

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**POLICY & RESOURCES COMMITTEE**

**TRANSFER OF FEE-MAKING POWERS TO THE  
GUERNSEY FINANCIAL SERVICES COMMISSION**

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled 'Transfer of Fee-Making Powers to the Guernsey Financial Services Commission' submitted by the Policy & Resources Committee, they are of the opinion:

1. To approve the re-vesting of fee-making powers in the Guernsey Financial Services Commission.
2. To direct the preparation of such legislation as may be necessary to give effect to the above decision.

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**POLICY & RESOURCES COMMITTEE**

TRANSFER OF FEE MAKING POWERS TO THE  
GUERNSEY FINANCIAL SERVICES COMMISSION

The Presiding Officer  
States of Guernsey  
Royal Court House  
St Peter Port

23 January 2023

Dear Sir

**1. EXECUTIVE SUMMARY**

- 1.1 In 2014, the States of Deliberation (the “States”) transferred the fee making powers of the Guernsey Financial Services Commission (“the Commission”) to the then Policy Council and the Commerce and Employment Department.
- 1.2 The current position means that, following a period of public consultation, the Commission’s fees are set by regulations which are drafted and approved by the President of the Policy & Resources Committee (the “Committee”).
- 1.3 The Commission has advised the Committee that this position is likely to be viewed negatively by any external body examining the efficacy of the regulation of the financial sector. The Commission has also advised the Committee that this arrangement could call into question the independence of the Commission from the States.
- 1.4 It is therefore recommended that the States accept the recommendation of the Committee to direct the preparation of such legislation as may be necessary to replace The Guernsey Financial Services Commission (Transfer of Functions) (Fees) (Bailiwick of Guernsey) Ordinance, 2015 and to allow the re-vesting of the fee making powers in the Commission.

## 2. BACKGROUND

### 13 February 2014 – Review of the funding of the Guernsey Financial Services Commission (“the Report”)

- 2.1 In July 2013, following a States’ debate on the Commission’s 2012 Annual Report and Financial Statements, the then-Policy Council commissioned an independent report entitled “Reviewing the Funding Mechanism for the Guernsey Financial Services Commission”<sup>1</sup>. This report was carried out by Mr Ian Tower<sup>2</sup>.
- 2.2 The Report was commissioned following recommendations made at the States’ debate which “...highlighted concerns among policy-makers and in the financial sector over recent growth in GFSC fees”<sup>3</sup> and raised concerns over “...the transparency of the GFSC’s finances.”<sup>4</sup>
- 2.3 The Terms of Reference, set by the States, were as follows:

*“To review potential alternative funding arrangements for the Guernsey Financial Services Commission as presently commonly operated globally, including direct funding by the government, and provide a series of potential options for consideration, together with worked proposals on their implementation, and provide a clear recommendation on future arrangements. That recommendation should be measured against the need to ensure that international standards and expectations are met and the operational independence of the Commission is maintained.”*<sup>5</sup>

- 2.4 This detailed report sets out that “...financial regulation is almost universally funded by central bank income, regulated firms, governments or a mix.”<sup>6</sup>. After considering each of the options, it recommended that no changes were made to the funding arrangements: “The recommendation of the paper is that in the interests of maintaining effective regulation, such changes in GFSC funding are not made.”<sup>7</sup>, highlighting the fact that “Current funding arrangements for the GFSC are

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<sup>1</sup> The report is included at Appendix 1.

<sup>2</sup> Taken from the footnote of page 1 of the paper presenting the report to the Policy Council: “Ian Tower is an independent expert in financial regulation. Until late 2012, he was a senior manager at the United Kingdom’s Financial Services Authority, where various roles included policy development and supervision of insurance companies and foreign-owned banks. From 2007 to 2010 he was seconded by the FSA to the International Monetary Fund, where he worked on financial sector issues. He has worked previously at the Bank of England and the Cabinet Office. Mr Tower now works on financial regulation issues as consultant to international organisations and other clients.”

<sup>3</sup> Appendix 1 – page 4, para. 17.

<sup>4</sup> Appendix 1 – page 4, para. 18.

<sup>5</sup> Appendix 1 – page 1, para. 3.

<sup>6</sup> Appendix 1 – page 5, para. 20.

<sup>7</sup> Appendix 1 – page 2, para. 11.

*consistent with and supportive of its independence from government and industry, which ranks high by international comparison<sup>8</sup>”.*

### **Consideration of the Report by the States**

- 2.5 The Report was presented to the States in July 2014. The recommendations made by the then Policy Council included that *“fees regulations currently made by the Commission should be made by the Policy Council...and the Commerce and Employment Department”<sup>9</sup>.*
- 2.6 The policy letter, although setting out that the Report’s *“principal recommendation is that no change should be made to the Commission’s existing funding mechanism”<sup>10</sup>* goes on to state that *“While the Policy Council agrees that no fundamental change should be made, it is recommending that the States should make an amendment to the process through which fee regulations are enacted, so that, in future, regulations will be made by the Policy Council...and the Commerce and Employment Department...rather than by the Commission.”*
- 2.7 The States accepted the recommendations and the Commission’s fee making powers were subsequently transferred by Ordinance<sup>11</sup>.

## **3. CURRENT POSITION**

### **Independence**

- 3.1 The Committee currently sets the Commission’s fees, through regulations made following an industry consultation undertaken by the Commission.
- 3.2 The independence of the financial regulator from the State continues to be at the forefront of effective regulation. It is one of the primary considerations of those bodies assessing the effectiveness of national regulation of the financial industry.
- 3.3 The assessment of independence includes consideration of the way in which the regulator is funded. The Report includes a summary, still relevant today, of the international standards which are relevant in respect of fee-setting funding. These include:

Basel Committee on Banking Supervision (Basel Core Principles, 2012)

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<sup>8</sup> Appendix 1 – page 2, para. 7.

<sup>9</sup> [Billet d’État XX, 2014](#), ‘Reviewing the funding mechanism for the Guernsey Financial Services Commission, para. 10.1.2.

<sup>10</sup> [Billet d’État XX, 2014](#), ‘Reviewing the funding mechanism for the Guernsey Financial Services Commission, – page 1, para. 1.2.

<sup>11</sup> The Guernsey Financial Services Commission (Transfer of Functions)(Fees)(Bailiwick of Guernsey) Ordinance, 2015 – coming into force on 1<sup>st</sup> May 2015.

- BCP 1 Independence, accountability, resourcing and legal protection for supervisors: The supervisor possesses operational independence, transparent processes that do not undermine autonomy and adequate resources, and is accountable for the discharge of its duties and use of its resources.
- BCP1, Essential Criterion 4: The supervisor has adequate resources for the conduct of effective supervision and oversight. It is financed in a manner that does not undermine its autonomy or operational independence.

International Association of Insurance Supervisors (IAIS) (Insurance Core Principles, 2011)

- ICP 2 Supervisor: The supervisor, in the exercise of its functions and powers, is operationally independent, accountable and transparent; protects confidential information; has appropriate legal protection; has adequate resources; meets high professional standards.
- ICP 2.4: The supervisor is financed in a manner that does not undermine its independence. The supervisor had discretion to allocate its resources in accordance with its mandate and objectives and the risks it perceives.

International Organisation of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulation (2011):

- Principle 2, Key Issue 4: The regulator should have a stable source of funding sufficient to exercise its powers and responsibilities.
- Principle 3: The regulator should have adequate powers, proper resources and the capacity to perform its functions and exercise its powers.<sup>12</sup>

3.4 Independence has been explored more recently, in the Bank of England's 2020 paper, "Does regulatory and supervisory independence affect financial stability?"<sup>13</sup> (the "Paper"). This Paper looked at reforms to the independence of the regulator and the subsequent effects on financial stability - the focus being on independence from politically elected bodies.

3.5 The Paper highlights the importance of independence: *"The independence of supervisors from governments is...one of the pillars of the Basel Committee's core principles for effective banking supervision...Similarly, the Financial Stability Board*

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<sup>12</sup> Appendix 1 – page 9, Box 3.

<sup>13</sup> 'Does regulatory and supervisory independence affect financial stability?', Nicolo Fraccaroli, Rhiannon Sowerbutts and Andrew Whitworth, Bank of England Staff Working Paper No. 893, November 2020. <https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2020/does-regulatory-and-supervisory-independence-affect-financial-stability.pdf>

*includes the need for sufficient independence for supervisors among its recommendations to improve the intensity and effectiveness of supervision.”*

- 3.6 Having looked at 3,000 banks over 43 countries from 1999 to 2019, the Paper’s conclusion was as follows – *“We find that regulatory and supervisory independence is associated with a significant improvement in financial stability.”*

**The Commission’s position**

- 3.7 In the Report, Ian Tower warned that *“international bodies could make a negative assessment of changes in GFSC funding...”*. This shift in perspective is already apparent and can be demonstrated. In 2010, the IMF reported that – *“The GFSC enjoys considerable independence, and is subject to suitable accountability provisions.”*<sup>14</sup>
- 3.8 By 2019 IAIS, following its assessment, recommended “that Guernsey consider the independence, transparency and accountability of the GFSC by: Allowing the GFSC rather than the government to set the level of fees on entities it regulates.”<sup>15</sup>
- 3.9 The Commission is mindful that the current position undermines the view that it is an appropriately independent regulator. The funding related recommendations made, by the public review of Bailiwick financial services regulation by IAIS in 2019, have not been carried out an, as such this represents a gap in the Bailiwick’s overall compliance with international standards.
- 3.10 In comparison, the Jersey Financial Service Commission has the power to set its own fees<sup>16</sup>, as does the UK Financial Conduct Authority and the UK Prudential Regulation Authority. The July 2014 policy letter set out that the Commission, at that point, was in an unusual position in that it could make legislation<sup>17</sup>. However, it is not unusual for statutory bodies, such as the Commission, to have the power to make secondary legislation and this was highlighted in the Report – *“For agencies that have fees as a source of revenue, half report that fees charged are set in legislation, while most of the rest (36 percent) set fees by [their own] regulations, though some of these have to consult with a ministry.”*<sup>18</sup>

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<sup>14</sup> International Monetary Fund Financial Sector Stability Assessment 2010, para. 60.

<sup>15</sup> International Association of Insurance Supervisors Detailed Assessment of Insurance Core Principles – Bailiwick of Guernsey, page 30, Recommendation 2. See Appendix 2.

<sup>16</sup> The Jersey law copied the Guernsey law, at the time when the Commission retained the powers, as it was considered to be an exemplar in the industry.

<sup>17</sup> [Billet d’État XX, 2014](#), ‘Reviewing the funding mechanism for the Guernsey Financial Services Commission, para. 1.2 “It is quite unusual for entities independent of government such as the Commission to have legislative powers.” repeated at para. 6.4.

<sup>18</sup> Appendix 1, page 8, Box 2.

#### **4. Summary**

- 4.1 Following consideration of a broad range of international standards, the Policy & Resources Committee has decided to recommend to the States of Deliberation that the Guernsey Financial Services Commission's ability to implement its own fees be reinstated.
- 4.2 The principal grounds for this decision are to ensure that the Commission can be clearly seen to be a credible, operationally independent regulator, complying with international norms as set out by the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors and the International Organisation of Securities Commissions.
- 4.3 A return to the original position, prior to the 2015 legislative changes, would not impact on the necessary oversight of the States. After a period of industry consultation, the regulations would be laid before the States and can be approved or annulled.
- 4.4 This process rightly respects the sovereignty of the States without any overt undermining of the Commission's independence.

#### **5. Compliance with Rule 4**

- 5.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 5.2 In accordance with Rule 4(1):
  - a) The propositions contribute to the States' objectives and policy plans by ensuring operational independence of the financial regulator which is a critical facet of regulatory effectiveness in several international standards.
  - b) In preparing the propositions, the Policy & Resources Committee has engaged with the Committee *for* Economic Development, the financial regulator and the Guernsey International Business Association.
  - c) The propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.
  - d) There are no financial implications to the States of carrying the proposal into effect.

5.3 In accordance with Rule 4(2):

- a) The propositions relate to the Committee's purpose and policy responsibilities for the regulation of financial services.
- b) The propositions have the unanimous support of the Committee.

Yours faithfully

PTR Ferbrache  
President

MAJ Helyar  
Vice President

JP Le Tocq  
DJ Mahoney  
RC Murray

## **Guernsey: Review of the funding of the Guernsey Financial Services Commission**

**Report by Ian Tower, Consultant<sup>1</sup>**

**13 February 2014**

1. The States of Guernsey (Guernsey's government) has commissioned this review of the funding arrangements of the Guernsey Financial Services Commission (GFSC), the regulatory authority for financial services.
2. The GFSC is funded mostly by fees levied from regulated entities. Discussions in mid-2013 on the GSFC's 2012 Annual Report in the States of Deliberation (Guernsey's parliament and overarching executive authority) concluded in an instruction to the Policy Council (the coordinating body comprising departmental ministers) to review alternative funding mechanism<sup>2</sup>.
3. The Terms of Reference for this review developed by the States of Guernsey are:  
  
"To review potential alternative funding arrangements for the Guernsey Financial Services Commission as presently commonly operated globally, including direct funding by the government, and provide a series of potential options for consideration, together with worked proposals on their implementation, and provide a clear recommendation on future arrangements. That recommendation should be measured against the need to ensure that international standards and expectations are met and the operational independence of the Commission is maintained."
4. This review has been informed by discussions in Guernsey on 16<sup>th</sup> December 2013 with the Ministers for Treasury and Resources and Commerce and Employment, senior staff of the States of Guernsey, the GFSC and Guernsey Finance (the body responsible for promotion of financial services in Guernsey) and with representatives of financial services sector participants in a meeting coordinated by the Guernsey International Business Association (GIBA). The author of this report is grateful for all the valuable input and especially to Mike Brown, formerly Chief Executive, and staff of the States of Guernsey for their support.

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<sup>1</sup> See the end of this document for background on the author.

<sup>2</sup> The States agreed: "To direct the Policy Council in conjunction with the Commerce & Employment Department (and having particular regard to the latter's on-going work following its consultation entitled "A Regulatory Framework for the 21<sup>st</sup> Centre") to review the funding mechanism for the Guernsey Financial Services Commission ("the Commission") and in particular whether the Commission could in future be funded by way of direct grant from the Treasury & Resources Department and to report back to the States accordingly by no later than 30<sup>th</sup> September 2012." (States, 30 July 2013, <http://www.gov.gg/Billets2013>).

5. After a summary and statement of recommendations, Section I of this report provides an overview of current arrangements for GFSC funding. Section II reviews practices on funding of financial sector regulators internationally. Section III then summarises the approach and expectations of international bodies. Section IV discusses potential alternative funding mechanisms for the GFSC. Section V makes recommendations.

### Summary and recommendations

6. There are limited sources from which regulators can derive their funding, the key ones being central bank income, where available; fees and levies on regulated entities; and the government budget. A 2009 IMF survey of around 100 countries suggested that only around 25% of regulators have government funding as their primary income source. However, even if regulators are funded from non-government sources, government often has a role in setting the level of industry fees or in approving the regulator's expenditure budget.
7. Current funding arrangements for the GFSC are consistent with and supportive of its independence from government and industry, which ranks high by international comparison.
8. International standard-setting bodies such as the Basel Committee on Banking Supervision do not provide detailed standards on funding of financial sector regulators. Their focus is on how funding arrangements contribute to, or detract from, the regulator's operational independence and the adequacy of its resources relative to its objectives. IMF assessments take a similar approach. Government funding is not on its own a reason for a significant negative assessment. However, international bodies are focusing more on funding in the context of efforts since the financial crisis to strengthen not just regulatory standards but the capacity of regulatory bodies.
9. Alternative funding arrangements could be introduced for Guernsey which would either:
  - keep fees as the main source of GFSC funding but give the government greater control over the setting of the level of the fees or of GFSC expenditure (or both); or
  - make the government budget the major source of funding, with the industry continuing to pay fees, which would become payable to government rather than to the GFSC.

Either approach would enable the government to influence the direct costs to the financial sector of the GFSC as a tool to help meet its objective of fostering growth and innovation in financial services.

10. However, safeguards would be needed to protect the operational independence and effectiveness of the Commission. Even with such safeguards, international bodies could make a negative assessment of changes in GSFC funding in the circumstances in which they would occur.
11. The recommendation of the paper is that in the interests of maintaining effective regulation, such changes in GFSC funding are not made. However, current arrangements can also be improved, to focus more attention on key drivers of regulatory spending (for example through a plan and budget publication) and to increase the transparency of GFSC policies and practices in relation, for example, to income from financial penalties and senior staff remuneration.

### Section I: Current GFSC funding arrangements

12. This section examines the current funding mechanism. References are to The Financial Services Commission (Bailiwick of Guernsey) Law, 1987, referred to in this document as the "FSC Law".
13. There are three main features of the GFSC's financial arrangements to highlight:
  - **Most income is derived from fees charged to the financial services sector and there is no government funding**<sup>3</sup>. The GFSC has powers under various regulatory laws to charge fees for regulatory transactions (mainly new license applications) and to impose levies on existing licensed entities. The level of these fees is in almost all cases set by the GFSC itself under provisions in legislation enabling it to make Regulations<sup>4</sup>; the GFSC also derives income from discretionary and administrative (automatic) monetary penalties imposed on regulated entities, which are payable to the Commission but must be taken into account when setting future fee levels<sup>5</sup>. (The Commission is starting to impose significant discretionary fines - one fine was imposed in 2012). While there are provisions in law for the government to contribute to GFSC resources<sup>6</sup>, particularly (but not confined to) where a Commission shortfall is expected, these have not been used and are not expected to be used in practice.
  - **The GFSC has full control of its own expenditure**. It is empowered to set its own budget and determine its spending priorities. Most significantly, it sets its own salary scales and is independent of the annual government budget approval process. In return, the government currently expects the GFSC to be wholly self-financing.

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<sup>3</sup> FSC Law, section 12 sets out general funding provisions.

<sup>4</sup> The exception is for fees charged to professional service providers (lawyers, accountants and estate agents) to meet the costs of GFSC regulation to which they are subject.

<sup>5</sup> FSC Law, section 11D, which also provides that individual penalties may not exceed £200,000.

<sup>6</sup> FSC Law, section 14

- **Accountability to government and industry is provided for by both consultation and review requirements.** The Commission consults with government and industry on fees in the context of regulatory objectives and priorities according to a standard timetable for the second half of each year; early discussions are held with government, as required under the FSC Law<sup>7</sup>, and fee proposals are then set out in a consultation paper. The States of Deliberation has the opportunity each year to review the fees regulations, which are laid before the States after enactment by the Commission (in practice in February of the year to which the fees relate) and laws also provide for the States to be able to annul regulations<sup>8</sup>.

In addition, the Commission's annual report, including its income and expenditure must also be laid before the States<sup>9</sup>, giving the opportunity (as was taken in 2013) for a debate on the Commission's work generally as well as its finances.

14. A strong commitment to providing the GFSC with both operational independence and adequate resources to meet its objectives is evident in the recent discussions in the States, the GFSC's legal and policy framework and the Commission's use of its powers since the financial crisis. The FSC Law, particularly since significant revisions in 2008, seeks to balance independence with accountability and transparency of how the Commission uses its resources. As the IMF has noted in its assessments, the GFSC enjoys a high degree of independence<sup>10</sup>. The financing arrangements are an important contributor to this independence.
15. Since 2008, the Commission has in practice been able to raise additional fees to develop its supervision in response to the financial crisis, significantly in a number of years. Total fee income has increased from £9.4 million in 2008 to £12.25 million in 2013 (as estimated in the 2014 fees consultation exercise), an increase of around one third. The increase in Jersey to 2012 (excluding fees from Companies Registry work, a function which the GFSC does not have) has been 22%. Increases in staffing and in legal and enforcement costs have been material for regulators. The difference relates mainly to one-off costs incurred by the GFSC on an independent review of its organisation and conduct of its business, together with associated implementation costs.

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<sup>7</sup> FSC Law section 13 (b)

<sup>8</sup> For example, section 25(3) of the FSC Law states that regulations made under that law must be laid before and may be annulled by the Stats. However, annulment would be without prejudice to anything done under the relevant regulation.

<sup>9</sup> Sections 6 of the FSC Law 1987 (annual report) and 18 (annual accounts).

<sup>10</sup> IMF Financial Sector Stability Assessment, 2010, paragraph 60: "The GFSC enjoys considerable independence, and is subject to suitable accountability provisions. The GFSC is broadly adequately resourced."

16. While the amount of GFSC fees is outside the scope of the review, it is noteworthy that regulators seen as both independent and as having performed well through the financial crisis such as the Canadian prudential regulator have been significantly increasing their resources<sup>11</sup>.
17. The debate in the States in mid-2013 has, however, highlighted concerns among policy-makers and in the financial sector over recent growth in GFSC fees. The Commission has committed to raise its total fee income by no more than 2% per annum over three years starting in 2013.
18. Concerns have also been raised over the transparency of the GFSC's finances. As mentioned, GFSC explains its approach in its annual fees consultation exercise (focusing mostly on how fees are calculated, the sectoral distribution etc.) and in its annual report. Some other regulators (including the UK, Australia – APRA - and the Jersey FSC) publish plan and budget documents, using these to explain in some detail the key drivers of their work and expected costs. Further, some other regulators publish more detail on actual costs including senior executive remuneration. In the UK, Australia, Jersey and Isle of Man, for example, the chief executive's remuneration is either disclosed directly or is observable from published salary bands. GFSC's disclosure is more limited. Section V of this paper includes recommendations in this area.

## Section II: Funding arrangements internationally

19. There are few sources from which regulators can derive their funding. The key ones are central bank income, fees and levies on regulated entities (to which may be added financial penalties) and government. Box 1 below sets out more detail and examples of each model.
20. In theory, there are other sources of income – investment income, sales of services etc; and regulators could be funded by levies on users of financial services (transactions taxes etc payable to the regulator). In practice, financial regulation is almost universally funded by central bank income, regulated firms, governments or a mix. As the GFSC is not a monetary authority, this paper focuses on government funding as the only practical alternative to current arrangements.
21. Although this review's terms of reference focus on the GFSC's source of funds, it is important also to consider the overall funding mechanism, including the ways in which governments influence the regulator's funding even where they are not its source. There are three key drivers:

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<sup>11</sup> Fees in Canada (OSFI, the federal bank and insurance prudential regulator) have increased, depending on sector, by between 40% and 60% from March 2008 to March 2013. Spending and fees of the Australian prudential regulator APRA rose by less than 20% in the same period but has more than doubled since 2002.

- The need for mechanisms to hold regulatory authorities accountable, including for their financial management. In many countries this is achieved, as in Guernsey, through regular liaison and published reports. Elsewhere, governments exercise control over regulatory authorities' budgets and/or set fees directly. The risk of budgetary control by government is that it will be used to influence regulatory decisions; or simply that the budget is subject to broader fiscal policy pressures that may in particular lead to funding reductions at key times when, for example, financial stability is at risk.
- The contribution which levies on the financial sector can make to government revenues. Comparison across countries is complicated by the inclusion and scale of companies registration work in some jurisdictions (for example, BVI<sup>12</sup> and the Isle of Man) and in some cases, of insurance premium tax. In a number of countries, fees and levies raised from the financial sector significantly exceed funding of the regulator.
- The need for fees to be set as enforceable obligations on regulated entities, which is possible in some jurisdictions, depending on the legal system, only through the government's legislative process. This creates at the least a dependence on that process and an opportunity for active government involvement.

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<sup>12</sup> The fees collected by the BVI FSC and passed on to government account for some 60% of total government revenue.

### Box 1: Funding sources for financial regulation

Funding sources available to regulatory agencies may be classified by three main sources:

**Central banks:** where the central bank is the supervisor, as is often the case for banks, general central bank income may be available to finance supervisory work. (Example: US Federal Reserve) However, many central banks and monetary authorities, particularly where they also supervise non-banks, levy fees on regulated firms (Examples: Bank of England, Bermuda Monetary Authority, Monetary Authority of Singapore). Some are funded by government (Example: Cayman Islands Monetary Authority)

**Regulated firms and applicants for new licenses:** Fees and levies can be designed in various ways. Most common are levies proportionate to the scale of business of the individual firm and charges for regulatory transactions (new licenses, waivers, transfers of business, applications for approvals of capital models etc.). Some regulators levy risk-based fees, i.e. higher for institutions assessed as greater risk. Charges for supervisory work (examinations or onsite inspections, depending on the terminology) are common. Some jurisdictions require annual relicensing of all entities, charging the same flat fee as a license applicant would pay, or require licensees to make monetary deposits with the regulator which are used to generate interest income. Financial penalties, in some cases imposed on unregulated as well as regulated entities, may also generate income for regulators, where not passed to government or recycled to the regulated population. (Examples: Canada - OSFI, Australia – APRA, Jersey FSC, GFSC)

**Governments:** some regulators are formally part of government rather than separate agencies and subject to the government budget process. In other cases, funding is provided by government grant, again out of general government revenue. (Examples: US SEC, Australia – ASIC, Caymans Islands Monetary Authority, Isle of Man FSC and IPA) In the British Virgin Islands, the BVIFSC retains a share of fees collected which by law may vary from 7.5% to 15% of the total.

Notes:

- (i) Mixed models are also found, e.g., the Netherlands - both government and fee income.
- (ii) Authorities which collect fees but pass them to government are best regarded as government financed.
- (iii) Most regulators derive some (normally negligible) income from investments, publications, events etc.

## 22. Examples from Australia are illustrative:

- In the case of APRA, the prudential regulator of banks and insurance companies which is funded by industry fees, the central government approves the annual budget, which then in effect determines the rates at which fees are levied (i.e. they are set by APRA at the level required to fund, with other sources of income, the expenditure budget).
- In the case of ASIC, the markets, securities and business conduct regulator, the levies are collected by the regulator and passed on to government in full. Government approves the ASIC budget, expenditure being typically equivalent to a share of revenues raised.

23. Even where the regulator is funded by fees and is independent of the government budgeting process, practice varies on how fees are set. Two models may be identified:
- The regulator sets fees itself using its own powers with no involvement of government (executive or parliament). In the UK, for example, the regulators have rule-making powers in respect of fees (their rule-making authority is unusually wide by international standards). In some cases, as in Guernsey, the regulator issues fees regulations and these have to be laid before parliament, giving an opportunity for objection. But approval is not required and the regulator is not dependent on government processes.
  - More frequently, the regulator is dependent on the government to legislate to make fees into binding obligations. Legislation is enacted each year. This is usually through secondary legislation (regulations) and typically, both government support and parliamentary approval are required. Occasionally, as in Gibraltar, the regulator is able to vary fee levels set in legislation but only with the permission of the finance minister.
24. Regulators' approach to income from financial penalties (fines) is not always easily understood from published information. Much depends on the legal system and how practice has developed over time. In many countries, including Guernsey until 2008, financial penalties have been reserved for criminal authorities and the courts. In principle, penalties may be applied for the benefit of the government, the regulator, the regulated population, victims (if identifiable) or a mix. In practice, it appears to be rare, because of unwanted incentives, for penalties to be retained by the regulator and they can be discounted as a funding source.
25. The case of the UK is illustrative. Both the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) are explicitly required to delink decisions on the scale of penalties from regulatory costs – i.e. they must not be regarded as a funding source. They both must remit income from penalties to HM Treasury, but after deduction of enforcement costs, the "retained penalties" being subject to requirement for a "financial penalty scheme" establishing how they will be used "for the benefit of regulated persons".<sup>13</sup> Both regulators in practice remit retained penalties to the regulated population as discounts to annual fees.<sup>14</sup>

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<sup>13</sup> Paragraph 21 of Schedule 1ZA of Financial Services and Markets Act 2000 (as amended by the 2012 Financial Services Act). <http://www.legislation.gov.uk/ukpga/2012/21/schedule/3/enacted>

<sup>14</sup> FCA publication, How we raise our fees, July 2013, <http://www.fca.org.uk/static/documents/how-we-raise-our-fees.pdf>

26. In 2009, the IMF published the results of a survey of governance practices in which 140 agencies participated from over 100 countries.<sup>15</sup> This found that only around 25% of agencies are funded by government, although government funding is relatively more important for securities regulators (i.e. those which regulate securities only). A separate IMF study on securities regulation, also published in 2009, highlighted dependence on government funding as a driver of under-resourcing in many countries.<sup>16</sup> More detail of the IMF's wider survey's findings are in Box 2 below. Although it should be noted that the inputs predate the financial crisis, the survey results indicate a relatively high degree of reliance on fees payable by regulated entities.

Box 2: Conclusions on funding from 2009 IMF survey of governance of regulators

- The most important source of funding is central bank funds. Ninety percent of agencies housed in central banks are primarily funded by their central banks.
- The second major source of funding is fees imposed on regulated entities.
- About 76 percent of insurance-only and securities-only supervisors receive funding from fees. However, only 35 percent of bank-only supervisors are reliant on fee income.
- Almost 60 percent of all supervisors indicated that they had the independence to determine budget and funding allocations.
- Slightly more than a quarter of the agencies receive allocations from their central government. For 45 percent of securities regulators, government appropriations are their second most important source of funding.
- One-fourth of insurance regulators receive funding from the government budget, but only 8 percent of bank supervisors.
- For agencies that have fees as a source of revenue, half report that fees charged are set in legislation, while most of the rest (36 percent) set fees by [their own] regulations, though some of these have to consult with a ministry.

27. The IMF survey included few supervisors of international financial services centres<sup>17</sup>. A review of available information on other Group of International Financial Services Centre Supervisors (GIFCS) members points to a picture similar to the IMF survey. Many of these regulators are also central banks or monetary authorities<sup>18</sup>. The others are all funded by fees with varying degrees of government involvement in setting fees and expenditure control.

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<sup>15</sup> Governance Practices at Financial Regulatory and Supervisory Agencies, Steven Seelig and Alicia Novoa, WP/09/135, July 2009, <http://www.imf.org/external/pubs/ft/wp/2009/wp09135.pdf>

<sup>16</sup> The Challenge of Enforcement in Securities Markets: Mission Impossible? Ana Carvajal and Jennifer Elliott, WP/09/168, August 2009, <http://www.imf.org/external/pubs/ft/wp/2009/wp09168.pdf>

<sup>17</sup> Only Bahamas, Panama, Barbados and Mauritius.

<sup>18</sup> Aruba, Bahamas, Barbados, Bermuda, Caymans, Curacao, Mauritius, Samoa.

28. Of the UK Crown Dependencies, the Isle of Man is an outlier. The Financial Services Commission is formally a statutory board, effectively an integral part of government. While it raises revenues through fees, these are for the account of government and government sets the rates at which fees are raised and determines the Commission's expenditure budget.
29. Jersey, by contrast, has a funding model which since 2008 has been similar to Guernsey's. The Financial Services Commission sets fees by notices issued under provisions in relevant legislation (previously the government issued fees regulations); and whereas the Commission used to raise what is effectively tax revenue from companies in respect of its registrar responsibilities, it now levies registration fees on a basis similar to that used for regulated entities.

### Section III: International standards and assessments

30. This section sets out relevant international standards and reviews some of the assessments and evaluations made of regulators internationally. The focus is on the IMF and the FSAP program as the most relevant process for more advanced jurisdictions.
31. The key standards of the Basel Committee, International Association of Insurance Supervisors (IAIS) and International Organization of Securities Commissions (IOSCO) are set out in Box 3<sup>19</sup>. Requirements in relation specifically to funding are relatively high-level and lack detail. The issues are addressed by all the standard-setters from the perspective of requirements that regulators are independent of government and industry and have adequate resources.

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<sup>19</sup> FSAP assessments are made using standards and assessment methodologies developed by the international standards-setting bodies, but the IMF assessors make their own judgments.

Box 3: select international standards addressing on regulatory funding

Basel Committee on Banking Supervision (Basel Core Principles, 2012):

- BCP 1 Independence, accountability, resourcing and legal protection for supervisors: The supervisor possesses operational independence, transparent processes, sound governance, budgetary processes that do not undermine autonomy and adequate resources, and is accountable for the discharge of its duties and use of its resources.
- BCP 1, Essential Criterion 4: The supervisor has adequate resources for the conduct of effective supervision and oversight. It is financed in a manner that does not undermine its autonomy or operational independence.

International Association of Insurance Supervisors (Insurance Core Principles, 2011):

- ICP 2 Supervisor: The supervisor, in the exercise of its functions and powers, is operationally independent, accountable and transparent; protects confidential information; has appropriate legal protection; has adequate resources; meets high professional standards.
- ICP 2.4: The supervisor is financed in a manner that does not undermine its independence. The supervisor has discretion to allocate its resources in accordance with its mandate and objectives and the risks it perceives.

International Organization of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulation (2011):

- Principle 2, Key Issue 4: The regulator should have a stable source of funding sufficient to exercise its powers and responsibilities.
- Principle 3: The Regulator should have adequate powers, proper resources and the capacity to perform its functions and exercise its powers.

32. The IMF and other bodies have, however, been more vocal on funding issues in recent policy statements, drawing on FSAP and other work:

- An IMF paper 2010 "The Making of Good Supervision: Learning to Say "No"<sup>20</sup> analysed country assessments under the FSAP programme and made observations on what constitutes an effective supervisory style and key drivers. On resourcing, it noted:

"Supervisors need to have sufficient funds and stable funding sources to be able to carry out their mandates, as much in good times (when supervisors can be at their most effective) as in bad. Supervision is resource intensive....Adequate resources are also a key determinant of will [i.e., will to take effective supervisory action] - they demand a degree of budgetary autonomy, which in turn drives operational independence."

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<sup>20</sup> Staff Position Note, SPN/10/08, May 2010, <http://www.imf.org/external/pubs/ft/spn/2010/spn1008.pdf>

- The Financial Stability Board (FSB) has also highlighted, in the content of supervisory effectiveness and intensity in relation to Global Systemically Important Financial Institutions (G-SIFIs), the importance of adequate funding and the scope for mechanisms which involve government budgetary approval to frustrate this<sup>21</sup>. The work refers to caps on funding or on the fees which regulators may raise as being a particular issue.
33. The OECD has also published thinking on best practice in the governance of regulators. Although not specific to financial regulation, their principles (draft as at May 2013) echo the need for funding to be consistent with the need for independence and objectivity of the regulator, for adequate resourcing and for the funding mechanism to be transparent and simple<sup>22</sup>.
  34. In relation to insurance supervision, the IAIS is undertaking peer reviews of compliance with Insurance Core Principles, covering ICP2 (see Box 3) most recently. The IMF and World Bank participate. Their report commented that ratings of less than Observed<sup>23</sup> are due primarily to the source and conditions of funding or budgetary independence in the allocation of resources<sup>24</sup>.
  35. In individual assessments surveyed for this review, the IMF approach is similarly focused on non- financial aspects of independence and on the adequacy of resources. Where countries have been marked down by assessors on relevant principles, it is usually for a range of issues related to independence. There are recent cases of concern being expressed on funding mechanisms:
    - in the 2013 assessment of ASIC in Australia, the IMF highlighted the dependence on government funding decisions, especially the uncertainty created by the system of core and (less stable) non-core funding. ASIC maintained in its comments on the assessment that funding requests had consistently been met by government in full.
    - In the 2009 assessment of the Isle of Man (FSC and IPA), the assessors drew attention to the regulators' dependence on government to agree expenditure and/or vote funds as part of a wider analysis of independence; no specific recommendation was made.

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<sup>21</sup> Financial Stability Board, Supervisory Intensity and Effectiveness Reports, 2010-12. Latest available at: [http://www.financialstabilityboard.org/publications/r\\_12103ab.htm](http://www.financialstabilityboard.org/publications/r_12103ab.htm)

<sup>22</sup> OECD Principles for the Governance of Regulators, Public Consultation Draft, June 2013, <http://www.oecd.org/gov/regulatory-policy/governance-regulators.htm>

<sup>23</sup> Or in IOSCO terms, Fully and Broadly Implemented. All three standard-setters; assessment methodologies work on a four grade assessment scale and a grade for non-applicable.

<sup>24</sup> Report from Expert Review Teams Conducting the Self-Assessment and Peer Review of ICPSs 1, 2, and 23, IAIS Oct 2013

- In the USA 2009 assessment of insurance supervision, the vulnerability of insurance supervisors to cuts in their expenditure budgets (and evidence that this had happened) were highlighted, as part of a wider set of issues on independence. The assessment of US securities regulation mentioned that the method of funding (from government) did not provide sufficient assurance of continuing funding levels for capital projects.
36. However, it is not clear from the assessments that reliance on government funding and/or decisions on fees or expenditure on their own lead to large downgrades - more than from Compliant/Observed to Largely Compliant/Observed. Other factors such as provisions for the involvement of a government minister in regulatory decisions or evidence of government constraints on required funding in practice have also to be present. In a number of assessments surveyed for this review, the assessors make clear that they have satisfied themselves that potential risks to independence from the funding mechanisms have not materialised in practice.
  37. The conclusions of this review are that the IMF has regard to the funding mechanism of regulators when carrying out assessments. There are cases where it has downgraded countries for funding mechanisms that may compromise independence. However, their main focus is on independence and adequacy of resources and the funding mechanism is one of many inputs into their judgments. Assessors also take into account actual experience, particularly whether regulators have been able in practice to finance themselves adequately, from whatever source, and whether applications to government for fee increases, where necessary, have been met.
  38. That said, the IMF would look closely at significant changes in funding mechanisms. If more government involvement were to have been the result (and there was limited or no track record to show how this has worked in practice), then more weight would likely be placed on the risks to regulatory independence. Furthermore, the high priority given since the crisis to strengthening financial sector regulation and regulators, as well as initiatives such as the FSB's, are likely to increase the scrutiny of funding mechanisms in assessments undertaken in future.

#### Section IV: An alternative approach for the GFSC

39. As discussed, any consideration of alternative funding mechanisms for the GFSC must focus on government financing and this is what has been proposed in the decision of the States (see footnote 2). The objectives of such a change are evident from the debate in the States. The separate but related States review of GFSC governance ("A Regulatory Framework for the 21st Century"), including the May

2013 Discussion Paper,<sup>25</sup> also highlights government objectives.

40. Given the government commitment to operational independence and adequate resourcing of the Commission, the objectives of funding reform relate to a wider determination to foster growth in the financial sector through cost effective regulation and the promotion of innovation. It is not the objective of government to obtain access to increased revenues.

*Model 1: Government control*

41. If the objective is to increase government leverage on these important public policy issues, then this could be done simply through taking powers over either the income or expenditure side of the Commission (or both):
  - **Control of GFSC fee levels:** Decisions on fees could be taken over by the States, presumably by amendment to the various statutes which are administered by the GFSC: the Commission would continue to propose fee levels to government based on its work programme, but the States would make the implementing regulations. This would enable the government to determine both the aggregate level of fees and the fees applying to each sector or transaction type (for example, making new license applications less costly at the expense of periodic fee-payers or even giving a particular sector a fee holiday, if this were thought helpful to support increased activity).
  - **Control of GFSC expenditure:** The States would explicitly approve the Commission's budget before the start of each year, maybe at the same time as it sets the general government spending budget. Again, the Commission would continue to develop its own expenditure plans based on its objectives and work programme and the States could be required to have regard to these. In practice, the Commission would normally expect to secure its key spending plans. However, the States would be able to negotiate deferrals in some spending, for example, and so reductions in industry fees, to reflect the government's assessment of the growth prospects of the financial sector or parts of it.
42. Under both of these approaches, although the government would have varying degrees of control, the Commission would continue to be a separate agency, able to raise its own income in the form of fees on regulated entities, set its own salaries etc. The basic funding mechanism (reliance on industry fees payable directly to the Commission) would remain as now. If the government's objective were limited to relieving regulatory cost pressures on the industry, it could choose

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<sup>25</sup> <http://www.gov.gg/gfscconsultation>

to make up Commission income by grant from general government revenues. As mentioned in Section I, the legislation already empowers the government to provide financial support to the Commission. Box 4 considers the advantages and disadvantages of Model 1.

Box 4: Government control (Model 1)

Under this approach, industry levies remain the key funding source, but the government controls the Commission's income and/or expenditure through powers of approval.

Advantages	Disadvantages
Meets the government objective to take control of direct regulatory costs	Risk of under-funding of Commission work, especially if government is unwilling or unable to make grants
Requires GFSC to justify fees and/or expenditure with discipline of challenge	GFSC loss of financial control risks weakening its regulatory authority
No change in GFSC or government cash flows, saving costly systems changes etc.	Risk of public disputes between GFSC and government, damaging Guernsey reputation
Limited legislative changes required	Risk of downgrade and criticism in future international assessments

*Model 2: Government funding mechanism*

43. What some in the States and the industry have said they want the government to consider would go further than Model 1 to incorporate the Commission more fully into the government budget and financial management. This could involve extensive reform of the Commission, making it into a part of government on the Isle of Man FSC model. It is assumed that the States would not want to go this far, with the significant change in status of the Commission and major legislative change it would involve, as well as presentational challenges.
44. A similar outcome could be achieved, however, by changing to a government funding model. This approach would involve:
  - The Commission bidding not simply for approval for its budget but for an allocation from general government revenues; it would participate in the States annual budgeting process, effectively in the same way as other government departments; monies would then be disbursed to the Commission to fund its agreed spending. Separate accounts would continue to be produced by the Commission as a separate legal entity and would need to be approved by the States as now; but accounting for spending outcomes would also be

undertaken as for general government spending.

- The fees currently raised by the Commission would continue to be levied on the regulated entities, license applications etc, but would accrue to government under regulations made by government; income from financial penalties would similarly accrue directly to government. The Commission could continue to collect the fees, using the mechanism currently in place, but as agent for the government; or it could collect and retain the fees on its own account, as a method for the government to fund what in accounting terms would be budgetary support for the Commission.

45. If the objective is not to raise revenue, there should of course be no surplus fee income (as there is in some other countries using a similar model) to remit to government. However, as is the case under Model 1, funding of the Commission by government could exceed amounts taken in fees in any year, i.e., the government could fund the Commission in part from general government revenues. Box 5 considers the advantages and disadvantages of Model 2.

Box 5: Government funding (Model 2)

Under this approach, a government grant replaces industry levies as the key funding source. Levies on the industry would continue, but would be payable to the government.

<b>Advantages</b>	<b>Disadvantages</b>
As for Model 1, meets government's objective to take control of regulatory costs and requires GFSC to justify funding requirements when bidding for budget	As for Model 1, risks of under-funding, damage to GFSC's regulatory authority and to Guernsey's reputation, downgrade and criticism in future international assessments
Integration with government budgetary process sets GFSC's needs in broader context	Open to abuse by government for general revenue-raising
Separation of GFSC funding and industry levy facilitates funding of GFSC in excess of levy income, if government so chooses	Could change GFSC and government cash flows, requiring systems changes, and potentially extensive legislative change

46. Either model would equip the States to achieve the objectives of reform. Option 1, the government control model, appears operationally simpler to implement as it would be less likely to require change in government or Commission cash flows or accounting, while required legislative change would appear to be limited. Within Option 1, the control of fees approach offers the greater scope for government to affect fees most extensively, the expenditure control approach being more focused on aggregate fee levels. However, the fundamental change in the relationship between government and Commission under any of these approaches should enable government to influence Commission finances to a high degree and at any level of detail.

47. Both approaches would require a new framework for government consultation and engagement with the industry. Given risks of excessive industry influence over GFSC funding through its access to government, the government may need an enhanced capacity to evaluate both the impact of regulatory costs on the financial sector and the needs for spending on effective regulation, including the need for new regulatory initiatives.
48. Both models clearly entail significant risks of impairing the Commission's independence and security of financing, even if this is not the intention of the current States government. If any such changes were to be agreed, the States would therefore want also to consider a means of protecting Commission income from both excessive volatility and from the appearance, if not the reality, of control of funding being used to influence regulatory or supervisory decisions. The obvious risk would be that the States place such a high priority on supporting growth and innovation in the financial sector through the mechanism of Commission fees that effective regulation would be compromised through resulting budgetary constraint.
49. Possible approaches would be:
  - Process safeguards, especially a high degree of transparency around the process for setting the Commission's budget and/or fees. There would need to be a clear accounting by government of the basis for its decisions on Commission financing. The Commission would need to be given an explicit right to put on record its views on its annual financing, if necessary that it had been unable to obtain the funding which it deemed necessary to carry out effective regulation. Clearly, there would be risks to Guernsey's reputation from a public disagreement between government and the Commission.
  - Alternatively, there could be some guarantees of minimum or core funding built into the arrangements, related maybe to the number and scale of regulated institutions, potentially with indexation. There could be provisions for additional or non-core funding to be made available in case of particular pressures such as international regulatory reform initiatives; and for the Commission to seek additional funding intra-year, if necessary.
50. Even with such safeguards, there is a significant risk that international bodies would make a negative assessment of the change in GSFC funding, in the circumstances in which it would occur. This risk would reduce only to the extent that over time the States and Commission were able to show evidence that this had not been the outcome in practice.

## Section V: Recommendations

51. The recommendation of the paper is that in the interests of maintaining effective regulation in Guernsey and protecting the reputation of Guernsey as a financial centre, the changes in GFSC funding outlined in Section IV are not made.
52. As the GFSC currently enjoys a high level of independence, to which its financial arrangements are a contributor, an increase in government control over funding, even with the limited objectives that have been associated with this review, risks being perceived as significantly weakening the Commission. Reassessment by international bodies of their previously positive views of the GFSC could reinforce such perceptions.
53. However, current arrangements can also be improved, to focus more attention on key drivers of regulatory spending and to reduce the chances of further criticism of the Commission as occurred in 2013. There is also scope to increase the transparency of GFSC policies and practices in relation, for example, to income from financial penalties and senior staff remuneration.
54. The objective should be to help the GFSC engage even more extensively with government and industry on public policy issues in relation to regulatory costs and financial sector development, recognising that the sector makes a direct contribution of 40% of Guernsey's GDP; and to strengthen existing accountability mechanisms for the GFSC, recognising that accountability is an essential counterpart to independence.
55. In particular, the States and Commission could consider the following:
  - **The Commission could provide more information on its plans each financial year.** As mentioned in Section I, some other regulators publish plan and budget documents explaining the drivers of their work. GFSC could issue such a publication, covering, for example, how the Commission is reacting to international regulatory initiatives and to changes in the regulated population. Alternatively, it could develop its existing process for consultation with government and with the industry on its fee proposals by setting out more detail on the drivers of its spending plans. Either way, the objective would be to enrich the debate with government and wider stakeholders on why fee increases are required or why a cap on fee increases, as is now in place, is justified.
  - **It could set out in more detail its approach to handling income from fines.** As the Commission, as mentioned in Section I, is now imposing more significant discretionary fines, it would be timely to explain, in a speech or public statement for example, how the Commission will continue to meet the statutory requirement to take fine income into account in setting future fees.

56. **It could also increase its reporting on actual spending, including on senior staff remuneration.** The Commission could use its annual report to provide greater analysis and explanation of its key areas of expenditure in the previous year, including on supervision, new authorisations, enforcement etc. Publication of senior staff remuneration is clearly a sensitive issue which needs careful consideration. However, as mentioned in Section I, the Commission's disclosure is less extensive than that of some other regulators. The objective of making such a high profile disclosure would be to reassure that the Commission is committed to a high level of transparency in all key areas of its costs.

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13 February 2014

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**Table 12 Guernsey: Recommendations to Improve Observance of ICPs<sup>26</sup>**

Insurance Core Principle	
<b>1 – Objectives, Powers and Responsibilities of the Supervisor</b>	<ul style="list-style-type: none"> <li>• It is recommended that when the FSC legislation is next reviewed, consideration be given to establishing a more explicit “objectives section” that includes establishing the promotion and maintenance of a fair, safe and stable insurance sector for the benefit and protection of policy holders as a primary objective of insurance supervision.</li> </ul>
<b>2 – Supervisor</b>	<ul style="list-style-type: none"> <li>• It is recommended that Guernsey consider strengthening the independence, transparency and accountability of the GFSC by:               <ul style="list-style-type: none"> <li>○ Allowing the GFSC, rather than government, to set the level of fees on the entities it regulates.</li> <li>○ Continue to strengthen the accountability framework through initiatives like inclusion of its three-year operational plan as an addendum to the annual report.</li> <li>○ Clarifying the legislative provisions concerning dismissal of Commissioners to automatically require reasons for dismissal to be publicly reported.</li> </ul> </li> <li>• Consideration should be given to increasing supervisory resources to meet workload in the insurance areas.</li> <li>• In order to more fully meet the requirements of ICP 2.7, GFSC should publish more information on the insurance sector it regulates in its annual report and elsewhere.</li> <li>• Many of GFSC’s regulatory requirements are principle based. Consideration should be given to selectively supplementing these requirements with some more specific rules, procedures or minimum standards to ensure transparent and consistent application.</li> </ul>
<b>3 – Information Exchange and Confidentiality Requirements</b>	No recommendation.
<b>4 – Licensing</b>	No recommendation.
<b>5 – Suitability of Persons</b>	<ul style="list-style-type: none"> <li>• It is recommended that consideration be given to developing and publishing more specific minimum competency requirements for people who head control functions (e.g. compliance, actuarial, internal audit and risk management). Such guidance would increase transparency of requirements and help to ensure that the numerous applications GFSC receives are treated in a consistent manner as well as ensure that candidates have necessary technical competencies.</li> </ul>

<sup>26</sup> For full report see: <https://www.iaisweb.org/uploads/2022/01/190625-Assessment-Report-MAP-Guernsey-2018-20191>.

<b>6 – Changes in Control and Portfolio Transfers</b>	<ul style="list-style-type: none"><li>• It is recommended that the GFSC review its requirements concerning significant decrease below predetermined shareholder levels to ensure that they comply with ICP 6.3 and that legislative changes be made at the next opportunity to amend the legislation.</li></ul>
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