

## **MEDIA RELEASE**

To Editors of all Media

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### **Deposit Compensation Scheme**

From 26 November 2008 all retail deposits are protected by the introduction of the Guernsey Banking Deposit Compensation Scheme. The Scheme has been prepared rapidly in response to recognition by the Commerce and Employment Department and the Policy Council of the urgent need to introduce such a measure.

The key elements of the scheme are:

- The scheme covers all individual retail depositors, wherever they live.
- The scheme provides compensation of up to £50,000 per person per licensed bank, no matter how many accounts they have with that bank.
- The scheme will pay compensation within three months of a bank failure.
- The scheme will be operated by an independent board which will be separate from both the Guernsey Financial Services Commission and the States of Guernsey.
- The maximum amount of compensation is capped at £100 million in any 5 year period.
- The scheme will be funded by a combination of insurance and a levy on the banking industry in the event of a bank failure, taxpayer's funds will not be involved.

The scheme was developed by a technical working group which included representatives of the Association of Guernsey Banks. Several of the proposals in the scheme are innovations specifically suited to Guernsey's diverse banking industry. It provides an appropriate level of compensation to depositors but also ensures that the Banks will have certainty about their potential liability.

A copy of the States Report is available at <http://www.gov.gg/ccm/treasury-and-resources/communications/states-meeting/depositor-compensation-scheme.en>

The Department and the Policy Council are grateful to Deputy Charles Parkinson who chaired a working group to bring these proposals to the States as quickly as possible. The Department would also like to thank those members of the Association of Guernsey Banks who gave up their valuable time to work with the Department on developing these proposals and GFSC for their invaluable help and initial research.

The Guernsey Banking Deposit Compensation Board has been appointed by the Commerce and Employment Board and comprises:

- Charles Tracy – Chairman
- John Lee – Deputy Chairman
- Steve Butterworth
- Nigel Carey.

The appointment of the Board shall be laid before a meeting of the States as soon as possible and the Department intends to submit the Board appointments to the States at its January 2009 meeting.

### **Frequently Asked Questions**

1. Which banks are covered by the scheme?

*The scheme covers all banks licensed by the Guernsey Financial Services Commission under the Banking Supervision (Bailiwick of Guernsey) Law, 1994.*

*Brands of banks, such as the Natwest brand operated by the Royal Bank of Scotland International are not licensed banks in their own right, but are instead covered under the scheme by the banking licence of their operating bank. Both the operating bank and its brand*

*are therefore classed as one licensed bank for the purposes of the scheme. The list of licensed banks is available at the Guernsey Financial Services Commission's website: [www.gfsc.gg](http://www.gfsc.gg)*

2. I have an account with an internet bank operated in the Isle of Man – am I covered?

*No. The scheme only covers banks licensed by the Guernsey Financial Services Commission. If you bank on-line with a bank that is not licensed by the GFSC then your deposit will not be covered by the scheme.*

3. I have three accounts with my bank, are all of them covered?

*The scheme protects up to £50,000 per person per licensed bank. If a person has more than one account with a bank then deposits in all of those accounts will be covered to a maximum of £50,000.*

4. I have a joint account with my partner, how is that covered by the scheme?

*The scheme is per person per licensed bank, therefore the holders of a joint account will be entitled to up to £50,000 in compensation each, i.e. total compensation of up to £100,000.00*

5. I have an account that I operate for my child, is that covered?

*Yes. Accounts held on trust for the benefit of children are covered by the scheme.*

6. I am a small business person who has a personal account and a company account, is my company account covered by the scheme?

*No. Accounts held by companies, trusts or other business accounts are not covered by the scheme. Only individual retail depositors are covered by the scheme.*

7. I live in Alderney, am I covered by the scheme?

*As long as you bank with a bank licensed by the Guernsey Financial Services Commission you will be covered by the scheme.*

8. Why is the States guaranteeing the first £20million?

*The States is not guaranteeing the first £20million, instead the States is providing liquidity. Any money called from the States to cover the losses of the captive (a special insurance company established for the purpose) will be recouped from the banks over time. The scheme is a bank funded scheme, the States will simply provide liquidity if necessary.*

**ENDS**

**For more information contact**

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