EU agenda that affects the interests of the Channel Islands in the months and years ahead;

b. it will be essential to maintain the active engagement that we have with the EU Institutions, individual Member States and the vibrant and diverse stakeholder community, as so well represented here this evening; and

c. in doing both of those things, the Channel Islands will keep good neighbourliness as our guiding principle and highest priority.

19. Which brings us back to the start – by thanking you again for coming. Please enjoy the rest of the evening.