



Financial Services Commission

Update of IMF Recommendations **BANKING**

18 January 2006

BCP 1.2

It is recommended that at least one additional analyst be hired, preferably with direct onsite inspection experience.

An additional member of staff was recruited by the FSC's Banking Division in May 2005.

BCP 1.5

It is recommended that relevant legislation be amended to provide protection for the FSC's staff against civil suits and indemnifying them against the costs associated with such suits

This has been included in a draft revision to the Financial Services Commission Ordinance submitted to Government for their consideration

BCP 7

It is recommended that the draft guidance notes addressing this issue be adopted as a matter of urgency.

Guidance Note on provisioning policy statements was finalised and issued to industry in Dec 2001.

BCP 8

It is recommended that the FSC require banks to introduce a loan classification regime that would reflect best international practices.

Whilst the FSC accepts the general logic of this principle, due to the size and nature of the market in Gibraltar, we do not consider that there is a need to take this recommendation forward.. This stance has been endorsed by the statutory review of the FSC conducted in 2005 which found that there was no requirement to implement this Recommendation. No action has therefore been taken by the FSC

BCP 11

It is recommended that exposures be classified and monitored on an individual country basis and that appropriate minimum provisioning policy be introduced.

Whilst the FSC accepts the general logic of this principle, due to the size and nature of the market in Gibraltar, we do not consider that there is a need to take this recommendation forward. This stance has been endorsed by the statutory review of the FSC conducted in 2005 which found that there was no requirement to implement this recommendation. No action has therefore been taken by the FSC

BCP 14

It is recommended that banks be required to appoint non-executive directors and to establish audit committees to which the internal audit function would report.

The composition of the banking industry, being mainly locally incorporated subsidiaries of major institutions or branches is not necessarily best served by this approach. Therefore this recommendation, although accepted in principle, has not been translated into practice or a requirement.

BCP 15

It is recommended that the FSC adopt a more structured approach to overseeing compliance with anti-money laundering procedures. In particular, the mission recommends that regular anti-money laundering assessments form a regular part of the proposed introduction of the onsite inspection regime.

AML/CFT systems of control and risk management forms an integral part of the FSC's Risk Assessment Methodology and on-site visit programme.

BCP 22

It is recommended that appropriate legislation be enacted to give the FSC authority to directly apply penalties.

Consideration of this recommendation continues. However we have not found the lack of such a power impairs our ability to supervise and do not consider this as a particularly valuable regulatory tool in the context of the Gibraltar banking industry and the FSC's approach to supervision

