

THE BANKING SUPERVISION (ACCOUNTS, DISCLOSURE AND REPORTING) RULES AND GUIDANCE, 2021

The Banking Supervision (Accounts, Disclosure and Reporting) Rules are set out in this document with guidance provided by the Guernsey Financial Services Commission. Guidance is set out in blue boxes

DRAFT

Contents

PART 1 INTRODUCTION..... 3

 1.1 Application 3

PART 2 ACCOUNTS 4

 2.1 Licensed Entities incorporated within the Bailiwick 4

 2.2 Licensed Entities incorporated outside the Bailiwick..... 6

 2.3 Disclosure 6

PART 3 GENERAL PROVISION 9

 3.1 Interpretation..... 9

PART 4 REVOCATIONS, CITATION AND COMMENCEMENT 10

 4.1 Revocations..... 10

 4.2 Citation and commencement..... 10

DRAFT

PART 1 INTRODUCTION

1.1 Application

- (1) These Rules replace –
 - (a) The Banking Supervision (Accounts) Rules, 1994;
- (2) The Commission may in its absolute discretion, by written notice to a licensee, exclude or modify the application of any provision of these Rules.
- (3) The provisions of these Rules do not affect any conditions which may be imposed, in respect to a banking licence, under the Law.

PART 2 ACCOUNTS

2.1 Licensed Entities incorporated within the Bailiwick

2.1.1 Application of rule 2.1

- (1) Rule 2.1 applies to licensed institutions incorporated within the Bailiwick.

This applies to subsidiary banks licensed in Guernsey and incorporated locally.

2.1.2 Approved accounting rules

- (1) Entities licensed under the Law, and incorporated in the Bailiwick, must prepare annual accounts in accordance with an approved accounting standard. For the purposes of these Rules the following accounting standards are approved by the Commission –
- (a) IFRS¹;
 - (b) UK GAAP²; or
 - (c) US GAAP³.

¹ International Financial Reporting Standards published by the IFRS foundation and International Accounting Standards Board and adopted by the UK and the EU.

² UK Generally Accepted Accounting Practice, including FRS 102, published by the UK Financial Reporting Council (or its successor bodies).

³ US Generally Accepted Accounting Practice, adopted by the US Securities and Exchange Commission.

- (2) The Commission may approve the use of an alternative accounting standard, on the application of a licensee, or potential licensee, on a case by case basis. Approval must be sought prior to the use or implementation of an alternative approach or accounting standard.

Bailiwick incorporated Licensed institutions must prepare accounts annually, in accordance with the Companies (Guernsey) Law, 2008 and in accordance with one of the accounting standards approved by the Commission; unless the Commission has given its prior, written approval for the use of an alternative approach.

2.1.3 Submission of accounts to the Commission

- (1) The licensee must submit to the Commission, no later than three months from the date of their completion, copies of –
 - (a) the audited accounts including the auditor's report; and
 - (b) any management letter prepared by the auditors.
- (2) Any derogation from this rule can only be entered into with the written consent of the Commission.

2.1.4 Auditor's report

- (1) The auditor's report must include statements on the following –
 - (a) the basis of the auditor's opinion;
 - (b) the auditor's opinion as to whether the accounts show a true and fair view and have been properly prepared in accordance with the provisions of the Law and the provisions of the Companies (Guernsey) Law, 2008⁴.

⁴ No. VIII of 2008.

In addition to the report, licensed institutions should provide a copy of the auditor's management letter to the Commission.

2.2 Licensed Entities incorporated outside the Bailiwick

2.2.1 Application of rule 2.2

- (1) Rule 2.2 applies to licensed entities incorporated outside the Bailiwick.

This applies to bank branches licensed in Guernsey and incorporated elsewhere.

2.2.2 Information required by the Commission

- (1) Entities licensed under the Law, and incorporated outside the Bailiwick, must provide the Commission with a copy of the audited accounts of the main group, including the auditor's report, no later than one month following their publication.

2.3 Disclosure

2.3.1 Application

- (1) This rule applies to licensed institutions incorporated within the Bailiwick.

This applies to subsidiary banks licensed in Guernsey and incorporated locally.

2.3.2 Information required

- (1) The Licensee must make available on request and publish online, no later than one month following the submission of its accounts to the Commission, the following information –

- (a) a copy of the audited accounts including the auditor's report; and
- (b) additional information including but not limited to –
 - (i) the Common Equity Tier 1 ("CET 1") capital asset ratio ("CAR")⁵, calculated as the ratio of common equity tier 1 capital to total risk weighted assets;
 - (ii) the Liquidity Coverage Ratio ("LCR")⁶ or, where appropriate, the Liquidity Mismatch Ratio ("LMR")⁷;
 - (iii) the Leverage Ratio⁸;
 - (iv) the Net Stable Funding Ratio ("NSFR")⁹.

DISCLOSURE AND PUBLICATION

If the licensed entity does not have its own website it may use a group website and should clearly indicate the subsidiary to which the information applies.

KEY METRICS

The key metrics, listed below, are defined in more detail in the relevant regulatory returns and associated guidance issued by the Commission. The full suite of guidance can be found on the Commission website (see www.gfsc.gg/industry-sectors/banking/returns) and in the specification of the relevant return form or spreadsheet, which are provided to banks as required.

CET Capital Asset Ratio (CAR)

This is the ratio of common equity tier 1 capital (CET1) to total risk weighted assets. The information required is set out in the BSL/2 quarterly return forms provided to the banks, and the relevant guidance on regulatory reporting on the Commission website, BSL/2 General Guidance and Individual Capital Guidance (Module 7).

⁵ See Commission website for General Guidance and Individual Capital Guidance (Module 7) for completion of BSL/2.

⁶ Defined in Commission guidance on completing the LCR module or form LCR.

⁷ Defined in Commission Guidance of completing the LMR module.

⁸ See Commission Website, Guidance on completing the Leverage Ratio Module of BSL/2.

⁹ See Commission website Guidance on completing the NSFR module of form LCR and LMR.

Liquidity Coverage Ratio (LCR) or Liquidity Mismatch Ratio (LMR)

Licensees should disclose the figure for their LCR or LMR as appropriate and in accordance with the information reported to the Commission in the relevant regulatory return. Guidance on the definition and reporting for form LCR and form LMR is provided on the Commission website (see www.gfsc.gg/industry-sectors/banking/returns).

Licensees may also wish to disclose the average CAR, LCR or other measures for the financial year in question, in which case they may include the information alongside those specified above and should disclose how they have calculated the average.

Leverage Ratio

The figure disclosed should be the ratio at the balance sheet date. Guidance can be found on the Commission website on BSL/2 (Module 11).

Net Stable Funding Ratio (NSFR)

Disclosure of the NSFR will not be required until the Commission sets a minimum NSFR requirement. The Commission will publish its intention to introduce the minimum requirement six months in advance of its intended introduction.

Once disclosure is required, the figure disclosed should be the NSFR for the relevant period at the end of the financial year, as reported to the Commission on form LCR or LMR. Guidance on the definition and regulatory reporting can be found on the Commission's website – NSFR Guidance.

2.3.3 Reporting period

- (1) The figures reported under this rule must be for the relevant date, which will be the date of the balance sheet used in preparing the accounts.
- (2) The information reported under this rule must be consistent with the information reported to the Commission in the relevant regulatory returns.

Regulatory Returns & Reporting Periods

The relevant regulatory returns are BSL/2 and LCR/LMR as appropriate.

The relevant reporting period is the final submission for the financial year for which the accounts have been prepared.

The figures disclosed for key metrics should be the same as those reported to the Commission in the regulatory returns.

PART 3 GENERAL PROVISION

3.1 Interpretation

- (1) In these Rules terms have their ordinary meaning unless specifically defined in the Law or in these Rules.
- (2) The Interpretation and Standard Provisions (Bailiwick of Guernsey) Law, 2016¹⁰ applies to the interpretation of these Rules.
- (3) A reference in these Rules to an enactment should be taken to include any amendments, re-enactments (with or without modification), extensions and applications.

¹⁰ Order in Council No. V of 2018, as amended.

PART 4 REVOCATIONS, CITATION AND COMMENCEMENT

4.1 Revocations

4.1.1 Revocation of The Banking Supervision (Accounts) Rules, 1994

- (1) The Banking Supervision (Accounts) Rules, 1994 are revoked.

4.2 Citation and commencement

- (1) These rules may be cited as the Accounts, Disclosure and Reporting Rules 2021.
- (2) Rule 2.3.2(1)(b)(iv), the requirement to provide information on the Net Stable Funding Ratio will come into force at such time as the Commission decides to set a minimum NSFR requirement.
- (3) The remaining rules come into force on *****.