



Guernsey Financial
Services Commission

Banking Supervision and Policy Division

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Is the banking system safer than in 2007?

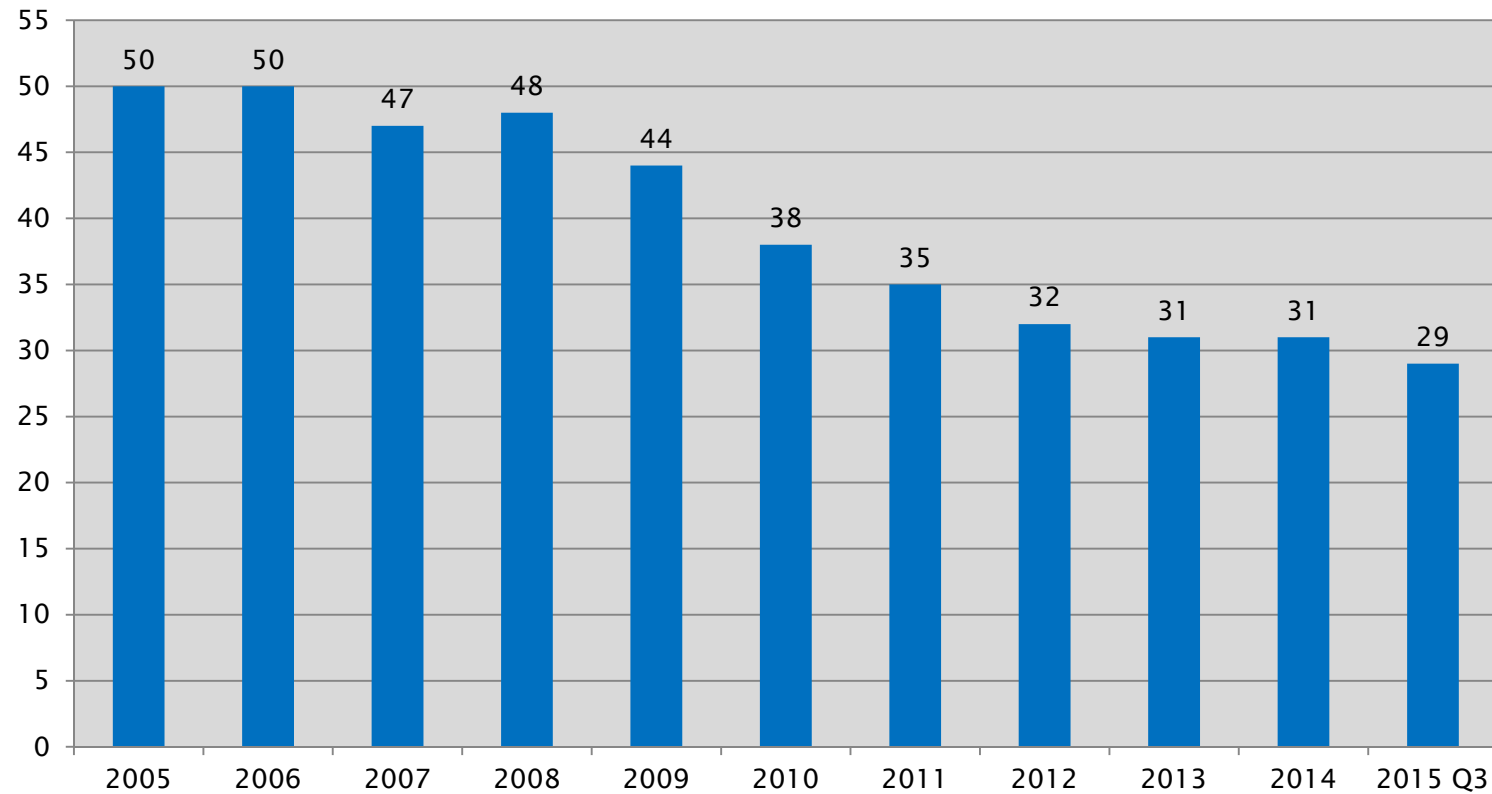
- Positives
 - More and better capital, better liquidity, separation of investment activity
- Negatives
 - Internal models, stress testing, provisioning, credit quality, cross border resolution
- Risk moved to the wider financial system
- Economic conditions

Agenda

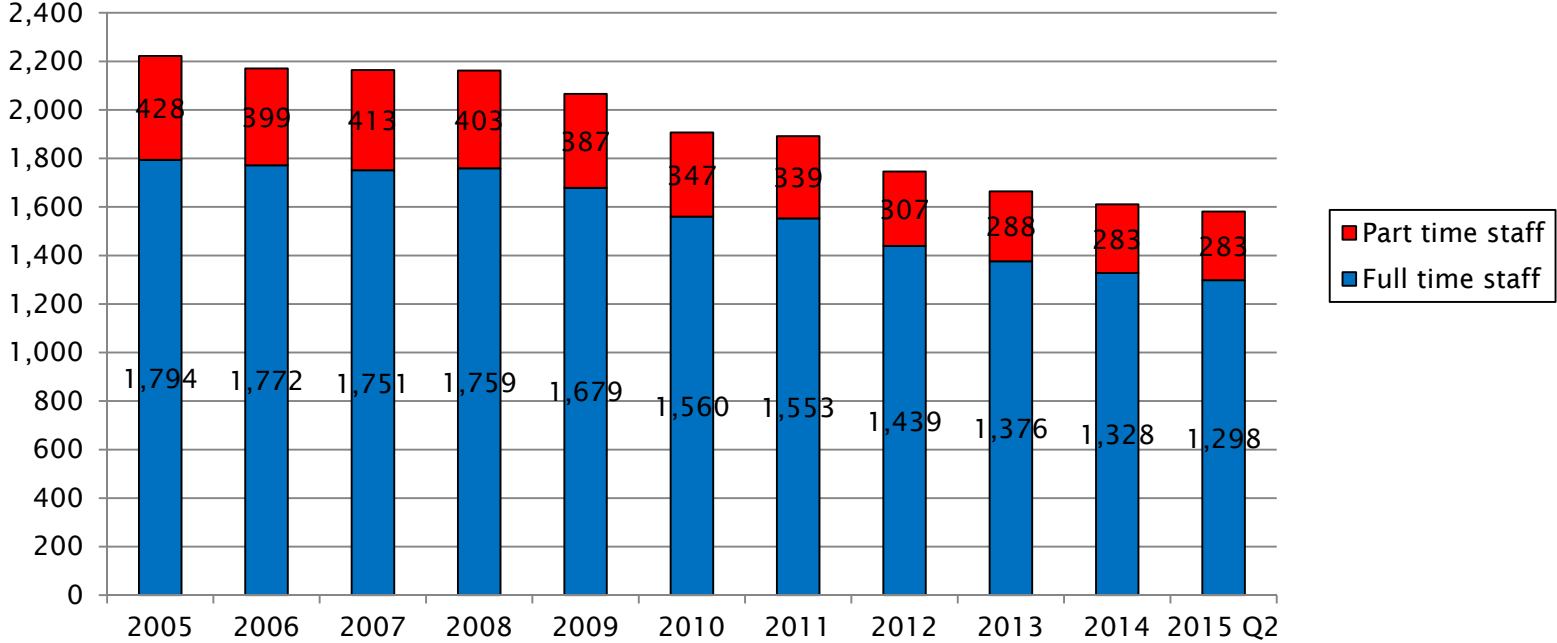
Banking Supervision and Policy

- Statistics and economic influences
- Review of 2015 Activity
- Looking ahead to 2016

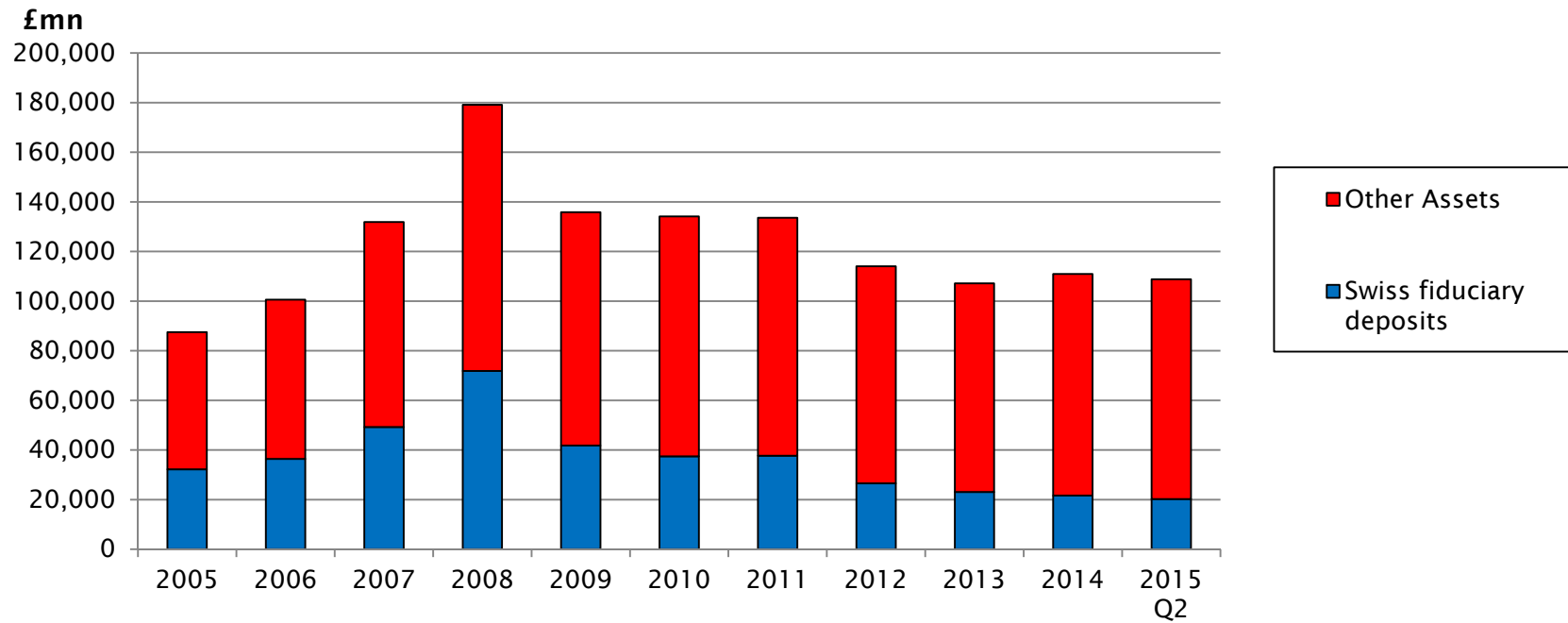
Number of Guernsey banking licences



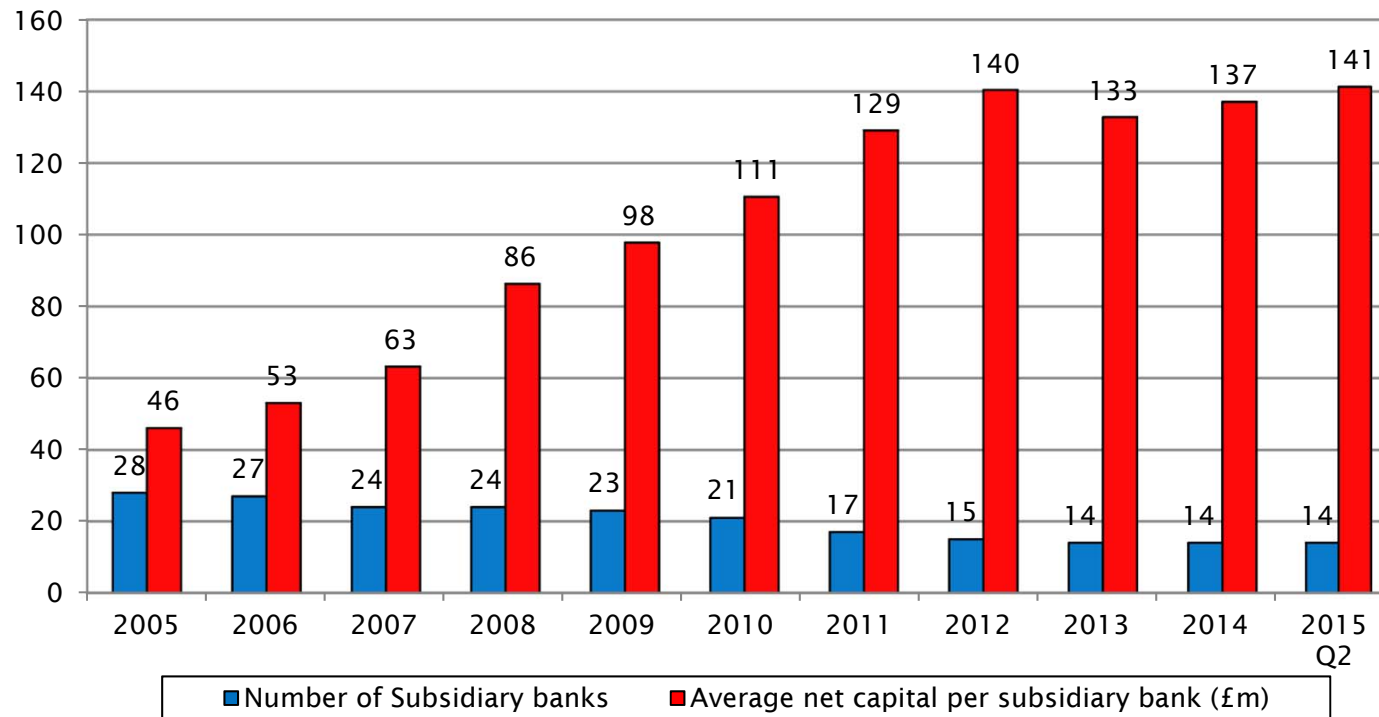
Staff numbers in Guernsey banks



Total assets held by Guernsey banks



Average net capital per subsidiary



Review of 2015 Activity

- Developing Basel III policy
- Embedding Prism methodology
- Attending Supervisory Colleges
- Completed Credit risk review
- Monitoring UK Banking Reform
- Supporting Single European Payments Area (SEPA) working party

Basel III

- Capital Adequacy and Leverage Ratio
 - Consultation paper – July 2015

- Liquidity
 - Discussion paper – July 2015

Embedding Prism – findings

- Operational Risk
 - Inadequate policies and procedures
 - Lack of communication and training
 - Inadequate management information
- Oversight of outsourced functions
 - Inadequate board oversight
 - Ineffective audit process
- Conduct

Supervisory Colleges

- Coordination
- Information exchange
- Enhance understanding
- Building relationships
- Enhancing reputation
- 7 colleges attended during 2015

Credit Risk Review

- 4 banks
- Differing business models lead to different control environments
- Problem Credits often develop when banks drift outside their target markets
- Private banks make tacit assumptions regarding the timing and method of repayment

UK Banking Reform

- PRA implementation – monitoring
- CPs issued 15 October 2015
- Funding from NREBs – institutional
- Intra-group transactions – arm's length

SEPA

- Single European Payments Area
- European Payments Council
- Crown Dependencies working together

Looking ahead to 2016

- Capital and Leverage implementation
- Develop Liquidity policy
- Revision of laws
- IMF visit preparation
- Thematic review – prudential reporting
- Resolution – for consideration