

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY THE CONNÉTABLE OF ST. JOHN
ANSWER TO BE TABLED ON TUESDAY 6th DECEMBER 2011**

Question

In the event of a Euro Zone collapse what contingencies, if any, has Jersey got in place in respect of disaster recovery within the finance industry and will the Island follow UK contingency plans or take a global approach?

Answer

While the EU Member States supported by the IMF and the international community have said they will act to avoid a Euro Zone collapse because of its systemic consequences, governments are reluctant to further destabilise financial markets by talking about plans for dealing with a collapse and the UK Chancellor made no reference to any such plans in his Autumn Statement last week. However, as an initial step, financial regulators such as the UK FSA are engaging in exercises to assess the ability of their banks to cope with various eventualities. The Jersey Financial Services Commission is no exception. While it is always alive to any significant risks faced by Jersey banks, given the global breadth of the financial crisis it has for some time been looking beyond its normal regulatory boundaries in its assessment of the current financial risks which clearly include the crisis in the Euro Zone. This has included liaising with home regulators, challenging Jersey banks to adequately assess and mitigate emerging or increasing risks, and the conduct of its own assessment of the potential impacts on the Island's banks. It will also monitor the exercise being undertaken by the UK FSA.

The Commission is statutorily required to have regard for the best economic interests of the Island and they will be expected to keep the States fully informed of any wider implications arising from their risk assessments of Jersey banks. Because of the extent to which Jersey banks are subsidiaries or branches of UK banks, any contingency plans in the UK will also be monitored particularly closely. This will help to ensure that States are well placed to assess and plan for what action, if any, needs to be taken to deal with the consequences of a Euro-Zone collapse should it occur.