Guernsey Financial Services Commission

General guidance to form BSL/2

Background

Form BSL/2 is a suite of Modules introducing Basel II-compliant reporting in Guernsey.

Module 1	Standardised Approach to Credit Risk
Module 2	Simplified Standardised Approach to Credit Risk
Module 3	Operational Risk (BIA, TSA and ASA)
Module 4	Market Risk
Module 5	Settlement Risk
Module 6	Balance Sheet
Module 7	Individual Capital Guidance
Module 8	Prudential Information
Module 9	Maturity Analysis
Module 10	Interest Rate Risk on the Banking Book (optional).

Banks operating in Guernsey as subsidiaries must complete Modules 1 or 2 plus 3 to 9. Banks operating in Guernsey as branches of banks incorporated in another jurisdiction must complete Modules 6, 8 and 9 (for ease of use Modules 6 to 9 have been amalgamated to make one Module). Module 10 is an optional methodology for calculating interest rate risk on the banking book. It is not prescriptive and if banks wish to measure this risk using a different methodology they will be free to do so. All subsidiary banks must report interest rate risk on the banking book to the Commission using either Module 10 or another methodology agreed in writing with the Commission.

General explanatory notes

Form BSL/2 should not be completed in any currency other than sterling.

Foreign currency balances should be translated into sterling at the middle-market spot rate in the London market at 4.00pm on the last working day of the month, or as close to that time as banks' systems will allow. For those banks that currently use the month end rate supplied by the parent bank, the parent bank rate is acceptable if it is as close to the London market as system allow. For transactions, the rate ruling at the time of the transaction should be used (where banks' systems allow).

Only figures relating to assets, liabilities and off balance sheet positions of reporting banks and their branches/ subsidiaries should be included.

In general, outstanding liabilities and holdings of assets should be reported at the value standing in the reporting bank's books (book value); but, if possible, investments and tangible assets (such as property) should be reported at market value.

Figures reported should be to the nearest thousand pounds sterling (but omitting the 000s) (e.g. £9,472,021 should be reported as 9472). Rounding should conform to the following convention: £1001 to £1499 round down to £1000 (i.e. report as: 1), £1500 to £1999 round up to £2000 (i.e. report as: 2).

Front Sheet

When submitting BSL/2 to the Commission the Front Sheet must be completed and signed off for each quarter. On the Front Sheet 'Reporting bank' will include the name of the Guernsey bank completing the return (and will be pre-entered by the Commission). 'Reporting date' should be the date as at the quarter-end (select the appropriate month and year from the list boxes).

Section 6B (f) of The Banking Supervision (Bailiwick of Guernsey) Regulations, 2010 states that "*all returns and other documents required by or under this Law to be submitted to the Commission are signed both by the chief executive and chief financial officer of the institution, or their alternates, unless the Commission directs otherwise*".

'Signature of director or senior manager' and 'Signature of chief financial officer' should include original signatures (on a hard copy of the front sheet) of the individuals of the rank of director or senior manager and chief financial officer who are given the authority by the bank to sign this prudential return (if the Balance Sheet Module 6 does not balance a warning will appear in these boxes). It would also be helpful if the name of the individuals signing the form are written or printed in capital letters in the extra boxes on the Front Sheet. 'Position held' should state the full title of the individuals who have signed under 'Signature of director or senior manager' and 'Signature of chief financial officer'.

Banks are reminded that before appointing directors or managers, the Commission should be notified and approval sought in accordance with Section 22A (1) of The Banking Supervision (Bailiwick of Guernsey) Law, 1994. A Form PQ must be submitted to the Commission for such appointees.

'Date' should include the hand-written date on which the front sheet was signed. With reference to the line "In the event of a query, the Commission may contact:" the name and telephone number of the person most likely to be able to field the Commission's enquiries on the BSL/2 should be completed.

Notes on completion

The return must be completed on-screen and submitted to the Commission by e-mail followed by a signed, completed Front Sheet (which should be printed off each quarter – see above). The return must be submitted **no later than** the close of business **twenty-eight calendar days after the reporting date**, although the Commission would **welcome returns sooner** and encourages banks to complete them as soon as possible after the quarter-end.

In the top left-hand corner of the first page of each Module the Commission will enter a unique three letter code relevant to the reporting bank. Banks should ensure that the correct BSL/2 is completed for each bank. The appropriate quarter-end date must be completed in the top left-hand corner of each Module from the drop down menu.

A number of the cells and lines are calculated automatically. Modules will indicate if items do not balance.

Banks should ensure that information completed on form BSL/2 is not only shown to no decimal places (i.e. whole numbers required) but also that the figures do not include “hidden” decimal places. Most cells are formatted not to show decimal places and any figures expressed to decimal places may result in the balance sheet not balancing. The balance sheet must balance.

Approaches

Banks must use the Standardised Approach to Credit Risk, Standardised Approach to Operational Risk and Simple Approach to Credit Risk Mitigation unless they have received written permission from the Commission to use any of the other approaches.

Form MA/1

The Monetary Aggregates monthly return (MA/1) must be completed for **all** calendar months including those at quarter ends when BSL/2 is also to be completed.

Guarantees

Guarantees should be legally enforceable. Where a claim is partially guaranteed only that part of the claim which is fully guaranteed will be weighted according to the risk weight of the guarantor. Only direct guarantees of a bank’s claims are recognised. Guarantees of a counterparty’s assets, or general guarantees of its financial position, are insufficient in themselves to merit a reduced risk weighting.

Accruals

In general the BSL/2 should be completed on an accruals rather than a cash basis. Such accruals should be shown, where possible, against the relevant category of counterparty for assets.