

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

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

Deputy DeLisle: Thank you sir , two questions for the Chief minister. What actions have been taken by the Chief Minister and the policy Council on behalf of the landsbanki Guernsey depositors since the last update a year ago to follow up any political initiatives pursuing to the Chief Minister's visit to Iceland in August 2009, or with the UK Government. Has the Chief Minister had the opportunity to take up the invitation extended to him to meet with the Landsbanki Depositors.

Bailiff: Thank you very much, Chief Minister.

Chief minister Lyndon Trott: Thank you sir, I would like to start my response by making three important points, the first and most fundamental point in that responsibility for the recovery of depositors monies rests with the Royal Court appointed joint administrators with whom the policy Council remains in regular dialogue offering support where appropriate. The depositors have already received a return of 67.5 pence in the pound and the administrators estimate a total of circa 91p in the pound.

The second point is that I can state categorically as I have stated on many occasions before, that the Policy Council and I as Chief Minister will continue to do all it can to support the Royal Court appointed administrators achieve as full a return of deposits to savers as possible.

The third is that this assistance is given notwithstanding the fact that there has been neither government nor regulatory failure in Guernsey regarding Landsbanki. With that in mind, I can assure that the policy Council continues to engage in robust and consistent dialogue with the Icelandic authorities. As recently as July 2010 the policy Council directly communicated with the Winding up Board in order to promote the interests of depositors of Landsbanki Guernsey Ltd who had pursued private claims with the winding up board. On that occasion the Council brought to the attention of the winding up Board the difficulties faced by depositors who had been given little notice to attend the mediation meetings in Iceland. The winding-up Board subsequently wrote to the Policy Council, acknowledging that the notice given was insufficient and explaining that new meetings with a longer period of notice had been convened.

With regard to meeting landsbanki Depositors, I have met with and corresponded with depositors on many occasions, if however the question is reflecting the incorrect view of the Landsbanki Guernsey Depositors Action Group, that I have refused to meet with them, perhaps I could take this opportunity to set the record straight once and for all. As I have

stated publicly on numerous occasions, I have only ever declined to have private meetings with Landsbanki Guernsey depositors Action Group because the issue in question was that groups request for payment using Guernsey taxpayers money, my position was and remains that such a meeting should have been open to the public, the group is yet to accept this condition, having stated through the media and I quote "Landsbanki Depositors Action group meetings are private affairs and quite rightly so." Now sir time and events have moved on and in view of the significantly improved situation for depositors brought about by the work of the joint administrators and as the use of public funds to assist depositors has been discounted, I would argue and it is a position that was agreed by the Policy Council at its last meeting that no such public meeting will now be necessary. Thank you Sir.

Deputy DeLisle: Sorry , can I ask a supplementary on that in terms of the time that has passed. Had not the UK and the Netherlands gained priority status with the Icelandic winding up board, whereas landsbanki Guernsey and landsbanki Guernsey depositors have not benefited from this level of support. Why have they been excluded, and has the Chief Minister taken up this discriminatory action with those authorities in the UK.

Bailiff: Before you answer Chief Minister, you may well be able to answer it, I just say this Deputy DeLisle, we're in an area where we need to proceed with some care and particularly to achieve an accuracy of answers, so Chief minister if you feel able to respond now please do so, however if you feel more comfortable in replying in writing to the question having seen it in writing then we can transcribe it, I leave it to you.

Her Majesties Procurer: I don't know how well prepared the Chief minister was for that particular supplementary Question and I just draw attention to the provision of the rules that he's not obliged to answer if he's not confident that the answer would be accurate and complete.

Bailiff: Well that's really endorsing, thank you very much Procurer, that's something I put in a slightly different way, Chief Minister.

Deputy Trott: Thank you sir , I accept those bits of advice, that great care does need to be taken in answering any supplementary questions of this nature and whilst I feel both confident and able to be able to give a verbal answer to Deputy DeLisle now, I would ask that he accepts a written answer from me which has the appropriate legal scrutiny prior to his receipt.

Bailiff: Greffier, if you can arrange for the question to be transcribed and then forward it to the Chief Minister. Thank you very much. Deputy DeLisle Question two.

Deputy Matthews: Sir may I.....

Bailiff: Deputy Matthews, Yes .

Deputy Matthews: With regard to meeting the Landsbanki Depositors, the Chief Minister will remember that he telephoned into a Sunday phone-in, Deputy John Gollop and myself were on the panel and he made an offer to meet with the group if he received an invitation, my recollection of that is that there were no conditions applied, but I have heard his answer now where he says he would only meet in a public meeting but he doesn't think its necessary, so can I get confirmation that if the group do chose to invite him to a public meeting he will attend.

Deputy TROTT : I'm quite happy to answer that question, a matter of a few days before Deputies Matthews and Gollop appeared on that particular phone-in, a gentleman by the name of Dickens who at the time , I believe was the spokesman of Landsbanki Guernsey Depositors Action Group declared in writing to us ,sir, that no public funds were to be used, were requested by them, no public funds Guernsey taxpayers funds, under those conditions sir I felt comfortable in meeting them in private. That position has since changed, they believe that Guernsey taxpayers funds should be used and therefore my offer stands, I'm happy to meet with them, assuming they are happy to engage in a public environment, because as I said in my answer to opening question to deputy DeLisle we are talking about the use of all taxpayers funds and under those conditions it would be inappropriate for me to meet them in private sir.

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