



Jersey Bank Depositors Compensation Board

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

31 JANUARY 2024



**THE JERSEY BANK DEPOSITORS COMPENSATION BOARD
REPORT AND AUDITED FINANCIAL STATEMENTS
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THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Information

Board members

Mike Mitchell, Chair (Appointed 15/03/2023)
Paul Leary (Retired 10/03/2023)
Peter Shirreffs
Amy Taylor
Tom Fothergill (resigned on 13/9/2023)
Ian Henderson

Independent auditor

BDO Limited
Windward House
La Route de la Liberation
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Jersey
JE1 1BG

Bankers

HSBC Bank plc
PO Box 14
27 Halkett Street
St Helier
Jersey
JE4 8NJ

Lloyds Bank Corporate Markets plc.
PO Box 10
9 Broad Street
St Helier
Jersey
JE4 8NG

Accountants

Halford Accountants Limited
Chartered Certified Accountants
Les Sapins
Rue De La Guilleaumerie
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JE2 7XF

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report for the year ended 31 January 2024

The Jersey Bank Depositors Compensation Board (the "Board") presents its report and the audited financial statements for the year ended 31 January 2024.

Principal activities

The Board was created under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009 ("the Law").

The functions of the Board are to administer the Bank Depositors Compensation Scheme ("DCS"), including establishing and maintaining arrangements in readiness for the possibility of a default of a bank operating in Jersey and administering compensation for any such default. Its functions further include arranging for the publication of information for the public on the operation of the DCS.

Chair Overview

The Board continues to follow the guidance on annual reporting issued by the Comptroller & Auditor General.

The Board made good progress on a number of fronts during the 12 months from February 2023 to January 2024.

In particular, the Board has worked closely with colleagues from the Jersey Resolution Authority (JRA), the Jersey Financial Services Commission (JFSC) and the Government of Jersey to progress a Government policy objective of transferring the functions of the DCS to the JRA by a target date of 31 December 2024. A Government of Jersey public consultation on the proposed transfer of functions has been concluded. The consultation opened for submissions on 29 February 2024 and closed on 29 March 2024.

The Board posted a deficit for the year of £15,823 as compared to a projected budget surplus of £13,391. The variance was primarily attributed to the payment of a rebate to a bank for the level of administration Levy charged. Consequently, overall Levy income was £296,500 instead of the projected £312,600.

Costs were also slightly higher as a result of a decision made to conduct an increased number of data quality tests of banks' Single Customer View (SCV) files than had been planned when the Budget was initially drawn-up.

The Board intends to further increase the number of tests done during 2024 so that the files of all licensed banking groups with eligible depositors will have been tested by 31 December 2024, the proposed target date for the transfer of the DCS responsibilities to the JRA.

The 12 months from February 2023 to January 2024 saw further progress on the Board's objective of enhancing the efficacy of the pay-out solution it initially developed and commissioned in 2020.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2024

As outlined in the Board's report for the FY 2020/21, the Board entered into a minimum 5-year term contractual agreement, with a renewal option available at the end of that term, to establish a case management workflow and pay-out solution. The system commissioned by the Board is capable of making compensation payments in a matter of day, in line with international best practice.

During 2023/24, the Board continued to progress projects to improve its case management and pay-out capability. It continues to have in place an overarching contract for a variety of standby services that would be invoked in the event of a bank failure. This contract, which will remain in place as long as the Board is utilising the case management and pay-out system, comprises an annual retainer fee for the standby services, which include periodic testing, with the payment of additional fees in the event of an invocation.

SCV File Data Quality Testing

The major operational project undertaken during the year continued to be the testing of the Single Customer View ("SCV") format files produced by the banks in Jersey to be ingested into the case management and pay-out system.

The Board has now completed tests on the data quality of the SCV files of seven banks.

The testing regime was conducted in line with the requirements of a Data Protection Impact Assessment ("DPIA") that governs the protocols and security rules in respect of the handling of sensitive client data provided to the Board by the Jersey banks. The Board consulted with the Jersey Office of the Information Commissioner in preparing the DPIA. During the year, the Board completed its first annual review of the active processes to ensure they complied with the DPIA and concluded that all was in order.

The Board selected the banks to be tested and communicated with them to ensure that the processes and expected timelines were clearly understood. Bank files were directly transferred securely between the bank and the Board's service provider utilising a methodology that had previously been successfully tested with the banks.

When the data quality assessment work was completed and signed off, the files were securely deleted in line with the DPIA procedures.

Reports Generated

Two sets of reports were generated for each bank SCV file tested, one for the Board without client data and a second for the bank.

The Summary Testing Report produced by the service provider for the Board, contained an overview analysis of the integrity, compliance and quality issues that arose from processing the bank's SCV file. The report identified risks to the pay-out process, highlighting where relevant, why certain elements of the file may not be capable of being processed in their current form.

The bank was provided with a written report containing the results of the SCV file integrity, compliance, and quality testing. The bank was also provided directly by the service provider with detailed analysis showing the specific client records that had been summarised in the written report.

In line with the requirements of the DPIA, no Board member saw the SCV file containing client data. As part of its Data Protection responsibilities, the Board's strategy is to minimise as much as practicable the potential for any Island-based individual to see a bank's clients' personal data.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2024

Where necessary, the Board and the bank agreed a remediation plan and corresponding timetable for completion of any remediation work to ensure the SCV file is fit for purpose.

From each bank's perspective, the exercise assisted in identifying specific remediation issues within its SCV process. The testing further provided an insight into the overall quality of its clients' records.

The Board had budgeted to conduct three tests during the 2023-24 FY but it was decided the pace of testing should be increased and five tests were completed during the year.

DCS CMS testing

The Board's service provider successfully completed annual 'smoke testing' and 'penetration testing' of the workflow pay-out tool in line with contractual obligations. This work is undertaken on an annual basis to test the technical efficacy and security of the pay-out tool.

SCV Overview Reports

Having completed a number of SCV data quality file tests, the Board has been able to extract certain data to compile anonymised overview summary reports that indicate common themes identified through the testing process.

The Board presented anonymised summaries to members of the Jersey Bankers Association in May and to a meeting of the Affiliation of Micro European States at a meeting in London in November.

As more tests are conducted, the Board will continue to produce these thematic summaries to assist with the creation of SCV files and the efficacy of future testing.

IT accounting

For accounting purposes, the vast majority of the costs associated with servicing the pay-out system and conducting data quality testing were categorised under Information Technology, Maintenance and Support. The figures for 2023/24 attributed to that category were £169,691 compared to the 2022/23 figure of £163,161.

Continuing Levy Structure

The Board is empowered to raise an Annual Administration Levy ("Levy") on licensed banks under the provisions of the Banking Business (Depositors Compensation) (Jersey) Regulations 2009. The Board is obligated to inform the Minister with responsibility for Financial Services of its proposed budget prior to the beginning of the financial year in which the Levy will apply.

The Levy charged to the banks is in three separate tiers, reflecting the value of eligible deposits, as defined under the law, held by each bank. This revised Levy structure came into force in 2021-22 and was used again during the 2023-24 Financial Year.

Initially it had been calculated for 2023-24 that £312,600 would be raised from the 18 fee payers. However, it came to light during the year that a bank had been incorrectly categorised in the top tier. Consequently, a rebate of £16,100 was made and the overall Levy collected was £296,500.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2024

As there is an objective of achieving the transfer of functions of the DCS to the Jersey Resolution Authority by 31 December 2024, the Levy being raised this year is for the period from 1 February 2024 to 31 December 2024.

Following discussions between the Board and the Jersey Bankers Association, the Minister agreed that the Administration Levy could be set at £328,500 to allow the Board to meet its objectives for the year ahead. The Board can confirm that the Levy had been collected in full from the banks by early March 2024.

No compensation Levy fee was raised as there was no bank default in the current year.

Future developments

The pay out tool developed by the Board has the ability to effect straight through pay-out to most depositors within a matter of days. The Board had previously highlighted to Government a risk that if a bank was to default pay-out timelines could be adversely affected under current legislation. The Board is pleased to report that as part of work currently underway to effect the transfer of functions of the DCS to the JRA by 31 December 2024, it is planned by Government to include required legislative changes that will allow for the pay-out tool functionality to be more efficiently utilised in the event of a bank default.

The Board will continue to work with Government by making suggestions for Government to develop the Scheme as and when improvements are identified in order to provide as good protection as possible for Jersey's depositors. For example, legislation is currently being developed by Government to enable the faster payment of compensation to depositors following the Board's recommendations.

During 2023, the Board continued to play an active role as a member of the Bank Resolution Planning Group ("BRPG"), which was formed in 2022 to improve communication within the framework and make provision for enhanced contingency planning. The Board and the other agencies that are part of the legislative framework are members of the BRPG.

In October 2023, Board members took part in a BRPG arranged desktop contingency planning exercise involving member agencies which ran through a variety of scenarios that might occur if a Jersey incorporated bank was to get into difficulties.

The Board continues to progress its planning under the above framework and on the understanding that should a bank default occur, the Board would work in conjunction with the BRPG and the Government to take whatever remedial action would be considered appropriate to achieve an efficient pay-out.

Transfer of the DCS functions to the Jersey Resolution Authority

As part of the objective to deliver the legislative and operational changes necessary to achieve a transfer of responsibilities from the DCS to the JRA by 31 December 2024, new legislation is required.

During the final quarter of 2023 the Government began to prepare proposals for the legislative changes necessary to achieve this goal and also to improve the effectiveness of Jersey's ability to handle a bank failure. The Board, with the input of its legal adviser, has contributed to the proposed legislative changes, by participating in sessions and submitting comments and observations.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2024

The DCS continues to engage directly with Government, the JRA and the Jersey Financial Services Commission through being represented on the project delivery group established to oversee the transfer of functions.

Board Membership and attendance, Remuneration, Administration, Staffing

Mike Mitchell (Chair), Peter Shirreffs, Amy Taylor and Ian Henderson were members of the Executive Board during the financial year.

Former Chair Paul Leary's term of office ended on 10 March 2023 and he retired from the Board after 12 years' service. Mr Mitchell, who also holds the post of Chair of the Jersey Resolution Authority, was appointed Chair of the DCS on 15 March 2023.

Tom Fothergill resigned from the Board on 13 September 2023 and a decision was taken not to replace him.

During the 2023-24 Financial Year, Board meetings were held quarterly and all current members of the Board attended all meetings. In addition, the Board, or sub-groups of the Board, met as required to progress workstreams.

Board remuneration

The level of Board Members Remuneration in the 2023/24 accounts was £68,085 as compared to £70,789 in 2022/23. The Chair is remunerated at £20,000 pa and other Board members at £12,000 pa. The Chair can authorise the payment of additional fees to individual Board members for extra work up to a maximum of £10,000 pa.

Board members receive no performance pay, no bonuses are available, no pension benefits, no non-cash benefits and no compensation for loss of office or other severance payments available beyond statutory provisions.

Diversity, Equality, Inclusion

The Board's recruitment process aims to ensure a diversity of thought and professional experience on the Board. As a small organisation any further statistics or analysis of diversity is not deemed meaningful.

Accountability/Benchmarking/Corporate Governance

The Board is accountable to the Minister for Financial Services.

A senior Government of Jersey representative from the Department of the Economy attends Board meetings as an observer/rapporteur and is provided with relevant Board papers. In addition, senior representatives of the JFSC and the JRA also attend Board meetings.

There is open and effective dialogue with Government, financial regulators and the Jersey Resolution Authority. The Board also communicates with members of the Jersey Bankers Association, either individually or at association level, when necessary. The Board provides updates in relation to ongoing projects as and when these occur.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2024

The Chair of the DCS Board, Mike Mitchell is also Chair of the JRA Board and this facilitates enhanced cooperation between the two bodies. Further, the Board is a member of Bank Resolution Planning Group which was formally established to enhance joint agency response a bank failure.

The Jersey Bank Depositors Compensation Scheme is a full member of the European Forum of Deposit Insurers www.efdi.eu ("EFDI") and a key member of the Affiliation of Micro European States ("AMES"), a working group of EFDI.

The Chair attended the EFDI annual general meeting and conference in Hungary in May 2023 and is scheduled to attend the 2024 event in France. The annual general meeting of AMES is also held at the conference venue.

EFDI Working Groups provide expertise in matters relevant to smaller jurisdictions. AMES members sit on various EFDI Working Groups and provide feedback on important topics such as fintech, risk management, stress testing and public relations.

It is part of the Board's role to develop a depositor compensation scheme proportionate to the size of the jurisdiction. It is under the auspices of AMES that the Board has been able to work alongside similar sized jurisdictions, both EU and non-EU, to develop policy frameworks that are appropriate to such jurisdictions.

Jersey hosted a meeting in London in November 2023 of the EFDI AMES Working Group that was well attended and provided updates from, among others, the UK Financial Services Compensation Scheme. The informative presentation made in that instance focused on stress testing. AMES members include the other Crown Dependencies and Gibraltar.

AMES members continue to work on the development of a common risk management policy framework designed to cover a range of subjects related to risk in an ever-changing environment. The Board also continues to maintain its own Risk Register, which is updated on a quarterly basis.

By having access to expertise from EFDI, the Board is aware of the most up-to-date developments in the field of depositor compensation. That awareness was the original driving force behind the moves to introduce local legislation to require banks to create SCV files to allow for the ability for faster pay-outs to be made. SCV files are produced as standard by banks across the UK and the EU.

The Board, along with other AMES members, resigned its membership of the International Association of Deposit Insurers ("IADI") in December 2019 on the grounds of value for money. Jersey may not currently be a member of IADI but the Board seeks to comply with relevant IADI standards by maintaining a watching brief on IADI activity through publicly published material and from regular IADI updates issued through EFDI. In addition, Iceland remains a full member of both AMES and IADI and is tasked with providing updates on IADI developments to AMES members.

Data protection

The DCS remains registered as a data controller/processor with the Jersey Office of the Information Commissioner as required under the Data Protection (Jersey) Law 2018. Board member Amy Taylor is the Board's Data Protection Officer. That registration was renewed in February 2024.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2024

As has been highlighted in previous annual reviews, apart from its obligations under the Data Protection (Jersey) Law 2018, the GDPR and all UK and EU equivalent legislation, when processing bank data, the Board, its servants and agents have to comply with the specific requirements of the Banking Business (Depositors Compensation) (Amendment No 2) (Jersey) Regulations 2020 which require that data be encrypted at all times and only be decrypted for specific purposes.

As part of the compliance with the provisions of the 2020 legislative requirements, during 2022 the Board finalised the detailed requirements of a Data Protection Impact Assessment that governs the handling/storage/security/deletion protocols for all bank data provided to the Board for testing/analysis. The protocols contained therein continue to govern all processes and provide continued reassurance that sensitive client data is being properly protected. During 2023 the Board, along with its service provider, successfully conducted the first of what will be annual reviews of the protocols to ensure that applied practice is in line with the requirements of the DPIA.

Values Statement

During the 2021/22 Financial Year, the Board published a Values Statement on its website which can be viewed here: <https://www.jerseydcs.je/assets/Values%20statement%20short%20form.pdf>

Other risks

It is acknowledged that deposit compensation schemes operate within an evolving global financial system. Awareness of potential risks associated with banks has been heightened in recent times as a result of overseas bank failures.

Through its membership of EFDI/AMES and the BRPG, the Jersey DCS continues to consider emerging risks within the context of its own domestic policy settings and wider policy forums.

The following headline risks need to be monitored and considered for policy development.

Climate change. This remains a continuing risk to financial stability as a whole. Climate-related operational risks to the deposit compensation infrastructure, to banks' infrastructure and to the infrastructure of the financial system may impact on a deposit compensation schemes' ability to ensure timely pay-outs. Operational risks (such as the availability of depositor records or reimbursement proceedings) need to be identified and managed appropriately.

The Board's climate impact footprint remains minimal. A small team utilise well-tested computer software and hardware remotely. There is no physical office. Physical meetings are generally held locally in offices of stakeholders. On an annual basis, one Board member travels to the EFDI annual conference at a European venue. Three physical AMES meetings are usually held annually with plans for individual states to host in their own locations in future.

Fintech. Developments in Fintech have fast-tracked the digitisation of financial services. However, concerns have risen regarding financial stability and competitive distortions. Fintech affects deposit compensation through numerous channels. Future policy in respect of Fintech will continue to be developed in conjunction with the JRA, the JFSC, the Fiscal Policy Panel and the Government of Jersey. Government continued to work on a review of Banking Services during 2023 and the Board will consider its conclusions when available. Current legislative rules mandate the Board pay-out by cheque, a method that will likely become obsolete in the near future. There are plans by both the UK FSCS and Gibraltar to end the payment of depositor compensation by cheque by the end of 2024. Through AMES, the Board is closely following developments in both centres.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2024

Contingency planning. During 2022 the BRPG was formed. Led by the JRA, the membership comprises the key players responsible for formulating planning for a bank failure in Jersey and include the DCS, the JFSC and Government. This group has strengthened over the past 12 months.

In October 2023, the BRPG hosted a desktop scenario planning exercise to rehearse what may occur in an instance where a Jersey incorporated bank gets into financial difficulties.

DCS Board members attended the session and took part in a desktop contingency planning exercise. They also attended a follow-up session held to discuss outcomes and receive a proposed plan for future progression.

The Board has made significant progress in revising the operations manual that will govern processes in the event of a default and the manual was utilised during the contingency planning exercise.

Board member Ian Henderson is leading this work and is liaising with the JRA as the Board moves closer to achieving the stated Government policy objective of transferring the functions of the DCS to the JRA by the end of 2024.

Given international events, there is a degree of global uncertainty surrounding the banking sector. Although economic conditions appear to be improving with reducing inflation around the globe, regional instability and conflicts remain potential threats that may translate into higher bank default risks.

The role of Deposit Compensation in Bank Resolution. Policy in this area continues to be developed in conjunction with the JRA, the JFSC, Government of Jersey, the BPRG and other stakeholders. The Board is a member of a Government-led policy formulation group driving forward the objective of achieving the transfer of functions of the DCS to the JRA by the proposed deadline of 31 December 2024.

Cross-border considerations. These are increasingly affecting deposit compensation regimes driven by the growing inter-connectedness of global financial flows and the increasingly borderless and digital nature of financial services. EFDI has highlighted a growing number of cross-border interactions when dealing with resolutions. In Jersey's case, there are currently no formal cross-border arrangements.

Results

The Statement of Comprehensive Income of the Board for the year is set out in detail on page 15.

Disclosure of information to auditor

Each of the persons who were members of the Board at the time when this Board's report is approved has confirmed that:

- So far as that member is aware, there is no relevant audit information of which the Board's auditor is unaware, and
- That member has taken all the steps that ought to have been taken as a member in order to be aware of any relevant audit information and to establish that the Board's auditor is aware of that information.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2024

Independent auditors

The independent auditor, BDO Limited, has expressed their willingness to continue in office.

This report was approved by the Members on **22/4** 2024

and signed on their behalf by Mike Mitchell



Chair

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Responsibilities Statement for the year ended 31 January 2024

The Board is responsible for preparing the report and financial statements in accordance with applicable Jersey law and regulations and generally accepted accounting principles.

The Banking Business (Depositors Compensation) (Jersey) Regulations 2009 (the "Law") requires the Board to prepare financial statements for each financial year. Under that Law the Board has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"). Under the Law, as applied to the Board, the Board must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Board and of the surplus or deficit of the Board for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies for the Board's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the entity will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Board's transactions and disclose with reasonable accuracy at any time the financial position of the Board and to enable them to ensure that the financial statements comply with the Law. They are also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board confirms that they have complied with the above requirements in the preparation of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Board's affairs as at 31 January 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Banking Business (Deposit Compensation) (Jersey) Regulations 2009.

We have audited the financial statements of The Jersey Bank Depositors Compensation Board ("the Board") for the year ended 31 January 2024 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and notes 1 to 11 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Board members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material



misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Board members

As explained more fully in the Board's Responsibilities Statement, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board members are responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board members either intend to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management regarding known or suspected instances of non-compliance with laws and regulations;
- obtaining an understanding of the control environment in place to prevent and detect irregularities; and
- review of minutes of Board meetings throughout the period.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.



A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Board's members, as a body, in accordance with the requirements of the Banking Business (Deposit Compensation) (Jersey) Regulations 2009. Our audit work has been undertaken so that we might state to the Board's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in blue ink that reads 'BDO Limited'. The signature is written in a cursive, flowing style.

BDO Limited
Chartered Accountants
Jersey, Channel Islands

22 April 2024

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD
Statement of Comprehensive Income
for the year ended 31 January 2024

	Notes	2024 £	2023 £
Revenue		296,500	312,600
Administrative expenses			
Information technology, maintenance and support costs		169,691	163,161
Board members' remuneration		68,085	70,789
Membership fees		3,649	3,455
Professional and secretarial fees		42,153	36,643
Travel and subsistence		3,532	785
Auditor's fees	4	11,992	8,833
Accountancy fees		1,157	1,390
Conferences and training		177	-
Telephone charges		1,247	1,247
General office expenses		1,077	854
Insurances		11,318	11,500
Bank charges		654	552
Total administrative expenses		<u>314,732</u>	<u>299,209</u>
Operating (loss)/profit		(18,232)	13,391
Interest receivable		2,409	-
Total comprehensive income for the year		<u>(15,823)</u>	<u>13,391</u>

All amounts relate to continuing operations.

There were no recognised gains or losses other than those included in the Statement of Comprehensive Income.

There was no other comprehensive income for 2024 (2023 : £NIL).

The notes on pages 17 to 21 form part of these financial statements.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD
Statement of Financial Position
as at 31 January 2024

	Notes	£	2024 £	£	2023 £
Current assets					
Debtors	5	108,202		128,566	
Cash at bank and in hand	6	177,474		175,096	
		<u>285,676</u>		<u>303,662</u>	
Creditors: amounts falling due within one year	7	(75,658)		(77,821)	
Net current assets			<u>210,018</u>		<u>225,841</u>
Net assets			<u><u>210,018</u></u>		<u><u>225,841</u></u>
Represented by:					
Retained surplus	8		210,018		225,841
Total administrative reserve fund			<u><u>210,018</u></u>		<u><u>225,841</u></u>

These financial statements on pages 15 to 21 were approved and authorised for issue by the Board and were signed on their behalf on **22/4/2024**


 Chair

The notes on pages 17 to 21 form part of these financial statements.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Notes to the financial statements

for the year ended 31 January 2024

1 Accounting policies

General information

The Jersey Bank Depositors Compensation Board (the "Board") was created by the Banking Business (Depositors Compensation) (Jersey) Regulations 2009 (the "Law") and is domiciled in Jersey. The Board consists of five appointed members assisted by a representative of the States of Jersey.

Statement of compliance

The financial statements of the Board have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS102") effective 1 January 2015. The financial statements have also been prepared in accordance with the Law, which came into force on 6 November 2009, which was subsequently amended on 2 October 2012 by the Banking Business (Depositors Compensation) (Amendment and Miscellaneous Provision) (Jersey) Regulations 2012 and further amended on 28 January 2020 by the Banking Business (Depositors Compensation) (Amendment No 20 (Jersey) Regulations 2020.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The financial statements of the Board are presented in British Pounds ("£"), being the functional currency of the Board. The Board has determined its functional currency based on its primary economic environment.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the entity's accounting policies (see note 2).

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Board.

The Board has taken advantage of the following exemptions:

- preparation of a statement of cash flows, on the basis that it is a qualifying entity as required by FRS 102 paragraph 3.17 (d).

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Notes to the financial statements

for the year ended 31 January 2024

1 Accounting policies (continued)

Going Concern

The Board has prepared the financial statements on a going concern basis. The Board members consider this to be appropriate as the Board is in a position to raise administration levies on banking groups in Jersey according to the financial needs of the Board and in particular its recurring administrative costs in a particular period. The Board prepares a budget on an annual basis to project its future financial needs and is satisfied that it can meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

In preparing the financial statements on a going concern basis, the Board has considered the proposed transfer of the functions of the Bank Depositors Compensation Scheme ("DCS") to the Jersey Resolution Authority with an anticipated effective date of 1 January 2025.

The Government remains committed to maintaining a DCS, which is currently effective through the Banking Business (Depositor Compensation) (Jersey) Regulations 2009. The proposed transfer will retain all the functions and protections currently provided, making changes to legislation (subject to the approval of the States Assembly) to ensure an orderly transfer of functions. The transfer is proposed for efficiency and will not reduce or limit the effectiveness of the existing DCS or its funding through administration levies.

At the time of approval of these financial statements the required legislation to effect these changes has not been lodged for debate. It is expected that this will be lodged during the summer for debate in the autumn of 2024.

Following this assessment, the Board members reasonably expect the Board will continue in existence for a period of at least 12 months and therefore has prepared the financial statements on a going concern basis.

Revenue

Under the Law the Board can raise two types of levy income:

a) Administration levy income

Levy income is raised by the Board on an annual basis to enable it to meet its recurring administrative costs in each registration year. The level of Levy is set by the Board in accordance with the provisions of the Banking Business (Depositor Compensation) Jersey Regulations 2009. The Levy is payable by each bank registered on the Island of Jersey under the Banking Business (Jersey) Law 1991. Administration levy income is recognised on an accruals basis and applies for the whole year in which each bank was registered.

b) Compensation levy income

A compensation levy applies if any of the banks registered in Jersey becomes bankrupt.

A bank that is not in default is liable to pay a compensation levy, in respect of the bank that is in default, if;

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Notes to the financial statements

for the year ended 31 January 2024

1 Accounting policies (continued)

- (i) the Board publishes a notice specifying the relevant date in respect of the bank in default; and
- (ii) the bank that is not in default held eligible deposits on that relevant date.

The total amount of the compensation levies to be paid by the banks liable to pay such a levy in respect of a bank in default will have to be sufficient to raise such amount as the Board estimates will be necessary to meet payment by it of compensation in respect of the bank in default and the Board's default-related administrative costs in that respect.

Administrative expenses

Administrative expenses are charged to the Statement of Comprehensive Income and recognised on an accruals basis in relation to the period they relate to.

Finance costs

Finance expenses are charged to the Statement of Comprehensive Income and recognised on an accruals basis in relation to the period they relate to.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise of cash at banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Creditors

Short term creditors are measured at the transaction price.

Operating leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest income is recognised in the Statement of Comprehensive Income on an accruals basis.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Notes to the financial statements

for the year ended 31 January 2024

2 Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Board considers there to be no estimates or judgements.

3 Taxation

The Board is exempt from Jersey income tax, therefore no provision has been made in these financial statements for Jersey income tax.

4 Auditor's remuneration	2024 £	2023 £
Fees payable to the Board's auditor	<u>11,992</u>	<u>8,833</u>

5 Debtors	2024 £	2023 £
Other debtors and prepayments	<u>108,202</u>	<u>128,566</u>

£95,890 of the debtors balance in 2024 (2023 : £115,900) relates to the annual subscription fee for the CMS Pro software licence. The fee is paid annually at the start of each calendar year and therefore 11 months is recorded as a prepayment.

6 Cash and cash equivalents	2024 £	2023 £
Cash at bank	<u>177,474</u>	<u>175,096</u>

7 Creditors: amounts falling due within one year	2024 £	2023 £
Trade creditors	63,122	63,034
Accountancy accrual	750	725
Audit accrual	8,200	8,500
Other taxes and social security costs	-	216
Other creditors	<u>3,586</u>	<u>5,346</u>
	<u>75,658</u>	<u>77,821</u>

The high level of trade creditors at the year end was in relation to the CMS Pro software licence fee which was settled after the year end.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Notes to the financial statements for the year ended 31 January 2024

8 Retained surplus	2024 £	2023 £
At 1 February	225,841	212,450
(Loss)/profit for the year	<u>(15,823)</u>	<u>13,391</u>
At 31 January	<u>210,018</u>	<u>225,841</u>

9 Post balance sheet events

The Board has considered whether the publication of the consultation on the transfer of the DCS to the Jersey Resolution Authority represents an adjusting post balance sheet event and necessitates a revision of the financial statements. It has concluded that no revision is necessary. Additional information about the Board's consideration of the going concern basis for preparation of the accounts has been provided in note 1.

In the opinion of the Board, there are no adjusting or non adjusting post balance sheet events.

10 Other financial commitments	2024 £	2023 £
At the year end the company had annual commitments under non-cancellable operating leases as set out below:		
Operating leases which expire:		
within one year	62,800	62,800
within two to five years	<u>57,567</u>	<u>120,367</u>
	<u>120,367</u>	<u>183,167</u>

The operating lease relates to a software service contract (CMS Pro proprietary software) which is being provided over a term of 5 years from 1 January 2021.

11 Controlling party

In the opinion of the Board, there is no ultimate controlling party or beneficial owner meeting the definitions as prescribed by FRS 102.