

Come gather 'round people wherever you roam
And admit that the waters around you have grown
And accept it that soon, you'll be drenched to the bone
If your time to you is worth saving
Then you better start swimming
Or you'll sink like a stone
For the times they are a changing





Guernsey Financial
Services Commission

The interaction of business culture with regulation in the present decade

Drs Cees Schrauwens, Chairman



3 R's revisited

- Risk
- Reward
- Reputation



The Bailiwick of Guernsey – the background

- The GFSC supervises nearly 2100 firms, some 800 of which are incorporated funds
- There are over 1500 Boards on the island (in the regulated sector)
- Who have almost 7200 Directors
- Roughly 5 per Board
- On average 3 of those are NEDs
- There are 4500 NED positions



Principal Risks for a Company

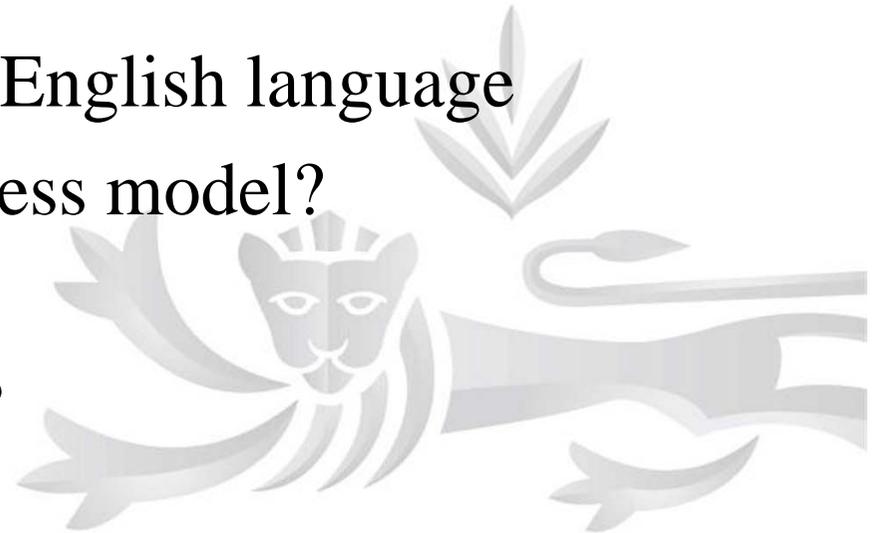
Risk to Companies and their Directors have increased substantially

- In particular as a result of the hunt for yield
- We are not yet used to the low interest rate environment
- Companies and individuals taking extra risk to bridge the gap
- Interest rate 'Futures' suggest that now is the new normal
- Actions from regulators (Senior Management Regime)

Principal Risks for a Company (continued)

Decide on Risk appetite your own and that of the Company/Fund

- Difficult to do
- Often the worst usage of the English language
- Do you understand the business model?
- Certainly follow the money
- What is your Risk tolerance?



Principal Risks for a Company (continued)

How effective is the Board?

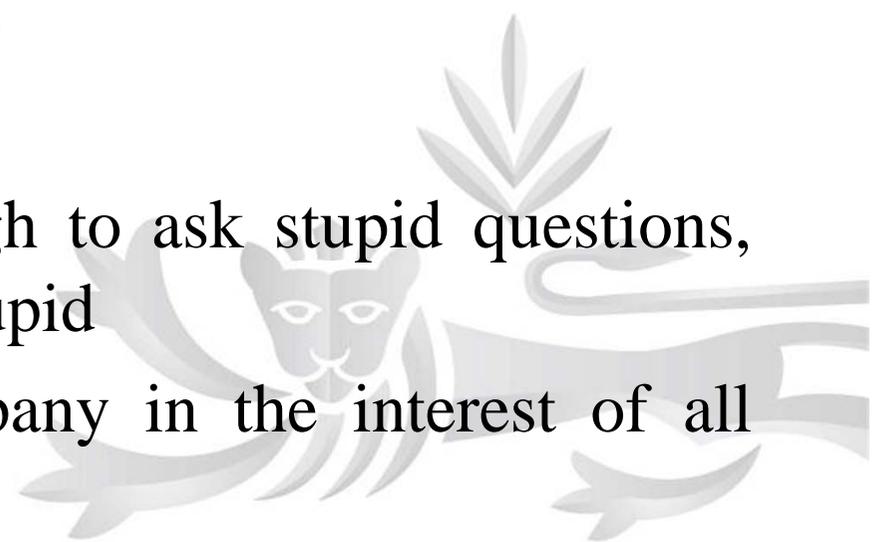
- Does the Board have real powers?
- Knowledge and/or Independence
- Enough expertise
- Sufficient experience



Principal Risks for a Company (continued)

Robust Challenge

- Do risks correlate, creating the infamous Black Swans
- What if the Chair is uncomfortable with your challenge
 - Fight and stay on the inside or
 - Leave and lose all power?
- NEDs should be brave enough to ask stupid questions, which may turn out not that stupid
- Are the actions of the Company in the interest of all stakeholders?



Principal Risks for a Company (continued)

Conduct and Culture

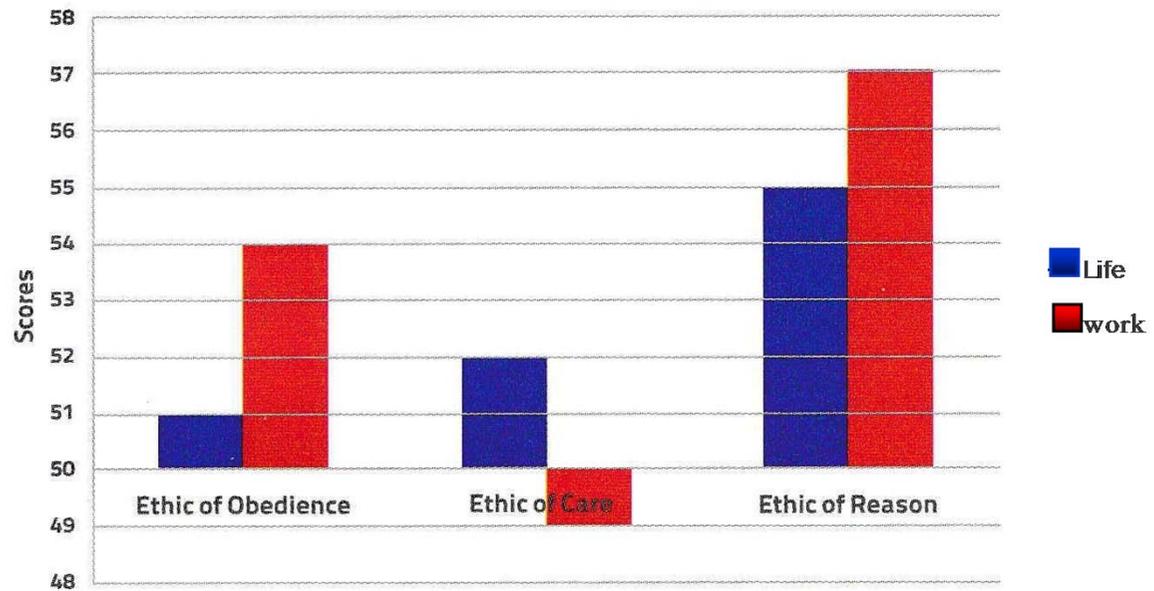
- The way we do things around here



Principal Risks for a Company (continued)

The Moral maze

MoralDNA™ Ethics in Life and at Work



Principal Risks for a Company (continued)

Is Risk Management working?

- Make sure you are not the next Case study



Principal Risks for a Company (continued)

Finger on the pulse

- Monitoring up to scratch
- Quality of the Board pack



Principal Risks for a Company (continued)

What sources of assurance?

- Internal Auditor
- External Auditor
- Compliance



Principal Risks for a Company (continued)

Attach a name to a risk

- Someone needs to 'own' the risk, not a Committee



Principal Risks for a Company (continued)

The Bailiwick is our livelihood and we need to:

- Protect it
- Nurture it; and
- Grow it



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