



**TYNWALD COURT  
OFFICIAL REPORT**

**RECORTYS OIKOIL  
QUAIYL TINVAAL**

**P R O C E E D I N G S**

**D A A L T Y N**

**(HANSARD)**

**Douglas, Thursday, 9th October 2008**

**Present:****The President of Tynwald (The Hon. N Q Cringle, OBE)****In the Council:**

The Lord Bishop of Sodor and Man (The Rt Rev. R M E Paterson), The Attorney General (Mr W J H Corlett QC),  
Mr D Butt, Mrs C M Christian, Mr E G Lowey, Mr J R Turner and Mr G H Waft,  
with Mr J King, Deputy Clerk of Tynwald.

**In the Keys:**

The Speaker (Hon. S C Rodan) (Garff);  
The Chief Minister (The Hon. J A Brown) (Castletown);  
Hon. D M Anderson (Glenfaba); Hon. A V Craine and Hon. A R Bell (Ramsey); Hon. W E Teare (Ayre);  
Mr J D Q Cannan (Michael); Mr T Crookall (Peel); Mr D J Quirk (Onchan);  
Mr R W Henderson and Mr J R Houghton (Douglas North);  
Hon. D C Cretney (Douglas South); Mrs B J Cannell (Douglas East);  
Mr C G Corkish MBE and Hon. J P Shimmin (Douglas West); Mr G D Cregeen (Malew and Santon);  
Mr J P Watterson and Hon. P A Gawne (Rushen);  
with Mr R Phillips, Clerk of Tynwald.

**Business Transacted**

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*The House adjourned at 1.43 p.m.*

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# THE TYNWALD DEBATES OFFICIAL REPORT

IN THE PARLIAMENTARY SESSION 2008-09

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Thursday, 9th October

Volume 126

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## Tynwald

*The Court met at 10.30 a.m.*

[MR PRESIDENT *in the Chair*]

**The Deputy Clerk:** Hon. Members, please be upstanding for the President of Tynwald.

**The President:** Hon. Members, I call upon the Lord Bishop to lead us in prayers.

### PRAYERS

*The Lord Bishop*

### Leave of absence granted

**The President:** Hon. Members, can I first tell you that the decision to call this meeting of Tynwald was not taken lightly. I am very conscious that, in calling this sitting at such short notice, there would be Members, for one reason or another, who would be unable to attend.

That being the case, Hon. Members, I can tell you that the Hon. Member, Mr Earnshaw, is attending a family funeral in the UK; the Hon. Members, Mr Braidwood, Mr Gill, Mr Karran, Mr Malarkey and Mr Quayle from the Keys are all absent from the Island; and so are the Members of Council, Mr Callister, Mr Crowe and Mr Downie. Mrs Cannell, Hon. Members, had a family appointment at hospital and will join us as soon as she is able.

### Reasons for urgent sitting Statement by the President

**The President:** Standing Orders, Hon. Members, make it plain that while the President may summon Tynwald to sit at any time, the reasons for the urgency should be specified.

As Members are aware, the Treasury Minister announced on Tuesday of this week that there would be a new Depositors' Compensation Scheme, to be placed before Tynwald on the

21st of this month. With wide-ranging changes in the finance industry happening daily, I accepted the view of the Chief Minister that there are special reasons and a need for urgency. I therefore considered advisable that Tynwald should have the opportunity to express its opinion at the earliest opportunity. (A Member: Hear, hear.)

Hon. Members, I am grateful for your co-operation.

### Welcome to Mr R Phillips, new Clerk of Tynwald

**The President:** We have but the one Item to deal with, Hon. Members, but before turning to the Order Paper, may I also, on your behalf, welcome our new Clerk of Tynwald, Mr Roger Phillips. He may be getting a baptism of fire at this, his first sitting!

I am sure that we all wish him every success in his new role.

**Members:** Hear, hear.

## Orders of the Day

### Papers laid before the Court

**The President:** In that case, Hon. Members, I then call upon the Clerk to lay papers.

**The Clerk:** I beg to lay before the Court the papers set out on the Order Paper.

Financial Services Act 2008 –  
Compensation of Depositors Regulations 2008 [*SD No 826/08*]

### Suspension of Standing Orders

2. The Minister for the Treasury to move:

*That Standing Orders 2.4(1) and 10.9 be suspended and that under Standing Order 2.2(6) the following business now be taken.*

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Leave of absence granted  
Reasons for urgent sitting – Statement by the President  
Welcome to Mr R Phillips, new Clerk of Tynwald : Papers laid before the Court  
Suspension of Standing Orders

**The President:** In that case, Hon. Members, we turn to Item 2 on your Order Paper, and I call on the Minister for the Treasury, Mr Bell, to move.

**The Minister for the Treasury (Mr Bell):** Mr President, I beg to move that Standing Orders 2.4(1) and 10.9 be suspended, and that under Standing Order 2.2(6) the following business now be taken.

**The President:** Chief Minister.

**The Chief Minister:** I beg to second and reserve my remarks.

**The President:** Hon. Members, are we agreed that the Standing Orders 2.4(1) and 10.9 be approved? Agreed?

**Members:** Agreed.

**Financial Services Act 2008  
Compensation of Depositors Regulations 2008  
approved**

3. The Minister for the Treasury to move:

*That the Compensation of Depositors Regulations 2008 be approved [SD No 826/08]*

**The President:** In that case, Hon. Members, we will go straight on to Item 3, which on your Order Paper is headed Depositors' Compensation, and again I call the Minister for the Treasury, Mr Bell, to move.

**The Minister for the Treasury (Mr Bell):** Thank you, Mr President.

First of all, I would like to express my thanks to you and to all Hon. Members for agreeing to this sitting of Tynwald at such short notice, but unprecedented circumstances call for a decisive response.

Hon. Members will all be well aware of the turmoil in the global banking system and its negative impact on the economies of countries throughout the world. I do not propose to go through that turmoil in detail; we all witness it daily. However, I emphasise that we have been following developments very closely and assessing how best to respond for the good of the Island, its people, its reputation as a premier small international finance centre, and its banking and other businesses and the people who work for them.

Financial systems around the world have entered uncharted waters, and the Isle of Man cannot expect to be immune from what is happening elsewhere. However, it is worth taking a moment to emphasise the Island's many strengths as a jurisdiction which make it well placed to weather the current world financial storm. We can take comfort from the diverse nature of our economy and the underlying strength of our finance sector and banking system, which provides us with a broad and robust platform of business activity. We also have a strong and prudent regulatory system regularly and independently reviewed. The steps that the Island has taken over the years to achieve an internationally endorsed regulatory system also stand us in good stead. Another strength is the good working partnership

between Government and the business sectors, which means that, together, we can keep a close eye on developments and deal with issues as they come. Last but not least, the Isle of Man has a track record of meeting international challenges and change with resilience and resourcefulness. That track record should give us confidence in these uncertain times.

On 6th October I announced my proposals for the amendment of the existing Depositors' Compensation Scheme. The primary element of that announcement was the raising of the level of the Isle of Man's deposit protection from 75 per cent of up to £20,000 of net deposits per depositor to 100 per cent of up to £50,000 of net deposits per depositor for both local and international individual depositors.

Our original intention had been to bring the enhanced Scheme to the October sitting of Tynwald. However, in view of the fast-changing global environment and the feedback we have received, we have decided that the most appropriate course is to put the Scheme in front of you for approval today. I am very aware that this has left you with very little time to study the details of the enhanced Scheme, and I, for that, apologise profusely.

However, we believe that both Hon. Members and the public will generally welcome the opportunity for the Scheme to be discussed and, I trust, approved at this earliest opportunity.

In the event that Tynwald does approve this Scheme today, it will come into effect from today.

Mr President, a consultation exercise with all banking licence holders on options for change in the Island's Depositors' Compensation Scheme was undertaken in March of this year. In June, I wrote to Hon. Members indicating that I had considered an initial report from the FSC and that I had concluded that, given the uncertainty as to the final decisions of other countries in relation to their Depositor Compensation Schemes, I would not propose any amendments to our Scheme at that time, but would keep the matter under constant and further review. This I have done.

However, the turbulence and speed of developments in world markets have meant that, in finalising the proposals I am presenting today, I have not been able to carry out the normally extensive consultation with banking licence holders that I and they would wish. However, I am grateful for the pragmatic and constructive way in which they have responded so far, for which I gratefully thank them.

Turning then to the specific proposals in front of you today, the material changes in the new Scheme are as follows:

Compensation payable is increased to 100 per cent of up to £50,000 per individual depositor. Under the 1991 Regulations, this level was 75 per cent of up to £20,000 for all depositors – that is, £15,000 maximum.

Compensation is payable only to depositors who are individuals, i.e. natural persons. This is different from the 1991 Regulations, in which compensation is payable to depositor types, including bodies corporate, partnerships, trusts, etc. There will, however, continue to be no restriction on the residency of eligible depositors, with compensation payable to both Manx and non-Manx resident individual depositors.

The maximum levy payable by a participant deposit taker is increased to £500,000 per annum, from the current £250,000 per annum, and the minimum annual levy increased to £50,000, from £25,000. The method of calculation remains the same, being 0.125 per cent of each participant deposit

taker's total deposits.

The restriction in the 1991 Regulations, which state that the maximum compensation payable to depositors in any year may not exceed the levies that can be raised, has been removed. This means that the Scheme could raise funds in other ways, for example by borrowing, and pay those funds to depositors. The requirement to charge interest to depositors on the amount of their claim is removed, and the requirement for depositors to subrogate the full amount of their deposit, in order to submit a claim under the Scheme is reduced to a requirement to subrogate the amount of the claim under the Scheme.

Unlike the 1991 Regulations, building societies are included in the definition of participants.

Mr President, the urgent priority in bringing this amended Scheme today has been to protect and reassure the individual depositor. However, I am sensitive to the concerns that are inevitably going to be felt by Hon. Members, by the banking community and by the public, in respect of measures that have not had the full benefit of the normal consultative process. I believe it is important in the next few days and weeks that we take the opportunity to enter constructive dialogue with all relevant parties, and in particular the banks, to make sure that all the details of the Scheme meet our objectives, and, if required, return to this Hon. Court with further development of the Depositors' Compensation Scheme in the near future.

Hon. Members, overall our banking system is robust, despite today's disappointing news. Our regulation is strong, we have a sound economy and we have had a Depositors' Compensation Scheme in place for over 27 years. With your approval today, we will provide a Compensation Scheme that is up-to-date, and stands comparison with other much larger countries. The new limit is expected to cover approximately 95 per cent of all individuals' deposits. It will give increased confidence to our local and international investors.

Mr President, I commend the new Scheme to this Hon. Court. I beg to move.

**The President:** Chief Minister.

**The Chief Minister:** Thank you, Mr President. I beg to second and reserve my remarks.

**The President:** Hon. Member, Mr Houghton.

**Mr Houghton:** Thank you, Mr President.

In opening up this debate, can I welcome this move made by Government, albeit it should have been done quite some time sooner.

**A Member:** Hear, hear.

**Mr Houghton:** The Bradford and Bingley bank was on very, very shaky terms last June. I spoke myself with the Treasury Minister at that time with concerns from constituents and people in the banking sector that matters needed to be moved forward.

Although we have now got one bank that has just gone to the wall yesterday – Kaupthing Singer and Friedlander – can I ask the Minister if those depositors will be protected by this Scheme, as I am sure it will be unanimously approved today. That is most important, Mr President, because the Treasury Minister's announcement was cognisant of the timing of the

announcement from that particular bank, and it would be important if he made that point very clear in his reply.

Mr President, apart from one or two comments, most of my preparation this morning is in the form of questions – important questions – for the Minister to answer, and I am sure there will be other Hon. Members with questions, anyway.

Mr President, may I ask... If we turn to page 6 on this document of the new Depositors' Compensation Scheme, which I would understand – so a question to the Minister – that this completely overtakes now... replaces the previous Scheme, which was wholly out of date and was some 27 years old – does this Scheme here completely replace that Scheme? Most important.

On page 6, where we deal with the exceptions from entitlement to compensation – the exceptions from that – does that now mean that one of the very unwelcome areas in the previous Scheme, which was that interest, I understand, would have been charged to depositors if the Scheme was ever put in place on the announcement of a failed bank, that the FSC would charge fees in the form of interest to depositors when they got their money back, many years after the bank – financial institution – went under... Can the Minister...? It is a legally written document: I cannot see it in the document, but it is an important point which was most unwelcome in the old Scheme. Can the Minister clearly state that depositors will get the whole of their... now, if they have deposits up to £50,000 – and the welcome 100-per-cent repayment up to and including that amount, which is in the new Scheme – do they get that figure back in whole and without deduction of interest, as was in the old Scheme? A vitally important point, Mr President.

Mr President, just turning to the issues of the day – the very sorry issues of the day – does the Treasury have contingency plans, slightly aside of this Scheme, where it is putting capital aside for any sort of bail-out measures? I appreciate it is not necessarily relevant, but I would be very interested, and so would this Court, if the Minister could just clearly state whether they are looking at the possibility of assisting, let us just say, this particular bank that has gone under yesterday. What is the Treasury's view on that? I am sure that will lead to major debate in the future. But as I say, what are their thoughts and feelings on that, bearing in mind what happened with other governments elsewhere, beyond these shores?

Mr President, also, if I can turn Hon. Members to the last page – page 13 – it refers to Regulation 7(1). Mr President, I will read this out, just so we can be absolutely clear on this, because it is not clear for me – and I am no fool, Mr President – exactly what it really means, and I need the Minister's clarification on this.

In the schedule, it says:

'Institutions exempted from the definition of deposit taker'.

This Regulation, this Scheme that we are going to approve today, I am certain, points to deposit takers – i.e. banks. But those who are exempted, it says here, are the following: Abbey National Plc; Alliance & Leicester Plc; Bank of Bermuda (Isle of Man) Limited; BNP Paribas Trust Company (Isle of Man) Limited; Celtic Bank Ltd; Close Trustees (Isle of Man) Limited; HSBC Custody Services (Isle of Man) Limited; Merrill Lynch Bank and Trust Company (Cayman) Limited; the Co-operative Bank Plc; and the Standard Bank

of South Africa Limited. Those are being exempted.

So does that mean, if something happens to one of these institutions that I have just read out here, that they will not be affected by the Scheme, so therefore those investing in those banks will not be eligible for receipt of compensation under this Scheme?

**Mr Watterson:** They are custody banks.

**Mr Houghton:** We need an absolute answer, because it is not quite clear on this document, and I am most concerned. It is something that needs absolute clarification, because all of these banks of very high standing are obviously in the line of fire, unfortunately, the same as any other financial institution, which is very, very regrettable.

Mr President, finally, I would just like to ask, further to this: Members of Tynwald, obviously, like everyone else, are receiving their information from the media, both national and local, of course; but could I ask the Minister if he would give or arrange for an urgent presentation by the Financial Supervision Commission (FSC) on this matter, just bringing us up to date from a Manx point of view, for our background information, because we are all in contact, on a virtually hourly basis, by our constituents on this matter. (**Mr Henderson:** Hear, hear.) An urgent presentation by the FSC, just to bring us up to date and followed by regular follow-ups throughout the remainder of this crisis – and I would say weekly follow-ups. I am sure I will be criticised for saying weekly follow-ups, because matters are happening by the day. So possibly less... once/twice weekly follow-ups of presentations by the FSC, as to what they are doing, because I, as a Member of Tynwald, would like to know and find out, rather than find out in the media, when banking licences have been withdrawn, which is most serious. It is incredibly serious. It has to be done, but it would be nice to know, as a Member of Tynwald, the minute that is happening or whether it is being considered to take place imminently.

It is so serious, Mr President, and we require... I know my colleague is going to say something about consultation with Members of Tynwald in his speech, so I will desist from that, but it is so serious that we need to know. Not just the Treasury – obviously they are first to know – but we need regular follow-ups to know, and recalls of this Hon. Court if it is required: the Court needs to know as a collective body.

Thank you, sir.

**The President:** Hon. Member for Michael.

**Mr Cannan:** Thank you, Mr President.

First of all, I would say thank you to you, on behalf of many Members, for allowing this Tynwald sitting to take place.

There is one thing that is a reality check, that our economy is wholly dependent on the UK, in that our currency is sterling. We have no control over money supply, we have no control over interest, and the monetary policy is determined in the UK, in which we have no say whatsoever. If you want to have an example, yesterday morning HM Treasury withdrew the banking licence of Singer and Friedlander, which precipitated the problems with Singer and Friedlander, and they are going into voluntary winding-up here in the Isle of Man. The Isle of Man is not consulted before a licence is withdrawn in the UK, and that will have immediate effect in the Isle of Man.

I just remind Members that, in October 2007, I put a motion down for the review of the Protection Scheme for savers. You all supported that review, that a contingency plan would be prepared. Sad to say, no contingency plan has been prepared until the current crisis and I believe 12 months was far too long (*Interjection*) to prepare a contingency plan, instead of a rushed document, about which there are many questions and about which Tynwald Members have not been consulted. During the period since last October, I have, on two occasions, asked in Tynwald, in Questions – either here or in the House of Keys – what progress the Treasury Minister was making in this review, and got the usual woolly Answer.

However, I will now move to the Scheme itself, which we have had little time to digest. Indeed, I received mine from the Constabulary at 10 o'clock last night.

But I move to, first of all and going through the paper as it is, section 6(3):

'There shall be paid into the Fund –  
(a) money obtained by levying contributions from participants;'

We know that. And then:

'(b) money borrowed by the Scheme Manager for the purposes of the Scheme;'

Borrowed by the Scheme Manager. Who is he going to borrow from and who is going to underwrite it, the borrowings? When you borrow money, you either borrow from the Government – which is the taxpayers – or you borrow from an outside source and the outside source wants a guarantee, which again is the Government, which again is the taxpayer. So I would like some answer to section 6(3)(b).

Only this morning I had a telephone call from a senior banker concerned at the levies which could be placed on banks in the Isle of Man and, indeed, the borrowings that could be required – and we have had no advice. However, I will come to that later.

I then move on to section 9(3), where it details who is eligible to obtain compensation:

'(a) separate deposits in the same ownership shall be aggregated and treated as one account;  
(b) deposits in joint names shall be divided equally between the parties;'

Very good.

'(c) if the deposit is in a currency other than sterling, it shall be converted into sterling for the purposes of the Scheme by reference to the middle market rate.'

Very good. And then there are two issues further that are causing great concern. One is – and I want clarification of this – parents and grandparents who have opened accounts in the name of their children or grandchildren – and it is very often done, that when little Tommy is born, the parents or grandparents open an account in his name for £500, £1,000 or whatever, and during his young years they add to it – is that money protected? It is personal money; it is not corporate money. It is money from parents or grandparents, put in a trust for little Tommy or little Mary, and that is a very worrying thought to many people who, from their savings, have set aside money for their offspring or grandchildren.

The second one that is causing a lot of concern, and on

which I have had telephone calls, is charities. People have given money in good faith to charities from the big, from Hospice, to the smaller... the Blind Welfare may be quite big, I do not know. You see the boxes in the shops, Macmillan Nurses, whatever. Is that money protected? It is not corporate, it is not business; it is the gift of the ordinary person in the street in the name of a good cause (**A Member:** Hear, hear.) and that, in my view, should be protected also. (**Mr Houghton and another Member:** Hear, hear.) Yes, thank you, gentlemen and ladies. People who have given of their income in good faith to improve the lot of others must, in my view, be protected, and I believe that is the will of the people. (**A Member:** Absolutely.) I believe also, as I have just said, without... Well, I will repeat myself. That money set aside by parents or grandparents for the benefit of their offspring, instead of keeping it in their own account, should also be exempt, and I would like the views of the Minister on those two matters because it is absolutely important.

Now, I have also had phone calls: they started this morning when I was in the bathroom. Would there be retrospective... Will the Scheme be retrospective to include the deposits in the Singer and Friedlander, which had their licence withdrawn either late last night or early this morning, which is a few hours before this Scheme will be approved?

Now, it may well be that the Treasury Minister says no, and that will cause a lot of hardship. I go back to what I said earlier: the Treasury Minister had the mandate from Tynwald 12 months ago to review this Scheme to find out what should be in it and what should not be in it; and we have a rushed Scheme, churned out and in our hands, some of us up to 10 o'clock last night.

I pose the hypothetical question: had the directors of Singer and Friedlander withheld seeking to wind the bank up until after this debate, I assume they would have protected the depositors. (**Mr Henderson:** Good point.) So I ask the Treasury Minister, what is his view? What is his view on those people who, within the last few hours, have seen their savings collapse? I understand from good sources that, in actual fact, Singer and Friedlander were unable to bring in the money they had loaned to the parent in London and they were unable to bring back the money that they had loaned to the owner in Iceland, and that was the cause of their being unable to meet their commitments. It may be untrue, but that is what I understand is the basis of the problem of Singer and Friedlander in the Isle of Man, which was not associated with the UK Singer and Friedlander operation, but was an independent, under the direct ownership of Kaupthing in Iceland.

He mentioned that we had brought in a Scheme for 27 years. Well, in my view, a Scheme brought in in 1991 to 2008 is 17 years, but I will not dispute the Treasury Minister's mathematics.

The other matter, which has been raised by Mr Houghton, is the exempt list, and in the exempt list I notice some of them are foreign-owned banks. Abbey National – and the Minister can correct me if I am wrong – and Alliance & Leicester are owned by the Spanish bank, Santander.

**A Member:** No-one expects the Spanish acquisition!

**Mr Cannan:** Pardon? (*Laughter*)

It is a matter of serious concern to all of us that the public should know whether their deposits in these institutions under the Schedule, which have been repeated by Mr Houghton,

are covered, or are they not. That is a very, very important issue.

The other issue is, I understand – and I stand to correction – that in the £50,000 guarantee in the UK there is also the guarantee by Prime Minister Brown that claims will be paid within three months. I see nothing in this that claims will be paid within three months, so people who may be eligible for the claim on this bank that has gone – Singer and Friedlander – whether they are going to be unfortunate and just get £15,000, or fortunate that they will get the £50,000, there is no time limit when that money will be paid to them. It has not been ring-fenced, and yet in the UK it is ring-fenced.

Having said my concerns about the depositors – and they are my first concern, because so many people have put in, in good faith, their inheritance and their life savings on deposit in Singer and Friedlander... I know that because people have rung me this morning and told me, and they are deeply concerned. You have already got an e-mail from one person, seeking retrospective...

People can be in a very serious situation – and I know a little about it, because I was first elected to here, shortly after the SIB went bankrupt, and I was Treasury Minister trying to sort out the claims for the years thereafter, and the establishment of the Financial Supervision Commission a long time ago. The Chief Minister will well recall it: he was in Tynwald at the same time as I was. He was in 11 months earlier.

And a question I have for Mr Bell in all this – and in particular, I hope he can give it today – is how many depositors there are at the Singer and Friedlander – the FSC must know; there is a whole army of staff – and what is their cash deposit base? If you know the number of depositors, and you multiply that by £50,000, you have some idea of the commitment of other banks, of which they are concerned.

They are concerned, make no doubt about it and Mr Bell knows it, about the extent of their commitment and also the extent to which the taxpayers will be required to support, because as I said at the beginning, the Scheme Manager has the right to borrow, and he will be borrowing on behalf of the taxpayer.

So, Mr President these are serious times. I will support this Order, unsatisfactory as it is and lacking in detail. It is an Order that is rushed, yet the Treasury Minister has had 12 months to draw up a contingency plan, as requested by Tynwald, and we need to know the detail and we need an amended Order, in my view, (**Mr Houghton:** Hear, hear.) by the official October sitting, on 21st October, that will include compensation for family trusts – it is quite wrong that the children of families and grandchildren should be penalised (**Mr Houghton:** Hear, hear.) – and also provision to safeguard charities because, otherwise, what confidence will people have in all goodwill-giving to a charity for the betterment of mankind or, indeed, maybe for animal welfare, when they know that there is no protection for that money in the event of a disaster?

Now, to say that disasters will not happen in the present turmoil, as the Treasury Minister said, and I said in my press release to you all yesterday, which actually went out before the summoning of Tynwald, the fact is that nobody knows who is safe and who is not safe. If we knew who was safe, we would not have had the problems we have had.

I can tell you I spoke to the Chief Executive of the FSC only on Tuesday, deeply concerned about Singer and Friedlander, and he assured me it would be alright. I suppose

he could not say anything else, could he? These are serious times.

The last time we had debates of this measure in 1982-83, as the Chief Minister knows, and, later, when people were pressurising us and the Isle of Man was getting harangued in the UK press for failing to give compensation to the people that had lost in the Savings and Investment Bank, we had then, eventually, to use taxpayers' money to give compensation – I know because I was Treasury Minister at the time – several million pounds.

Hon. Members, as I say, I will support the motion, but I hope that some of you will join me in requesting the Treasury Minister to bring an amended Order on a supplementary agenda, because the agenda has now been settled – on a supplementary agenda – to cover – and, again, I cannot stress it too strongly – trust funds for children and charitable donations.

Thank you, Mr President.

**The President:** Hon. Member, Mr Henderson.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

Eaghtyrane, this is a critical debate and a possible turning point in the Isle of Man's history. Certainly, it is something that affects... it might even be as much as 70 per cent directly or indirectly of our economy, at the minute, and this sitting is crucial to that.

I would certainly support the Treasury Minister's move without hesitation, but it comes with some commentary that I do so, Eaghtyrane – the first part of which is to set the scene over the summer months which has been unfolding, which was raised here before the summer recess by some hon. colleagues and myself, and continued during the summer, as the Chief Minister is well aware. Our concerns have grown and grown and grown, to the point, possibly, where now it has nudged – or helped to nudge – this urgent sitting of Tynwald this morning.

But notwithstanding that, Eaghtyrane, I would say that we should have had this sitting at least two weeks ago, because of the deepening crisis that has been unfolding over the summer. There is no question of that. Further to that, Eaghtyrane, over the summer, the silence from the Chief Minister's Office, Financial Supervision Commission and other Government officials has been deafening, (**Mr Cannan:** Hear, hear.) in respect of public statements, public information, information to Members and so on. I convened, at my own behest, Eaghtyrane, during the summer, a confidential meeting with Treasury officials, to enquire as to the state of our economy, voice my concerns and issues that I had picked up on during my work. I was given various reassurances. Some issues were artfully dodged, which I have now complained to the Treasury Minister over.

Things have been kept back, as far as I am concerned, and Members have not been kept well briefed of the situation. I can certainly furnish the Ard-shirveishagh with my thoughts on that, later on. I do not wish to go into any depth on that matter. It is private at the minute, but if necessary, I will have no hesitation in taking matters further on that point.

I truly believe that we have not been well briefed as a consequence of what has been happening over the summer. The global finance economy has been collapsing like a house of cards or a row of dominos. There does not seem to be anything, whether huge countries such as America or otherwise, can throw in the way of the falling dominoes at

the minute, to stop the whole line collapsing. There have been some attempts, some too late, and the ditherings in Washington the other night, watching the Senate and the House of Representatives dither at the vote for their rescue package gave me little confidence whatsoever.

I realise that we have been the butt of their scrutiny lately, and yet we are one of the best regulated financial institutions in the world.

What I would like to go on record, Eaghtyrane, is what on earth – and I hope the Government of this Island will be asking these questions – have the regulators in various jurisdictions, ourselves included – and I include the FSC in this as well – been doing over the summer months, in assessing the situation, monitoring banking practice in general, and the issues of fatcat payouts, which is just astonishing and deplorable. Lehman Brothers spring straight to mind at the minute, and we can see issues there which may have helped precipitate what has been going on.

The other thing I would like to place on the floor, Eaghtyrane, is the bonus payments, share-outs and all the rest of the goodtime goodies that have been going out with some of these institutes, to the point where whole organisations have organised parties, summer balls, completely paid for out of the funds of the organisation, which are ultimately the depositors' – lavish, opulent occurrences throughout the year, and famous for them. And now we find ourselves in this mess.

As I say, Eaghtyrane, I am happy to support the Treasury Minister's move this morning. It is too late: we should have been here two weeks ago, at the minimum, to give our Island nation some confidence in what we are doing. The community, as far as I am concerned, in the telephone calls and conversations I have had with constituents and others round the Island, feel undermined at the minute, and I hope that this goes some way to levelling that up.

I would wholeheartedly support the comments made by the Hon. Member for Michael, Mr Cannan, and the comments made by my friend and colleague, the Hon. Member, Mr Houghton. There is no doubt about that. I, too, have concerns – and I will repeat it, Eaghtyrane – with regard to Singer and Friedlander and where the position of the Isle of Man branch is in all this, given that I think they were wound up before midnight last night, or maybe sooner than that, but we need to know what the Treasury feels about this. Will the depositors there be caught in the Scheme? If not, then we have to... I take cognisance of the Hon. Member for Michael's point about coming back with an amendment order for children's funds and charities – excellent point – but, as a matter of urgency, I would urge the Treasury Minister and the Chief Minister, if the depositors of Singer and Friedlander are not caught in this safety net this morning, we need an amendment order back urgently, ASAP, to assist those depositors. I cannot stress that strongly enough, Eaghtyrane, because of the phone calls I had last night from people, including grown men in tatters because their life savings at that point had disappeared, gone. The effect it is going to have on families is incalculable, or anything else that may happen in the next few weeks, Eaghtyrane.

I realise the Treasury Minister has spelt out as clearly as he can some of the main points of the Scheme, but I want him to spell it out clearly and concisely at the end of this debate as well, and the crucial point is: is this Scheme completely, 100 per cent, guaranteeing depositors up to £50,000?

For example, Eaghtyrane, if somebody has £30,000 in a

bank or savings institution which goes under, is that £30,000 guaranteed? Or the small depositor with £50,000 – if that goes under, is that £50,000 safe and accounted for, and covered by this Scheme? That is what we need to know. That is what the Treasury Minister needs to spell out quite clearly afterwards, Eaghtyrane – very, very clearly so that people understand what is going on here. People are confused, and the Hon. Member for Michael has pointed that out, with the interest being charged and my hon. colleague next to me, in previous schemes and so on. We need to know what we are dealing with here.

This sounds good under a banner headline. What is the small print? I know there is small print and I know there are exclusions. I know Mr Houghton has read out the exclusions, and we heard the barracking from behind me, Eaghtyrane: closed banks, etc. But the point is we need to know if any person or depositor will be affected, directly or indirectly, if any of these slide under (*Interjection by Mr Cannan*) and what will be happening there. If we can have a reassurance that it has got nothing to do with anything, fine. But we still need that reassurance on there.

Also, and the other previous speakers have mentioned it, we need regular briefings and updates from the Treasury in this matter, as events unfold. We also need information with regard to this safety net that is being advanced this morning, Eaghtyrane, in relation to other schemes that are being advanced. How does this marry up with the UK Government's recently announced scheme? How does it touch base with the Irish scheme? Do those schemes cover any particular depositors here in the Isle of Man, or are institutions here which are classed as Isle of Man offshoots of the mother companies outwith the mother countries' schemes, in other words?

If that is the case, then we need to know if our Scheme will cover depositors under those circumstances and we need to be absolutely clear on that, Eaghtyrane.

I can give way to the Treasury Minister to an extent with... he may not be able to come back fully with these answers straightaway because they are complicated, and that is fair enough, but I would expect that our questions here, if they cannot be answered this morning, will be answered as soon as possible by way of a briefing paper, if nothing else, and certainly an urgent meeting of Tynwald Members at some point to give us a full overview and an assessment of possibilities of what may or may not happen over the next few weeks.

Now, if you can bear with me, Eaghtyrane, I will just check off my question sheet here that has been generated from quickly going through this.

Another institution that has come to mind, and people are concerned, is Conister Trust: is that covered within this Scheme? We need to know that, and if the Treasury Minister can stand up and say, 'Yes', fine –

**The Chief Minister:** It is not exempt.

**Mr Henderson:** Yes, I realise that, Ard-shirveishagh, it is not on the exempt list, but I want a public assurance. It is okay, I understand things – I may have a limited understanding, Eaghtyrane – but I want the reassurances that our public should have been getting a lot sooner than this, and it would be nice for people to stand up and say, 'Yes, Conister Trust, covered.' That is all we need, and you would put many hundreds of people's minds at rest straightaway.

I think, Eaghtyrane, I have covered most of my points here. What I would say, though, is that I would question our own FSC's dealings in the matter. I am deeply disappointed in the clipped, non-information press releases that have come out in the last 24-48 hours. I am not impressed with the non-information we have had over the summer, and I would ask the Ard-shirveishagh and Shirveishagh Tashtee, the Treasury Minister, to ensure that the FSC, if they already are not, are in assessment talks with all our players here in the financial market and get a snapshot, or as full an assessment as possible, of where they see themselves currently, their deposits and so on and their likely future projections, because somebody must be doing contingency planning. Unfortunately, it has not been here, but we need to know these things and we need to know what the local branches and firms are looking ahead to over the next few days, the next few weeks, and possible projections into the next few months.

Some people do not like contingency planning because the usual backlash you get, Eaghtyrane, is that you cannot foretell the future. No, you cannot, but you can assess what is going on and make some play at some possible actions that may occur. You can certainly work out some possibilities and work your contingency plans from there, or have resources in place to cover the unexpected, or more unexpected, that may happen over the next few weeks. I need that reassurance now from the Ard-shirveishagh and the Shirveishagh Tashtee that IOMG Ltd is going to be looking now at emergency contingency planning to address this situation. It may well have already begun. We need the reassurances that it has and that they are going to be looking ahead as well as just now, Eaghtyrane. That is vitally important.

I realise we can only plan as best we can, but we need to plan as best we can and be prepared as best we can.

Gura mie eu, Eaghtyrane.

**The President:** Mr Speaker.

**The Speaker:** Thank you, Mr President.

First of all, I am sure that the public of the Isle of Man will welcome the action that is being taken in bringing forward an enhanced Depositors' Protection Scheme. It is vitally important that our people have the confidence in the banking system in the Isle of Man and that there is full confidence in the Isle of Man as a global financial centre in these troubled times.

So it is right that action has now been taken, but there are, Mr President, a number of issues on which considerable clarity is required because there are still grey hazy areas that have prompted, as other Members have alluded to, considerable confusion on the part of the public as to what this Scheme will actually do.

The first point I would make is reference to the press release issued today by the Financial Supervision Commission in respect of Kaupthing Singer and Friedlander, which informs, of course, that the board passed a resolution that the company be wound up. In order to protect the interests of depositors, a joint petition is to be presented to the court today for the appointment of a liquidator, and the Commission has suspended the banking licence with immediate effect. The Scheme Manager of the Depositors' Compensation Scheme will meet as soon as appropriate to consider the activation of the Scheme. Once the Scheme is activated, depositors will be contacted and invited to make a claim.

I would ask, Mr President, which Scheme is to be

activated? Is it the £15,000 Scheme, the old Scheme, which is being replaced by this Scheme, also dated 9th October, the same day – obviously today – as the press release? Depositors need to know under which Scheme they will be protected as of now. 9th October started one second after midnight, some 1½ hours ago. That is when 9th October started.

This Scheme comes into effect on 9th October. I therefore would expect it to be operative the moment it has been approved and retrospective to midnight, 1½ hours ago. Therefore, the coverage will extend to the depositors of Singer and Friedlander under the new Scheme. I think if the Treasury Minister could give that confirmation, that will be very helpful indeed.

The other issue on which we need more clarity, of course, are the key differences between the old Scheme and the new Scheme. Now, the explanatory memorandum which we found on our desks when we arrived this morning – it was certainly regrettable not to have had it with the actual Order last night – says that the material changes are as follows:

‘Compensation is payable only to depositors who are individuals, i.e. natural persons. This is different to the 1991 Regulations in which compensation is payable to depositor types including bodies corporate, partnerships, trusts, etc. There will, however, continue to be no restriction on the residency of eligible depositors – with compensation payable to both Manx and non-Manx resident individual depositors.’

The old Scheme makes very clear that it covered individuals, companies and trusts who have bank accounts in the Isle of Man, whichever country they are resident in. A few categories of people are excluded under the old Scheme: shareholders, directors and managers of the bank. Under the new Scheme, it is very clear, as Hon. Members have alluded to, that trusts are no longer covered in the way they were previously, and bodies corporate – Manx companies – are not covered to the tune of £15,000, the way they were.

The concern, Mr President, is that this is not a supplementary Scheme for the benefit of individuals, lifting them from £15,000 to £50,000, but it would appear to be replacing the old Scheme, which specifically provided for a level of compensation for trusts, bodies corporate and companies. We do need the Treasury Minister to make this point very loud and clear because, if it is the case – if that is the case, and it says so in black and white – that the Treasury Minister in the presentation implied that, by way of compensation under this Scheme only now applying to individuals, nonetheless there will be no restriction of residency of depositors wherever they live... Well, what this implies is that we could have UK people investing in the Isle of Man covered but not, for example, Manx one or two person businesses, who will go to the wall. They do not even, Mr President, evidently have the previous protection of £15,000.

I have been advised by very concerned constituents, who were in touch with the FSC yesterday, and had it confirmed to them, that this new Scheme does not apply to small businesses and trusts but neither does the old Scheme because the old Scheme is no longer there to cover them. So, Mr President, we need some clarity. We are losing a degree of protection, it would appear, to Manx businesses and trusts, who were previously protected.

Other differences are evident in the eligible protected deposits and they are to be found, of course – and Mr Cannan referred to these – on pages five and six of this Scheme: there are three categories of eligible protected deposits for

compensation. Under the old Scheme there were seven categories and four categories that do not appear in the new Scheme:

‘a deposit held by a partnership shall be treated as one deposit.’

That is under the old Scheme. Indeed, when you look at page 7 of the new Scheme, what is new, under section (4) – quite explicit:

‘compensation shall not be paid to a partnership.’

That is new.

The other eligible protected deposit previously:

‘a deposit held by a bare trustee or nominee for other persons shall be treated as held by those other persons equally between them; [...] a deposit held by trustees of the settlement shall be treated as one account’.

And here is the fourth category that no longer is in the present Order – a client account:

‘a client account, which is entitled as such, shall be treated as representing separate deposits made by persons, corresponding to the amount to which each is entitled;’

What this means, Mr President, is that client accounts which exist – under our new Scheme, if we pass it today – will no longer be protected. It has been put to me by a constituent in this line of business that it would appear, on the face of it, that he and his advocate are going to have to contact potentially thousands of customers to advise them that this new Depositors’ Compensation Scheme does not cover their accounts.

Mr President, I would welcome your guidance on this. So seriously is this being taken in respect of this apparent lack of coverage of client accounts, that representations before the sitting were made to me that a memorial be heard, notwithstanding that the Standing Orders have not been able to be complied with, in terms of the adequate notice and the detail of the memorial. But I know very much, the potential petitioner, who stands to be very seriously affected in this regard would, with his advocate, like the opportunity, subject to your ruling, Mr President, to come to the Bar of Tynwald to make his case on this particular point of lack of coverage of client accounts.

I would welcome your ruling to the Court, sir.

**The President:** Mr Speaker, I am aware of your comments, and in fact did meet with your constituent in advance of this sitting, and my ruling was, Hon. Members, that in fact it is held in general and he does not have the right to appear. That would be entirely up to Tynwald Court ultimately, but my ruling on it was straightforward, that in this particular instance, and to fit in with Standing Orders, right is not there.

Continue, Mr Speaker.

**The Speaker:** Thank you, Mr President.

I appreciate your guidance on that matter in respect of Standing Orders, which, notwithstanding what the Court may wish to do, Standing Orders do require a ruling by your good self, and I think it is important that the record show that that ruling was made and the reason the request was actually made.

Mr President, the Treasury Minister I heard say, certainly in the media, that this new Scheme, with this uplift of £50,000, brings us to equivalent UK levels, and in fact ahead of most other countries. As I say, though, Mr President, while that is welcome – very welcome – to individual depositors, and it is to be applauded for them, I do have concern in the position of companies, because in no way does this Scheme match what the UK does to protect companies who have deposits.

I obtained information this morning from the Financial Services Authority, Canary Wharf, London, who advised that the UK Scheme – the new £50,000 Scheme – includes small companies, subject to two of three criteria being met.

What are these criteria, Mr President? The definition in the UK of small companies... We are not talking about one or two-person businesses. The criteria are: firstly, turnover of not more than £6.5 million; secondly, balance sheets of not more than £3.26 million; and thirdly, total employees less than – not two, not five – 50 persons. This is from the FSA. This is the latest position of the protection being given in the UK.

So, Mr President, I do feel that some reassurances need to be given and some explanation given as to why these categories of depositor have been specifically excluded from the new Scheme, quite specifically excluded without explanation.

I think it would also be helpful because, on speaking to constituents who have attempted to get confirmation from the FSC on the protection afforded to the branches of Irish banks in the Isle of Man, the advice... and I have not had the opportunity myself to speak to the FSC on this particular matter but it would, perhaps, be helpful if the Treasury Minister could confirm that the exclusions on the last page – page 13 – of the new Scheme, the institutions exempted, by virtue of not listing the Irish banks, are we to take it, and are their depositors in the Isle of Man to take it, that they have protection under this Scheme? Do they also have protection under the Scheme announced by the Irish Government because, if they do, that message has not, for whatever reason, come out loud and clear?

The Minister might also want to confirm that you do not get compensated twice for the same misfortune: which particular Scheme would prevail, which would take preference? Which individuals in the Isle of Man, investing with Irish banks... do they fall under this Scheme or do they fall under the more generous unlimited liability scheme of the Irish Government?

Thank you, Mr President. I think I look forward with interest to the Minister's dealing with these particular points.

I would add one more thing. I would support the calls made by other Hon. Members that this Scheme, if passed today... and I am minded to pass it, subject to certain assurances from the Minister as to how these categories which have been omitted are to be treated in future. (**Mr Houghton:** Yes.) I think the Hon. Member, Mr Houghton, raised this, and Mr Cannan: will there be a further supplemental scheme? Will there be more features because, to my mind, passing this today will have quite serious ramifications, from today onwards until there is a supplemental scheme, to those categories such as the client accounts that I referred to.

Thank you, Mr President.

**The President:** Hon. Member, Mr Watterson.

**Mr Watterson:** Thank you, Mr President.

Before moving on to the details of the Scheme before us today, I would like to make some general comments about the Government's handling of this situation. I welcome the Chief Minister calling for an emergency sitting of Tynwald today, in order to discuss a matter of such urgency. It is important that the right reassurance is given at the right time and the masterly activity of this Treasury Minister over the last three months... finally he has had to act.

I find it slightly ironic that, in a small, offshore finance centre, such as the Isle of Man, which seems to get the rubber glove treatment from international watchdogs such as the IMF, such as the OECD... when it is, in fact, not these jurisdictions at all where a lot of the sub-prime mortgages, a lot of the collateralised debt obligations, a lot of the things that got us into this mess in the first place are actually happening. I think that is a message that certainly is a fair rebuttal to anything the IMF and OECD start hammering on our door about.

In the last year since the motion was put down by the Hon. Member for Michael, requesting a review of the Scheme, nothing whatsoever has been forthcoming from the Minister. There were only three contributions in that debate, two submissions to the consultation document put out by the FSC in March, that were not by banks or licence holders.

I fear the Treasury Minister has been too eager to listen to the assurances of banks and negligent in addressing the concerns of the people. He has not heeded the warning of fixing the roof when the sun is shining. In the debate last year – in that debate that we had in October 2007, I criticised the UK Chancellor being reactionary in providing a knee-jerk reaction to circumstances at the time. I now level that same criticism at our Treasury Minister.

I would like to thank my colleagues, those who worked with me last week on an alternative Scheme that we announced to try and inspire some debate on this, which I think – I hope – will certainly be something that kickstarts the Treasury Minister's mind on the subject.

This press release on Monday was so vague it had all the trademarks of something being made up on the hoof. It did not provide detail, and you cannot help feeling that it was not thought through – the Treasury Minister's Scheme – for clarity.

This has led to even greater uncertainty; a flurry of calls to MHKs and so many unanswered questions that we feel that we need to stand up today and ask in Tynwald Court. I have quite a few questions in that regard, some of which have already been asked, but I have not been ticking them off as I go through, so I might repeat some and I beg Members' forgiveness.

I do welcome the news that 95 per cent of depositors will be covered by the new Scheme; I think that is a good level of coverage. One thing that has not been mentioned, and I think is worth mentioning, is that I also welcome that there is cover for joint accounts and that people will be covered separately in joint accounts: that is something that is consistent with the previous Scheme. So many questions, but at least so much time.

I think there are a few things about how much... certainly why this was not retrospectively dated? There is absolutely no reason why the Treasury Minister could not have dated this to be effective from Monday or Tuesday, when he made the announcement, to give that certainty to those depositors who have found out yesterday the fate of their bank. I think

that that has led to so many other questions in regard to the fate of that bank, such as, just how much will the net debt of Kaupthing Singer and Friedlander be, because the rumour mill will start – in the absence of assurance, the rumour mill will start.

This is where I seek assurances from the Treasury Minister. Firstly, I seek the assurance that he has been looking at the depositors' information a little bit more than quarterly, which is the way he has mentioned it at the moment and that, hopefully, that has been an active part in his discussions with the banks.

I think it is also important that we get an assurance that, hopefully, the Treasury Minister has been looking at deposits on a more regular basis and the assets and liabilities as risk asset ratios by the companies, because one thing I would be afraid of – and again I seek the Minister's assurance – is that funds may have been transferred from the Isle of Man branch to the UK to avoid Isle of Man depositor protection and instead appease the Government in Westminster. So I would seek assurance that there has been no exodus of funds, and I was wondering if he has received any assurances from the directors of the company in that regard.

I am also unsure exactly how many licenceholders are going to have to pay in to any prospective Scheme – my count, based on the information I have got, is 38 licenceholders to pay into the Scheme – and in terms of what he expects that any Scheme will yield in a particular year. The figures that I have managed to acquire in the very short notice that I have had... is that around about £8 million a year, as a minimum, would be coming into the Scheme and that, therefore, may lead to it being many years before all depositors are paid out. I do think that there should be – and I stated this in my own response to the FSC consultation – that we should be able to receive assurance that depositors can receive all their money back within a five-year repayment period to prevent the loss of their deposits in real terms. I appreciate that this is something new and this is something which is a bit different, but I think it would give an additional level of assurance. Certainly, it is something that I think should be consulted upon.

I therefore think that the Scheme, as it stands here, should be reviewed on an annual basis to ensure that the 95 per cent coverage that we now achieve – or intend to achieve – and the realistic timescale for repayment, is met. I believe that the BCCI one has not that long closed, and that was a bank that went under in November 1991.

I have also made the assumption, and I would like assurance from the Treasury Minister, that no banks, and certainly no subsidiaries of any banks or licenceholders, are 2006 companies, as these are entirely outside the scope of the Scheme. So I appreciate that it might not actually be the case, but again, questions like these that are unanswered just lead to doubt and lead to actually having to stand up in Tynwald and ask these questions, because we have had no opportunity to ask them anywhere else, not since half past three yesterday when I found out that there was going to be an emergency sitting of Tynwald.

So I do ask: is the Treasury receiving liquidity of licenceholders' information more frequently than quarterly? What is the Treasury Minister doing to ensure better communication with banks and explore better risk disclosures and also disclosures with respect to directors and look at options such as banks, perhaps, injecting money into the equity of a bank, as it may, in the long-haul, be cheaper to

banks to put a consortium together to bail out a bank than pay into a Depositors' Compensation Scheme. These are things that I do not think are tried and certainly are not anything I have seen any evidence of thought on by the Treasury Minister.

Coming to the actual details of the Scheme and the brief ability that we have all had to trawl over its details, I do have concern over the fee cap; in 1991 it was £250,000. Today, 17 years later, and with record banking returns, it has only doubled to £500,000. The biggest bank on the Isle of Man last year took home £163 million in profit and under this Scheme it would only be required to pay in £½ million a year. That is something I think we need to look at and decide whether it is equitable and whether it is right in the round when reviewing this Scheme.

I would also like to reflect on the issue around trusts raised by Mr Cannan and, again, that was something that was a big difference between the 1991 Regulations and the 2008 Regulations. Mr Speaker, I think it was, mentioned that some of the people were excluded. The one, I think, that you missed from that was that, previously, under the 1991 Scheme, managers of the bank were excluded from depositors' protection, now they are not. So I presume, therefore, that there is a reason for that and that the Treasury Minister is in a position to enlighten us. (*Interjection*)

In terms of the companies, I think Mr Speaker has amply illustrated the point about the lack of protection for companies. This was a fundamental part of the Scheme that certainly we were proposing at the weekend and on Monday morning is that you need to provide a certain amount of assurance for companies. Companies on the Isle of Man, if their bank goes under, will go under as well and that will lead to a huge impact on the economy.

Now, I appreciate that Singer and Friedlander, in this instance, is not a standard high street bank, regularly dealing with a huge amount of, for example, retail customers, but that is good luck. So I do think that the Treasury Minister needs to take that one away and really give it some good consideration, because I think purely by not giving some support to companies on the Island, you can have disastrous knock-on effects, especially to small businesses. Mr Speaker quite rightly outlined what the FSA's definition of small companies was and, on that definition, most of the businesses in the Isle of Man would fall under that definition. So I think it is important that the wheels of the economy turn, even in the failure of a bank. I think that not providing that support to companies jeopardises that.

The point has also been well illustrated about client accounts and, again, this is a protection that has been removed by the new Scheme. The worst case scenario I can think of for the small investor – the small depositor – is the case of when you go to buy a house. You provide your lawyer with the money, or the bank provides your lawyer with the money required to buy that house, and if that money is not protected – if your lawyer banks with, say, Singer and Friedlander, and that company goes under – then not only can you kiss goodbye to the house, but you may still be liable for the mortgage. These are serious concerns.

I would hope that, again, the Treasury Minister could think in a little bit more refined terms about who he does, and who he does not, intend to protect by these Regulations.

I think it is very disappointing that some of these categories have been missed out – companies especially – to the benefit of off-Island residents. So I think at least the local

investors and local companies should be able to receive the same amount of protection that people who are investing in the Isle of Man from abroad do.

I would also like to know what conversations and communications the Treasury Minister has had – and the FSC, indeed – between other jurisdictions and their moves, and even significant players within the banking industry, not just on-Island but also off-Island in other areas, because this is something that... and, frankly, I also mean the head office of Singer and Friedlander in this. What conversations has he had, what questions has he asked, and what assurance has he sought from that company?

I would like to say, however, that I know there are some banks that were listed by other Hon. Members, in terms of which ones will... and which are exempted from this Scheme. I think it is fair to say that most of those are custody banks that hold only shares and not deposits and money from depositors. I do not think that is, maybe, quite such a huge concern here.

Finally – you will be pleased to hear! – and changing the tack slightly, but nevertheless as a direct consequence of what is going on at the moment, I want to know what Government is doing in terms of giving advice to employees of banks such as Bradford & Bingley and Singer and Friedlander, in terms of preparing for potential transition. The \$64,000 question for me is that, if I am right – and I accept that I might not be and look to the Treasury Minister on this one – Singer and Friedlander was one of Government's investment advisers. *(Laughter)* Is there any Government money at risk here? As far as I am aware, I do not believe that Government is an eligible depositor, as far as this Scheme is concerned! That is the \$64,000 question or, in fact, the multi-million dollar question.

I think people have already touched on what extent Irish and UK Government guarantees are in place and what cover there is for UK banks and, indeed, Irish banks with Manx subsidiaries. What comfort can those individuals take from the assurances of the respective governments?

With that, Mr President, I will be voting for this. I have put an amendment down. I think the Treasury Minister has blown his credibility with his handling of this issue and, therefore, I put an amendment to add a second part to the motion before us today:

*'To add:*

*“; and*

*(ii) following this accepted necessary short term proposal, Tynwald appoints a select committee of three members with powers to take written and oral evidence pursuant to section 3 and 4 of the Tynwald Proceedings Act, as amended, to investigate and recommend measures to promote further consumer and business confidence.”*

As it will be voted on separately, it will give Members the opportunity to take or leave this amendment, but at least accept the fundamental principle here. I think that Tynwald has not exactly had a fair ride on this one. It has pushed, it has tried to get assurances, it has tried to get the Scheme in place, it has not had that and so, in terms of providing the public and, indeed, business, with the chance to have this debate in a more public forum in terms of the risk-reward battle, the moral hazard debate – all these sort of things I think need to be flushed out to enhance peoples' understanding – and I think that a select committee will be the best way of doing

that. Therefore, I move the amendment that you have in front of you, standing in my name.

With that, Mr President, I will conclude my remarks.

**The President:** Now, Hon. Member for Rushen, Mr Gawne, were you intending to second the amendment, sir? In that case, you will take your line in the proceedings.

Hon. Member of Council, Mrs Christian.

**Mrs Christian:** Thank you, Mr President.

In the turbulence of recent months, it is, to some degree, understandable that the Treasury have hesitated in determining what steps they would take. We have seen, in bigger institutions in bigger countries than ours, that it is a case of when one moves another will move, and the edge here is seen to be maintaining a degree of confidence and competitiveness. But I do think, in moving this particular measure today, the Treasury Minister has not been forthcoming with the rationale behind this particular Scheme.

To some extent, you can see – £50,000, that is quoted in other places – but we know everywhere that the details seem to be different, and it is only in the course of the debate today that, perhaps, the differences in this Scheme are becoming clearer, and they are coming clearer to the extent, I am sure, to the public, that there is more and more concern about the Scheme. One can understand very well, Mr President, the position of individual deposit-holders who are concerned about their savings, and naturally so, and to that extent one cannot help but welcome the Scheme, which clearly improves their protection; but there has been no explanation at all about the situation where we are completely removing even the limited measure of protection that was given to depositors prior to this proposal coming forward. There has been some undercurrent of understanding of that out in the community, but I do not think that, until today perhaps, there is a wide understanding of that in relation to the Scheme. I have to say that I feel somewhat that I have my hand held up behind my back in wanting to support the improvement for the individual deposit-holders, but being concerned for those depositors whose cover is being taken away.

Mr President, we need an explanation from the Treasury Minister about the rationale for these changes.

One can perhaps understand, if there was a proposal, as Mr Speaker has indicated, to amend the Scheme to at least leave the present level of protection in for those bodies who are now having their protection removed. But again, one has to question: what is the rationale and what is the fairness in that? What, indeed, will be the competitive position, Mr President, as a result of this change? Will there be removal of funds from the Isle of Man? I accept that, in some contexts, £15,000 protection may not be huge for the corporate investor, but it may well be quite significant to small businesses, if it is £15,000 or nothing.

Mr President, Hon. Members have made the point that the levy is to be increased. I do think it is very important that, at the same time as explaining why particular figures have been chosen to be available to particular deposit takers, we remember that other banks are going to be funding the Scheme and we have to understand how the Scheme is going to impact on them. I do not know to what extent the Treasury have fulfilled all their discussions with the banking sector, but we have to bear in mind that scenario as well, when we are improving the guarantees to certain depositors.

I think in the whole of this situation, the public at large have felt bereft of information, (**Mr Henderson and another Member:** Hear, hear.) and I do think that it is not too late for the Financial Supervision Commission and the Treasury to be more forthcoming about general information in relation to the banking sector. (**Mr Henderson and another Member:** Hear, hear.) The questions this morning have indicated, even in reading the measure which is before us, that Members required confirmation of what was meant in relation to the schedule. Now, clearly, the schedule states that those institutions are not covered by the Scheme, but the fact that the question is being asked in here implies, to me, that there will be many people outside this Court who simply do not understand the differences in relation to these institutions.

**Mr Houghton:** Yes, they think they are covered and they are not.

**Mrs Christian:** We need more public information, either by way of directing people to understand which institutions are covered under the Scheme and that needs to be readily accessible. Not everybody is on line, so I do think that we need some more publicity in relation to which institutions are covered here.

The other position, which has been covered by other Members, Mr President, but I do think bears reiteration is the position of the Irish banks. I am aware that people have been going into what they define as Irish banks in the Isle of Man to open accounts, thinking, prior to today, that they were covered by the Irish 100 per cent protection.

By and large, out there, we are not all that sophisticated about these issues. We have always taken banking as a matter of trust and, where an institution is licensed, we have felt safe. Because of that, when people hear that there is a guarantee, they put their money where they think it is going to be best protected for them and safe. But there is some confusion out there about this relationship on the Irish banks and I do think that needs clarification – publicity please, about what the position actually is.

I do think, in replying, the Treasury Minister ought to clarify the issue in relation to Kaupthing Singer and Friedlander. My reading of it would be that they are not covered. I have to declare an interest, Mr President, because I have an account, so I will say no more about that.

The average depositor is not clear also about the ownership issues and whether or not they impinge on the bank in the Isle of Man in which they place their money and I think we need more public information on those issues.

In relation to the levies which are to be applied, Mr President, we have no indication clearly and do not know where the borrowings may be going to come from. If the payouts which may be necessary are to be funded over a shorter period of time than has been the case in the past. I think, generally speaking, there is a need for Members to have more information.

I do feel some concern that we are removing completely from the Scheme certain deposit holders. I think the Treasury Minister should explain to us why those institutions or types of deposits which were previously covered to a level of £15,000 are being removed altogether from the Scheme. There needs to be more publicity, I think, currently about licensed deposit takers, and in respect of the situation that we find ourselves in today, I do think that there is a general need for more information to come from the Financial Supervision

Commission about registered banks in the Island.

Now, clearly what we want to do is sustain confidence. I accept that and it is difficult in these days to sustain confidence when, all around us, everything is in absolute turmoil. So far as this particular proposal today is concerned, I have, on the one hand, a wish to support it, but I do feel that it is lacking, in actually taking people out of the cover that they have had hitherto, and I hope that the Treasury Minister will have something to say about that.

It seems to me wrong that we are not even sustaining the cover for people who are currently covered at the old level. I would like to hear the Treasury Minister justify that change.

Mr President, I think that the public at large needs to feel – and perhaps have not felt – that the situation has been responded to in a timely enough manner. I can understand, perhaps, the Treasury having some difficulty with that, given the turmoil that exists all around us and perhaps we should be grateful at least that some action has been... is being proposed today by having this emergency sitting of Tynwald.

What I do think we need to hear is how the Scheme is going to be funded and by whom, as the Hon. Member for Michael has hinted, if the payouts are to take place in a more speedy manner than has perhaps happened in the past.

I am sure, Mr President, that this is a matter which will be before the Treasury on an ongoing basis and I do hope that the Treasury will keep Members informed about the way in which our situation is developing. I can understand them coming forward with this Scheme to give some confidence to certain deposit holders, but I do think that we need further explanation of why it is as selective as it is, compared with the current position.

**The President:** Hon. Member, Mrs Cannell.

**Mrs Cannell:** Thank you, Mr President.

To a large degree we are here and facing a crisis management situation, aren't we? That is what it has come to. I can, with all the observations and the views put on the floor of Tynwald Court today... by all contributions made so far... and I apologise for not being President... present – (*Laughter and interjections*) maybe one day! – when the Minister for the Treasury actually moved the amendment, but I am assured that one of the things he did say was that there has been no extensive consultation with the banks. That gives me a little bit of concern.

I am also concerned that, over the last 12 years, I do not know how many times – I cannot count now on both hands – a backbencher has raised an issue that he or she has thought important, sufficient enough to put a motion down for debate to try and improve or bring about a situation for the betterment of the Manx people and it has been rubbished, ridiculed and thrown out by the Council of Ministers. And here we have one today, do we not? The Hon. Member for Michael moved a motion a year ago. It was supported by the new Member of the Legislative Council – who unfortunately is not here today – Mr Callister, with a view to trying to increase the compensation to depositors in the Isle of Man, to at least bring it in line with that provided by the UK. The Minister responded by saying it will be reviewed.

Now, he and the Treasury have had a year to review it. Yet, we are faced with a set of Regulations which are deficient in terms of the cover, deficient in terms of the categories of cover, but we have no alternative because we have to

approve it. We will be damned if we don't and damned if we do because, obviously, if we do support it – which we obviously are going to do – then we are pushing those others who are currently supported under the 1991 Scheme to the back of the queue and saying, 'I'm sorry, we'll have to turn our backs on you. We can't provide anything for you, but we will try our best, possibly for 21st October.' That is 12 days away. The way this financial crisis is hitting the globe, it is happening – things are changing – from hour to hour. It is not even on a daily basis any more.

I feel sure all of those involved in putting together this debate, for us to have this debate today, together with the replacement Regulations before us, have worked very hard indeed. I notice the time that the Financial Supervision Commission sent me an e-mail and it was something like 6.00 or just before 6.00 a.m. So, clearly, everybody has been working very hard to try and bring about an improvement to our situation.

But it is late, and it is not complete. It is not complete. Now, what I am going to do, because I know the rules of debate mean that the Treasury Minister cannot make a response until the end of the debate, when he has to wind up, unless an amendment is moved on the floor, which will enable him to speak again, I am going to second the amendment made by the Hon. Member for Rushen, Mr Watterson, not necessarily because I agree with it, (*Interjection*) but I want to give the Minister an opportunity to interject now, before this debate continues, before we get to the end, when he naturally will have the last word. I want to give him the opportunity now to assure the Members that it was not purposeful, leaving out these categories that are presently covered under the existing Scheme; that perhaps it was just an oversight. Or perhaps more regulations are going to come forward and perhaps his officers in the FSC are currently working on them. But I think Hon. Members need to know, before we actually come to the vote because the vote is crucial in this debate today. It is crucial.

And, no doubt, following on from the comments by the Hon. Mr Speaker, once approved it will kick in as of a second past midnight. No doubt, it will. No doubt, it will cover those people who deposited with Singer and Friedlander. In fact, the first thing that came into my mind, when I heard we were having an emergency debate, was that we were probably going to have something before us to try and help offset our own people losing money.

So I have seconded the amendment. I do not think there is any harm in a Select Committee investigating ways and measures to promote further consumer and business confidence. But that is not going to happen in five minutes. It is not going to happen by next week. We all know, don't we, that the establishing of a Select Committee is one thing; getting them to sit is another; then they have to agree who is going to take the chairmanship; and then they have to sort out future dates. Before long, you are six months, eight months, nine months, a year ahead, and you are still not into the real meat of the issue that you are investigating and looking at!

Let us be realistic here. This move by the Hon. Member for Rushen – and I apologise to him in advance – is not a saviour move. It is not going to save us. Nothing is going to save us, really, unless we take the bull by the horns and approve the Regulations today, but also approve further Regulations which would bring into place protection (**Mr Houghton:** Hear, hear.) for those who are currently protected, albeit to the tune of £15,000.

So I beg Hon. Members to support.

**The President:** Hon. Members, leaving aside the amendment, which is now before the Court, can I suggest to Hon. Members I have no wish to curtail your contributions, but there are elements of repetition creeping in.

I call the Hon. Member for Onchan, Mr Quirk.

**Mr Quirk:** Thank you, Mr President. Was that a hint towards me?

Well, who would be the Treasury Minister today? Probably no-one in this particular room, and I do not envy the task that the Treasury Minister and his team have had to put together – and the Council of Ministers – it is not total praise for them – to bring this matter to a meeting of Tynwald here today. It gives us the opportunity, as we have all been contacted over probably three or four weeks now, with concerns from constituents out there asking for advice: 'what should I do with my life savings?' 'What should I do with this?' Encouraging our constituents out there to talk to the professionals in the industry: if you are concerned, talk to the FSC. They are the bullet-proof jackets that we should have, to protect our locals in that.

As the debate has gone on here today, the concerns... and we did get it late. There is no criticism there, really: the officers have been probably working late, to put this legislation together. The differences I cannot fit in my mind at the minute is regarding the old Scheme. The new Scheme is better for the depositors; but the old Scheme actually protected businesses – the small businesses out there, which are a concern. Members have actually raised this, and I will not repeat it, but I am also concerned about those businesses who are the... The small businesses will have small amounts of money in, say, the construction industry, the engineering industry, all those stalwarts that we have – even in tourism. It will not stop reflecting right down there.

So I am glad that the Member for East Douglas has actually seconded Mr Watterson's amendment, because what it does do is it gives the Members an opportunity – like the Member for East Douglas did say – for the Treasury Minister to come up on to the floor and actually explain some of those issues to us and give us the confidence here today. I am sure that we, as a Court here today, will actually give that confidence back out to the general public, the banks and the institutions, and also the businesses. The businesses out there – and one of the Members said, too – employ people and that is what we want to give assurances to: those businesses that do employ people, pay their tax and their National Insurance, which comes back into the economy.

We are probably getting towards half past 12 now, and Hon. Members should reflect, if they do not realise what goes on in Douglas now. Even if they go out there at one o'clock and they see the amount of bodies that are travelling to and fro between Athol Street, Finch Road, up the top here, compared with what was years ago, we have travelled a long way. We give that security to those businesses and institutions on the Island to be based here.

I hope, from today's debate, it does go out to the greater world out there that the Isle of Man is prepared to step up and do things for its economy, for its people and citizens. I think that will happen and I do not want to be too repetitious, but I hope that... I notice and I hope it is not an issue that no Ministers have been on the floor yet; it has all been the backbenchers at the minute. I hope that when Ministers do

get up, there is not that criticism in there. You may not like what Members say in this particular Court, and we could say it towards each other. But when we go outside the door – when we eventually do get lunch, as well – we can talk to each other: the Members did the best for the community – the Isle of Man, the community and our reputation in the bigger world and we want to retain that.

Thank you.

**A Member:** Hear, hear.

**The President:** Hon. Member for Rushen, Mr Gawne.

**Mr Gawne:** Gura mie eu, Eaghtyrane.

I do not claim to be an expert on finance. In fact, I can pretty much claim that I am *not* an expert on finance. I am delighted actually to have heard the comments from the Hon. Member for Onchan, who does appear to have brought a little bit of balance back to this debate. I have to say, I am brought to my feet primarily by the comments of my colleague for Rushen, Mr Watterson, in that I did feel he was, perhaps, seeing very much the glass half empty and not perhaps looking at the other side of the debate. Yes, this is a deep concern for all constituents in all areas and, yes, there are questions that need still to be answered with regard to the Scheme that we have today. There are lots of issues that still need to be addressed.

I think that the little I do know about what has been going on I have been gleaned from the media: television, newspapers, internet. There was one particular senior banker who spoke recently and said that what is needed is level heads in a crisis. I just felt that, perhaps, we were moving a little bit away from a level head at an earlier point during this debate. I think we do have to remember some very important things here. Yes, it is important that we protect people's savings. It is equally important that we protect our economy. More than 3,500 people working in the banking sector: the banking sector is the largest taxpayer in the Isle of Man. Most of the people who work in the banking sector are not fatcats who drive round in big posh Mercedes and Rolls-Royces. They are actually very... I don't know, is there such a thing as a normal person? They are people who live in all our constituencies and it is important that we make sure that we look after their interests as well, make sure that we actually retain the banking sector in the Isle of Man.

So I think, if we just have that little bit of balance back in this debate, it would be helpful. Yes, it is important that we take action. I am delighted that we have taken this action, that the Treasury Minister has come forward with this Scheme. Yes, there are still some questions that we need to answer and, hopefully, further tweaks to the Scheme can be made at a later stage; but certainly for the time being, this is something that we should be supporting. We should also bear in mind that, yes, we could have gone down the route, as suggested by the Hon. Member for Michael, and gone gung-ho into a scheme similar to this back in January, or whenever it was that he came forward. But we have to remember the risk that that may have had to our banking sector.

**The President:** Hon. Member, Mr Crookall.

**Mr Crookall:** Thank you, Mr President.

Taking on board your comments before, I will be brief, as I think most of the things that need to be said have been said.

I think it has been a very good debate this morning, bearing in mind the paperwork we got yesterday, late last night. We have read it and then the questions that have come out this morning are things that people have picked up that appear to have been missed – or not, as the case may be. I do look forward to the Minister for the Treasury, when he comes back with his replies afterwards. I am sure he will have most of the answers; if not, I am sure he will take those questions away and get the answers for us.

I, like every other Member here this morning, in the last few days have had lots of phone calls, e-mails, letters from very concerned constituents, customers, people who have got deposits, whether they be individuals or people within business. They are looking to us now for reassurance, comfort, guidance and confidence. We need to do our job and give that back to them, if we can. That will come down to the Treasury Minister, the Council of Ministers and us working together to do that.

One thing I would like to pick up on, though, is communication and information – lack of. Again that is what has been missing, not only from here, but from Kaupthing Singer and Friedlander to their customers, and from the FSC, telling people what is going on. I know they are limited as to what they can tell them at times, but when a constituent of mine phoned up the bank – I believe it was yesterday morning; if it was not, it was the day before – ‘no problem, your money is safe’. He has got his life savings – he and his wife – in there. That is what they told him. Last night I spent 45 minutes on the phone talking to them: they are the people we need to look at, as well as everybody else. Let us give them back their confidence and, hopefully, they are covered by this new Scheme.

I will support this new Scheme. I do have reservations, like everybody else, and I look forward to the Treasury Minister's reply, sir.

**The President:** Hon. Member of Council, Mr Lowey.

**Mr Lowey:** Thank you, Mr President.

Mr President, I think we have got to bear in mind the statement that this is not an event that is unique to the Isle of Man; it is not an event which is unique to Britain. As Mrs Christian said, this is a worldwide phenomenon, that we have got a lack of confidence in the banking system. This Scheme that we are dealing with today is an instrument to deal with a specific at the moment, and we are concentrating on that specific. While I, too, share some of the concerns that Members have expressed this morning, as to why we have omitted certain individuals or certain groups of people out of this legislation, I would remind Hon. Members that I can half answer that question myself: it was only a matter of months ago that we passed the financial Bill that this new Scheme is now operating under, to replace the old one. So, to some extent, I can understand there is a different framework being applied now, as was applied for the SIB.

But SIB was a different kettle of fish. It was a fraudulent manner that we were dealing with. This is dealing in a climate where the whole ethos of banking is under pressure. ‘It ain't working!’ The idea that the Isle of Man can effectively engineer the reworking of the banking system for the world (*Laughter*) is a little bit fanciful, to put it politely! I think if we go around propagating that myth, then we are doing not only ourselves a disservice, but the people we represent. That is number one.

I believe that the Isle of Man is as sound a place as anywhere on this planet to invest and deposit life savings. I believe our Scheme should reflect no worse advantages than anywhere else in the world, and I believe, to a large degree, we achieve that. This Scheme – and the Minister admitted it this morning – was actually not as he would have ideally liked it, because the world he is inhabiting is not the ideal world. Somebody said that months ago we could have done; a year ago we could have done it. I have news: I think it is moving that fast that even the British economy had to react quicker than they wanted to, to meet events. I think our Treasury is not to be criticised today for doing what it should do, with the advice of the Financial Supervision Commission.

I share the view that we should concentrate, and I am sure the Minister does... when I say ‘concentrate’, I mean explain to people what we are doing and why we are doing it. So, therefore, I have no difficulty in supporting this. As the Minister said this morning, he needs it *now*. This is the only show in town.

That is why I cannot possibly support the amendment by the Hon. Member for Rushen to have a committee look at it. That is the last thing we need, at this moment in time. I think what we really need is a firm statement that we have got a sound financial framework within this Island, hosted or headed by the Treasury, operated by the Financial Supervision Commission. I think we have got to get the message out that we are not losing our head, but we are being pragmatic and dealing with problems when and if they arise, hopefully in advance of that.

I think we have got to keep a cool head. That is the message that I am saying, and as a legislature, I think we have a proven record on that and we have created an institution – i.e. Isle of Man plc – which is the envy of many places in this world and we should not lose sight of that. We should *not* lose sight of that.

So I will be supporting the Scheme because I think it is right. I do believe it will need amending, in the light of the evidence that we have been receiving. I, too, have had telephone calls: the last one I had was from a doctor. It seems strange a doctor coming to me, instead of me going to the doctor! (*Laughter*) But I tried, with my best bedside manner, to reassure the doctor. How the tables are turned!

However, the reality... We could all make light of it, but there are serious concerns out on the street. I believe this Scheme has been designed to reassure and help. I think it does leave question marks that need answering, and I am sure they will be, sooner rather than later, but I would urge this Court to keep a cool, steady hand and a cool head and support the resolution.

But, please, the last thing we need is a committee looking into where we are going, because I do not think the body in the Isle of Man is in that crisis situation, where we need to review it. I really do not.

**The President:** Chief Minister.

**The Chief Minister:** Thank you, Mr President.

First, I would like to thank Hon. Members for their comments today. I think, in fairness, it reflects very much what people are saying out in the community and I do not have any problem with Members expressing and reflecting those concerns here in Tynwald Court, because that is exactly what Tynwald Court is here to do.

I think what is important is that we do, as the last speaker

said, keep a level head, that we are calm about it, but also that we recognise and are seriously concerned at the situation that is affecting the Isle of Man, at it is affecting the whole world. That is the point, that this is not – again, go back to the SIB issue – just an Isle of Man one. It is actually a world event that is impacting on every country in the world, including the Isle of Man. Therefore, I think we have to start from that basis and, naturally, that is causing concern throughout our community. No matter how small or how large people’s savings are, they are naturally going to be concerned as to how secure are those savings. And if anything goes wrong, what will happen?

I recognise that; we all recognise that and I think that that needs to just be said: we are not immune from these world events. They are exceptional; you have only got to listen to, whether it be the American news, whether it be the English news, the Russian news, you can get them all now on Sky, English translations, the French news, every country, the Germans, all having the same problem and I have to say, world leaders are not sure how to overcome the problem. Why? Because confidence within the banking sector of the world, the finance sector of the world has been badly damaged because of actions that were taken far from our shores, certainly, but impact on us. Therefore, you know, we are here as an Island trying to say how can we do what we can to assist our people and others who are and have confidence in the Isle of Man and investing in the Isle of Man.

Mr President, our priority clearly has been to see if we can improve on the 1991 Scheme. We could have left it; we could have just lifted up the level, so that, instead of somebody getting £15,000, they get £20,000. It would have been dead easy to do even at 75 per cent, leave all the categories in there, and that is fine. That would have been very easy for the Treasury Minister to recommend.

It is also easy for Members to reflect back on a motion that the Hon. Member for Michael brought to Tynwald before and was supported. That is fine. It is totally irrelevant to today, in terms that if a new Scheme had come in in July, I am pretty sure we would still be here today with a new Scheme to deal with today’s problem, which has evolved in weeks. (**Mrs Christian:** No.) It has been evolving over a period.

But the real issue – the Hon. Member says ‘no’ – the real issue has actually evolved; the real crisis over the last couple of months. It has been developing but it really impacted over the last few months and, in fact, anybody who watches the news, anyone who is dealing with this: Treasury officials, FSC, Treasury Minister, Ministers and Members hearing what is going on – has seen it change by the minute. The US Government struggle to get \$700 billion to put into it. One could say has it had an impact? It does not seem to have had much of one; it has not steadied them too much. In fact, their financial adviser, or whatever he is, the Treasury Secretary, said yesterday that more banks will go in the USA regardless of the \$700 billion they are putting in. All the European countries are putting billions of dollars in; the Russians are putting billions of dollars in; the UK Government is putting billions of sterling in, trying to get confidence back into the market, trying –

**Mr Houghton:** How much are we putting in?

**The Chief Minister:** Well, the Isle of Man is... if you want, we can put taxpayers’ money in. Is that what you want? That is alright for the Hon. Member to say: I am pretty sure

that if we came here and we said to Tynwald Court, we want to use a hundred million of our reserves to support the banks in the Isle of Man, I am pretty sure I know what the reaction would be from Members. (*Interjection by Mr Houghton*) So it is easy for Hon. Members to make it, while they are not being asked the question. When they are asked the question, I think we have a different outlook. What we are doing, I think, Mr President, is taking a realistic view of saying how can we assist or provide support for the depositors, who have deposited in the Isle of Man?

It is also worth making the point, the Isle of Man is the only Crown dependency – the *only* Crown dependency – with a Depositors Compensation Scheme. It is one – if not the only one, it is one of the few small countries, nations, in the world with such a Scheme. So let us not be over critical. We have had it since 1991.

Here is a chance to upgrade it and I want to make a point, Mr President: it is being said here by some Members that we have no choice. Let me tell Members, so the public can hear quite clearly, you do have a choice. Members, you can reject this new order, the new Scheme, and retain the old one. So do not blame it on Government, we are giving you a choice. Tynwald Court will determine whether or not the recommendation from Government to have this new Scheme is one they want to have. If Members do not want it, make that decision, be honest with the public and then we retain the 1991 Scheme. So there is a choice. There is a choice, because the decision is not Government's, the decision is Tynwald's. Government is *recommending* this is what we should do.

So let me make that clear, because I hate the public being misled, when sometimes some Hon. Members indicate, 'Well, it wasn't me, you know.' Yes, it was: you voted for it, or you had a choice.

So the choice is there, Members. All we are doing is putting it to you. Again, I think the point that we have had a sitting, and requested a sitting early – which I thank the President for – shows our concern about the situation, which is reflecting the public concern. I do not think there is any doubt about that. Yes, we could have had a sitting last week; yes, we could have sat. The point is it is *when* you needed the sitting, and it had nothing to do with the present situation of the bank that is now in difficulty. This was being developed before we knew that that was happening, and there has been a lot of work. I would like to put on record my thanks to the officers in the Chief Secretary's Office, Treasury and FSC for the considerable amount of work they have put in in a very short time to put this together for us. *We* say what we want; *they* have got to put it in legal jargon so that we can deal with it, and I would thank them for that.

There is a difficulty, because there has been a very limited time of consultation with the banking business, who are the ones who are going to be funding this, and I thank them for their patience and I know there is concern there and that is something we have still got to talk about with them as to where we go. Yes, as the Treasury Minister indicated in his presentation, we will look to see what else we need to do and, if necessary, come back to Tynwald and seek an amendment to the Scheme, but we have to be realistic about this. This has to be paid for. There are only two people can pay for this – the banking sector in the Isle of Man and/or the taxpayer – that is all. I will just leave you with that, because that is the only place the money can come from, and I think the point that we even have a Scheme is a great credit to the Isle of Man because at least we provide *some* protection for

depositors. Whether they live on the Isle of Man or not, that is irrelevant. They have faith in depositing their funds, their money, in the Isle of Man, and that is important to us; we all know that.

Mr President, there were lots of things that were said by Members, and I will leave a lot of those, really, to the Treasury Minister to respond to, from the point of view of what he is trying to do. What I would say is that the Council of Ministers do recognise that there are many people in our constituencies throughout the Island, and further ashore, who are concerned about the whole credit situation and specifically concerned about their personal savings. However hard they have worked to put those in and however small those savings are, they are vitally important to that individual (**Mr Houghton:** Hear, hear.) and we are saying we recognise that.

Yes, Mr Speaker raised the point about companies and so on and so on. Yes, there are difficulties, but there is also the question of affordability: what can the Isle of Man afford? That is why the Treasury Minister said here is a first step and we need to talk further with others about how we can look at, maybe, altering it or going forward. There is no lack of saying we will look at doing that and, of course, naturally come back to Tynwald to try and do it.

Mr President, I really do think that this was an important opportunity for Members to express concerns on behalf of their constituents, to have the opportunity to reflect their own views, as well as their constituents' views. That is what a parliamentary assembly is about: here to express the concerns of the public. Then we also have to make the difficult decision, whatever way that is, as to what we think is the right thing with what we have before us, and I believe that this Scheme will provide support. Yes, there are some changes; yes, there are concerns. I can understand that, and I think that that is something we have to just recognise.

I would clarify one issue, Mr President. The Hon. Member for Douglas North, Mr Houghton, mentioned about the institutions exempted from the definition of deposit taker under regulation 7(1), and I can confirm in that Schedule the list of those exemptions are exactly the same as under the 1991 Scheme. There is no change at all; nothing has changed on that. (*Interjection by Mr Houghton*) What has changed has been the basis of the funding and the Scheme, but not the exemptions. So I just make that point.

Finally, Mr President, I think, in relation to the amendment from the Hon. Member for Rushen, Mr Watterson, if anything, it is not helpful at this time. I think it is premature. I think we have got the issues to deal with on a regular basis and, quite clearly, I think that point is something Members should keep in mind. I think, from Government's point of view, we would not support the select committee proposal because it may cause problems in trying to deal with it. Certainly, I think it is very helpful for Members to understand more about what is going on and what the businesses think about this, as well as the public. We hear the public side; we need to hear the business side, as well. It is not all black and white.

Issues about keeping Members informed... Government has endeavoured to do that as we can, but there has been so much changing so quickly that in itself has not been an easy process and, therefore, I think Members have to be a little bit understanding about that. I am sure the Treasury Minister will cover what was proposed until we determined that we should actually have the sitting today, because we felt that the situation was changing so rapidly. There was a need for confidence to the public that their Government was trying

to do something to help those depositors who *may* – and I underline *may* – have a difficulty, because I think it is fair to say, as best we can tell today, the vast majority will not have a problem.

Mr President, I support the motion and thank Members for their comments.

**The President:** Hon. Members, I am conscious of the clock. If we are to complete this matter before lunchtime, can I ask that the contributions be kept to a minimum, please.

Hon. Member, Mr Turner.

**Mr Turner:** Thank you, Mr President.

First of all, speaking to the amendment, where we have the comments ‘to further consumer and business confidence’. There are, I think, a number of ways we can do that without the need for a Select Committee. One thing I would appeal to the Treasury is that they continue to work with the banks, so they do support businesses through this time. I know there are a lot of businesses concerned that their facilities... There may be the squeeze put on them, facilities not renewed and so forth. Mr Quirk had mentioned some of these concerns earlier. So I do hope that Treasury will continue to work with the banks to assist businesses through these times.

Like Mrs Christian, I do feel that my arm is somewhat up my back, particularly in the light of the comments by the Chief Minister, who says if you are not happy with this Scheme, we can retain the old Scheme. Of course, that means voting against the Scheme that is in front of us, which I do not wish to do. There seems to be a real desire within the Court this morning to retain elements of the old Scheme, along with the bulk of the new Scheme. Obviously, with a simple yes or no vote, it seems that it is impossible to do that at the moment, and that gives me a bit of a problem.

I know there is a desire amongst Members here to see whether it is possible for Treasury to come back with an amended version of the Regulations this afternoon. I wonder what the Treasury Minister’s view on that would be. The desire is, of course, that it would include those elements.

Having heard the Chief Minister, it seems that would not be possible, but I would like to hear the Treasury Minister’s views on that, as to whether they would consider those points that have been raised in the debate this morning.

The other items I was going to raise have all been raised, the various questions, so I will not go over those, but I will again reiterate my original point: will Treasury work very hard with the banks to ensure that local businesses are assisted with their various facilities and so forth. We also need to be very careful that we do not allow the hares to start running. We are hearing daily about rumours of businesses laying off staff and I think it is important that we do keep the confidence of businesses up and, of course, people. The last thing we want is for people to panic and I think that is where the information is important, that we do get regular information coming out, on a daily basis if necessary, as to what is being done. I certainly think it would benefit Members of the Court to have weekly or fortnightly updates from the FSC. If they cannot accommodate meetings, then certainly a circular – a round-robin e-mail or something – just to let us know what is going on, would be helpful.

So those are my comments, Mr President. Thank you.

**The President:** Finally, Mr Henderson speaking to the amendment, sir.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

I would just like to address the comments from the Hon. Member of Council, Mr Lowey. I think it is quite right that Mr Watterson should place an amendment and it is certainly, in my view, quite right, building on my comments earlier, when I was asking for urgent contingency planning to be put into place and Members briefed on just exactly what Government is going to do about that. It is absolutely correct.

I am at odds... A Select Committee is a good idea in some ways. Here, though, I think it may well slow things down, or has the potential. So, I do not want to put it down with faint praise: the intentions are fair. I think also it is absolutely explicit and incumbent on Government to take on board the feeling of Mr Watterson’s amendment and those of us who have expressed earlier the contingency measures, as a matter of urgency themselves, when they leave here shortly, Eaghtyrane, to look at contingency planning and to look at the current level of exposure that organisations and companies are facing at the minute.

We need an up-to-date, up-to-the-minute account of exactly where we are at now, because nobody knows at the minute. It is something that has failed to materialise by way of Members’ information. I think it is incumbent on Government to provide that information, to show what the risk is to the Island currently, where institutions think we may be in a few days’ or a few weeks’ time. We need to know that, and that needs to come back to us pretty quickly. It is for Government to do that at this time. It may mean more work; it may mean longer hours; but it is urgent that we have that information. We have the FSC – the empire up the road – with copious amounts of well-paid staff and we need their expertise into our briefings now, urgently.

**The President:** Treasury Minister to reply to the debate.

**The Minister for the Treasury (Mr Bell):** Thank you, Mr President.

I will do my best to cover the debate as quickly as I can, but there are obviously a lot of points which have been raised which need comment on.

Mr President, a comment that I often make to the public and indeed to new Members – my own experience anyway – is that whilst you are out in the public, or indeed when you are not a member of Government, life seems very black and white. And it is only, actually, when you are in a position of Government and, indeed, of having to make decisions, you suddenly realise, in fact, that life is a shade of grey, and nothing is quite as clear cut or black and white as it would appear when viewed from a distance. I can assure you that there is nothing more appropriate to sum that particular assessment up than the situation we find ourselves in at the moment.

It is very easy for Members to criticise the lack of action on Treasury’s part, or deficiencies on my part, or the failure of the FSC, without actually being in the position of knowing the rapidly-changing situation we are faced with.

Unique, Mr President, is often an over-used word, but I think in this particular set of circumstances, it is truly unique. We have never in history experienced a period of turmoil and concern of the extent that we have at the moment on such a worldwide basis and it is unrealistic to think that the Isle of Man will not be affected by it or, indeed, that some contingency planning the Isle of Man can make can

somehow hold back the tide of what is happening on a worldwide basis.

We have seen the United Kingdom, the United States – two of the main drivers – as well as many other countries, regularly coming back to revisit their plans that they put forward because they have been overtaken by events. If those massive economies cannot anticipate what is going to happen, it is unrealistic to think that Treasury, or the Council of Ministers or, indeed, Tynwald can accurately assess what is coming towards us and, what we say today, by this evening may be overtaken by events again. We have to recognise that. We are in a totally unique set of circumstances, which none of us can anticipate where this journey might end.

Having said that, Mr President, I do accept the concerns which Members have made and I would, at the outset, like to just reiterate the point that I have made during my presentation that my main concern – Treasury's main concern and the Council of Ministers' main concern – has been the welfare of the small depositors in the banking system on the Island. That has been our absolute paramount concern.

Treasury, in spite of what has been said, has been talking to the banking industry, with regular dialogue with the FSC, on revising the Depositors' Protection Scheme, since Mr Cannan's resolution last year, and a great deal of work has gone into it. We have been working up a number of proposals. Unfortunately, we have been overtaken by events and have not been able to complete the work in the time that we had anticipated, so the Order that we have to deal with today is dealing with what we believe is the most urgent aspect of it, which is to protect the small depositor. I said in my presentation, Mr President, that we will now be using the next two weeks, prior to the next Tynwald, to further consider all the elements which have been raised by Hon. Members, to continue our dialogue with the bankers, which is absolutely fundamental to the Scheme that we finally end up with.

The Chief Minister himself has made the point that, at some point, we have to recognise that someone has to pay for the Scheme, and it is either the taxpayer or it is the banking industry, and we have to ensure, as far as we possibly can, that we have the understanding, if not the outright agreement, of the banking industry to sit alongside us to make the Scheme work effectively in the future.

So the next period, Mr President, will cover all the points that Members have raised, including small businesses, companies, trusts, charities in particular. We will be bringing an amendment back to deal with that. These will be covered, but we have not had time, because of the pace of events, Mr President, to cover everything in this Order today. So I can give that assurance to Hon. Members. We are very much on the ball. We know exactly what the concerns are. We get these concerns expressed to us in the same way as all Members of Tynwald do, and we have total sympathy with these concerns, as expressed.

On a broader issue, though, Mr President, I think it is most important that Members understand some of the background. Obviously, our concern is with the depositors. We need to build confidence in them. If they suddenly feel that their life savings are in jeopardy, they are going to lose their money, of course they are going to panic, of course they are going to worry.

That has been our concern, but we also have a wider issue, and other Members at various points have actually referred to it. The banking industry is the largest employer on the Isle of Man. We have over 3,500 people: 3,500 jobs; 3,500 households dependent on a successful banking industry. The

banking industry is the largest taxpayer that we have by some margin, Mr President, and will continue to be so. It is vitally important we keep a healthy, expanding banking industry on the Island, to deliver the revenues we need for our public services, as well as providing the levels of employment.

To do that, Mr President, the banking industry has to be competitive and one of the reasons why there has been a delay in bringing these forward has been to give us time, as we would have hoped, to understand what our competitor jurisdictions are doing in this particular area, because any premature action on our part could well see an outflow of funds and business to those jurisdictions, to the detriment of the employment levels on the Island, and certainly to the detriment of the tax revenues which we have generated from it.

If you need an example of just how that works, Mr President, you need look no further than what has happened in Ireland: that subsequent to the Irish making the announcement that they are going to protect all the depositors there, even though they have not actually done it yet – they have only made a statement – there has already been a steady outflow of funds from the United Kingdom, which has caused Gordon Brown himself to comment on it and, indeed, the European Union to threaten action against Ireland because of the distortion it is creating in the marketplace. So if people think, by being hesitant about jeopardising our competitive situation by jumping in on a scheme prematurely... we need to look at that and think this could well have triggered a similar situation on the Island. We have to be very, very conscious of what the potential damage to all this is, Mr President.

We also have to accept the fact, Mr President, that regardless of the crisis we might see ourselves in at the moment, tomorrow will come. We will come out of this, at some point. Quite what shape the new world is likely to be at that time is anyone's guess at this stage, but we will come out of it and it is vitally important that we maintain the reputation and integrity of the Isle of Man and its competitive position, so that when the new world, the new dawn, does break, the Isle of Man is in a strong position to continue to build on its economic success and develop new levels of business coming in to the Island.

So, Mr President, there is a whole raft of issues which we have to consider here, which are absolutely fundamental, not just to the protection of the depositor, but to the viability and continuation of the economy, as we know it today. We are a very small economy, we can be knocked off course very quickly by external events and, indeed, by precipitate action taken by Government which has not been properly thought through. I would urge Hon. Members, please, this is not a defence for inaction, it is an explanation of the very difficult, hugely difficult, judgement that Treasury, particularly the Council of Ministers and the FSC, have had to take over the last few days to try and come to a conclusion as to the best way forward.

As I say, the best way forward, as we see it, Mr President, is that we give immediate comfort to the small investors, the small depositors, to let them know that we believe their deposits are going to be safe, while giving us a respite over the next couple weeks, prior to the next Tynwald, to look at the other issues which are outstanding, which have been made by Members and I hope Hon. Members will accept the sincerity of that explanation. It is not in any way an argument for inaction.

Mr President, I will go through some of the points as

quickly as I can and I apologise I cannot answer every question because there have been so many questions asked that I may not have picked them all up. Mr Houghton, the Hon. Member for North Douglas, started this and his concern is we should have done it earlier. I hope that I have given the explanation as to why we have had so many other issues to bear in mind and, indeed, the events which we are confronted with today, although they have perhaps been building up over the last three months, have actually really only blown up in the last two weeks and ten days or so, in effect, to know what... to take us where we are today.

It is very easy, also – and one or two Members have said this, Mr President – why has not the FSC kept us informed as to which banks are vulnerable? Why have not the banks told their customers that they are shaky? This is the real world, Mr President. We cannot do this; things have been moving so quickly and if you look at the banks themselves – some of the bigger banks are actually very viable banks and they have gone under – not necessarily because of the business model that they have had, because the share price, the speculators... there has been short selling, there has been a whole raft of external matters quite separate from the viability of the company itself, which have actually driven the company either into ultimate demise or, certainly, into being taken over by other companies. There is a whole raft of issues here: it is not just whether the company is viable.

We also have the problem on the Isle of Man, where the local managers are obviously very comfortable with the success of the operations within the Isle of Man, but then are affected by what goes on in head office and off Island, which they have no control over altogether and, frequently, will have no knowledge of. So, once again, Mr President, it is not quite as black and white as everyone would like to say.

Now, it is extremely unfortunate – exceptionally unfortunate – that the Scheme today, Mr President, is being presented to Hon. Members at the same time as we have had the news about Kaupthing Singer and Friedlander. I want to make it absolutely crystal clear that this Scheme that has been worked on for the last couple of weeks has nothing whatsoever to do with Kaupthing. It is just pure coincidence that this has come together at the same time and, indeed, when I made my statement on Tuesday, we were not aware that Kaupthing were in a position to take the action which we now learn they have done this morning. So I want to give Members and, indeed, the wider public the assurance that this Scheme is quite separate from that and has not been tailored in any way for that particular outcome.

Now, Mr President, I know a number of Members have asked questions about Kaupthing. I think it would be appropriate at this stage, in particular, Mr President, not to make any positive comments about how I see the situation until we have more information. I understand that Kaupthing are going to court this morning for an order for the winding up of the company and, at this stage, I have to say, I do not know any more than that. Events have unfolded as we have been in this Chamber, so I have not been fully briefed as to what the outcome is.

The one thing – and I do not know whether it would give reassurance at this stage or, indeed, what the outcome might be – but I am aware that there are at least three expressions of interest already having been made to the FSC by other banks wishing to buy the deposit book from Kaupthing. Now, it is very, very early stages yet and I do not know what the outcome of that might be, but if in fact it goes ahead, it will

certainly give some relief to some of the deposit holders.

So, Mr President, there are so many issues going on around this, at the moment, I think it would be premature to make any comment at this stage, as to what the impact of Kaupthing will be and what the outcome will be for the deposit holders – other than to say we are obviously extremely disappointed at the outcome but, given the present turmoil with the Icelandic banks, there was, I suppose, an air of inevitability about it. I understand that the DTI are on standby, if in fact they have not already taken action to try and help the staff there who might at some point become redundant –

**Mr Henderson:** They are now!

**The Minister:** Right, then, I take the point the Hon. Member made, but I understand the DTI are ready now to try and help people. So, Mr President –

**Mr Henderson:** Eaghtyrane, I must raise a point of order.

**The President:** Which is, sir?

**Mr Henderson:** This is a matter of urgent business, Eaghtyrane.

The Shirveishagh Tashtee has not answered – I know he has given excuses –

**The President:** Hon. Member –

**Mr Henderson:** – whether the bank, if it does go under – in the terms of the Scheme, if it does, will depositors be safe?

**The President:** Hon. Member, the Minister is still on his feet, replying to the debate.

Continue, Minister.

**The Minister:** I take the point the Hon. Member has made, Mr President, but I want to be absolutely sure of... This is a hugely sensitive issue. I want to be absolutely sure of my facts before I make a definitive statement on this. Kaupthing is in the courts at the moment. The FSC are reviewing the situation. I will have better information, I hope, later on today, at which point I will be able to give a definitive answer to that. (**Mr Henderson:** Hear, hear.)

It would not be helpful to anyone, Mr President, if I give a statement out now, which I believe to be correct which, in fact, is not correct, and I then set further hares running, quite unnecessarily, which will not help anyone. I urge Hon. Members... I understand their frustration, but this is not a very simple issue, as it has been presented. It is very complex and it is most important that no-one, least of all the Treasury Minister, makes precipitate statements, which could be misinterpreted or, indeed, be incorrect, at this time. Events are moving so quickly I need to be properly briefed and know what I am saying before actually any statement is made, Mr President. I have to accept that Members will still find that frustrating, but I urge please be patient with us on this. We are feeling our way forward. We do not know what the outcome is at this point and I will make a statement as soon as I possibly can.

Mr Houghton has also asked: does this new Scheme

replace the old Scheme? Yes, it does. Would interest be charged to depositors? No, that has changed in the Scheme. We accept the point – he was absolutely right – it did cause problems last time and so that has been amended. Does Treasury have the capital for bailing out banks, as in the UK? I would like to think we had, but when you think that the total deposit base in the Isle of Man is something like £55-£56 billion at the moment, I think we might be stretching reserves slightly to fund that, but I do take the point. The Isle of Man, and any small jurisdiction, and indeed any small country, will struggle to find the funding to bail out even one of their big banks.

**Mr Houghton:** Just like Southern Ireland.

**The Minister:** Southern Ireland has made the statement. It has not even passed the legislation yet. We do not know what has happened. It is also worth...

Just on that point – and the Hon. Member is right to raise it – a number of jurisdictions have made very bold statements about what they are going to do about depositor protection. The reality is they have done nothing at all yet, other than make statements. This is where I say, Mr President, we have got to be very careful about any statements, certainly as Treasury Minister, that I make, until we are absolutely crystal clear of what the facts are.

Ireland has made a sweeping statement, and we very much hope, obviously, that they will be able to implement their proposal, but I understand, as I speak, that this legislation has not gone through yet, and we need to see what the final shape of that is. Equally, Mr President, Jersey and Guernsey have made very bold statements, and nothing at all has happened. The Isle of Man has a Depositor Protection Scheme. Jersey and Guernsey do not. The Chief Minister of Jersey has made a statement saying that they are going to protect all on-island depositors. There is no legislative base for that whatsoever. Jersey is in the middle of an election and that chief minister will be gone in two weeks and replaced by someone different. So we have to be very cautious about statements which are made off-Island which do not bear the support of legislation. We, at least, with this Scheme, Mr President, will be ahead of all these jurisdictions by at least having it in statute and operative from today, as soon as it is, hopefully, passed by Hon. Members.

I think the Chief Minister answered the Hon. Member's other point about the list of exemptions. This is simply a straight list of exactly the exemptions which have been in place since 1991 and it is because those particular institutions are under a different licensing regime altogether. They do not take retail deposits, locally. They have a separate structure entirely from the other banks that we are talking about. That is why they are exempted from this particular Scheme.

Again, the Hon. Member, 'we need an urgent presentation by the FSC': it was my intention, Mr President, and it still is my intention to give Members an update, not just about the Depositor Scheme, but about the way the financial system is working on the Island generally, before the next sitting of Tynwald. But as other Members have said, Mr President, events have been moving so fast, it has literally been changing within the day, let alone by the day, and it is very difficult, actually, to be able to keep Members fully up to speed with what is happening. Indeed, other Members – one or two Members – I think made the comment that it is wrong that the banks did not keep their depositors informed as to how

they were performing. Now, we have got to be realistic in this: even if the bank was to know that they were in any way shaky, they are not going to broadcast it to the public, because that would trigger the very run that they were trying to avoid in the first place, and bring the bank down more quickly. So I think we have got to maintain an air of realism about this, Mr President.

Mr Cannan: I think I have covered a number of his points. He makes the point that the Island has been impacted by external factors. It is worth emphasising that all the problems that we are confronting at the moment have not been generated from within the Island at all. We have still a sound economy, we have a good, strong banking system and indeed, what is still one of the fastest growing economies in Europe. Our last figures at the end of March for the year 2007-08, the provisional growth figures are 8.2 per cent in real terms, which puts us very much at the top end of European economic growth.

I would also point out, Mr President, that for September the unemployment figures show a marginal increase of 10, which leaves us 1.4 per cent. So we have not seen yet a big surge in unemployment in the Isle of Man. All the indicators are that the economy is still strong, notwithstanding the fact there is likely to be a slowdown later on this year and into next. I think it is almost certain, Mr President, although I have not had the final figures yet, but the September inflation figure will show a further drop on what we have experienced further, so those pressures within the economy are starting to recede and with the collapse in the oil price as a result of this crisis, I expect to see inflation come down still further.

My point, Mr President, is we need to keep a sense of perspective in all this. It is easy to get caught up with the panic we are seeing in the media but, underlying all this, the Isle of Man economy is still sound, and we have some considerable advantages, I think, over some of our neighbouring jurisdictions.

The Hon. Member, Mr Cannan, just going on, refers to trust funds and charities. I do take his point; we will be coming back in a fortnight with an amendment to make sure that those are covered, that we want to cover. We want to cover all the other points which have been raised, as well as have a chance to finish off the work that we were doing.

**Mr Cannan:** Retrospective. Is this new agreement retrospective?

**The Minister:** The agreement that we are agreeing today, Mr President, it starts from today, but we will be coming back with an amendment for these other issues later on.

We want, Mr President, to try and find a mechanism, if it is at all possible to ensure that the payout – should any payout be necessary and hopefully it will not be – is made as quickly and speedily as possible. We are aware that the old Scheme, while ultimately it did deliver the figure that is in the Scheme, took a number of years to actually pay out. We want to try... this is why we brought in the facility for the FSC, or for the Scheme Manager, to enable him to borrow money, whether that be from Government or some other form, perhaps to speed up the settlement on the urgent cases, so this is why we brought it in.

Mr Cannan also asked how many depositors were at Kaupthing. I have to say I do not have those figures, Mr President, and bankers are concerned at the extent of their commitment. Of course they are, and this is why we intend

to continue to talk to the bankers now and see if we can find an agreement. Unfortunately, as I say, because of the speed of events in the last few days, I have had to bring forward this resolution earlier than might otherwise have been the case and we would have completed our round of discussions with the bankers in good time prior to the October Tynwald.

Mr Henderson: again I think I have covered most of the points that he has raised. He comments again about our lack of comment over the summer on the state of the economy. I would dispute that because I have been on the radio regularly throughout the summer to try and give an update on the various aspects of the economy, as far as we have known it at the time. Indeed, I do not think there is very much more we could have done with the information we had available at that point to keep the public informed as to what was going on. Events, though, over the last couple of weeks, as I say, have been moving so fast it has been difficult to make any sensible comment until we had a clear idea what the impact was going to be.

I do take his point – it is a very good point – that he was concerned about the dithering in the US and their ability to address this problem and the fact that they can no longer criticise the Isle of Man. They have, in fact, lost the moral high ground. I would agree 1,000 per cent with that, quite honestly. The *whole* of this crisis emanates from the US and US culture in the first place, which the rest of the world is now having to suffer from. It is entirely regrettable – in fact, I feel quite offended now – at the concept of the Americans preaching to the likes of the Isle of Man about the quality of our regulation. It is interesting, for example, that we have had the International Monetary Fund, Mr President, in seeing us very recently – we spent most of September with the IMF, and I am hoping we will get a good report from them, from the initial feedback we have had, on the quality of our regulation – when at the same time, Mr President, they have been telling us the US have refused to allow the IMF to go into the US, to do a similar exercise there! (*Laughter*)

This is the hypocrisy that we have to deal with at the moment, and I hope the experience of these last few weeks will at least bring a bit of humility to the United States – although I doubt it – in their attitudes to jurisdictions such as the Isle of Man.

Most of the other points the Hon. Member has made have been covered. He did mention one point: is Conister Trust covered? Yes, it is. It is very much part of that deal, and is a sound company and doing well at the moment.

Again, the comments are that more information should be given, emergency contingency planning should have been in place. I defy anyone to point to any single country in the world, big or small, Mr President, that has contingency plans for what we are going through at the moment. Indeed, the plans announced by any country today will possibly be overtaken by events by the end of the week. So we are in wholly new territory altogether, in the history of the world, economically, and it is very difficult to have contingency plans in place for something as tsunami-like as this.

The Speaker, again, makes comments about Kaupthing. I think I have answered that, and I have also made the point that we will be reviewing the outstanding items over the next couple of weeks and hopefully coming back with a series of further amendments in time for the October Tynwald in two weeks' time.

But, Mr President, I think it is worth just putting a marker down that we are in wholly exceptional circumstances at the

moment and the proposals which we bring forward at any particular time may well need to be amended in the light of experience in the time ahead. So, whilst I am saying at the moment that we will review the situation in time for October – and God forbid it does not get any worse, but if things do change into the future – we might need to look at the situation again. We need now – not just on this particular Scheme, but in other areas – to be willing to be very flexible and react to circumstances as we are confronted with them (**A Member:** Hear, hear.) and we do not just say this is all we are doing for the time being and sit back and just let it progress. We may need to work very quickly and, of course, the important part of that is to keep Members fully briefed and fully informed as to the changes which are taking place, and I can give Members the assurance that will happen.

Mr Watterson... Well, he is entitled to his views about my inabilities and the lack of activity by Treasury, and I can only comment that his statement that *our* action has only been spurred by *his* action would be a nice thought, but we have been working on this for quite some time. It is not something that has just been bounced on us. We did actually notice there was a bit of a financial crisis prior to his public statement.

One of the comments that the Hon. Member made, Mr President, is how closely Treasury works with the individual financial institutions. While Treasury itself does not have regular meetings with the individual banks, the Regulator at the FSC is almost in daily contact with all the financial... the banking licence holders, monitoring liquidity levels and the various movements which go on in the bank. That is one of the most essential parts of his job and, obviously, over the last few months, he has been very, very closely involved with every single bank on the Island, monitoring their progress and what is happening.

He asked whether any of the banks are 2006 companies. As far as I know, I do not think any of them are registered as a 2006 company.

The level of contribution fees he refers to: it has been doubled from the 1991 figure and that is deemed, at this point at least, to be the appropriate figure which the banks would be able to absorb.

He also makes comment about the need to support small companies, as did Mr Turner. I fully take on board that. The small businessman on the Isle of Man is the backbone of the Isle of Man economy, and it is vitally important that we make sure that we can keep them afloat as best as we possibly can. We have had talks with the banks over the last few months, not just in relation to the immediate crisis, to try and persuade them to adopt lending policies to local businesses in a more appropriate way, rather than simply following head office instructions. In some cases, we have had success. The banks have been very co-operative with us on that, but there are obviously pressures from their various head offices to adopt UK lending policies, which clearly are much tighter than we are used to on the Isle of Man and which may well have a knock-on effect on local businesses. So we are pursuing that as best as we possibly can, recognising the vital importance of small business on the Island.

Mr Watterson asked what advice Government has given to officers of the banks – I think I understood him, anyway – such as Kaupthing. The DTI are standing ready, if they are not already in, at the moment, ready to advise on that.

Mr Watterson has made reference to Government deposits. Government does have some money with Kaupthing, and has done for quite some time. Although Kaupthing is a

new arrival in the Isle of Man, Singer and Friedlander is one of the longest, oldest established banks that we have, Mr President. It is fair to say, I think, at this point, that we have somewhere in the region of £2 million on deposit with Kaupthing and we will be looking to see what we can do with that. (*Interjection*)

Once again, it is covering a point I have already made, Mr President, but the one thing that was missing, I think, from Mr Watterson's comments was the point I made earlier, that at least in part what we were having to consider was the competitiveness in the Isle of Man when we were trying to put the Scheme together and how important it is, even in these very difficult times, that the Isle of Man retains its competitiveness and its ability to develop new business contacts and still grow the business, wherever possible.

Mrs Christian... Again, I think I have covered most of the points that the Hon. Member has touched on. The reason for the structure of the Scheme today was to give absolute priority to the small depositors. They were the ones we believe were most alarmed by what is going on and that is what has happened. We will be reviewing the rest of the situation in the next couple of weeks, and it is only really because events have been moving so fast that I felt that we had to bring this forward urgently today to give that section of the community at least... and the Scheme will cover 95 per cent of all depositors – small depositors – on the Island, to give them some comfort that there is a safety net there for them. But I think it is worth pointing out, Mr President, that even the latest proposal, the latest Scheme which was brought forward by the United Kingdom Government, by the UK Chancellor, had to be brought forward several days early because of the change of circumstances there, and they recognise themselves that theirs was not complete at that point. They are going to have to do the same thing. They are going to have to come back and revisit it and top and tail certain elements of that.

So the Isle of Man is no different to what is happening elsewhere. We must not for a moment think the Isle of Man is in isolation on this. We are caught up in world events and are doing our best to steer the Isle of Man in the right direction.

Hon. Member, Mrs Cannell... No extensive consultation with the banks. There has been extensive consultation in the early stages, but I admit and have already stated that we did not consult with the banks in the same detail, in the last couple of days, as we might otherwise have thought – almost entirely because of the speed of events. Particularly Kaupthing has come along and completely knocked our calculation sideways at this point. But I have given the undertaking that this will be reviewed.

I thank Mr Quirk for his comments and bringing a degree of realism back into the debate again. I apologise for the documents: all Members had their documents late last night, but that was because we have had officers working all hours, trying to get this document put together, the details of the Scheme agreed, and then get it out in Members' hands. I could have left it on the desk this morning, but I felt it was more appropriate that Members had at least the chance to have an initial sight of the Scheme last night, before you came in this morning.

Mr Gawne, Member for Rushen: again, I thank him for his support and particularly for helping to clarify the situation about the broader economic implications of all this, particularly highlighting that the banks are the largest

employer, the largest taxpayer, and we do have to consider 3,500 people on the Island who are working in the banking community, quite apart from those who are benefiting, indirectly, by that employment.

Mr Crookall, the Member for Peel, says that Kaupthing should have told its depositors about the state of the bank. Again, that is entirely unrealistic and I suspect myself that Kaupthing locally were not aware of what their parent's situation was until very late in the day anyway, so that they would not be in a position to give any further information.

Mr Lowey, as usual, brings all of us back down to earth again, and I thank him very much for his very wise comments on the overall situation. It is a world-wide crisis. I think his comments that what we need now is cool heads and strong nerves are absolutely appropriate. It is easy to get panicked by what we read in the press and see on the television, and rumours, of course, are rife all the time about various things which may or may not be happening. We just need to keep a cool head on this, and the Isle of Man will get through this. I am confident we will.

As I said before, the other indices in relation to the economy are still strong. We are hopeful that, while there will be a slowdown, we will not fall into recession, like the United Kingdom or even Ireland, and that we will get through this in reasonably good shape, but we do need to be sensible and practical and realise that the Isle of Man is not in isolation. We are part of a worldwide crisis that everybody is struggling to deal with at the moment. He makes the comment that the economy we have developed is the envy of the world – and it still is and I hope it still will be when we get through this. The important thing to remember that the situation we find ourselves in today and the structure of the Manx economy we are in today is vastly better than the Isle of Man was in when we had a recession in the 1990s, and certainly in the 1980s, when I doubt the Isle of Man could have survived in quite such a robust way as we are doing at the moment. Had we had those same circumstances then, I think it would have been a very different kettle of fish altogether and the work we have put in through regulation, through diversifying the economy, strengthening the quality of the business we have here, puts us in good stead, I think, Mr President, to ride this particular problem out.

It is also worth pointing out, Mr President, that I think I touched on, the problems facing many of the banks is nothing to do with the business plan of the banks or the quality of the banks. Many of them have been brought down by speculation, by short selling and other issues outside the business plan of the banks themselves. (**A Member:** And greed.) So, even... and greed in particular, I would agree entirely that has been one of the drivers behind the whole thing and we have heard lots about corporate pay days and bonuses; all this has contributed to the whole thing. It is not, looking at the local context, anything with the quality of the banks we have here. It is frequently external circumstances, such as those that have actually brought about this crisis today.

**Mr Houghton:** Nothing but a bunch of Nick Masons!

**The Minister:** The Chief Minister: I thank him for his comments and I would also, Mr President, like to endorse his congratulations to the officers of Treasury, to the FSC and the Chief Secretary's Office for the hard work they have put in over the last few days in trying to keep on top of this situation. I would endorse the comments.

He does make a comment about the amendment, that the amendment is premature; I do not have a problem with a select committee looking at it, but I do think the timing is completely wrong at the moment and it may well, by setting up a committee, inhibit Treasury and other officers in doing the urgent work which might need to be carried out at very, very short notice

What we need, or may need, are instant solutions to problems as they arise. We cannot afford a long-term perspective which, as I think some Members have said, could take 12 months before it actually comes back with a recommendation. So I would urge Hon. Members at this stage – well, I have no problem with a select committee – just to accept, I believe, anyway, that the timing of this is completely wrong for this particular moment and let us revisit this in six months, 12 months, whenever we get out of this period and look at the situation then.

Mr Turner, Hon. Member of Council: again, I thank him for his comments. He did make concern about the small business. We have taken that on board and it is very much at the forefront and, as I said, we are working with the banks, we are going to revisit the Scheme again and return with some amendments in two weeks' time. (**A Member:** Hear, hear.) He does make comment and I really want to knock this on the head, although it is understandable, again, rumours of unemployment growing, that people are being laid off here, there and everywhere. I am in no doubt at all that there will be a slowdown later on this year but I would just reinforce the point that the unemployment figures to the end of September are still very strong. They are more or less on a level with last year and are still only 1.4 per cent. The total has increased by 10 in September to 605 in total, so we still, at this stage, have no crisis in the employment levels. So whilst there are rumours going around – and the Isle of Man thrives on rumours – the reality is, certainly to the end of September, that the employment situation is still quite strong.

So, Mr President, I am sorry to have gone on a bit with the replies but this is a vitally important issue. I know a great many people are concerned about what is going on outside and are very, very worried now about their future. I believe this is a necessary first step. I do apologise to Members for the speed of movement on this to bring people back today, but I felt it is more important to get this reassurance out to those 95 per cent of small deposit holders that we have on the Island now, rather than wait another two weeks to give them two weeks of uncertainty.

I will promise to carry out the various points which Hon. Members have raised.

So, with that, Mr President, I beg to move and urge Hon. Members to give their support to it.

**Several Members:** Hear, hear.

**The President:** Now, Hon. Members, the motion that I put to the Court is printed at Item 3 on your Order Paper, that the Compensation of Depositors Regulations 2008 be approved. Hon. Members, to that you have the amendment in the name of the Hon. Member, Mr Watterson.

Putting to you, first, Hon. Members, the amendment. Hon. Members, voting on the amendment. Those in favour, please say aye; against, no. The noes have it. The noes have it.

We therefore, Hon. Members, just pick up exactly on the motion on your Order Paper, that the Compensation of Depositors Regulations 2008 be approved. Those in favour,

Hon. Members, please say aye; against, no.

*A division was called for and electronic voting resulted as follows:*

*In the Keys – Ayes 17, Noes 0*

<b>FOR</b>	<b>AGAINST</b>
Mr Quirk	None
Mr Brown	
Mr Crookall	
Mr Anderson	
Mrs Craine	
Mr Bell	
Mr Teare	
Mr Cannan	
Mr Houghton	
Mr Henderson	
Mrs Cannell	
Mr Corkish	
Mr Shimmin	
Mr Cretney	
Mr Watterson	
Mr Gawne	
The Speaker	

**The Speaker:** Mr President, in the Keys the motion carries 17 votes for, no votes against.

*In the Council – Ayes 6, Noes 0*

<b>FOR</b>	<b>AGAINST</b>
Mrs Christian	None
The Lord Bishop	
Mr Lowey	
Mr Waft	
Mr Butt	
Mr Turner	

**The President:** Similarly, Hon. Members, in the Council we have 6 for, none against – unanimity reigning. Therefore, Hon. Members, the motion on the Order Paper carries.

#### **Isle of Man Water Authority: Finances Statement by the Chairman**

**The President:** Now, Hon. Members, I ask that you bear with me. I appreciate that we are running over the clock. Nevertheless, I have had a request from the Chairman of the Water Authority, Mr Cannan, to make a short statement. Hon. Members, it is relevant and I call on the Hon. Member for Michael.

**The Chairman of the Isle of Man Water Authority (Mr Cannan):** Thank you, Mr President.

It is my duty, as Chairman of the Isle of Man Water Authority, to inform Tynwald of the state of the finances of the Water Authority. The Isle of Man Water Authority has an investment portfolio which is managed in order to fund its capital programme and to provide a sinking fund for the repayment of the £75 million bond taken out by the Treasury on the Water Authority's behalf in March 2000, these arrangements having been approved by Tynwald.

In 2000 the Authority, after tender and with assistance from Treasury, appointed Singer and Friedlander Investment Management (Isle of Man) Limited to act as investment

managers for the bond money raised by the Treasury for the Water Authority's essential infrastructure improvement programme. Their performance from 2000 to 2006 was instrumental in them also winning the Treasury approved tender in 2007 to manage the Authority's sinking fund.

In 2006 Singer and Friedlander were acquired by the Bank of Iceland, Kaupthing, and were re-incorporated in the Isle of Man as Singer and Friedlander Investment Management (Isle of Man) Limited.

As at 30th September 2008, Singer and Friedlander Investment Management (Isle of Man) Limited have been managing investments on behalf of the Water Authority and in the named ownership of the Isle of Man Water Authority to a value of £24.8 million. This is split between the original portfolio designed to help fund the new works and associated capital programme and the sinking fund that, in 2030, will repay the £75 million 30 year Treasury bond taken out in 2000 on our behalf.

The original investment portfolio is currently valued at £15 million, with £5.5 million being in bonds, £1.3 million being in equities and the remainder being cash deposits held almost exclusively with UK banks and in a nominee account for the Authority. There is a 1 per cent limit on any cash holdings that can be held outside the Treasury approved UK or Isle of Man banking institutions.

The sinking fund is valued at almost £9.8 million, with £5.6 million being in UK bonds, £3.3 million being in the Isle of Man Treasury bond equities amounting to £838,000 and £25,000 being in cash.

All bonds, which must be AAA or AA rated, and equities are held in nominee accounts in the Authority's name, Singer and Friedlander Investment Management (Isle of Man) Limited acting as the client's representative.

Any cash held by Singer and Friedlander Investment Management (Isle of Man) Limited is held under a client money arrangement in accordance with the appropriate Isle of Man Financial Services Commission Regulations and, as noted above, is limited to 1 per cent of the value of the portfolio. Again, as stated earlier, all other cash is placed in specific client accounts on the behalf of the Isle of Man Water Authority with UK or Isle of Man banks and building societies, as approved by the Isle of Man Treasury. The Water Authority currently believes that the extent of its cash deposits which may be at risk are approximately £62,000.

The Authority's Investment Committee met with the Director of Singer and Friedlander Investment Management

(Isle of Man) Limited on Monday 6th October to discuss the security of its investments. Whilst the current difficulties of that company were not anticipated at that time to be quite as extreme as subsequent developments have proven, the Committee requested the security of its investments to be confirmed. They were provided with assurances on ownership and title to bonds and money, as noted above, thereby giving the required confidence in the safety of all such deposits.

With immediate effect the Isle of Man Water Authority will seek to work with Treasury to make longer term arrangements for the management of these funds.

The purpose of this statement, Mr President, is to give assurance to Members of Tynwald that, apart from the £62,000 which may be at risk, the Water Authority clearly understands that the bond money is in the name and ownership of the Isle of Man Water Authority when it is placed in investment.

Thank you, Mr President.

**The President:** Hon. Members, can I say thank you very much for your co-operation this morning. I appreciate that we have run well past the clock and I appreciate, in fact, that the statement made by the Chairman of the Water Authority was made purely because he wished to have it this morning on public record at this stage.

Hon. Members, I will not make a habit of recalling Tynwald on a regular basis. As I understand it, 1967 was the last time a special sitting of Tynwald was called. We will not endeavour to repeat it on a regular occurrence.

Thank you for your attendance, Hon. Members. We will now withdraw and resume our deliberations at Tynwald on 21st of October. Thank you, Hon. Members.

*The Council withdrew.*

## House of Keys

**The Speaker:** Hon. Members, the House will now stand adjourned until Tuesday, 21st October, here in Tynwald Chamber.

*The House adjourned at 1.43 p.m.*