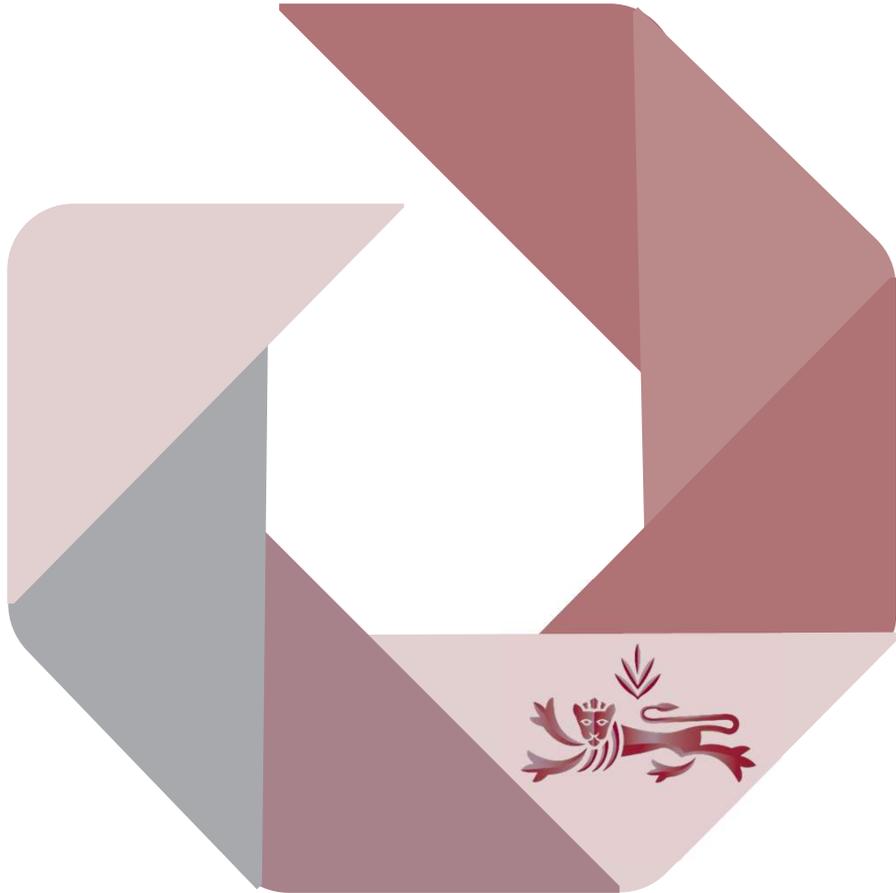




Guernsey Financial
Services Commission

Approach to Risk Based Supervision – a refresher

8 October 2024



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Director General**



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Director General**

Overview

- Why do we need Risk Based Supervision?
- PRISM
- Impact and Probability
- Levels and Types of Engagement
- Commission Toolkit
- Summary
- Questions

Audience questions



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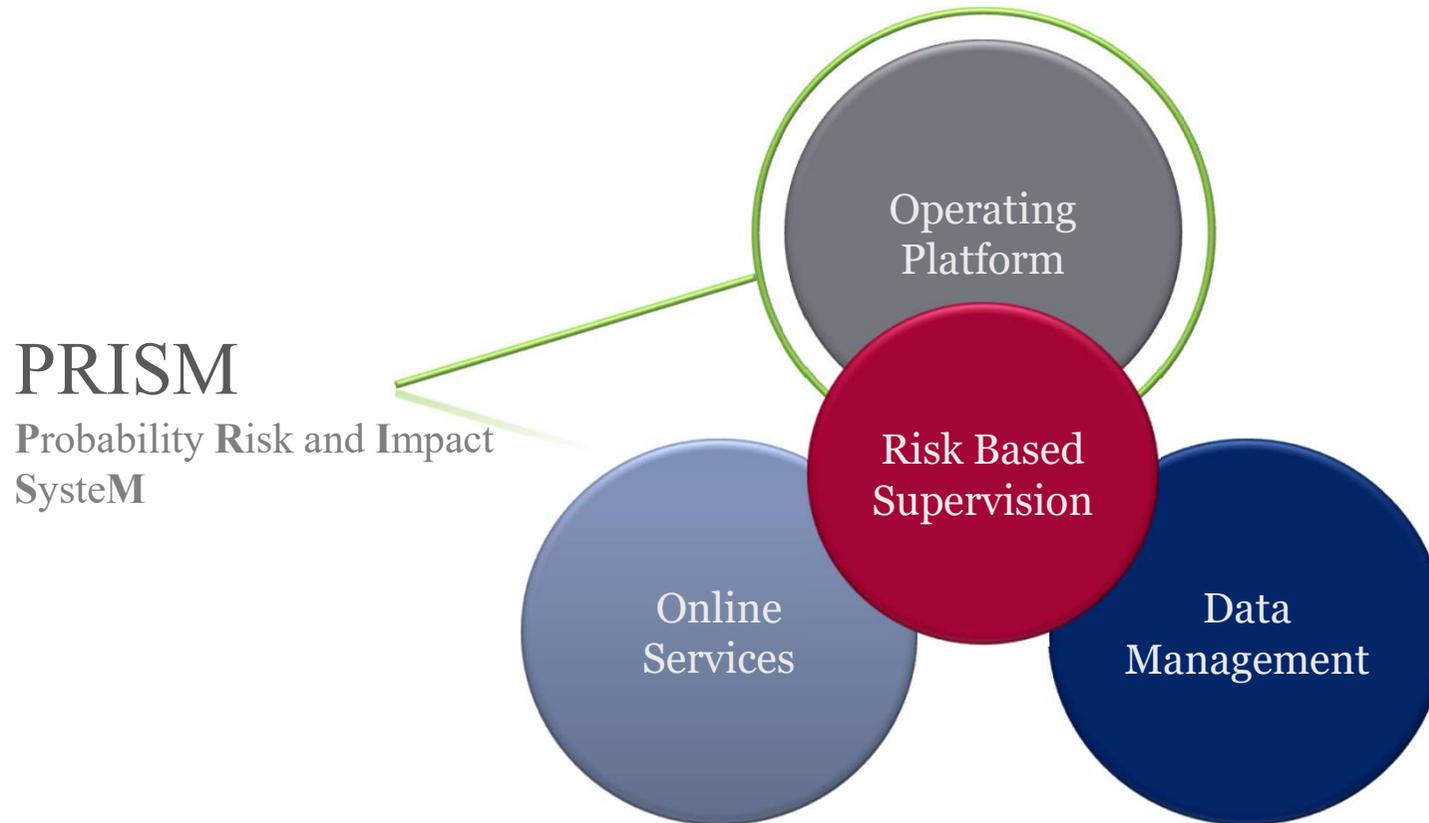
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Why do we need Risk Based Supervision?

- Optimised allocation of resources based on a combination of the impact of a firm on the Bailiwick and its risk probability.
- Ensure that we have the right engagement levels with supervised entities.
- Increased consistency and transparency of supervisory activities.
- Alerts to help supervisors detect any outliers.
- Help supervisors make structured judgements about the risks a firm poses.
- Ensure risks are mitigated, with progress tracked.



The Commission uses PRISM to implement Risk Based Supervision

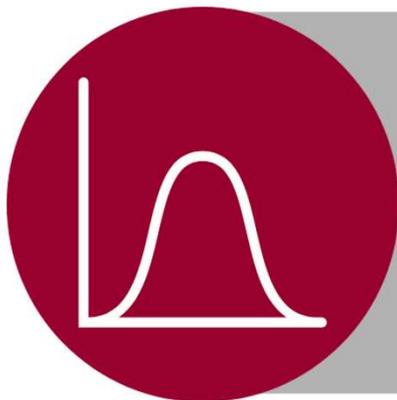


Impact and Probability Risk



Impact

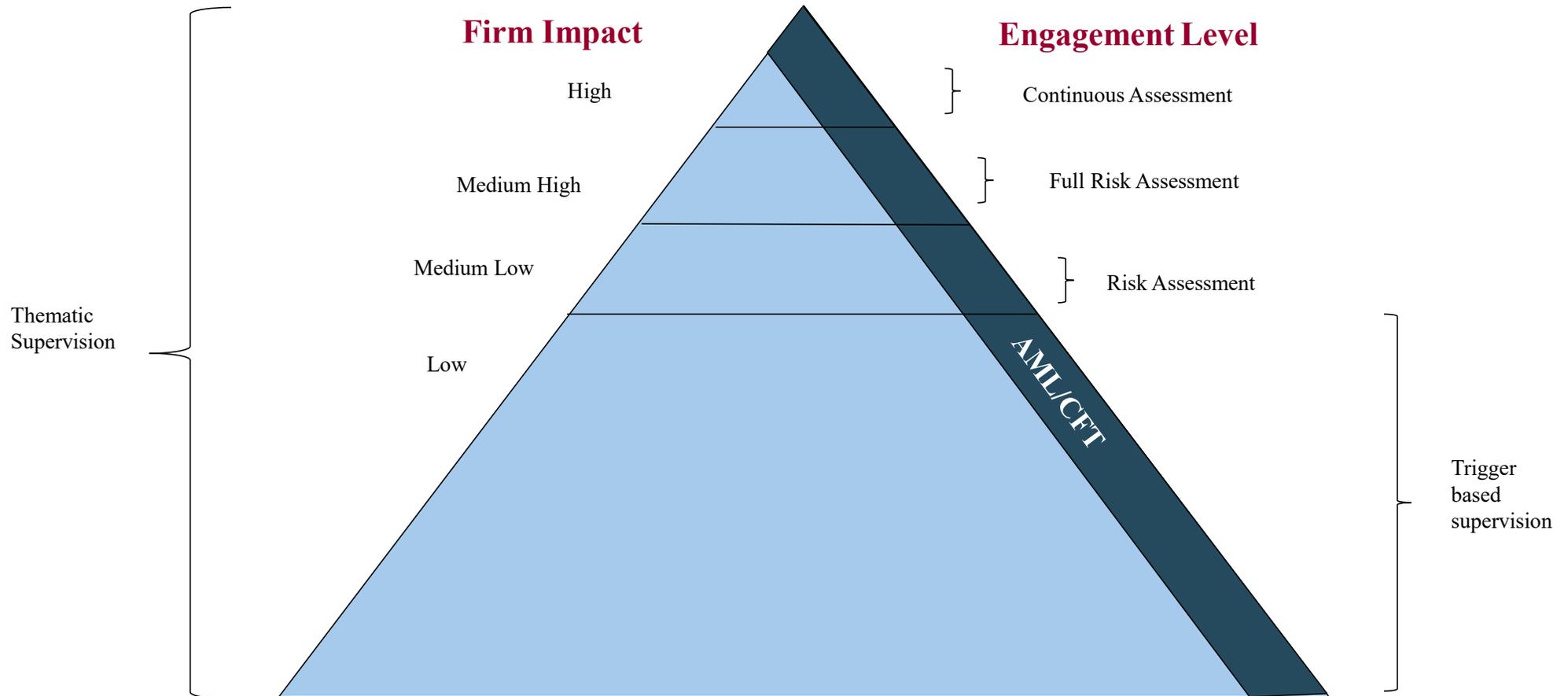
The degree of damage that a licensee, firm, registered entity or group, could cause its consumers, the financial system in the Bailiwick and elsewhere, the Bailiwick economy and the public were it to (a) fail; or (b) fail to observe proper standards of conduct.



Probability risk

Is the likelihood of the problem occurring.

The Impact Triangle



Financial Crime Risk Rating

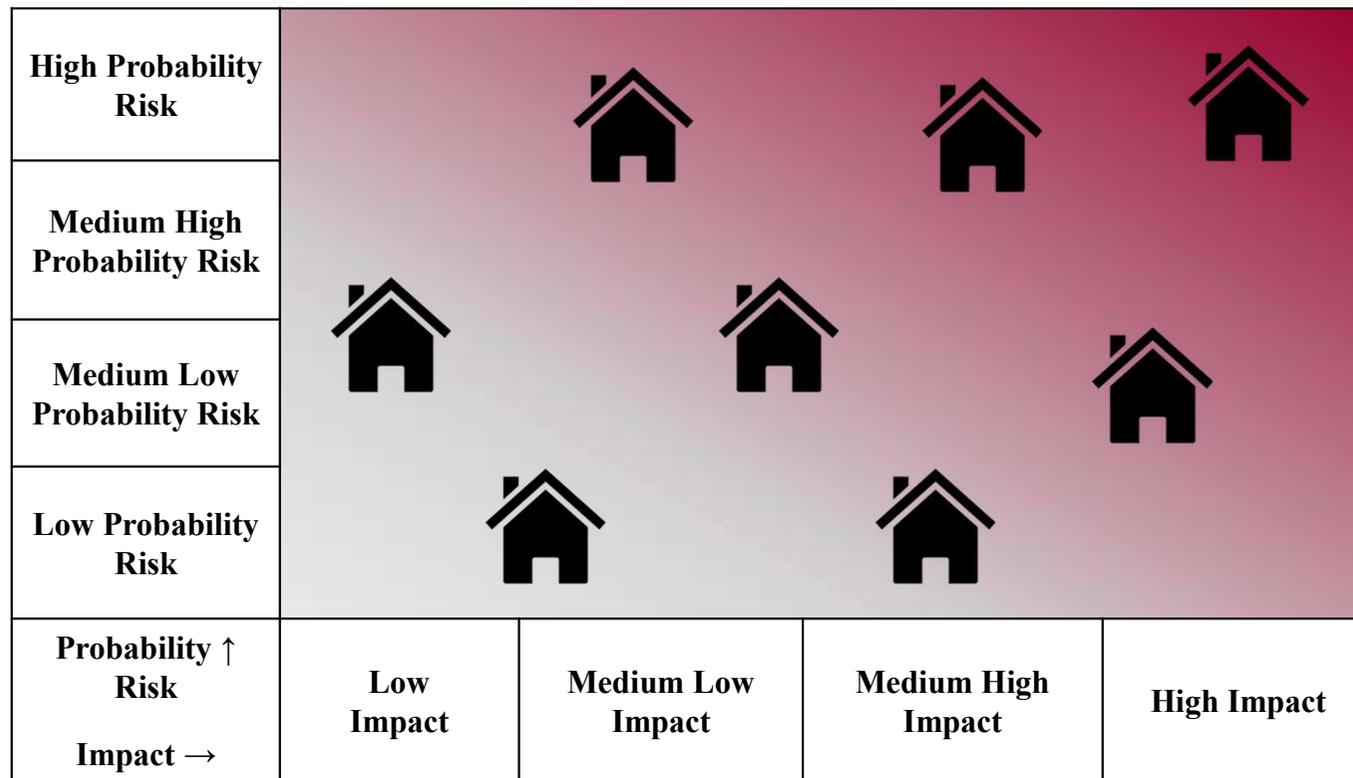
**(Inherent risk + Internal controls) × National Risk Assessment
= Residual risk**

Residual risk → Engagement = Probability Risk assessment

Probability Risk

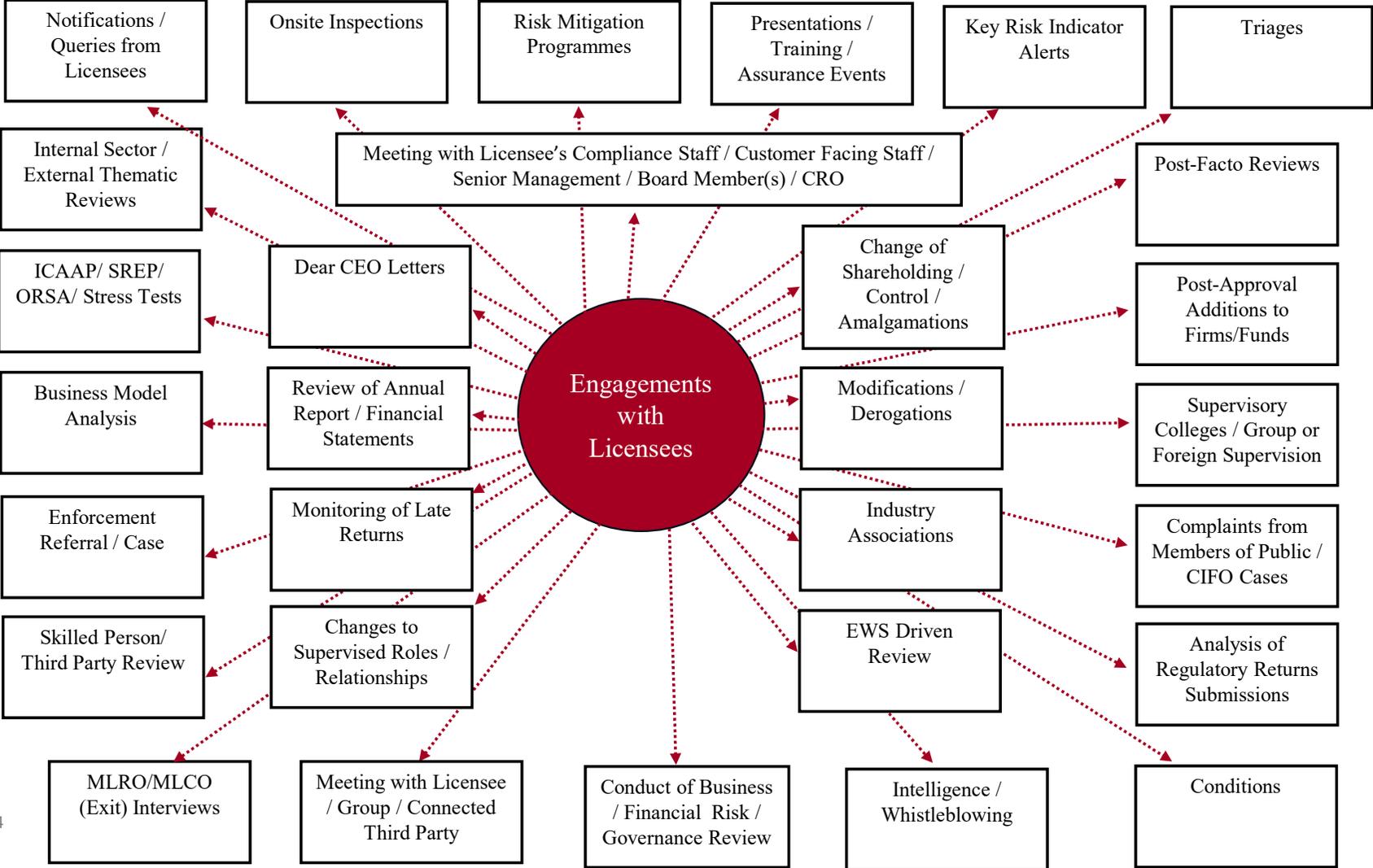
- Assessing the likelihood of a problem occurring
 - Assessed across a number of different risk categories
 - Judgement based - assessments performed by supervisors
 - Assessed as:
 - **High**
 - **Medium High**
 - **Medium Low**
 - **Low**
- Risk Appetite

Supervisory attention map

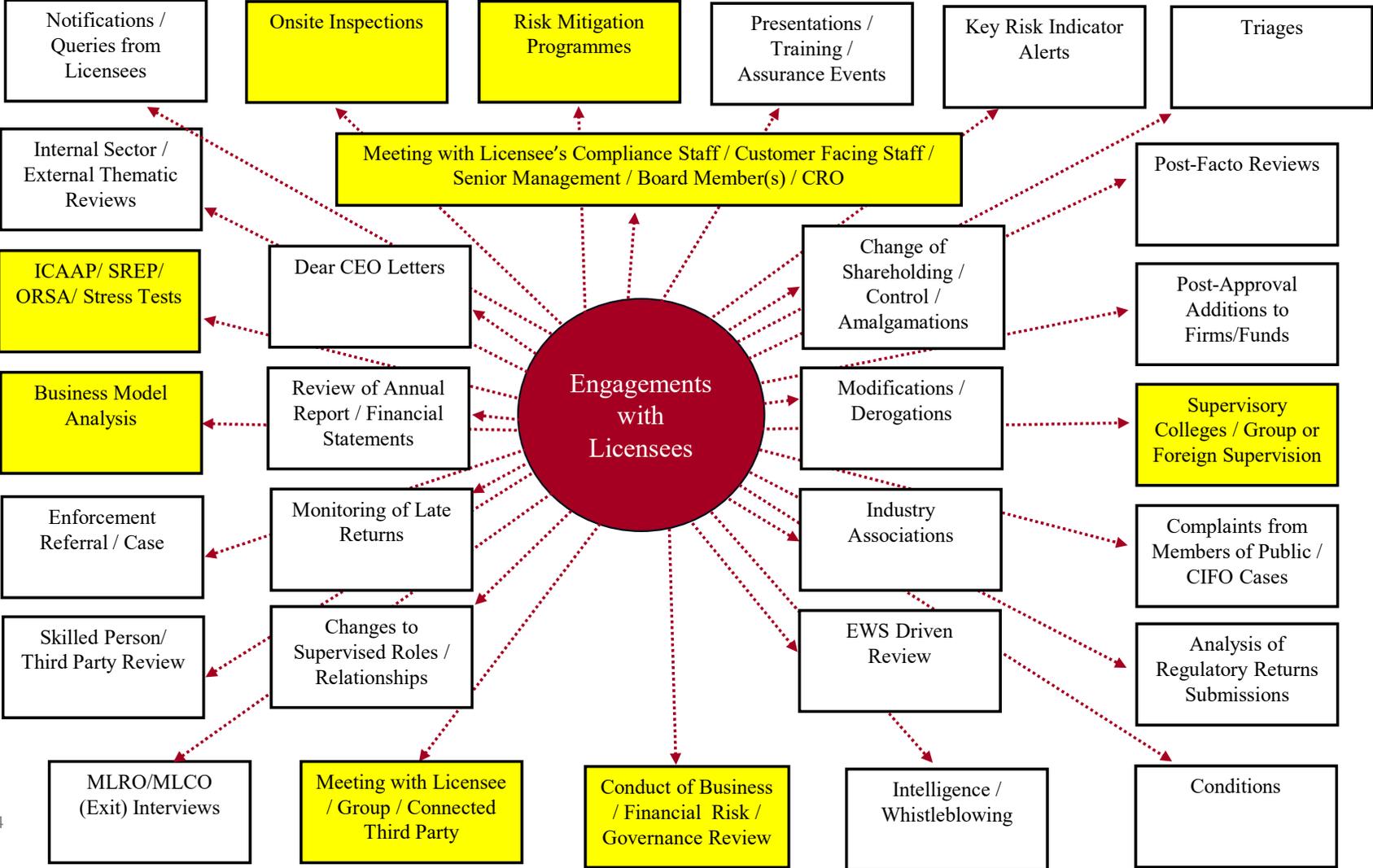




Engagements



Engagements



What is in our supervisory toolkit?



Examples of supervisory tools

- What's the difference between a Third Party Review versus a Skilled Person Appointment? [gfsc.gg explanatory note]
- What types of appointments has the Commission made?
 - Adherence with the Handbook
 - Reviewing customer files
 - Remediating deficient policies and procedures
 - Specialist knowledge (eg greenwashing, cyber risk)
 - Assessing why issues or crystallised risks have occurred
 - Project oversight of integration plans

Summary

Questions



End