



Guernsey Financial
Services Commission

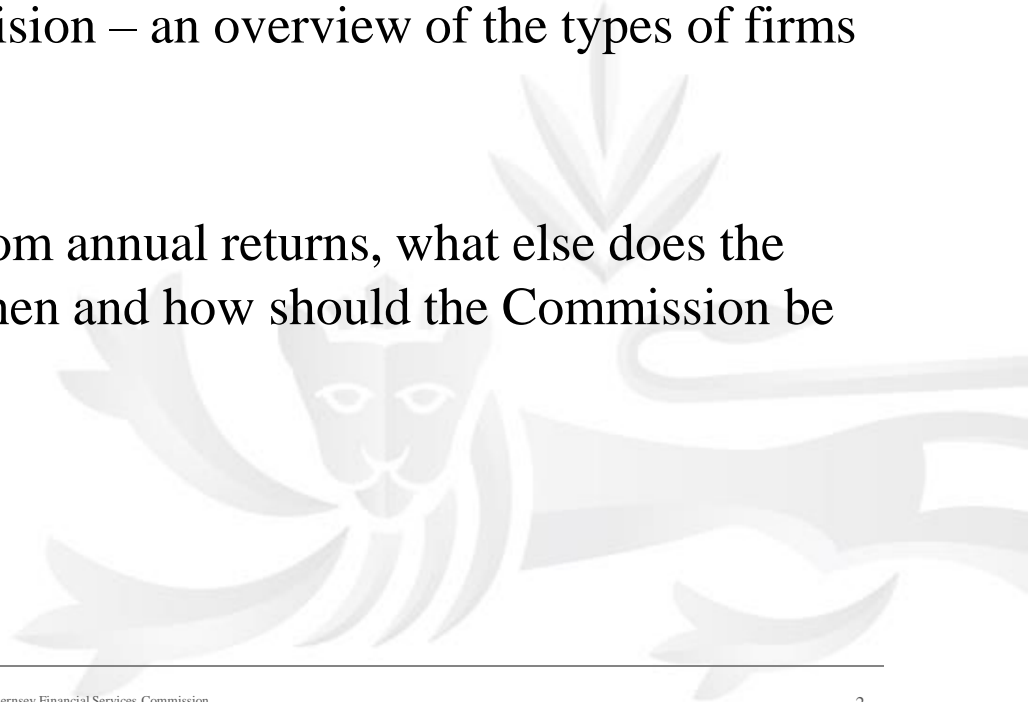
Presentation to the Insurance Institute of Guernsey

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22nd January 2020

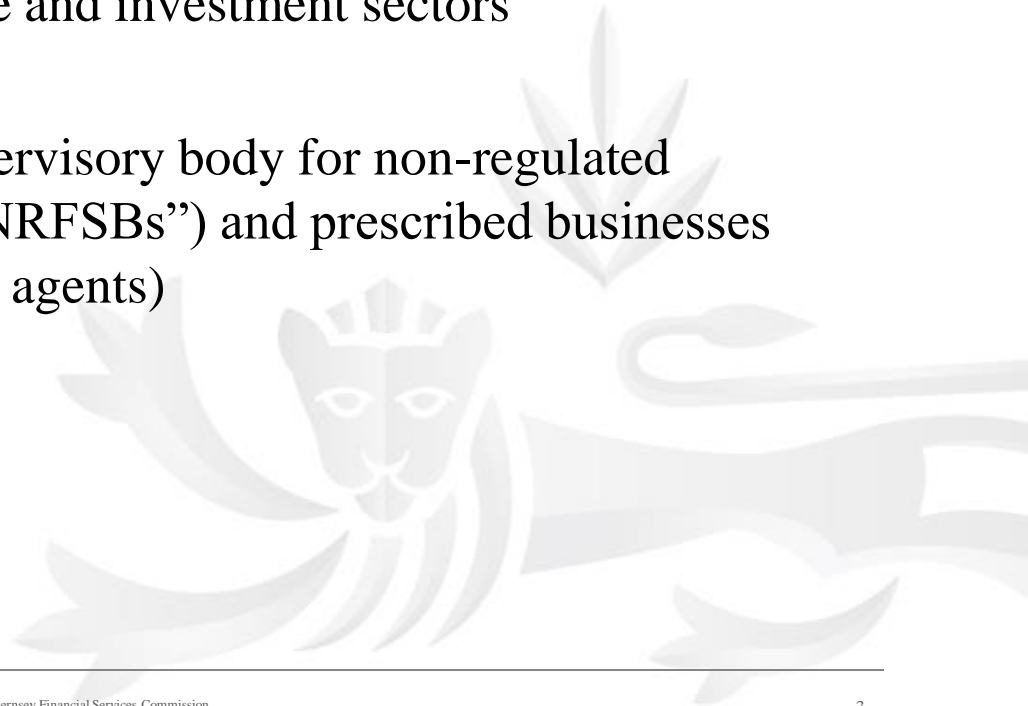
Key learning points

- The role of the Commission
- The Commission's risk-based approach to supervision
- The Banking and Insurance Division – an overview of the types of firms in remit and their supervision
- Insurance Supervision - apart from annual returns, what else does the Commission need to know? When and how should the Commission be notified?



The role of the Commission

- The Guernsey Financial Services Commission is the regulatory body for the finance industry in the Bailiwick of Guernsey
- The Commission licences and supervises over 2,000 licensees covering the banking, fiduciary, insurance and investment sectors
- The Commission is also the supervisory body for non-regulated financial services businesses (“NRF SBs”) and prescribed businesses (lawyers, accountants and estate agents)



The Commission's risk-based approach to supervision

- Why does the Commission need to use risk-based supervision?
 - Optimised allocation of resources based on a combination of the **impact** of a firm on the Bailiwick and its risk **probability**.
 - Ensure that we have the right engagement levels with supervised entities.
 - Increased structure, consistency and transparency for supervisory activities.
 - Help supervisors make structured judgements about the risks a firm poses.
- We use a risk- based approach which is underpinned by a system known as PRISM (Probability Risk and Impact System)

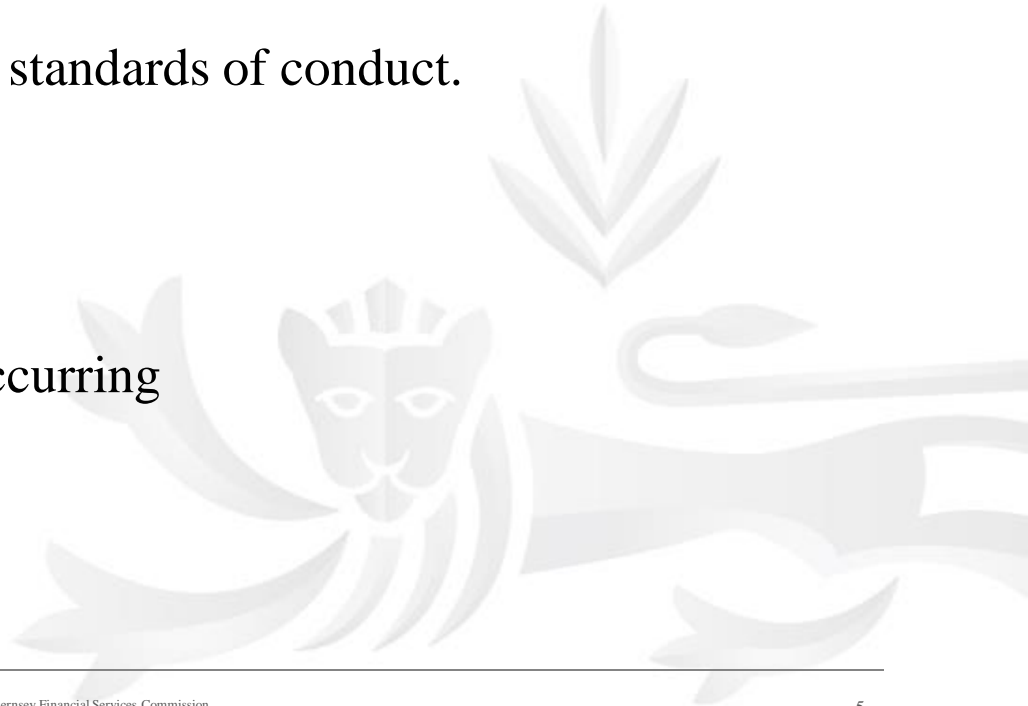
Impact and Probability risk

Impact

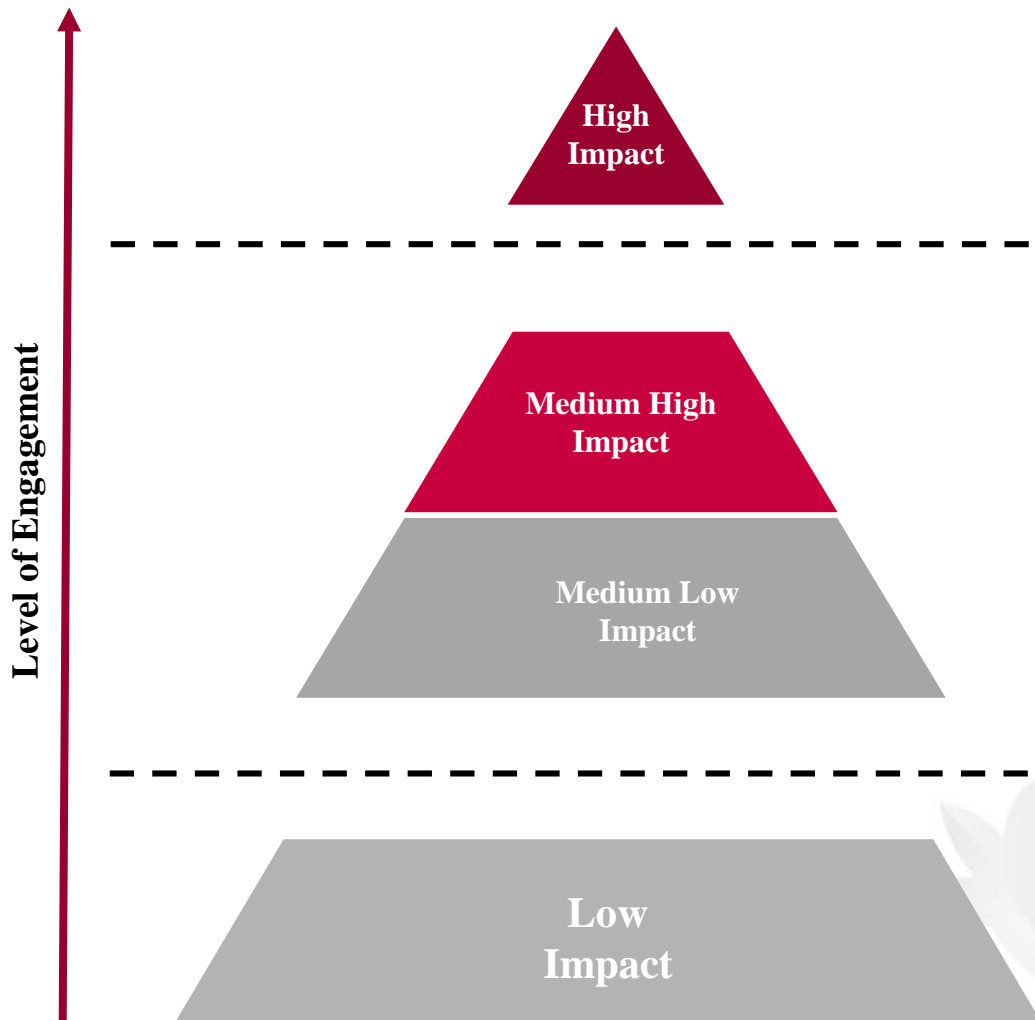
- The degree of damage that a licensee, fund, registered entity or group, could cause to its consumers, the financial system in the Bailiwick and elsewhere, the Bailiwick economy and the public were it to:
 - (a) fail;or
 - (b) fail to observe proper standards of conduct.

Probability risk

- Is the likelihood of a problem occurring



PRISM



“Ongoing Supervision”

- Licensees where potential impact to the Bailiwick is considered the greatest.
- Engagement with the licensee occurs throughout each year, culminating in an annual internal risk governance panel.

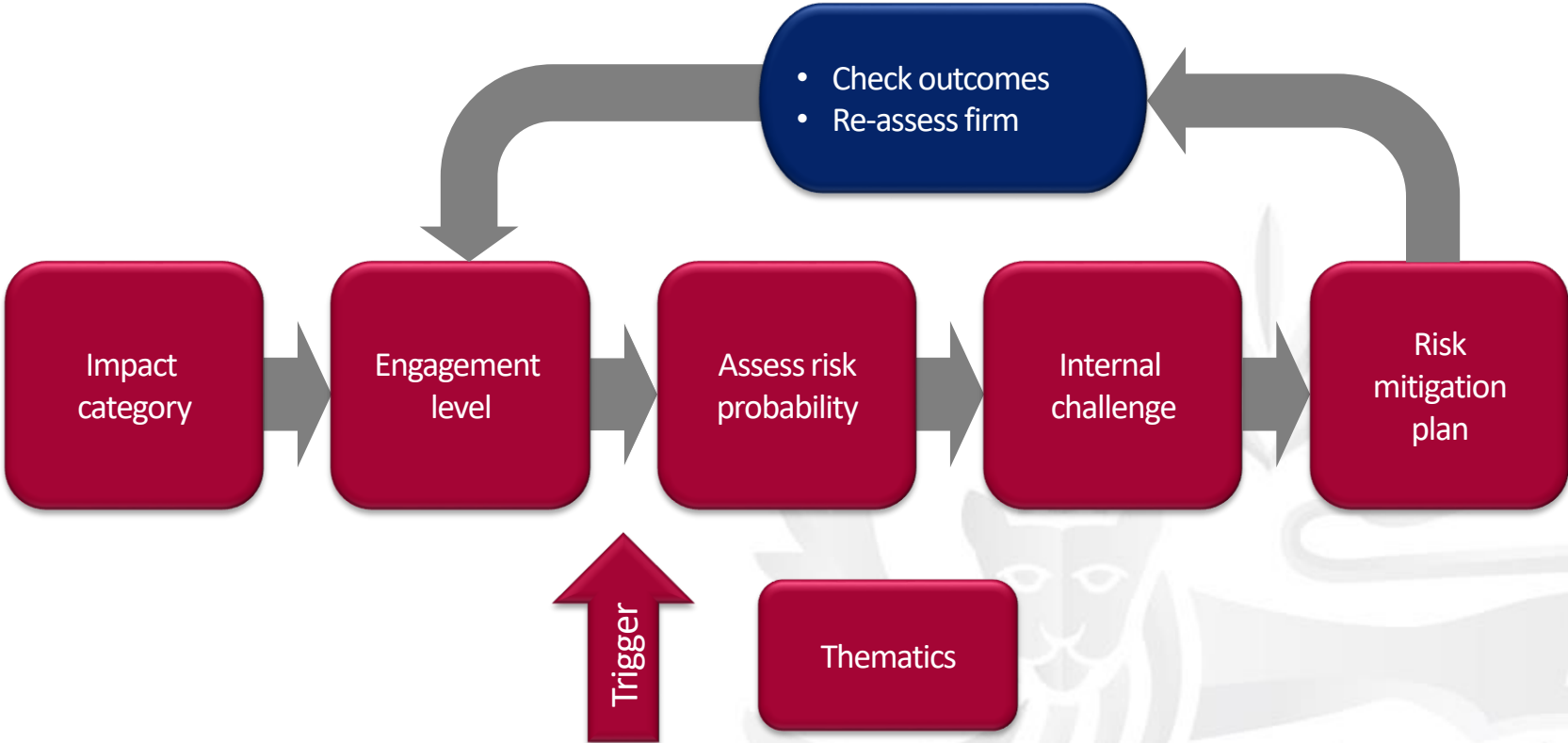
“Portfolio Supervision”

- Assigned an individual “lead supervisor”, who is responsible for that licensee.
- Undergo a structured minimum engagement cycle, where probability of risks to the licensee are assessed.
- We would expect to conduct regular meetings with key firm directors and management over required minimums.
- Culminates in a full risk assessment every 2-4 years for Medium High firms and every 5 years for Medium Low firms. These are followed by an internal risk governance panel.

“Reactive Supervision”

- Majority of licensees sit here.
- Engagement with licensees is prompted by triggers arising from submissions and other information available to the Commission.
- Where there are complex or severe issues, these undergo closer supervision.
- Undertake regular, sector-wide thematic reviews to assess key themes and areas where there is risk of potential consumer detriment.

Supervisory Process



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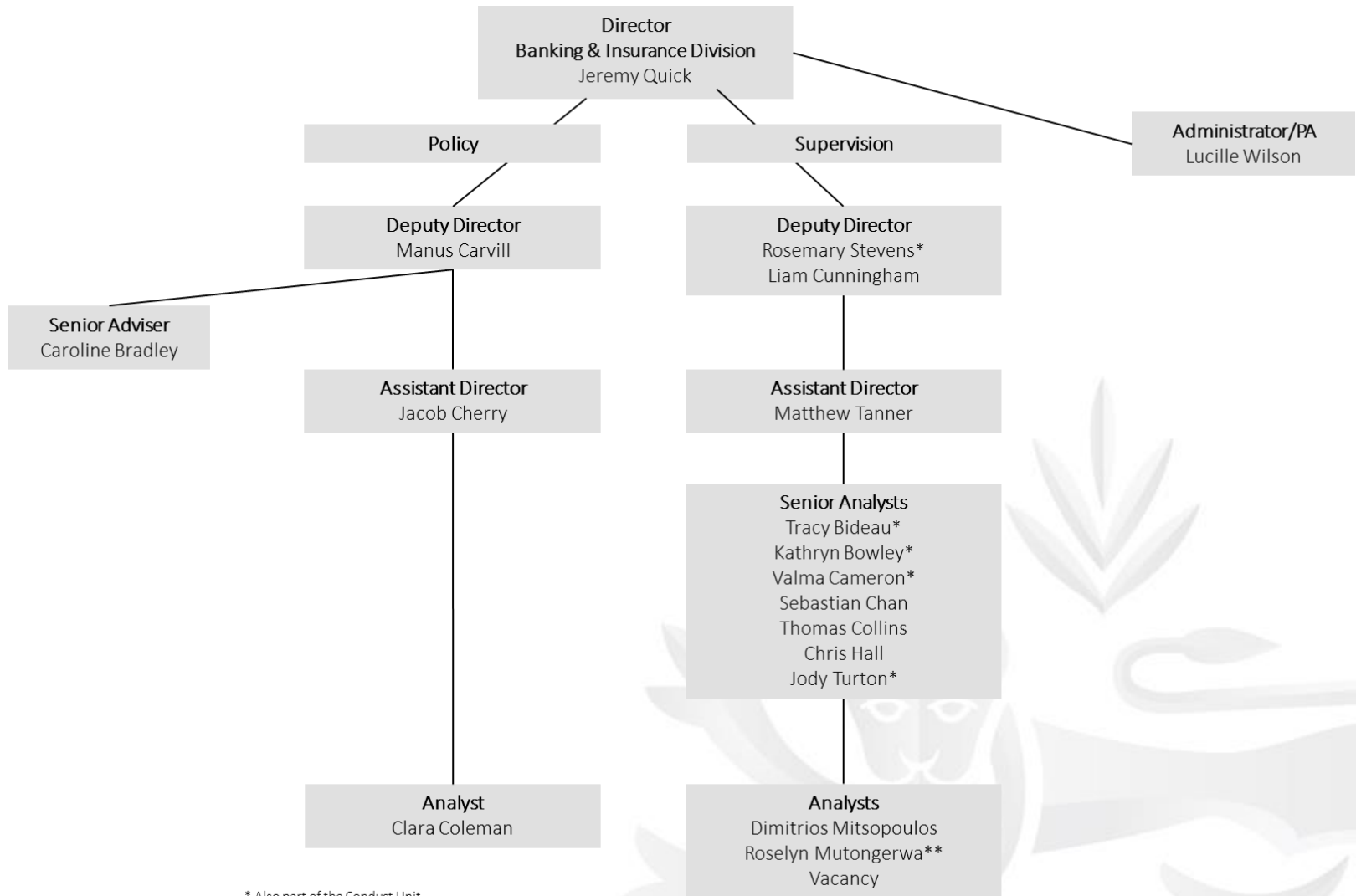
Probability Risk

- Risk Categories



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Banking and Insurance Division – Who are we?



* Also part of the Conduct Unit
** Graduate Development Programme

Banking and Insurance Division – Who do we supervise?

Banks and NRFSBs

- 22 private banks and retail banks as at 31/12/2019
- Total deposits of c£102bln
- Total assets of c£123bln

- 40 Non-Regulated Financial Services Businesses
- Including those providing the following services*: lending, foreign exchange, and custody services.

* A full list of these firms can be found on the Commission's website

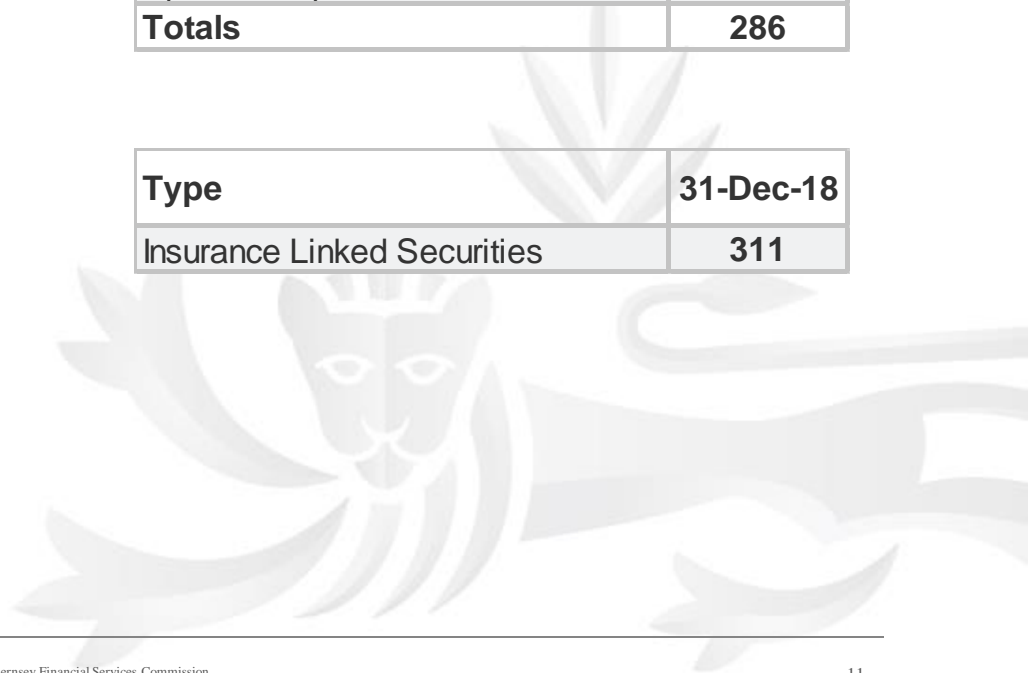
Banking and Insurance Division – Who do we supervise? Insurance Firms

Type of Insurer (Non-cellular)	31-Dec-18
Captives	209
Commercial General Insurers	48
Commercial Reinsurers	36
Commercial Life Insurers	21
Special Purpose Vehicles	44
Totals	358

Type of Insurer (Cell)	31-Dec-18
Captives	107
Commercial General Insurers	17
Commercial Reinsurers	32
Commercial Life Insurers	43
Special Purpose Vehicles	87
Totals	286

Intermediaries and Managers	31-Dec-19
Intermediaries	31
Managers	21

Type	31-Dec-18
Insurance Linked Securities	311



Banking and Insurance Division – Supervision

- Prudential and Conduct supervision
- Supervise in line with international standards and under the powers given in the various supervisory laws, regulations, codes, instructions and guidance.
- Proactive engagement for those licensees which have a ML or above impact rating
- Reactive supervision and thematic reviews for L impact licensees
- Police the perimeter for firms carrying on unlicensed business

Insurance Supervision – What does the Commission need to know?

- All regulatory returns
- Trigger events, such as:
 - Changes in prescribed positions
 - Approval requests or notifications requirements under the law (or rules, codes etc)
 - Any possible breaches or issues that you become aware of
 - Complaints
- General Representative of a licensed insurer shall act as the principal point of contact within the Bailiwick of Guernsey for all communications between the licensed insurer and the Commission.

Example of what we need to know?

Duties of General Representative

- There are a number of specifically required reporting requirements under The Insurance Business (Duties of General Representatives) Regulations, 2008.
- Examples include compliance with:
 - Business plan filed with the Commission,
 - Licensed insurers conduct requirements,
 - Anti-money laundering requirements,
 - Solvency requirements.

As well as ensuring adequate books and records

Complaints

- The Licensed Insurers (Conduct of Business) Rules, 2018* contains requirements to inform the Commission of complaints:
- within 14 days if the *licensed insurer* fails to issue a final response by the complaint response date (rule 11.8).
- within 14 days of the *licensed insurer* becoming aware of a significant complaint (rule 11.9).

* These rules apply to all category 1 and category 3 licensed insurers, as categorized under the Insurance Business (Solvency) Rules 2015

Changes to Key Personnel

- Changes in Directors and Prescribed Positions (e.g. Compliance Officer) require the Commission's prior approval under the Law.
- Ensure that Online PQ and Appointments are kept up-to-date.
- Notification is required within 14 days (s27 IBL & s19 IMIL)

Firm-Specific Issues and Principle 10

- Anything that poses a potential risk to your firm, your clients or the Bailiwick (e.g cyber / data breaches)
- It is also important for the Commission to be aware of wider market issues that could impact / are impacting industry or retail customers.
- While the Commission may not be in a position to do anything at that time, it is useful for us to be aware of and understand those issues.

When and how should the Commission be notified?

- Firm-Specific Issues

- Use the Relevant Form through the online submissions portal –we would recommend 2FA
- When no other appropriate form is available, use Form 200 (Other Notification).
- If you are not sure, please contact conduct@gfsc.gg in relation to any L impact licensee or the relevant Banking & Insurance supervisor for ML and above licensees / 01481 712706

- For insurance intermediaries - AIR / FA Notification Forms

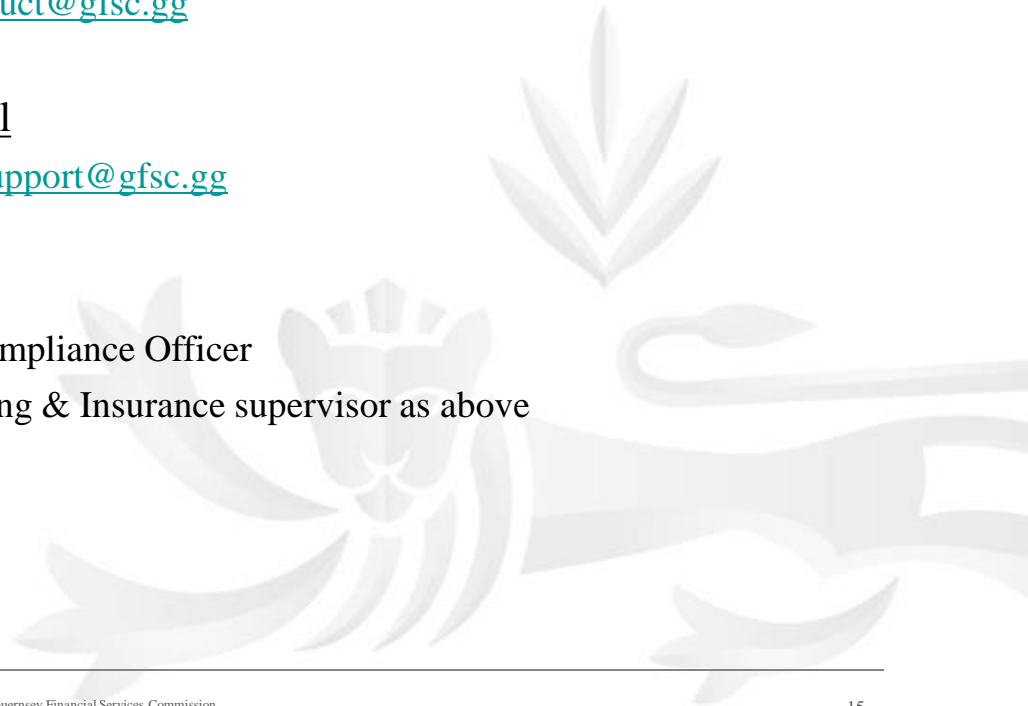
- Send your completed notification form to conduct@gfsc.gg

- Queries around the Online Portal / PQ Portal

- Please contact the portal support helpdesk at support@gfsc.gg

- General Regulatory Queries

- In the first instance, please speak with your Compliance Officer
- For any further queries, please contact a Banking & Insurance supervisor as above



Any Questions?

conduct@gfsc.gg

