

STATES OF GUERNSEY SITTING WEDNESDAY 29TH SEPTEMBER 2010 10:50

QUESTIONS TO THE CHIEF MINISTER ON LANDSBANKI GUERNSEY AND THE
DEPOSITORS COMPENSATION SCHEME.

**THIS TRANSCRIPT COVERS QUESTION 2 ONLY ON THE GUERNSEY DEPOSITORS
COMPENSATION SCHEME :**

Bailiff: Deputy De Lisle, question two.

Deputy DeLisle: My second question sir, in view of the proposed EC recommendation to increase the depositor guaranteed scheme to €100,000 for EC countries, what steps are being taken in Guernsey to provide a level playing field for bank depositors, in the Bailiwick to prevent the likely flow of retail money away from the island?

Bailiff: Chief Minister to answer Question two.

Deputy TROTT: Thank you sir, with regard to this second question I should make it clear that the commerce and Employment department is responsible for the depositor Compensation Scheme and therefore it is not a matter for the Policy Council. That said the question does merit a full response and there are three important points that should be considered.

The first point is to emphasise is that the European Commission has issued a draft directive on this issue, that draft directive has not yet been approved by the European Parliament or the European Council, so is not yet law inside the EU. It may be that the draft directive is amended as part of the EU's legislative process, but until it is finalised experience of Brussels shows us that there is no certainty that the level of protection will be set at €100,000. Should the draft directive be approved it will then need to be transposed into domestic law in all EU member States, that process is likely to take some years, with the process usually taking between three and seven years depending on the nature of the particular proposal.

The second point that it is important to make in response to the question is that over 90% of the deposits in Guernsey are not retail in nature but are corporate, institutional or wholesale deposits and which therefore would not be covered by the proposed scheme should it eventually be translated into law. In addition the growth in deposits in the last decade has largely been from none retail deposits.

Sir a third and final important point is that Guernsey is not in direct competition with EU member states, its main competitors remain Jersey and the isle of Man. In conclusion it is important to note that Commerce and employment continues to monitor developments in Europe as well as in competitor jurisdictions such as Jersey and the Isle of Man and they will bring a report to the States if it is necessary to change to protect Guernsey's Competitive position in the future.

Deputy DeLisle: Sir if I can ask a supplementary clarification question. Is the Chief Minister aware of the Financial Services Compensation Scheme release of the 22 September (2010) whereby the Financial Services Compensation Scheme has announced that the protection limits for savers will increase from £50,000 to the sterling equivalent of €100,000 in January (2011). I realise that was only last week that particular release came out.

Deputy TROTT: Yes sir I was aware of that imitative and I refer the members to the answer I gave some time ago.

Deputy DeLisle: Can I ask a supplementary Sir. How much money does the Guernsey scheme hold or have access to in total and if a major high street bank failed is there enough to give everyone their money up to £85,000 or even £50,000.

Deputy TROTT: I am aware of the fact that the Commerce and employment are bringing proposals before this assembly, I believe at the November meeting of the States and under the circumstances, sir it would probably be appropriate for members to wait until they can read in detail those proposals.

Bailiff: Thank you Chief Minister, that completes question time 11:02 29September 2010