

States of Guernsey

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Policy Council Statement on Landsbanki

THE UK Treasury will support the States in representations with the Icelandic Government over Landsbanki Guernsey.

The development, which was confirmed today, follows a meeting on Monday with Treasury officials in London.

The Treasury is also to represent the Isle of Man in negotiations with the Icelandic authorities over the collapse of Kaupthing Singer Friedlander, another Icelandic bank which went into voluntary liquidation last Friday.

'This is a valued development and supports some of the many actions we have been taking on this issue,' said Treasury and Resources Minister Deputy Charles Parkinson.

'We have been accused of failing to act appropriately to this crisis but nothing could be further from the truth. An awful lot of work has been going on behind the scenes.

'I have been particularly grateful for the way the Guernsey Financial Services Commission has responded and the way staff have handled a delicate and constantly-changing situation.'

The GFSC has also written to the controllers of Landsbanki Guernsey's parent bank – the Icelandic regulators – pressing for parental commitments to meet the Guernsey bank's liabilities, including depositor liabilities, to be honoured.

States Chief Executive Mike Brown and Peter Neville, Director General of the GFSC, attended the meeting with the Treasury alongside representatives of the States of Jersey and financial regulators from Jersey and the Isle of Man.

The meeting was arranged to discuss general financial stability issues surrounding the global financial crisis, though the situation regarding Landsbanki Guernsey was raised.

Mr Brown said that that the Treasury was confident in its rescue package. It was evident that the measures taken in Britain, and across the world in the jurisdictions of many 'parent' banks of Guernsey branches and subsidiaries, would help to secure the futures of those banks.

The multi-billion pound rescue plan for British banks was intended to inject stability into the banking sector.

A consequence of this will be to provide sound head office backing for local subsidiaries and branches.

A key element of the package is that the banks will be free to operate commercially, and are expected to do so. The UK Government has made clear that it does not intend to interfere with those day-to-day commercial operations.

It was recognised at the meeting that the island-based branches and subsidiaries of the UK banks concerned were making a very substantial contribution to the parent bank's liquidity through 'upstreaming'. This benefits the UK banking system and, by extension, the UK Government.

Mr Brown added that similar support from other countries to their banking systems should benefit the remaining institutions in the island with non-UK parents.

While it is clear that the UK Depositor Protection Scheme does not cover depositors in Guernsey institutions, the meeting also provided an opportunity to brief Treasury officials on Guernsey's intention to introduce a scheme in November.

Deputy Parkinson, who is heading the technical group in Guernsey progressing the plans for such a scheme, said:

'I am pleased that work on our proposals is progressing quickly and look forward to meeting again next week with the representatives of the banking sector to continue our work in designing the new system.'

Contact will be maintained by the States and the Guernsey Financial Services Commission with the relevant UK authorities and the banks on all issues relating to the financial crisis, and longer-term stability issues.

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