

### A CLEAR VIEW

### JERSEY'S OPPORTUNITIES

Jersey is at a cross roads. Mark Hucker interviews Geoff Cook, CEO, Jersey Finance, on what the future holds for the island post-Brexit and following the storm over the Paradise Papers

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The serious business of finding clarity in the funds arena

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How to maximise opportunities in a growing economy

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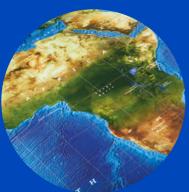
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### WELCOME TO VG 360 MAGAZINE

### FOLLOWING OUR REBRANDING FROM VOLAW GROUP TO VG, WE ARE DELIGHTED TO BRING YOU THE LAUNCH EDITION OF OUR OWN MAGAZINE – 360 – TO BRING TOGETHER 'THE HOTTEST OF THE HOT ISSUES WHICH MATTER TO YOU MOST.

A question which we are asked frequently in this time of uncertainty is "What is the relevance of Jersey post-Brexit?" A Clear View, our interview with Geoff Cook, Chief Executive Officer at Jersey Finance, provides some much-needed clarity over Jersey's relationship with the UK and Europe and why clients can have confidence for the future.

With the so-called **Paradise Papers** making the headlines we also discuss the importance of corporate responsibility. How does a business or jurisdiction respond effectively to such allegations in a digital world? We consider these questions and the future direction of cyber security.

However, for every threat there is an opportunity. Islamic finance continues to see significant growth and Mark Hucker, VG's Managing Director, talks emerging economies in his article Nigeria – an Islamic Opportunity.

When is a Fund not a Fund? considers the confusing world of private funds and club deals – are our familiar distinctions fit for purpose or have they been overtaken by financial innovation and cross-fertilisation?

A Changing View but a Steadfast Commitment looks at the importance of investment needed in people, relationships and partnerships. Of particular focus is VG's commitment to the Middle East and the future growth of the global Islamic finance industry.

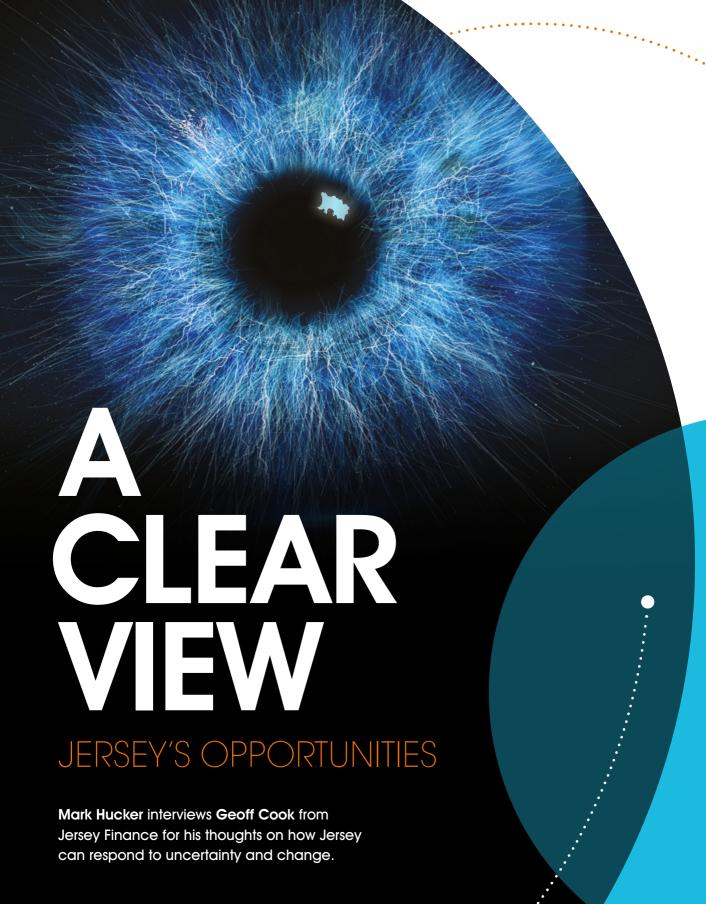
The potential importance and value of diversity to a business or family is considered in Diversity and Having a Voice. Achieving a harmonious balance really can have a positive impact on the bottom line!

In Home Grown, we look at the importance of identifying and nurturing talent and investing in the next generation of leaders. How has VG developed and launched its talent programme?

We hope that you enjoy VG 360 and we welcome any feedback. We want to provide an insight into questions that matter most to you. Email your views to us at: 360@vq.je



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# I FEEL CONFIDENT ABOUT THE FUTURE AND WHY WE CAN GO OUT INTO THE WORLD AND COMPETE FOR CROSS-BORDER INTERNATIONAL SERVICES

### What you need to know



Jersey has been outside of the EU for the forty-three years that the UK has been a member. The Island has its own bilateral relationships with EU countries.



Jersey provides around €200 billion in value into EU economies and supports over 90,000 jobs.



More than half of investors in Jersey are institutional investors, pensions funds and sovereign wealth funds rather than individuals.

### Mark Hucker (MH)

You recently celebrated ten years in the role of Chief Executive of Jersey Finance and those years have seen quantum change in financial, technological and regulatory terms. How well do you think Jersey has weathered the storm?

### Geoff Cook (GC)

Well we have certainly encountered some storms and even tempests in that period. But I think we have demonstrated that while you can't change the direction of the wind, you can adjust your sails. We were at the end of a boom period in 2007, when the financial crisis broke, and of course we felt the slowdown but like very few jurisdictions we are back to our pre-crisis highs in employment terms and actually projecting further growth in the next five years. So all-in-all I think Jersey and its financial sector have navigated a way through the turbulent times quite effectively.

### МН

Yes, that's my take on it too...and one thing I have been thinking about recently is that the island's approach to regulation, which was criticised as being too aggressive, too much leading rather than following, has actually been central to the Island's growth and continued success. Do you agree and, if so, what is leadership in regulation going to look like over the next five years?

### GC

I do agree; there were some very far-sighted people here before my time who decided that the future lay in strong governance, substance and transparency and began to put the building blocks for that in place. A seminal step was the 1989 Corporate Registry with beneficial ownership capture requirements which have become very topical in the regulatory world. Then there was "All Crimes" money laundering regulation, transparency on request from 2002 and, more recently, early adoption of CRS. These have shown we are committed to high international standards, that we are a responsible good neighbour to the international community and what we are really doing here is helping build better futures for our partner economies....we are only interested in sound business and responsible business conduct.

### МН

I'd like to talk about Brexit, it feels as if the uncertainty is one of the bigger challenges facing the financial services sector at the moment... do you agree and where do you see the pressure points impacting the island?

# WHAT MANY PEOPLE DON'T APPRECIATE, AND IT'S GREAT TO HAVE THE OPPORTUNITY TO ARTICULATE THIS, IS THAT JERSEY ISN'T ACTUALLY DIRECTLY AFFECTED BY BREXIT

### GC

Yes, there is uncertainty around Britain's future position but it is very important that we are clear on Jersey's position as part of the British family and a responsible good neighbour to Europe.

What many people don't appreciate, and it's great to have the opportunity to articulate this, is that Jersey isn't actually directly affected by Brexit apart from a small element in the Customs Union to do with fishing and agriculture. We have been outside the EU for the forty-three years the UK has been a member and in that time we have been sorting out our bilateral relationships such that we have European market access for the sectors that matter, primarily our asset management industry. Our main activity is alternative investment funds and we both invest capital which helps the European economy, supporting about 90,000 jobs in Europe, and we raise money for those funds to help European investors get better returns and diversify their investment strategies. We already have third country recognition with the EU so actually we are in a position to help both of our important partners as a stable bridging platform through this period for them.

### MH

That's very helpful but if we think about alternative fund structures there is some evidence, at least sitting on this side of the table, that certain fund referrers and promoters are opting into Europe to guarantee passporting and particularly, Luxembourg, which is always good at exploiting this sort of opportunity. Is there a danger that some of those clients and referrers will permanently move away from Jersey because they have created new links in the EU?

### GC

There is a risk but we really need to communicate effectively with them because the reality is that our market access arrangements with Europe haven't changed and won't change.

If you think about where investors in the alternative space – hedge, private equity, commodities, infrastructure and real estate – are located in Europe, two-thirds are in the UK, Switzerland and The Netherlands. Jersey has very strong private placement agreements with all three of those countries, and indeed many other European countries, and these arrangements are more cost-effective and easier to work with, plus I would say we have a much higher quality of independent administrators in Jersey rather than the very large institutional administrator base in Luxembourg.





We are also familiar to common law countries in terms of investor rules and the way funds are structured so we are still a very attractive option. Of course you would expect me to say that but there are some relevant statistics – at the end of 2016 there were 127 managers marketing over 250 funds from Jersey using the NPPR [National Private Placement Regime] which represents an annual growth of 22% in manager numbers and 10% in the volume of funds. That strong growth may seem surprising but our market access is sustained, our well-used and well-travelled pass through NPPRs is very efficient, it's more cost-effective and we have the breadth and depth of expertise here to meet the needs of promoters and investors.

### MH

While we are talking about funds, what impact has the Jersey private fund regime, launched earlier this year, had in terms of fund numbers and structures in the island?

### GC

It was driven by market demand and I think it has been another shot in the arm for our funds industry really. I've talked informally to the regulatory commission and I believe the number of new funds is over fifty already, so it's been actively used and has been very well-received by the market place. And overall we've just reached an all-time high in the jurisdiction – we are now managing or administering over £260bn, up 16% over the last year and including £62bn in private equity funds.

### MH

Before we move off Brexit, do you have a view of the likely outcome? And if the UK has a hard Brexit, does Jersey have any contingency plans in place to deal with it?

### GC

Well if you thought about the worst case scenario in a hard Brexit, again nothing changes for Jersey in terms of its relationship with Europe because that relationship is sustained independently of Britain's relationship.

The second order effect might be a short term slowing of investment into Britain while international investors pause and try to evaluate the impact on the UK. Other than that I don't see any real implications for Jersey because we don't need a new settlement with Europe, our arrangements are in a settled state and won't change.

Having said that, I'm obviously concerned for Britain as a major trading partner and for the City of London. We are trying to do what we can working with the CBI, TheCityUK and others in a supporting role but when people ask me about this I use the analogy of a car travelling along the road at a good speed and you suddenly hit a big speed bump you didn't see coming. Yes, you have this big bump and a shudder for a time but you're still on the road and nothing has fallen off! I think Brexit could have a cooling effect for a couple of years but Britain is the fifth largest economy in the world and it's a deficit nation – about £70 billion annual deficit – so it needs foreign capital and will continue to need foreign capital and Jersey is a very attractive partner in sourcing that international capital and deploying it efficiently and effectively.

And post-Brexit, the UK will be free to open up new trading relationships under the concept of global Britain and there appears to be an appetite around the world to engage, noises out of Japan and the US are very favourable in terms of wanting to do new trade deals. I don't believe that it's going to be so disruptive that Britain can't make its way in the world successfully in the future as a major nation. I've used this example before but if you look at the largest global economies - the US, China, Japan, Germany and UK - and you ask yourself which will be the odd man out in 2019 it's Germany. Why Germany? Well, it will be the only one of the top five economies in the European Union. All those other major economies are making their way perfectly well and succeeding without being part of a major trading block. Post-Brexit I think Britain will do the same.

# I DON'T SEE ANY REAL IMPLICATIONS FOR JERSEY BECAUSE WE DON'T NEED A NEW SETTLEMENT WITH EUROPE

### МН

You have done a lot of work at Jersey Finance in demonstrating Jersey's value to various jurisdictions in the world, most obviously UK, Europe, Africa. Do you think those messages have got through?

### GC

Yes, I do think they have got through – in particular there has been transformation in our relationship with Britain where our value as a partner to UK financial and professional services is so much better understood than it used to be. As a consequence I think that the operating climate is much better than it has ever been.

It's helped with our entry into Africa and I think it has also given pause for thought in Europe – not many Europeans would realise that we are providing around €200 billion in value into the EU economies, supporting over 90,000 jobs and that we are a net benefit to them not a source of lost business... Do I plan to do more? Absolutely – these have an impact for a time but then these messages fade into memory so it is important to refresh and keep validating our contributions as a partner. We do actually have some live projects which have not broken cover yet but they will towards the end of this year and into next...

We have just done a major study on Jersey's value to pensions in the "Value to ..." series with an independent firm of economists who looked at how we receive pension money from institutional investors, how it's packaged and administered here and then how it is deployed and invested. We have asked them: Is that making a



difference? Is it accretive and helpful and how many people is it helping? That's where this very new figure of enhancing the pensions of 58 million people around the world has come from. We would hope to publish that in the final quarter of this year with work to follow in the Funds and Asset Management areas. So yes, we will keep bringing forward those evidence-based reports that really demonstrate very powerfully the value that we generate for the clients and for the partner countries we work with.

### MH

As you know, we have a long and successful track record in creating and supporting Islamic structures, and over the last few years Islamic finance has been an area of growth even when some of the other financial services are slowing down – do you see this as a major area of opportunity for the Island?

### GC

I do, I really do because the Middle East is our overweight growth market geography so we have really set out our stall to engage those countries, particularly in the GCC [Gulf Cooperation Council], to forge business relationships and to grow our business footprint there. That has actually been very successful but a hugely important component of that is Islamic Finance.

We have had the jurisdiction and its legal and regulatory framework reviewed by a specialist organisation to ensure that it was entirely fit for purpose for Islamic Finance work and I am pleased to tell you that it is. Your own firm has been a bit of a trailblazer in this area with over two decades of experience and innovation!





We think it has a very high potential because while some aspects of the global financial system and some ways of doing business were brought into disrepute by the global financial crisis, in contrast the ethical basis of Islamic Finance made it increasingly attractive and has generated a really beneficial impact. We are keen to grow the capability, skills and knowledge that already exist here and we would like it to be used more and we shall be promoting that capability.

### MH

Recently, we saw the launch of the Saudi Future Investment Initiative which is potentially massive with the talk of new cities in the desert and investment in new industries. We have got a lot of Jersey businesses, including VG, who are very much focused on the region – what plans do you have to support these businesses to make an even bigger difference?

### G

Yes... our market entry strategies tend to be building strategies, so we do our research amongst our members. We do desk-based research, we identify which communities can benefit from our services and who we want to prioritise as business partners and the GCC is such an area and Saudi within it is the largest country. We began our market initiative there a few years ago, we've just had a very recent visit with a delegation with over thirty Jersey firms present and we have been encouraging feedback from the authorities.

Our Chief Minister and Director of Financial Services will be travelling to Saudi Arabia in November and there is continuing reciprocal contact between our regulatory authority and people like the Saudi authorities and the UAE authorities. I believe there is a visit to Bahrain planned soon, so there is a lot of activity and there is a good relationship between the GCC countries and Jersey, based on mutual respect and mutual commitment to building prosperity for citizens. So I see it as having very high potential and to use that American term it is one of our "double down" markets where we really overweight our investment and effort and we continue to be committed to doing that over time.

### MH

Overall, and despite all the challenges, I believe that Jersey has put itself in a great position to remain a leading offshore jurisdiction through its commitment to effective regulation (including transparency), its skilled and experienced workforce, its legal framework and court system and a flexible and proactive financial sector. How do you feel about the future?

### GC

I agree with your summation, Mark, identifying all the key features within the jurisdiction which are attractive to international investors – that's why I feel confident about the future and why we can go out into the world and compete for cross-border international services.

All the research conducted by the major consultants around the world sees increasing wealth in the growth markets of Asia, the Middle East and in Africa in particular. There is going to be high growth and a lot of new wealth generated and a lot of investment needing cross-border structuring activity and administration. That is what we do. Provided we keep our proposition attractive and competitive and we are present in those markets we will do well. And because we are differentiated, because we have this strong commitment to governance, substance, sound regulation and transparency I think we can do that in a way that the international community recognises is accretive and helps these economies to build better futures, build jobs and build growth.

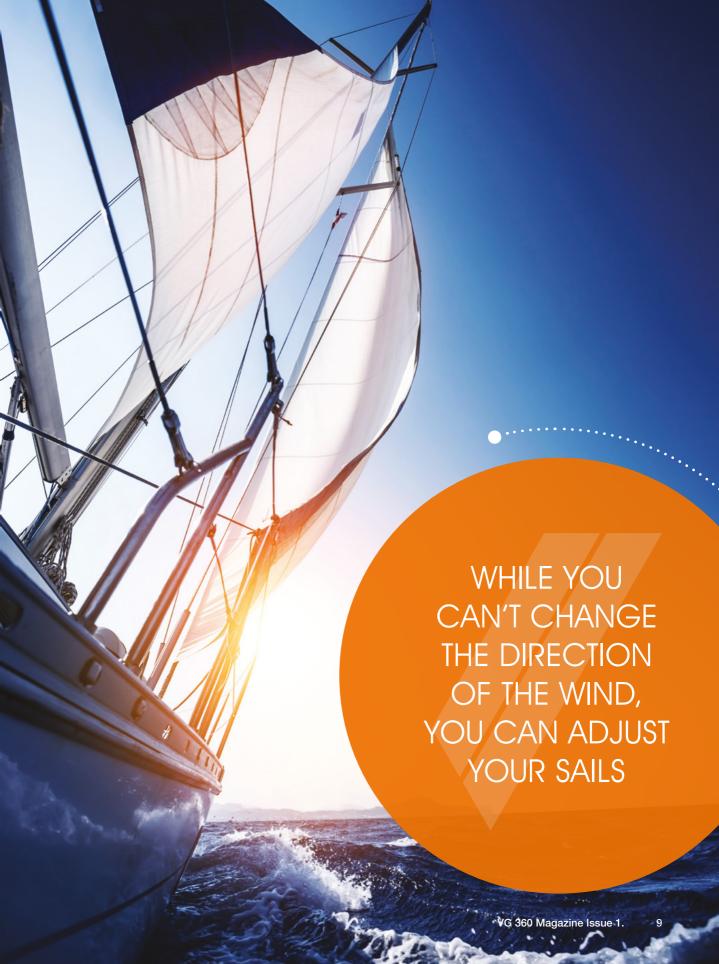
### МН

What are your specific goals – either personally or for Jersey Finance?

### GC

Whether you call it a goal or not we certainly have the aspiration to support the growth plans of our members and they plan to grow the employment footprint here in Jersey from 13,000 to 14,000 over the next five years. To support that goal we will be implementing the findings of the recent jurisdiction review conducted with McKinsey, which haven't been publicly revealed yet, but I can tell you, they are focusing very strongly on the growth markets, on digital and Fintech and on successfully navigating our way through these various challenges we have discussed.

We have the objective of being the leading jurisdiction of our kind in our chosen markets. We expect to deliver growth in the Jersey economy to the tune of another thousand jobs and I expect to see the value administered in the jurisdiction past the one and a half trillion mark... So in simple terms those will be our goals in the next few years and we have a great deal of conviction that we can achieve them.





### MH

Today especially, with news of the 'Paradise Papers' latest data leak, we've got to focus on data and the risks surrounding it for the island and its businesses. Do you foresee any further leaks of this nature and if so will Jersey manage to distance itself from the suspicion and speculation that seems to characterise these events?

### GC

I think data loss is a great concern to clients and the public generally. We've had Equifax in the US, 170 million records lost, we've had TalkTalk in the UK, we've had government agencies losing data and the risk increases as ever more data goes online. I guess the great call there is for investment and vigilance on behalf of all businesses really, but particularly financial services, due to the sensitivity of the data, to continually revisit their cyber security arrangements and invest and protect.

That's the big theme I think around the world generally at the moment but so far as this particular situation is concerned we have been here before with the Panama Papers, and with BVI leaks, Swiss leaks and Luxembourg leaks. It's become a bit of a pattern where the agency that sponsors this kind of thing looks to work on the data and produce fairly sensationalised stories full of allegations and speculation with the aim of dominating the global news agenda. I do think there is a degree of double standards in play in that

if data was stolen from a major institution in Paris or New York or London I'm sure the media would be up in arms defending the right to privacy which has been breached by illegal acts... you know the outrage. Well if it's a problem in London, Paris or New York it should be a problem in Bermuda or the Isle of Man...

Am I concerned about what might come out of this having a major impact on Jersey? No I'm not, because of all of those things we've put in place over thirty years to control the nature of business flowing into the Island. I would be very confident in our systems and procedures and they have been independently vetted by credible international organisations but one is always wary of allegations and speculation, putting perceptions in the public's mind that are unwarranted. We would stand ready to defend our track record in this area which is very, very strong.

### IVIF

It seems to me we have moved even from the "court of public opinion" into the "court of social media" which is another step along the road. On-line "news" is becoming all important but at the same time it is becoming increasingly difficult to make any form of reasonable defence when you are dealing with assumptions, suspicions and fake news, all of that sort of stuff. Is there anything else Jersey can do to protect its hard won reputation in that environment?

### GC

I think there is – we need to learn about the use of language and how we explain the benefits of what we do, using all channels of communication but particularly social media, Twitter, LinkedIn.

The way people gather their news and information and form views has changed radically; people used to listen to what their governments had to say on a particular policy matter, they would listen to business and NGOs. But now we take our information from citizen-sponsored news and there are no checks and balances in place, little by way of regulation and little restriction on what people say. So things are alleged and speculated upon that would never be done in traditional forms of communication but that's a reality and so you have to work with the grain rather than against it...

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What we are really about in Jersey is managing capital to build a better future for those countries and trading partners that we work with. Some new research just showed that slightly more than half of our investors in Jersey are institutions, they are not kleptocrats trying to hide money and our defences are so strong that the chances of that happening here are very, very small. Half of our investor base is made up of tax-exempt institutional investors, pension funds and sovereign wealth funds, investing money on behalf of their members and citizens to get a better return to support their societies.

We're talking about the retirement of ordinary working people and the work that we do here in Jersey gives a better retirement prospect to 58 million people around the world because of our involvement in administering their money and helping to find better investment returns and opportunities. We are contributing to the jobs and growth agenda in a transparent manner with sound but proportionate regulation – it's important to focus on those strengths and truths rather than fake news and raw allegations.



### MH

I couldn't agree more and it's one of our major challenges. I think one of the biggest changes in the Island, in legal and regulatory terms over the past twenty years has been to recognise that there is no place for absolute secrecy and it has become more a question of qualified confidentiality — qualified because we are going to honour the requirements of international disclosure and transparency — do you agree with that and do you think that as a result a major data leak for the Island should be embarrassing rather than calamitous?

### GC

Yes I agree entirely with your summation but I use the term "compliant confidentiality". We make sure that when we accept people's business here it's compliant - it's not the proceeds of crime, it's tax disclosed, it's transparent and because of that we can stand confident that if there is disclosure then it should show nothing untoward. We have nothing to fear from transparency and I really don't believe these data breaches will surface anything of real concern to Jersey and that has been the case previously. I think the Panama Papers created some clear water between Jersey and other centres, because we have never had banking secrecy, we've never relied on opacity, we've been early adopters of transparency agreements and we are very happy to share data from responsible government to responsible government.

WHERE I THINK WE
WOULD HAVE A
CONTINUING CONCERN
IS ABOUT THEFT OF DATA,
WHICH IS A BREACH
OF A FUNDAMENTAL
HUMAN RIGHT, AND THE
PUBLICATION OR LOSS OF
DATA BY GOVERNMENTS

One or two countries do promote the idea of public registers with everything about people being out there on line but we think that is dangerous given the exponential growth in cybercrime. The more information you put out there the easier it is for somebody to impersonate you or to steal your information or to hack into your bank account...

### МН

How would you briefly categorise where we are now as an island on cyber security? I know it's a moving playing field and we're talking about criminals who are extremely talented and capable but how do you see progress to date?

### GC

Good progress made, more to do. The Jersey Financial Services Commission recently surveyed firms on cyber security: two-thirds reported a reasonably confident position; a third felt that there was greater investment needed and more to do. It's a significant work in progress and there have been some very sophisticated breaches and some very large scale ones - we're talking about millions of people's data records being breached - and I think that will encourage firms to absolutely double their efforts here. The government has put £2 million in new funding behind improving cyber security for the jurisdiction and our regulator is treating it as one of their top priorities so I do think it is recognised as very important. A lot of investment has gone into it but we are realistic about the fact that we need to do more and faster given the changing landscape in the area.

### MH

Thanks very much Geoff. It's been an absolute pleasure, I think we can agree there is a clear path ahead for Jersey.



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Geoff Cook
Chief Executive
Jersey Finance



### What you need to know



Offshore jurisdictions offer different regimes: Jersey has the Jersey Private Fund Regime, Guernsey the Private Investment Fund and the Isle of Man offers Exempt Schemes. These structures all limit investors to a maximum of 50.



The BVI and Luxembourg offer funds with fewer constraints, but are subject to other conditions.



The Jersey Financial Services Commission (and other regulators) has reverted to a model that uses a single relationship team across disciplines.

# WHEN IS A FUND NOT A FUND?

THIS MAY SOUND LIKE THE FIRST LINE OF A JOKE BUT IN FACT IT HIGHLIGHTS A VERY REAL QUESTION FOR THE FIDUCIARY SECTOR...

...how to distinguish between private client services, corporate structures and funds and whether, in fact, it makes any sense to even try to do so. They may be "handy" labels within which to segment and report business and they are regularly used to differentiate between the quality



of earnings in valuing trust and company service providers ("TCSPs"), but the reality is that the lines between products and services have become increasingly blurred as clients use ever more diverse and sophisticated structures to invest their wealth across asset types and geographies.

Considering the fund question first, there is a fine line between a "club deal" and a "private fund" and the line becomes ever finer as the offshore jurisdictions compete to make it easier and cheaper to launch fund structures that are intended for a restricted and sophisticated market. Jersey has the Jersey Private Fund regime (or "JPF", which incidentally replaced COBO-only funds, private placement funds and very private funds), Guernsey has the Private Investment Fund ("PIF") while the Isle of Man offers Exempt Schemes. Confused? You will be...

These structures do have some things in common. however. All the relevant regulations limit investors to a maximum of 50, although there are differences in how and how widely - funds can be marketed, and require a regulated local manager or service provider. Of course, there is a risk-based logic to these regimes because the rules around distribution limit the danger of losses to "widows and orphans" while there is always a regulated party in the jurisdiction to hold responsible in the event of a loss or error. If you want to operate with fewer "constraints", you could consider a Private Fund in the BVI (which is limited to 50 investors but does not need any local functionaries) or a Special Limited Partnership in Luxembourg which has no limit on investors and does not need a regulated manager if it is a closed-ended fund managing less than €500m (subject to other conditions).

Alongside these funds, however, TCSPs are managing unregulated entities that use feeder structures to pool investments for a common purpose, often acquiring residential or commercial property (but also other assets). They share many characteristics with private funds including number and sophistication of investors, structures to limit liability or risk (e.g. cell companies), restrictions on marketing and administration by a regulated business but these club deals are typically characterised as corporate business for reporting purposes.

Extending the chain of ownership further out from the Special Purpose Vehicles that are used to facilitate the club deal structure shows why the difficulty over definition does not stop at funds and corporate vehicles. If a TCSP also administers a discretionary family trust (for example) for one of the investors then it may well classify the investor as a private client (including the value of the SPV) and report on that basis. If it does not administer the trust then the structure is likely be entirely "corporate" even though the same underlying private client may be the ultimate beneficial owner. And that is without even considering the possibility that the TCSP will actually "double count" the investment under both headings...

But does it really matter how the various structures are classified? Well, as noted above it can have a significant impact on the valuation of a trust company business because investors place a higher multiple on corporate earnings. Plus an over-reliance on private client income is often cited as a reason why more TCSPs are not listed despite consistent, long-term cash flows. However, within the sector this is recognized as an artificial and overly simplistic distinction.

Many clients do not know or understand the differences between categories and are steered to a TCSP by an adviser based on a network of relationships. However, once on board there is a real risk that the TCSP will pigeonhole its client under one the three categories, assigning responsibility to a "specialist" Corporate (or Private Client or Fund) team and thus fail to recognize or capture the crossover opportunities that the relationship offers. Far more useful is to fully understand the real beneficial ownership or control at the top of a structure, whatever it is used for, and to try to form a relationship that enables the business to meet the needs of that party (or parties) wherever they arise. At VG, we try to remember that our clients should not be limited by our own definitions or structure.

Similar to client service, effective risk management rests on understanding the breadth and depth of a relationship. If you cut that relationship into the pieces of a jigsaw it is impossible to see the full picture or understand the implications of an action. This is why the Jersey Financial Services Commission (and other regulators) has reverted to a model that uses a single relationship team across disciplines: it needs to assess risk and compliance in the context of the business and all its activities as a whole.

So what is the punchline? Well by all means categorise your income and relationships, but remember that categories may mean nothing to your clients and you need to be able to see the whole joke at once!



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FAR MORE IMPORTANT ARE CLIENT SERVICE AND RISK MANAGEMENT



"Effective risk management rests on understanding the breadth and depth of a relationship. If you cut that relationship into the pieces of a jigsaw it is impossible to see the full picture or understand the implications of an action"

### NIGERIA AN ISLAMO OPPORTUNIT

The IMF Working Paper, "An Overview of Islamic Finance" (July 2015) concluded that "...nearly 20% annual growth of Islamic finance in recent years seems to point to its resilience and broad appeal, partly owing to principles that govern Islamic financial activities, including equity, participation and ownership". However, that growth has been focused up until now in a relatively small number of countries where the sector has reached systemic importance (defined by the Islamic Financial Services Board "IFSB" as when Islamic banking assets comprise more than 15% of total banking sector assets).

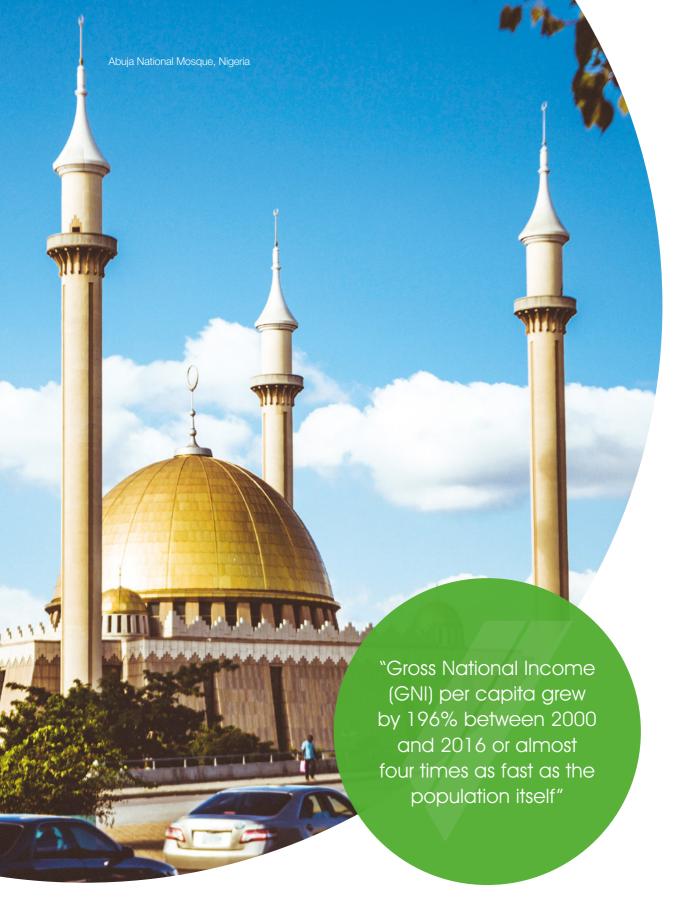
So what will fuel the next phase of growth in Islamic finance and which countries offer the greatest opportunity? Of course demographics will be a key factor: many countries with a large Muslim population have only a small and relatively informal Islamic finance sector and therefore have the potential to grow in scale and sophistication. But equally economic growth and financial participation will be critical as these populations become savers, investors and entrepreneurs. Opportunity should ultimately drive availability!

Nigeria certainly passes the population "test": it is the most populous country in Africa, with 186 million inhabitants in 2016 (according to official statistics) and also one of the fastest growing in terms of demographics (+52% since 2000) [World Development Indicators database]. Of these, an estimated 50% are Muslims, or close to 100 million people [Central Intelligence Agency Factbook]. And although the possibility of banks established on Islamic principles was provided for as early as 1991, they only became a reality in 2012 while other Islamic offerings such as Sukuk (Islamic bonds) and Takaful (Islamic insurance) have been slow to gain traction [Legal Framework Regulating Islamic Finance in Nigeria: A Critical Appraisal of Hurdles against the Effective Shari'ah Governance ("A Critical Appraisal") by Magaji Chiroma, Aishatu Kyari Sandabe, Mohammad Asmadi Abdullah, Abdul Haseeb Ansari].



NIGERIA...PASSES THE POPULATION "TEST": IT IS THE MOST POPULOUS COUNTRY IN AFRICA, WITH 186 MILLION INHABITANTS IN 2016





In terms of economics, Nigeria also ticks most of the boxes. It overtook South Africa in 2014 to become the continent's largest economy by GDP and is second only to Saudi Arabia in terms of Organisation of Islamic Cooperation (OIC) members on the same basis. Perhaps even more importantly, Gross National Income (GNI) per capita grew by 196% between 2000 and 2016 or almost four times as fast as the population itself [World Development Indicators database]. Although some of the momentum was jeopardised by weak commodities markets and particularly the fall in the price of oil in 2016, the country is expected to return to growth in 2018/9 [World Bank].

So what are the challenges and barriers to growth in the Islamic finance sector in Nigeria? The authors of A Critical Appraisal identify the lack of a distinct legal framework, the reliance for ultimate supervision on the secular Central Bank of Nigeria (CBN) and a proliferation of independent Shariah advisory boards at financial institutions. However, GCC countries (and others) have grown rapidly despite continuing to struggle with similar challenges around consistency and central regulation. Some of these challenges are being tackled by the work of international standards bodies (such as the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI)).

PERHAPS GREATER
BARRIERS FROM
AN INTERNATIONAL
PERSPECTIVE STEM
FROM FEARS OF
CORRUPTION AND THE
PERCEIVED DIFFICULTY
OF DOING BUSINESS
IN THE COUNTRY

Although the President, General Muhammadu Buhari has pledged to fight corruption, there is a long road to travel – Nigeria ranked 136th out of 176 in Transparency International's Corruption Perception Index in 2016 and was rated 169th out of 190 in the World Bank's Doing Business 2017 Report. These challenges add significantly to the cost and risks of doing business in the country.

Ultimately, the size of the opportunity, and specifically the Islamic opportunity, should drive the right answers for Nigeria and foreign investors. As political, economic and regulatory structures mature, the barriers to entry should decline and success should breed success (in the same way that crisis and corruption were self-fulfilling prophecies across the continent for many years). With growth in GDP for the continent forecast to average 5% per annum to 2040 [OECD] and an estimated US\$85 trillion required in cumulative inward investment over the same period [Capital Economics] there is considerable space for Islamic and conventional financial services.

Jersey committed itself to working with Africa through Jersey Finance's report "Jersey's Value to Africa – The role for international financial centres in delivering sustainable growth in developing countries" published in November 2014 and VG believes that Islamic financial solutions to support inward and outward investment (to and from Nigeria) will be a key part of that partnership.



### **DIVERSITY AND HAVING A VOICE**

WHAT DOES DIVERSITY REALLY MEAN IN A BUSINESS SENSE, WHO DOES IT INCLUDE AND WHY IS IT IMPORTANT?



What you need to know

15% 35%

more likely to outperform (gender-diverse companies)

more likely to outperform (ethnically diverse companies)

### What does diversity mean to me?

Diversity to me is about achieving equality of opportunity for all people regardless of race, ethnicity, gender, nationality, religion, socio-economic status, sexual orientation, age, physical abilities, political beliefs or other ideologies. We live in a multi-cultural society which is constantly adapting to new norms of belief, behaviour and social interaction. Against this backdrop, it is especially important to enable all people to feel included in a business context and to allow everyone to have a voice and a role to play. Each person should feel valued in a positive environment in which they can openly communicate, engage and contribute.

### Male and female engagement to enable business growth

For the purposes of this article, I would like to share a personal thought on gender diversity in the workplace. I see gender diversity as critical to business and personal growth. When diversity is sponsored by senior management from the top down and embraced by all employees from the bottom up, you can really see the benefits for each individual in an organisation and the collective corporate whole. Men and women are different in their ideas, their approach and often in their temperament but when they come together the combination can be very powerful, productive and enriching for all concerned, especially in the Boardroom. Diversity can really contribute to the bottom line when sponsored and accepted by all across an organisation in a meaningful and proactive way. As referenced by www.forbes.com in its article How To Lead The Push For Diversity In The Workplace\*, it is apparent that we can all contribute to creating awareness of the power of diversity and how this can ultimately make great business and financial sense. The link between real diversity and increased Return on Investment was also reinforced by Forbes's article.

### Empower your people

What is essential is to recognise that all people make a difference in an organisation, regardless of their role, their background or their gender. Everyone can contribute to ensuring a positive and inspiring culture of inclusion, ideasharing and collaboration every day. This makes for a very special business and can really drive growth. At VG, we value each individual in our team and enable them to contribute to our journey of growth.

### Have a voice and let it be heard

As we gain experience, we grow in confidence and with this we typically find our voice a little more (regardless of our gender or personality). This growth is converted to influence where the business culture makes room for that new voice, hears its ideas and input and acts on them where reasonably possible. Having hosted numerous client training and roundtable discussions based on key themes from Cheryl Sandberg's highly successful book Lean In, it is clear that we need to engage both men and women at the table to improve productivity of a business and support its top line growth. It is important to recognize that men and women respond differently and with a varying level of confidence in a business and social context but change and innovation can be accelerated by marrying those different approaches.

### Take a seat at the table

By taking a seat at the table, listening actively and by having a voice, we can all provide an alternative view and perspective on an issue, opportunity or challenge. It is important not to get into the cycle of listening passively, not contributing for fear of saying something silly and then regretting the fact we did not speak up. I was once advised by a Global Sales Director of a very entrepreneurial NASDAQ-listed organisation to "Just go for it, do it and be yourself". This very practical and real piece of advice has stayed with me in both my professional and personal life and is a constant reminder of the need to feel the fear and do it anyway. It is, of course, much easier if both sexes are conscious of each other's differences, understand and value the benefits of diversity and create the space for a "new voice".

### Why does diversity matter?

By actively engaging with others in an organisation (or indeed in a community) and by freely communicating with each other, we can understand and value the different perspectives that people bring and the value they can create. If we can build on individual strengths and empower each other to have a voice, then we can make the sum of our differences a much greater whole.



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<sup>\*</sup> Reference: www.forbes.com - How To Lead The Push For Diversity In The Workplace (June 9, 2017)

### A CHANGING VIEW BUT A STEADFAST COMMITMENT

The world looks very different today compared with 1982 when Volaw was founded. If you like a challenge, try to think of the 34 new countries that have come into existence since just 1990... However, if we accept that change is a constant, what is important is the commitment you show through that change to support your clients, advisers and the regions in which they live and operate.

### Thriving commitment

Our business is centred on **people and partnerships**. A much chanted mantra? Yes, but the truth is in the numbers. We put great effort and value into building long term relationships and nurturing them, which is why...

### Continuity of contact and relationship

Relationships have been instrumental to VG achieving organic growth. People drive **commitment** and, despite the increasing influence of technology in financial services, it is still people who make the difference in achieving a successful solution for a client. And in times of change or challenge those relationships become even more crucial.

Aside from commitment, the other constant is VG's dedication to **continuity** of service to its clients and their advisers. We recognize the frustration and often expense that it takes to build a new relationship and our goal is to provide certainty for the future in order to negate both those factors.

OUR TOP 50 CLIENTS HAVE
BEEN WITH US ON AVERAGE
FOR MORE THAN 13 YEARS
AND 40% OF OUR STAFF
HAVE BEEN WITH VG FOR
OVER 10 YEARS. IT COMES
DOWN TO COMMITMENT
AND CONTINUITY



<sup>\*\*</sup> Source: www.islamicfinance.com



## LARGE ENOUGH TO MEET YOUR NEEDS AND SMALL ENOUGH TO CARE THAT WE DO



We may be proud of our heritage over the past 35 years but what does that really mean for you? It means experience, expertise and knowledge and we try to apply these lessons in everything we do for our clients. Our vision for the future is to remain a mid-size business because we believe that gives you the best outcomes and it enables us to focus on caring for clients and staff, one of VG's core values. We also jealously guard our independence because it allows us to decide what we do and how we do it, legitimately, for the benefit of our clients.

### 35 years in the Middle East

VG had its first exposure to Islamic Finance in the 1980s. We have maintained that involvement ever since and expanded our recognised\* expertise and experience, especially in the Middle East. This experience has included structuring ground-breaking Shariah-compliant funds and structures, supporting investments into UK, US and German commercial real estate as well as providing solutions for succession planning and wealth protection.

Of course, Islamic Finance is not constrained to the Middle East. The world is a big place and VG also works with Islamic clients in Malaysia and parts of Africa, for example. However, the Middle East remains a hub and we aim to live and breathe the culture, respecting what makes it distinct and special. We also recognize and look to embrace future opportunities and hope you will enjoy the article in this magazine about the potential of Nigeria as an Islamic "superpower".

### Investment in the Middle East

The business model may have changed over the past 35 years but our commitment to the region has not faltered. Since January 2014, VG has spent **249 days in the Middle East**. Put another way, **more than one day each week, year in, year out is spent in the Middle East**. We understand that our clients and their advisers value this commitment and consistency and weigh the choice of service providers very carefully.

### **Future Growth of Islamic Finance**

The UK has been at the forefront of key developments in Europe and is widely recognised as the leading Western centre for Islamic Finance.

Islamic Finance is becoming more widely understood and is closely aligned to the secular trend of ethical investment. Against this backdrop, the growth forecasts seem readily achievable. It is hardly surprising, given that in its annual financial services industry stability report, the Islamic Financial Services Industry (IFSI)\*\* notes that the global IFSI has been able to sustain its total assets value at approximately USD1.9 trillion in 2016, with Asia and MENA making up USD1.79 trillion of that total.

With a backbone of 35 years' experience and understanding underpinned by specialist structuring knowledge and expertise, VG strives to be a desirable constant in a world of change. Commitment, trust and a true sense of respect for our clients, their advisors and our staff lives on at VG.



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Since January 2014, VG has spent **249 days** in the Middle East

ACCORDING TO RECENT RESEARCH FROM INSURANCE FIRM LV\*, THE AVERAGE WORKER WILL LOOK FOR A NEW JOB EVERY FIVE YEARS (AND EVEN MORE FREQUENTLY IN THE US).

But at the same time the average business is mapping out a mission, purpose and strategy that look a lot further into the future. So how do you keep hold of the next generation of leaders who will deliver your vision when the average worker has moved on...?

The first stage is to recognize the future stars you have in the business, understanding that they may be in any area or function and may include some "hidden gems" that have been lost along the way. This process is critical to successfully unlocking a firm's potential and in our case it has resulted in the launch of our new talent programme.

\*Source: https://www.lv.com/about-us/press/article/job-for-life

### What you need to know

The future of the firm will be defined by its future leaders and this is the essence behind our programme.

Businesses often underestimate the importance of culture and focus instead on strategy and objectives.



Mark Hucker, VG's MD, launched the Talent Management Programme (TMP) this autumn, as part of a wider strategy to attract and retain the best talent. "We operate in a very tight labour market and it is expensive to recruit and train skilled people so it is essential we offer our talented staff an exciting and challenging opportunity to grow. We have worked closely with managers to identify employees who have the scope to move quickly through the business, the ambition to increase their experience by working in other teams and areas and the passion and commitment to help us deliver our goals. It is not enough to simply dot the 'i's and cross the 't's. The future of the firm will be defined by its future leaders and this is the essence behind our programme."

Partnership is a key value of VG – within the business, between employee and employer, and outside the business with clients, referrers and counterparties. Working together is vital and employees who feel valued as part of a business are more likely to be fully invested in the success of the firm. Those that can see the plan for, and investment in, their future development will push themselves and their colleagues. As Baillie Gaudin, Trust Officer and member of the TMP puts it, "we can see VG's commitment to the programme and we are excited about what the next year has to offer. I am determined to grab the opportunity and to use it to accelerate my career."

Mark Hucker continues, "we are investing in the culture of our firm. Businesses often underestimate the importance of culture and focus instead on strategy and objectives but the truth is that these are only deliverable in the medium to long term if your team commits to them with you and enjoys the challenge of making it happen. The tone is set at the top but everybody needs to feel engaged and empowered. The TMP is one of a number of measures that we are taking to foster that spirit of engagement."

A business is only as successful as the people working in it. At every level, from the person who delivers the mail to the CEO at the helm of the ship, every individual has their part to play in the business's journey and it is therefore vitally important that talent is nurtured and allowed to flourish to keep the ship on its course.

A final word from another member of the TMP, Ben Schofield, Senior Trust Officer: "I thought about leaving VG earlier in the year because I couldn't see where my career was going. The TMP has reassured me that with hard work, I can achieve my ambitions at VG. It feels like a door has opened and I'm so pleased to be stepping through it."



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### TALK TO US

We listen to your needs and respond with solutions tailored to fit.

At VG, there is no such thing as a silly question. Every question leads to an answer. Contact our team below or your usual contact to discuss your needs with us and we will find the right solution for you.

### New business / general enquiries



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VG also trades as Volaw Group.

For details of the legal and regulatory status of VG and Volaw Group, please visit www.vg.je.

The views set out in this publication are those of the author(s) and do not necessarily reflect the official opinion of VG or Jersey Finance and no reliance should be placed upon the information contained herein.





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### It's as simple as... talking to people you know and trust

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