

# Banking Supervision and Policy

Jeremy Quick, Director

John Dunford, Deputy Director



# Banking Supervision and Policy

- Trading environment
- Service Standards
- Risks



# Banking Supervision and Policy

John Dunford, Deputy Director



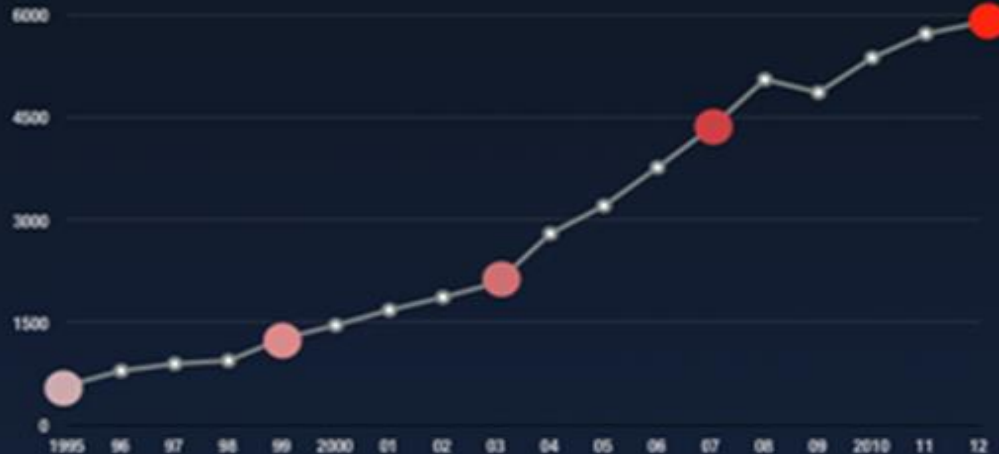
# Principal reasons for the banking crisis



- Low Capital
- Weak funding structures
- Poor Lending
- Poor trading investments
- Misguided mergers and acquisitions



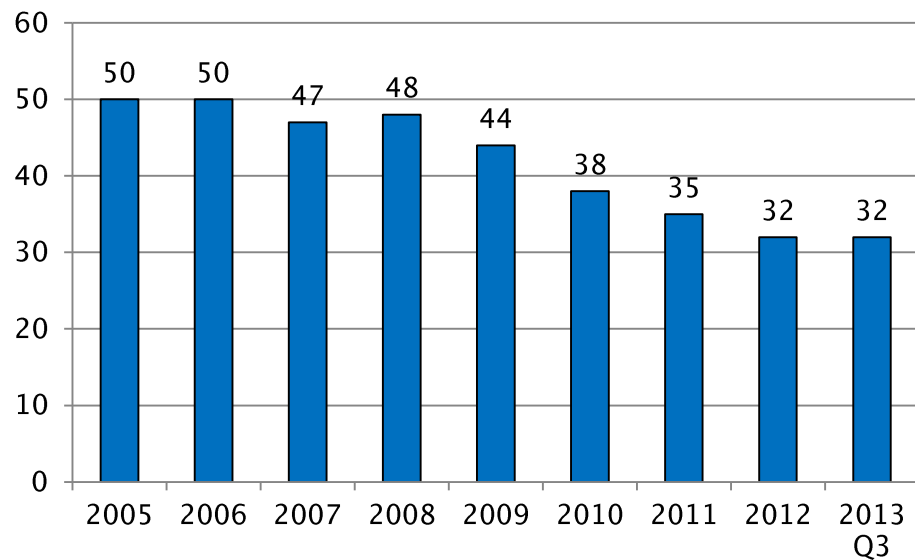
## If the biggest banks were “too big to fail” in 2007, what are they now?



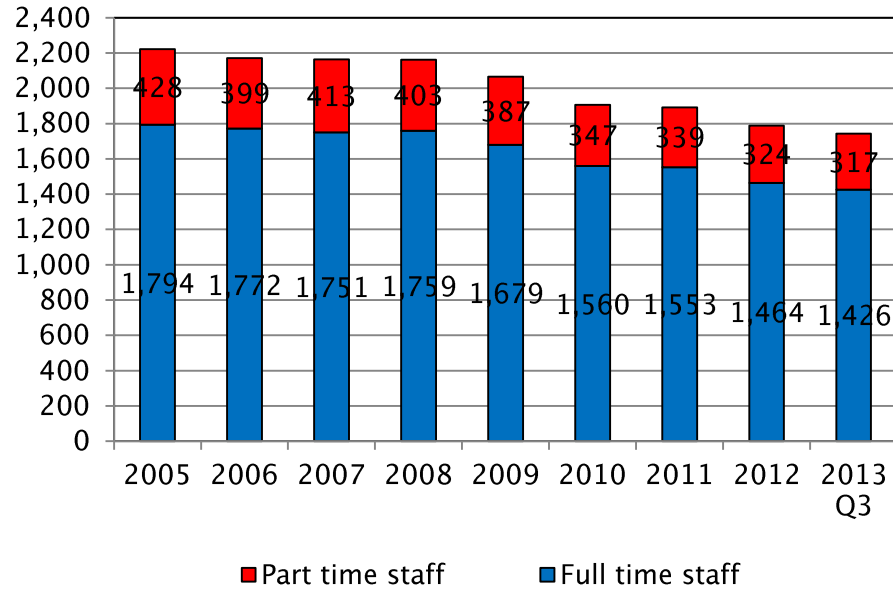
Assets of the 4 biggest banks in the US, in billions, 1995 to 2012

END "TOO BIG TO FAIL" | SWITCHYOURBANK.ORG | SOURCE: FDIC

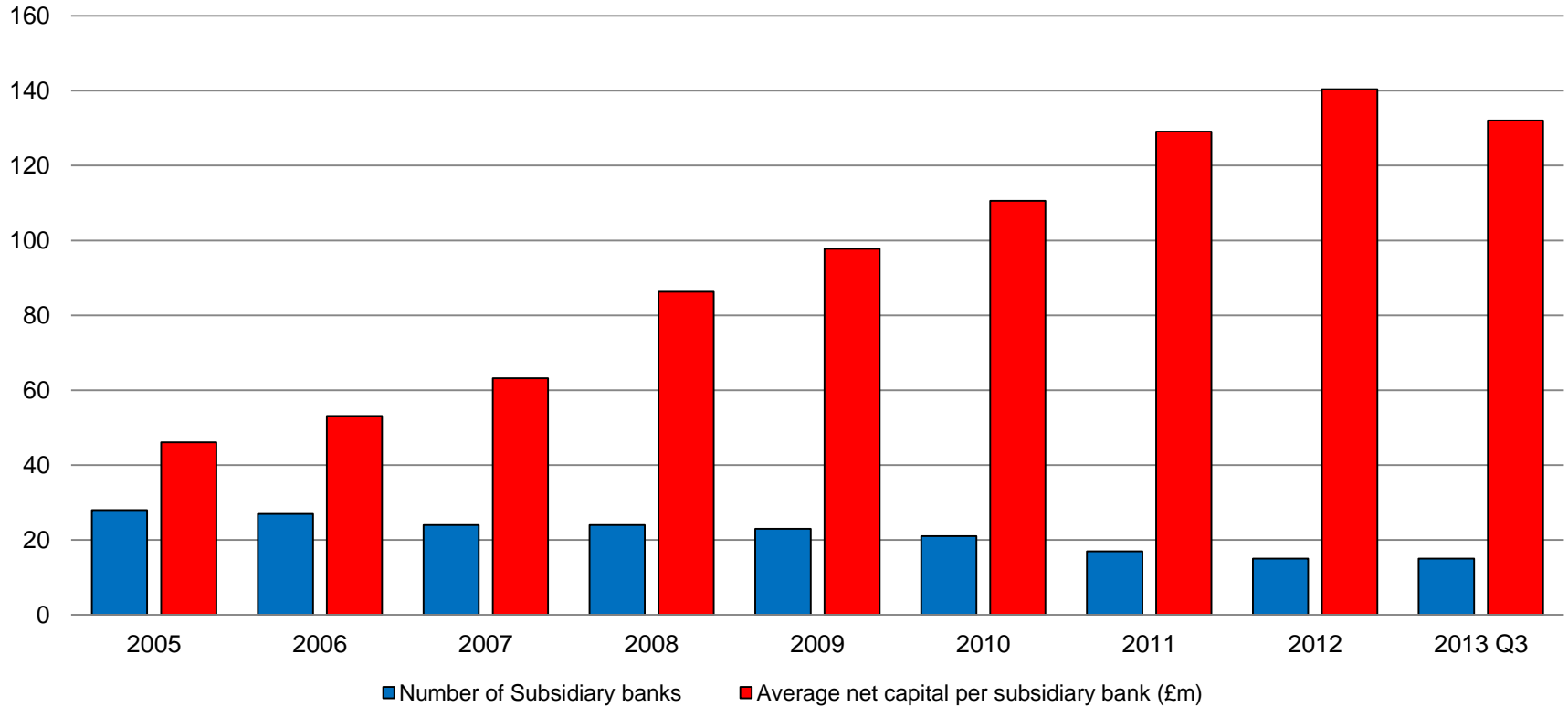
## Number of banking licensees

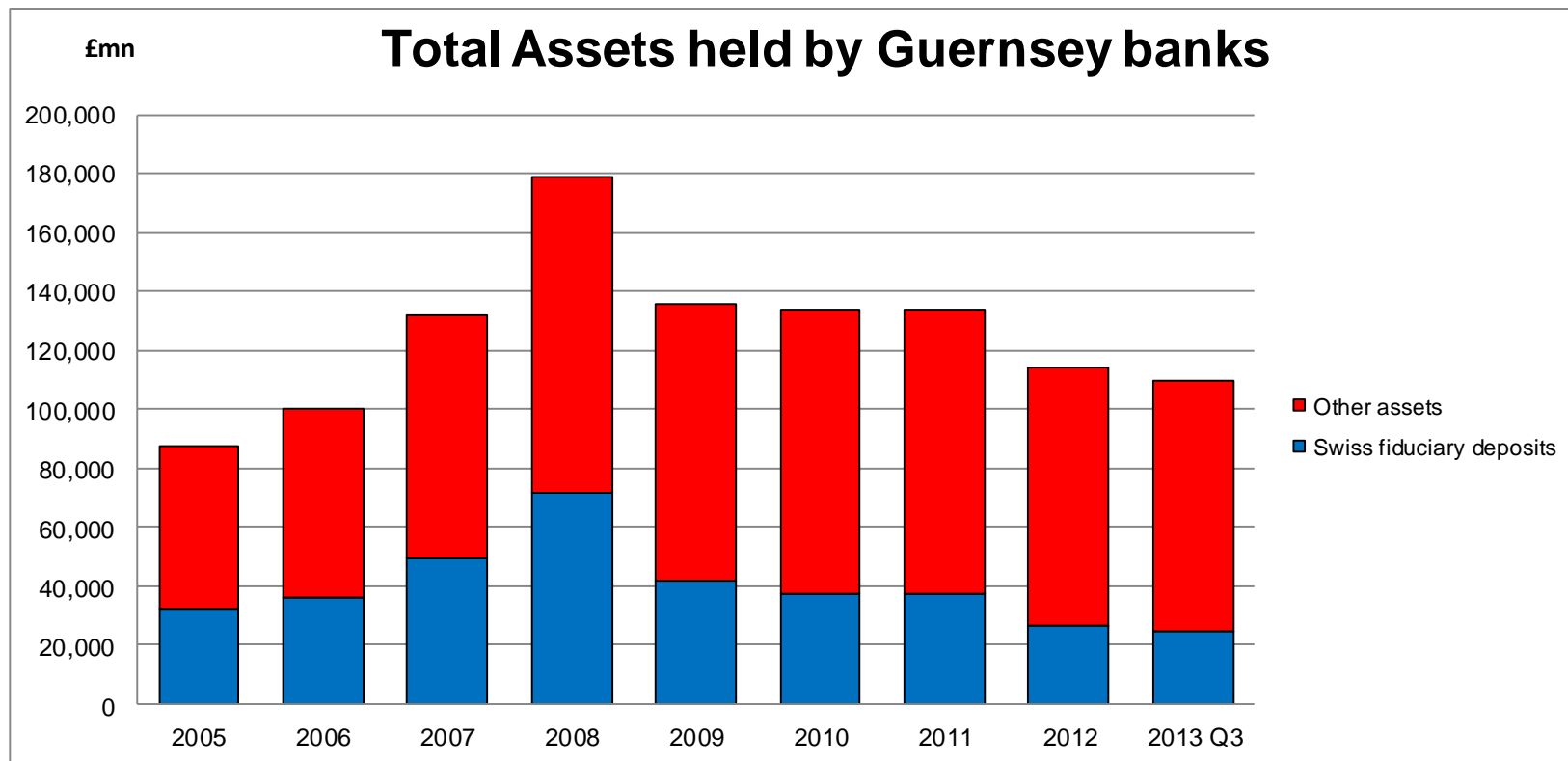


## Staff numbers in Guernsey banks

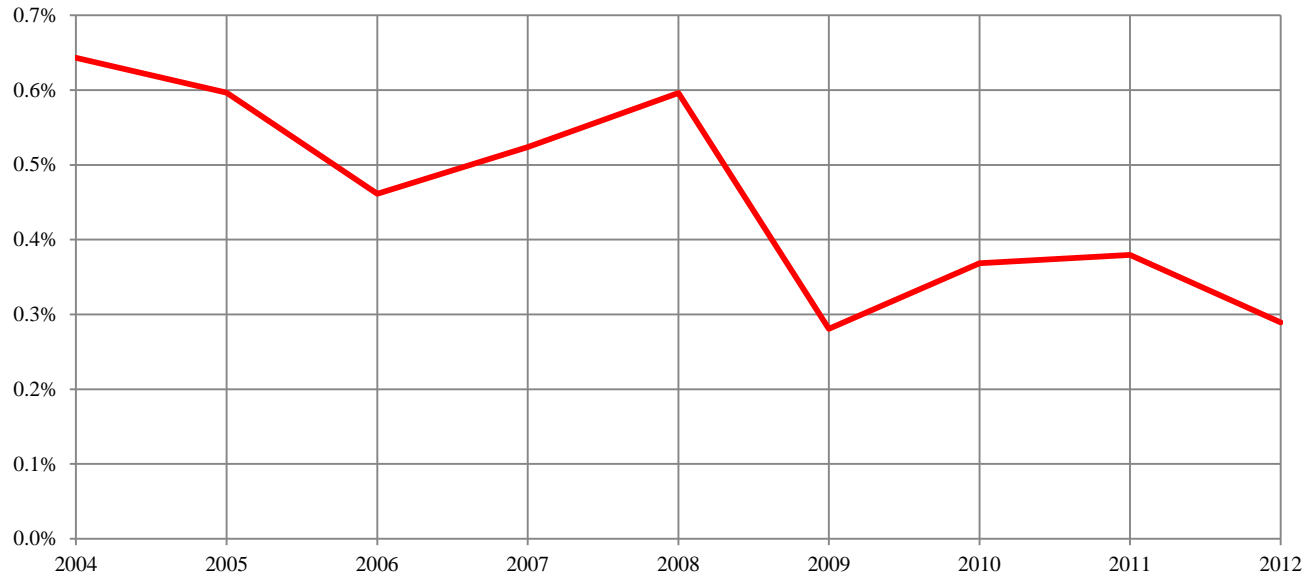


## Average net capital per subsidiary bank

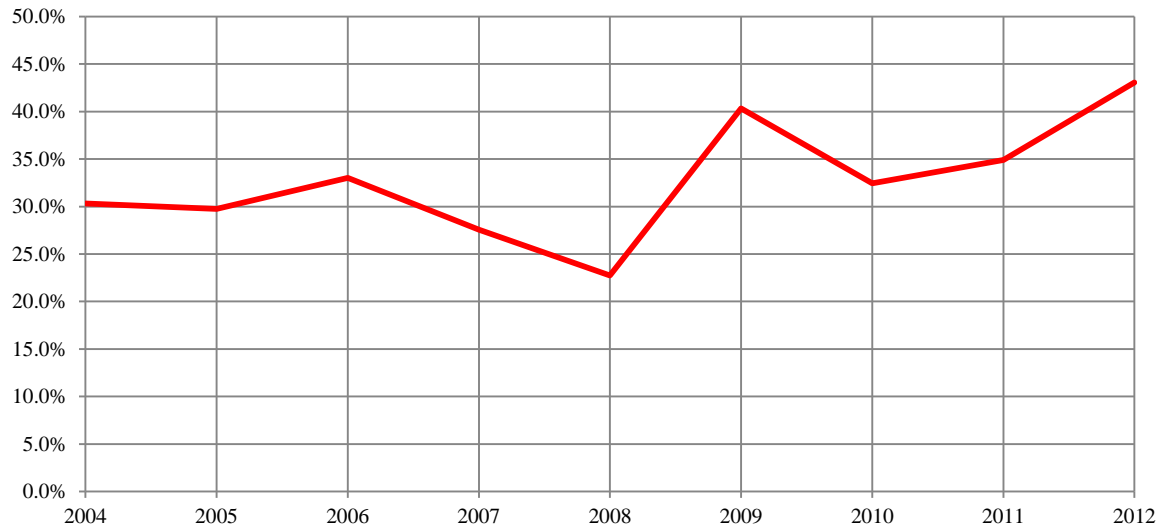




## Pre-tax return on Assets % - all licensees



### Cost / Income Ratio % - all licensees



# Supervision



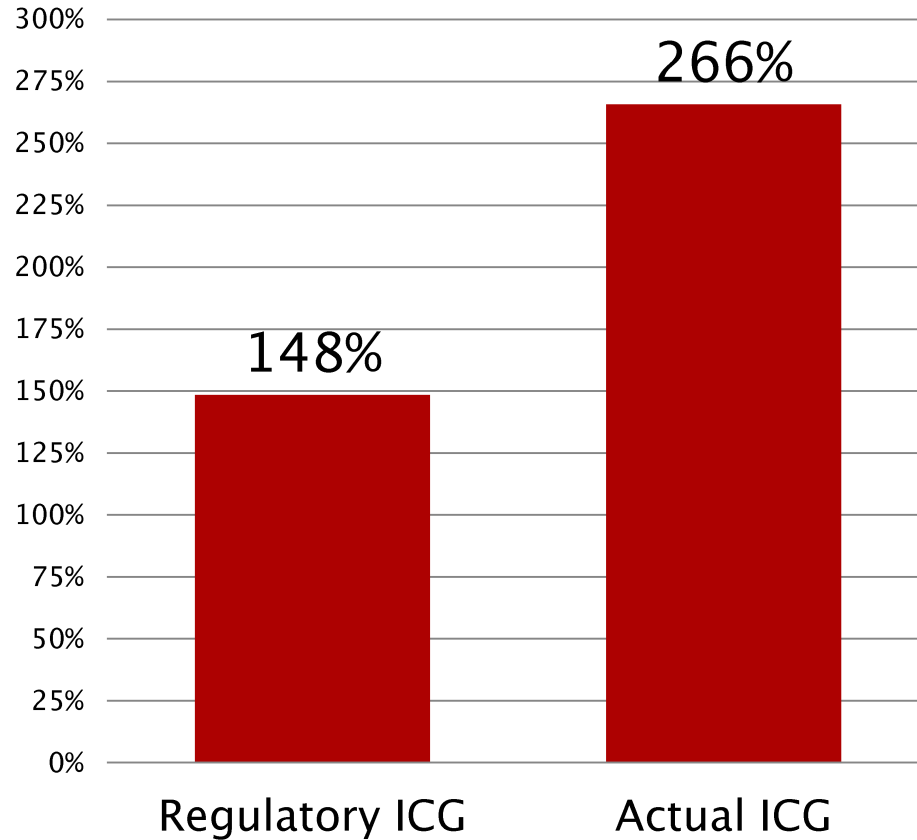
- ICAAP reviews
- Credit on-site reviews
- Prudential meetings
- AML/CFT reviews
- Colleges
- Tri-party meetings with Crown Dependencies

# Supervision

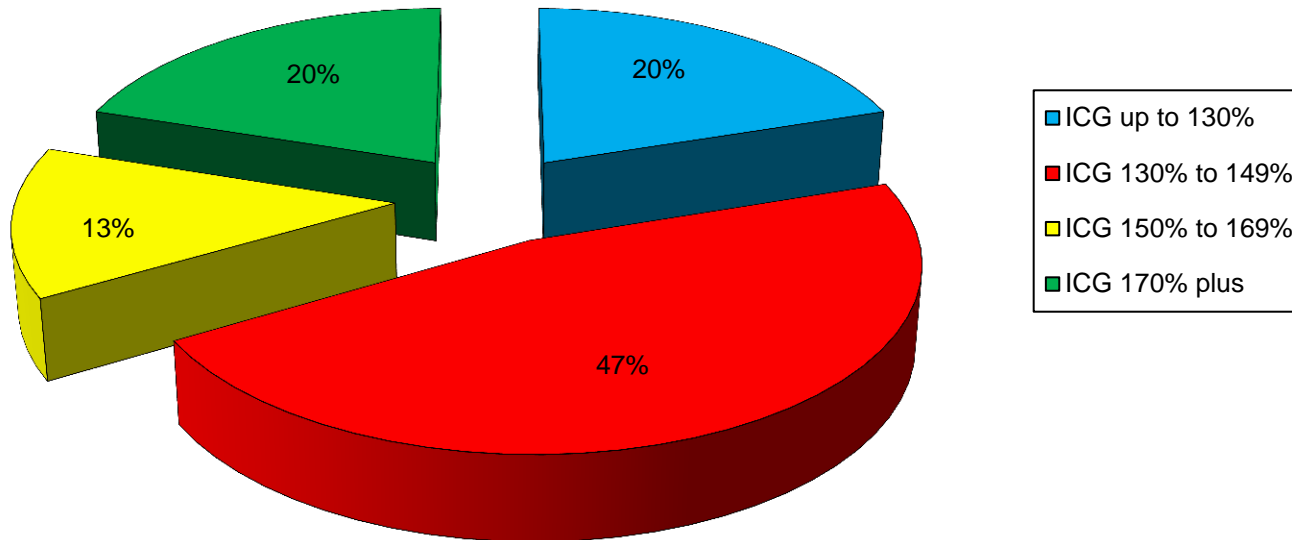


- ICAAP reviews
- Credit on-site reviews
- Prudential meetings
- AML/CFT reviews
- Colleges
- Tri-party meetings with Crown Dependencies

## Regulatory ICG v Actual ICG



## Commission prescribed minimum Individual Capital Guidance for Guernsey subsidiary banks - December 2012



# Supervision



- ICAAP reviews
- **Credit on-site reviews**
- Prudential meetings
- AML/CFT reviews
- Colleges
- Tri-party meetings with Crown Dependencies

# Bank Credit Reviews



- Collateralised
- Controls
- Managed

# Supervision



- ICAAP reviews
- Credit on-site reviews
- Prudential meetings
  - AML/CFT reviews
  - Colleges
  - Tri-party meetings with Crown Dependencies

# Prudential Meetings



- 11 prudential meetings
- Quarterly meetings with UK clearers

# Supervision



- ICAAP reviews
- Credit on-site reviews
- Prudential meetings
- **AML/CFT reviews**
- Colleges
- Tri-party meetings with Crown Dependencies

# AML/CFT



- Monitoring remediation activities
- Financial Crime Division

# Supervision



- ICAAP reviews
- Credit on-site reviews
- Prudential meetings
- AML/CFT reviews
- **Colleges**
- Tri-party meetings with Crown Dependencies

# Supervision



- ICAAP reviews
- Credit on-site reviews
- Prudential meetings
- AML/CFT reviews
- Colleges
- Tri-party meetings with Crown Dependencies

# Meetings with Crown Dependencies

- Three tri-party meetings in 2013
- Basel III requirements
- UK Banking Reform
- Mini-college meetings
- JFSC home supervisor prudentials
- PRA home supervisor prudential



# Policy



- Large exposures
- Basel III
- Basel Core Principles

# Large Exposures

- Consultation paper – March 2013
- Acceptance that current policy out of date
- Commission has taken note of responses
- Feedback paper imminent
- Effective date July 2014

# Basel III: Capital Adequacy



- Crown Dependency consistent approach
- Discussion Paper September 2012
- General consensus to adopt Basel III
- Timelines
- Transition before end of 2015
- ICAAP

# Basel Core Principles



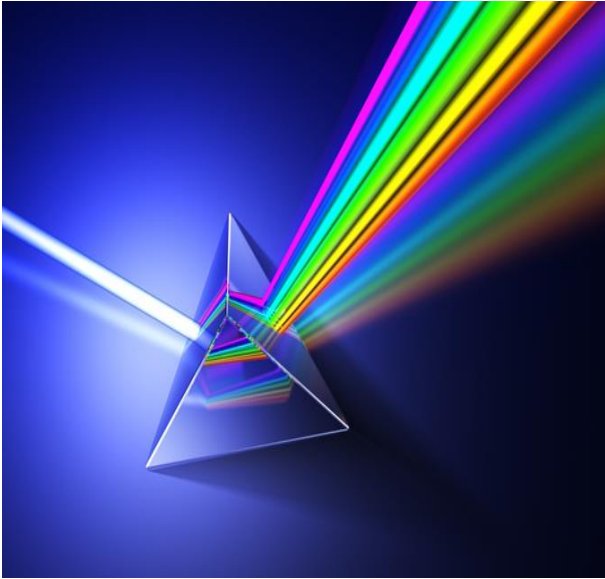
- Revised core principles
- Gap analysis
- Action plan
- New Corporate Governance core principle
- Financial stability

# Risks



- Upstreaming
- Miss-selling
- Low Interest Rate Environment
- Credit

# Probability Risk and Impact System – PRISM



- Impact
- Change in supervision
- Approach and intensity
- Risk Governance Panels
- Two-way process

# Risks

- Upstreaming
- Miss-selling
- Low Interest rate environment

# Credit



- Concentration risk
- Central London
- LTVs

# Conduct Unit

