



GUERNSEY STATUTORY INSTRUMENT

2002 NO. 35

**Insurance Business (Approved Assets) Regulations, 2002**

<i>Made</i>	<i>5<sup>th</sup> November, 2002</i>
<i>Coming into operation</i>	<i>5<sup>th</sup> November, 2002</i>
<i>Laid before the States</i>	<i>2002</i>

**THE GUERNSEY FINANCIAL SERVICES COMMISSION** (in these regulations called "the Commission"), in exercise of its powers conferred by section 85 and paragraph 2(1) of Schedule 2 to the Insurance Business (Bailiwick of Guernsey) Law, 2002, and after consultation with the States of Guernsey Advisory and Finance Committee, the States of Alderney Policy and Finance Committee and the Chief Pleas of Sark General Purposes and Finance Committee, hereby makes the following regulations:

**Meaning of "approved assets".**

**1** For the purposes of paragraph 2(1) of schedule 2 to the Insurance Business (Bailiwick of Guernsey) Law, 2002, the expression "**approved assets**" shall comprise:

1.1 Class 1 Assets:

1.1.1 Cash in hand and on deposit with **recognised banks** in **recognised territories**;

1.1.2 Certificates of deposit issued by recognised banks in recognised territories.

1.1.3 **Debt securities** issued by sovereign and **supranational agencies** listed on a **recognised stock exchange** or the International Securities Markets Association being both capable of normal realisation within 90 days and having a current rating of AAA from Standard and Poors or equivalent rating from another reputable rating agency acceptable to the Commission.

1.1.4 **Collective investment schemes**, capable of normal realisation at short notice (i.e.<30 days), which have a rating from Standard and Poors of AAAM or an equivalent rating from another rating agency acceptable to the Commission.

1.1.5 **Collective investment schemes**, capable of normal realisation at short notice (i.e.<30 days), where at least 95% of the market value of the underlying assets is within any of (or any combination of) the descriptions set out in items 1.1.1, 1.1.2, 1.1.3 and 1.1.4 of this sub-paragraph and 1.3.1, 1.3.2 and 1.3.3 of sub-paragraph 1.3, provided that the market value of any assets held by the collective investment scheme that are so within items 1.3.1, 1.3.2 and 1.3.3 of sub-paragraph 1.3 in respect of a single counterparty do not exceed 10% of the total market value of the **collective investment scheme**.

1.1.6 Net accounts receivable, net of provision for bad and doubtful debts, and not outstanding for more than 90 days after the due date.

1.1.7 Prepayments, excluding any prepayments resulting from amounts

paid, either directly or indirectly, to a person with whom the insurer is associated.

1.1.8 Reinsurance balances receivable, net of provision for bad and doubtful debts, and not outstanding for more than 90 days after the due date.

1.2 Class 2 Assets:

1.2.1 Any asset or assets with the prior written consent of the Commission.

1.2.2 Irrevocable letters of credit, subject to the laws of the Bailiwick of Guernsey and issued to the benefit of the insurer, provided by **recognised banks in recognised territories**, for such amount and on such conditions as have been approved by the Commission.

1.3 Class 3 assets:

1.3.1 Debt instruments listed on a **recognised stock exchange** or the International Securities Market Association being both capable of normal realisation within 90 days and having a current rating of A or higher from Standard and Poors or equivalent rating from another reputable rating agency acceptable to the Commission.

1.3.2 Securities quoted on a **recognised stock exchange**.

1.3.3 **Collective investment schemes**, capable of normal realisation at short notice (i.e.<30 days), where at least 95% of the market value of the

underlying assets is within any of, or any combination of, the descriptions set out in items 1.3.1, 1.3.2 and 1.3.3 of this sub-paragraph and the market value of assets held in respect of a single counterparty do exceed 10% of the total market value of the collective investment scheme.

1.4 Class 4 assets:

1.4.1 Exchange Traded Derivative Contracts or schemes resulting in an equivalent arrangement if, and only if, they are not leveraged and to the extent that they are in order to:

1.4.1.1 Apply an index tracking strategy to part or all of a portfolio.

1.4.1.2 Apply capital protected strategies to part or all of a portfolio.

1.4.1.3 Apply efficient portfolio management techniques to a portfolio.

1.4.1.4 Reduce investment risk currently employed on a portfolio

1.4.2 Forward foreign exchange transactions, conducted with a **recognised bank**, to the extent that they hedge currency exposures to currencies other than the reporting currency in the statutory accounts.

1.4.3 Where a **derivative** contract changes the characteristics of underlying assets those underlying assets are to be included within class 4 assets.

## Definitions.

2 For the purpose of this regulation:

2.1 A **“Collective Investment Scheme”** is any arrangement relating to property the purpose or effect of which is to enable investors to participate in profits realised by the scheme and in which the investors do not have day to day control over the management of the property within the scheme and further which involves the pooling of the contributions of investors and the profits for income of the scheme.

2.2 **“Debt securities”** are debentures, debenture or loan stock, bonds and notes, including convertibles, whether secured or unsecured.

2.3 **“Derivative”** has the definition set out in Schedule 5 to the Insurance Business (Bailiwick of Guernsey) Law, 2002.

2.4 **“Exchange-Traded Derivative Contracts”** mean standardised derivative contracts transacted on an organised exchange and which usually have margin requirements.

2.5 **“Recognised bank”** is a bank or building society with a short-term credit rating of A-1/P-1 and/or a bank or building society licensed by the appropriate regulatory authority in Guernsey, Jersey or the Isle of Man.

2.6 **“Recognised stock exchange”** means any regulated market for the trading of investments which is situated in and recognised as a stock exchange within the meaning of the law relating to stock exchanges of any recognised territory.

2.7 **“Recognised territory”** means:

2.7.1 any member state of the European Economic Area; or

2.7.2 any member state of the European free Trade Area; or

2.7.3 any of United States of America, Canada and Japan; or

2.7.4 the Channel Islands; or

2.7.5 any other territory which the Commission may determine and publish on its website from time to time.

2.8 **“Supranational agency”** is an entity that does not have one particular national identity and appears on the list maintained on the Commission’s website.

**Citation.**

3 These regulations may be cited as the Insurance Business (Approved Assets) Regulations, 2002.

**Commencement.**

4 These regulations shall come into force on the 5<sup>th</sup> November, 2002.

**Interpretation.**

5 5.1 Any reference in these regulations to an enactment, regulation, rule or code is a reference thereto as amended.

5.2 The provisions of the Interpretation (Guernsey) Law, 1948 apply to the interpretation of these regulations.

Dated this 5<sup>th</sup> day of November, 2002.



A handwritten signature in black ink, appearing to read 'L C Morgan', written over a horizontal dotted line.

L C Morgan

Chairman of the Guernsey Financial Services Commission

For and on behalf of the Commission

---

EXPLANATORY NOTE.

(This note is not part of the Regulations)

These regulations define approved assets (which must be maintained at all times by a licensed insurer) for the purposes of paragraph 2(1) of Schedule 2 to the Insurance Business (Bailiwick of Guernsey) Law, 2002.