Since I came to Guernsey I've enjoyed meeting a number of directors (both executive and non-executive) who run firms within the Bailiwick. In those meetings I've often sought to understand their firms' business models – what their firms are actually doing to generate profits and why they find Guernsey a good place from which to operate their business. Several have told me that one of the reasons that they operate from Guernsey is because of the perception of Guernsey as a good quality jurisdiction where the rule of law is secure and where financial services regulations meet generally accepted international standards.

With Basel principles, IAIS insurance core principles, IOSCO Objectives and Principles of Securities Regulation and the FATF recommendations, we are certainly not short of international standards – those with which all first class jurisdictions are expected to comply. At the Commission we see ourselves as best helping Guernsey by working to ensure that Guernsey complies with those standards because, with compliance with those standards, comes international respectability and with that respectability come opportunities for our financial sector to trade with those outside the Bailiwick.

In addition to those standards there are other regulations, such as some EU related regulations, which the Bailiwick chooses to adopt. The decisions on whether to comply with these regulations, which sometimes go beyond international standards in terms of the demands they make, is essentially political. The Commission will sometimes have views on which ones would be useful to Guernsey, as will some parts of industry and it is for the States to decide at a political level which it wishes Guernsey to adopt.

It is certainly the case that regulations have become ever more demanding and, in the wake of very real public outrage in the on-shore jurisdictions at the greed and immorality which infected a significant number of financial institutions – cultural attitudes which many blame for the economic malaise in Europe over the last five years – it is highly unlikely that the global regulatory pressure will slacken anytime soon.

In these circumstances all who work at the Commission are having to work ever harder to ensure that we use our very finite time as effectively as possible to help Guernsey ensure that it cannot just subsist but thrive in the much evolved external environment. To help us do this, we are investing in a formal system of risk based supervision which will be rolled out over the next two years. This will see the Commission segmenting firms according to their ability, if they go wrong, to damage Guernsey. It will then engage most with the firms which would cause most damage were they to go wrong and with firms the Commission has already identified as troubled. Risk based supervision will also embed formal quality control processes to underwrite consistent treatment of firms. The focus will be on resolving significant issues at firms which create unacceptable risks to the Bailiwick. In our engagements, there will be an increasing focus on governance and understanding business models (i.e. how a firm makes its operating profit and what risks it takes to make that profit).

In terms of our interaction with industry, we want directors and employees to be comfortable coming to tell us about issues when they discover them so that there is a "no surprises" culture. Where there is serious misconduct or repeated failings we will, of course, reserve the right to take enforcement action but it is not our intention to be an enforcement led regulator. We wish those running firms to be transparent in their dealings with us and to work to resolve issues which they encounter. We see those responsible for the governance of firms as natural partners of the Commission - helping ensure that all Guernsey firms are properly and prudently run.

William Mason