

STATEMENT BY ASSOCIATION OF GUERNSEY BANKS

CHAIRMAN, Steve Watts 29 December 2010

Speaking about The Guernsey Depositor Compensation Scheme in Comparison with the new upgrades for Europe & the UK from £50,000 to £85,000, while Guernsey intends to remain unchanged at up to £50,000 (up to).

GUERNSEY must balance an appropriate and affordable level of compensation for retail depositors with maintaining the island's competitive position, the Association of Guernsey Banks has said.

Chairman Steve Watts responded after it was announced that Guernsey would not follow the UK in upping the maximum payout to retail depositors under the deposit compensation scheme. From 1 January, the UK will increase the maximum payout from £50,000 to the equivalent of 100,000 euros – about £85,000. 'This has been flagged for a long time and is as a consequence of the UK being within the EU,' he said.

The Commerce and Employment Department said it had no plans to increase the level of Guernsey protection for savers, which is currently £50,000. 'Guernsey's banking sector contains a very different mix of depositor type as compared to the UK,' Mr Watts said. 'The local retail sector (the only part protected under any such scheme) is around 10% of the total of all deposits placed in Guernsey of around £117bn, a figure which has changed little over the past 12 months.'

'There remains a need to balance an appropriate and affordable level of compensation for retail depositors, while maintaining Guernsey's competitive position, especially with Jersey, where almost identical cover exists, 'The Guernsey scheme was introduced in November 2008 and AGB fully understands the need for it to remain under review. Indeed, some amendments were approved by the States last month including a new requirement for Guernsey banks to collectively provide £30m of funding within 14 days, with the balance (as before) payable up to three months later. 'In addition to the government, the board of the Guernsey scheme is also responsible for monitoring international developments in this area.'