

Bewildering Statement by Guernsey's Commerce and Employment Dept.

The following Statement was read out by Radio Guernsey this Morning as part of their News item.

Commerce and Employment says that while it monitors international developments in this area, Guernsey banking industry is significantly different to that in the UK and EU member States and doesn't plan to follow suit.

This is of course is in response to the email sent to all Guernsey Deputies regarding the the UK FSA's Press release regarding an increase in their Depositor Compensation from £50,000 to £85,000 to be paid within seven day of a bank going down, which is coming into force on 31st December 2010. According to the Chief Minister's statement in the States Assembly in September, this was unlikely to come in within three to seven years, which shows how on top of the situation they really are. It was the Landsbanki Guernsey depositors Action Group that brought it to attention some months ago.

Commerce and Employment state:

"Guernsey Banking industry is significantly different to that in the UK and EU member states."

How is it different? Depositor protection schemes are designed to protect the depositor in a retail Bank and those depositors are the same whether they be in Guernsey, the UK or in Europe. Commerce & Employment appear to have missed the point totally.

European Commission Internal Market and Services Commissioner Michel Barnier said in July 2010: "The adoption of today's package (speaking of the upgraded scheme being introduced on 31December 2010) marks the Commission's latest endeavour to bring transparency and responsibility to Europe's financial system in order to prevent and manage future crises. European consumers deserve better. They need reassurance that their savings, investments or insurance policies are protected no matter where in Europe they are based.

So Guernsey is not that super base for Financial excellence that they try to sell to the outside world, nor do they really care whether their retail bank depositors are fully protected or not, they are now lagging badly behind and in fact if they were honest the Guernsey Compensation Scheme was only brought in during November 2008 after Guernsey panicked when Landsbanki Guernsey was forced into administration and they worried about their tarnished reputation, it had nothing to do with the protection of their depositors.

It has only recently been discovered that at the States meeting in September 2010 this scheme had never been run properly since its introduction and reading between the lines the change to a post funded scheme was to get Commerce and Employment off the hook for two years of inefficiencies and the failure to get a single prefunded payment from the banks. (that's another story that Guernsey Deputies do not appear interested in following up) It appears that the retail banking sector has always been against prefunding and managed to pressurise Commerce and Employment in going back to the States for Post funding. This was against the wishes of Guernsey's Treasury Minister Charles Parkinson who wanted to retain what was now becoming the norm for Europe , a prefunded scheme. A total lack of understanding by the majority of deputies and some misleading comments by Guernsey's Chief Minister led to the post funding amendment winning the day and Carla McNulty Bauer, Commerce & Employments Minister could breath a sigh of relief that most of their inefficiencies would never come to light.

The flow of retail deposits out of Guernsey

Retail deposits have been flowing out of Guernsey now for a couple of years and the number of retail banks are slowly declining, not a particularly good advert for Guernsey. With this latest instant statement now by Commerce & Employment, regarding Guernsey's stance on the Compensation scheme, it can only speed up the exodus of depositors looking for a more secure place for their money, and in turn the slow loss of more retail banks. Now it only needs UK banks to be more amenable in accepting deposits from offshore. The problem is at present, very few, under the "know you Customer" proviso, will accept new customers without a UK address. Luckily a few do and hopefully this will increase.

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