



# Jersey Bank Depositors Compensation Board

**THE JERSEY BANK DEPOSITORS COMPENSATION BOARD**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**31 JANUARY 2022**



**R.92/2022**

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

### **Information**

#### **Board members**

Paul Leary, Chairman  
Peter Shirreffs  
Amy Taylor  
Tom Fothergill  
Ian Henderson

#### **Independent auditor**

BDO Limited  
Windward House  
La Route de la Liberation  
St Helier  
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  
St Saviour  
Jersey  
JE2 7XF

## **THE JERSEY BANK DEPOSITORS COMPENSATION BOARD**

### **Board's Report for the year ended 31 January 2022**

#### **Principal activities**

The Jersey Bank Depositors Compensation Board (the "Board") presents its report and the audited financial statements for the year ended 31 January 2022.

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

The main function of the Board is 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 also include arranging for the publication of information for the public on the operation of

#### **Chair Overview**

The Board has undertaken a review of the Comptroller & Auditor General's advice on annual reporting issued in February 2022 and has sought to align this report to relevant recommendations.

The 12 months from February 2021 to January 2022 saw continued progression in respect of the Board's objective of enhancing the efficacy of the pay-out solution it initially developed in 2020.

It was reported in the previous set of accounts for 2020/21 that the Board had entered a contractual agreement that would last for a minimum of five years with a renewal option available to the Board at that end of that timescale. The new case management workflow solution is capable of pay-out in a matter of days that brings Jersey into line with 34 comparable European jurisdictions.

The Board continued, with considerable input from stakeholders, to progress projects associated with the new pay-out software. During this financial year, it entered into an annual overarching contract for a variety of standby services that would be immediately invoked in the event of a bank failure, such as telephony, mail handling and generation of files that can be used to effect pay-out. The contract, which will remain in place as long as the Board is utilising the pay-out system, comprises an annual retainer fee for the standby services and Year 1 also included an additional one-off set-up services fee.

The other major operational project undertaken during the year was assisting banks as they worked to develop and produce Single Customer View ("SCV") format files that can be ingested into the case management software system.

As at the end of the 2021/22 financial year, nearly all banks had completed the associated project work in terms of being able to produce an SCV file within a specified timeframe. At year end, work was underway to test the secure transfer protocols. The next step will be to test the quality of the files that have been prepared and the Board has budgeted to complete a rolling programme of such testing over the coming years. The Board will work with the system service provider and individual banks to conduct that testing.

## **THE JERSEY BANK DEPOSITORS COMPENSATION BOARD**

### **Board's Report (continued) for the year ended 31 January 2022**

For accounting purposes, the vast majority of the costs associated with the new pay-out system were categorised under Information Technology, Maintenance and Support. The figures for 2021/22 attributed to that category were £162,859 as compared to £54,617 in 2020/21. This increase reflects the work outlined above as well as the fact that in the prior year only one month's licence fee was incurred compared to a full year in this financial year.

During the financial year the previous pay-out software was decommissioned, which meant a reduction payable in annual costs for server hosting services.

#### **New 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 must secure the approval of the Minister for its proposed budget prior to the beginning of the financial year for which the Levy will apply.

Following a request from the Jersey Bankers Association ("JBA") and after extensive consultation with the Government of Jersey, it was agreed by the Minister for External Relations and Financial Services that a new structure for the Levy would be implemented. The levy paid by banks is divided into three separate tiers reflecting the value of eligible deposits as defined under the law held by each institution.

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

#### **Future Developments/Legal Review**

The capabilities of the new software developed for the Board were discussed with Government throughout the development stage and the new tool includes the ability for straight through pay-out to depositors. The Board wrote to Government during the year to highlight a risk that existing legal restrictions could hinder that pay-out timeline if a bank was to default under the current legislative framework. The Government committed to make the required changes when necessary or as part of the wider legislative developments discussed below.

The DCS operates within an overall legislative framework intended to mitigate and manage the risk of a bank default. This framework includes the legal structure set by the States Assembly, the regulatory environment and supervision implemented by the Jersey Financial Services Commission ("JFSC") and the Jersey Resolution Authority ("JRA"). The latter was formally launched in January 2022. It is acknowledged by the Board that it is only if these protections have not been able to fully mitigate the risks to depositors posed by a bank default that the DCS would be triggered.

The Board is content to progress its planning on that basis and should a bank default occur, it would work in conjunction with other Contingency Planning Group members to take whatever remedial action that would be considered appropriate to achieve an efficient pay-out.

#### **Board Membership, Remuneration, Administration, Staffing**

Paul Leary (Chair), Peter Shirreffs, Amy Taylor, Tom Fothergill and Ian Henderson were members of the Executive Board throughout the financial year.

## **THE JERSEY BANK DEPOSITORS COMPENSATION BOARD**

### **Board's Report (continued) for the year ended 31 January 2022**

Board meetings are held quarterly, and all five members of the Board attended all four meetings. In addition, the Board, or sub-groups of the Board, met as required to progress workstreams.

After remaining static since inception, Board remuneration increased during the financial year 2021/22 to £12,000 per Board member and £20,000 for the Chair.

The decision to raise Board member remuneration was taken by the Minister for External Relations in consultation with the Jersey Bankers Association and reflects the fact that the executive Board has high levels of responsibility and accountability, as well as a wide-ranging workload.

Consequently, the level of Board Members Remuneration in the 2021/22 accounts is £73,009 as compared to £33,125 in 2020/21.

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/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 External Relations and Financial Services. A senior Government of Jersey representative from the Department of the Economy attends quarterly Board meetings as an observer/rapporteur and is provided with relevant Board papers. In addition, a senior representative of the JFSC also attends Board meetings.

There is open and effective dialogue with Government and the financial regulator. The Board also regularly communicates with the JBA and provides briefing papers/updates in relation to ongoing projects. The Board formally met with the JRA on its inception and ongoing meetings will take place.

The DCS is a full member of the European Forum of Deposit Insurers ("EFDI") [www.efdi.eu](http://www.efdi.eu) and a key member of the Affiliation of Micro European States ("AMES"), a working group of EFDI. The DCS is also represented on other EFDI Working Groups that provide expertise in matters relevant to smaller jurisdictions.

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 along with similar sized jurisdictions, both EU and non-EU, to develop policy frameworks that are appropriate to such jurisdictions.

## **THE JERSEY BANK DEPOSITORS COMPENSATION BOARD**

### **Board's Report (continued) for the year ended 31 January 2022**

The impact of Brexit in the field of deposit insurance has been considered and monitored through AMES and continues to be so. AMES members include the other Crown Dependencies and Gibraltar.

A major AMES topic for 2022 is the development of a common risk management policy framework. This is expected to be a comprehensive document covering a range of subjects related to risk in an ever-changing environment. The Board maintains 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 and that awareness has driven the actions the Board has taken in recent years, the most recent being the requirement for banks to create SCV files to allow for the ability for quick pay-outs to be made. SCV files are produced as standard by banks across Europe.

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. IADI has written to AMES members to discuss the potential for an amended fee structure with a view to the smaller territories re-joining the body and discussions are due to take place in the months ahead.

Although Jersey may not currently be a member of IADI, the Board seeks to comply with relevant IADI standards. The Board member with responsibility for external development and international compliance obligations, Peter Shirreffs, keeps a watching brief on IADI activity through publicly published material. There are also regular IADI updates issued through EFDI.

#### **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.

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.

Much work has been put into ensuring that the Board's protocols are compliant and that those data protection requirements are met. In this year, the Board completed a comprehensive Data Protection Impact Assessment and has liaised with the Jersey Office of the Information Commissioner to ensure all relevant considerations have been addressed.

The Board was able to progress the SCV File Transfer Mechanism and an update to banks was issued in December 2021 which provided an outline of proposed security protocols for the Citrix-based Sharefile service. Bank SCV file testing was scheduled to begin in Quarter 2 of 2022.

## THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

### Board's Report (continued) for the year ended 31 January 2022

#### Values Statement

During the year, the Board published a Values Statement on its website [www.jerseydcs.je](http://www.jerseydcs.je). The short form, published below, can be found under the 'Other Documents' tab:-

**Transparency:-** We strive for clear, open and timely communication with all of our stakeholders.

**Accountability:-** We take personal and collective responsibility for discharging our statutory obligations to ensure the Scheme is robust.

**Engagement:-** We aim to raise awareness of the Jersey Depositors' Compensation Scheme to make an ongoing contribution to the stability of Jersey's financial services sector. We work with stakeholders, including the JBA and the Government of Jersey, to provide a Scheme that offers reassurance to depositors.

**Integrity:-** We are strongly committed to behaving ethically by acting fairly and consistently and by delivering to the best possible standards.

**Teamwork:-** We demonstrate collective commitment to the success of the Scheme by cultivating a positive team culture in finding solutions and achieving results collaboratively. We work positively together to identify solutions and achieve results.

#### Other risks

Deposit compensation schemes operate within an ever-evolving global financial system.

The DCS, through AMES and in conjunction with other local regulatory and Governmental authorities, continues to consider emerging issues within the context of its own domestic policy settings, and to calibrate a response accordingly: response accordingly:

**1. Climate change.** This is increasingly seen as a 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 safeguard timely pay-outs. Operational risk (such as the availability of deposit records or reimbursement proceedings) need to be identified and managed appropriately. From a day-to-day perspective, the Board's climate impact footprint is minimal. A small team utilise well-tested computer software and hardware remotely. There is no physical office. Physical meetings, when they take place, are generally held in offices of stakeholders. On an annual basis, a Board member usually travels to the EFDI annual conference at a European venue and AMES meetings are usually held at a venue in London. However, for the last two years, due to the pandemic, these have been virtual meetings.

**2. 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, which may touch upon the very fundamentals of the banking sector such as payment systems and the role of traditional deposits. Future policy in respect of Fintech will have to be developed in conjunction with the JRA, the JFSC, the Financial Stability Board and the Government of Jersey. Current legislative rules mandate the Board pay-out by cheque, a method that will likely become obsolete in the near future.



## THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

### Board's Report (continued) for the year ended 31 January 2022

**3. Covid 19.** The Board successfully managed to operate with minimal disruption as a result of the Covid 19 pandemic. Operationally, the Board has worked primarily on a remote basis for a number of years dealing with stakeholders and suppliers through electronic means. This methodology was merely enhanced during the pandemic.

**4. Contingency planning.** High levels of indebtedness across the world, a tightening of financial conditions and an end to temporary regulatory forbearance may cause significant hikes in corporate bankruptcies, which in turn may translate into higher bank default risks. Such risks stress the importance of contingency plan testing. To that end, work will take place among members of the Contingency Planning Group to be led by the JRA to establish a programme of contingency planning testing. Such scenario testing needs to include climate change.

**5. The role of Deposit Compensation in Bank Resolution.** This varies significantly across jurisdictions, depending on the mandate of a deposit compensation scheme and on legislative and resolution frameworks in place. Policy in this area will be developed in conjunction with the JRA, the JFSC, Government of Jersey and other stakeholders.

**6. Cross-border considerations** 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. Currently, prevalence rates of cross-border arrangements between deposit insurers are generally relatively low but are expected to rise. 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 12.

#### Disclosure of information to auditor

Each of the persons who are members 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.

#### Independent auditors

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

This report was approved by the Members on 28/4/22

and signed on their behalf by:

  
Chairman

## **THE JERSEY BANK DEPOSITORS COMPENSATION BOARD**

### **Board's Responsibilities Statement for the year ended 31 January 2022**

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 the Board and of the surplus or deficit of the 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.



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## **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 2022 and of its profit 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 2022 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 Board members' 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 Board'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 Board members 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

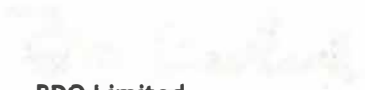


and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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](http://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.

  
**BDO Limited**  
**Chartered Accountants**  
**Jersey, Channel Islands**  
**29 April 2022**

**THE JERSEY BANK DEPOSITORS COMPENSATION BOARD**  
**Statement of Comprehensive Income**  
**for the year ended 31 January 2022**

	Notes	2022 £	2021 £
<b>Administration levy income</b>		320,600	171,000
<b>Administrative expenses</b>			
Information technology, maintenance and support costs		162,859	54,617
Board members' remuneration		73,009	33,125
Membership fees		3,545	3,574
Professional and secretarial fees		35,405	39,759
Auditor's fees	4	5,563	3,662
Accountancy fees		1,052	600
Conferences and training		240	460
Telephone charges		1,143	1,247
General office expenses		640	2,044
Insurances		10,884	8,092
Bank charges		608	481
<b>Total administrative expenses</b>		<u>294,948</u>	<u>147,661</u>
<b>Operating profit</b>		25,652	23,339
Interest receivable		-	15
<b>Total net comprehensive profit for the year</b>		<u>25,652</u>	<u>23,354</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 2022 (2021 : £NIL).

The notes on pages 14 to 17 form part of these financial statements.

**THE JERSEY BANK DEPOSITORS COMPENSATION BOARD**  
**Statement of Financial Position**  
**as at 31 January 2022**

	Notes	£	2022 £	£	2021 £
<b>Current assets</b>					
Debtors	5	155,066		162,738	
Cash at bank and in hand	6	<u>91,402</u>		<u>198,062</u>	
		246,468		360,800	
<b>Creditors: amounts falling due within one year</b>					
	7	(34,018)		(174,002)	
<b>Net current assets</b>			<u>212,450</u>	<u>186,798</u>	
<b>Net assets</b>			<u>212,450</u>	<u>186,798</u>	
<b>Represented by:</b>					
Retained surplus	8		212,450	186,798	
<b>Total administrative reserve fund</b>			<u>212,450</u>	<u>186,798</u>	

These financial statements on pages 12 to 17 were approved and authorised for issue by the Board and were signed on their behalf on 29/4/22

The notes on pages 14 to 17 form part of these financial statements.

## **THE JERSEY BANK DEPOSITORS COMPENSATION BOARD**

### **Notes to the financial statements for the year ended 31 January 2022**

#### **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 2022**

**1 Accounting policies (continued)**

**Going Concern**

The Board has prepared the financial statements on a going concern basis. The Board considers this to be appropriate as they are 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 there are sufficient funds to continue as a going concern.

**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;

- (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.

## THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

### Notes to the financial statements for the year ended 31 January 2022

#### 1 Accounting policies (continued)

##### 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.

#### 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 not been made in these financial statements for Jersey income tax.

#### 4 Auditor's remuneration

	2022 £	2021 £
Fees payable to the Board's auditor	<u>5,563</u>	<u>3,662</u>

#### 5 Debtors

	2022 £	2021 £
Other debtors and prepayments	<u>155,066</u>	<u>162,738</u>

£135,900 of the debtors balance in 2022 (2021 : £155,900) 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.

**THE JERSEY BANK DEPOSITORS COMPENSATION BOARD**  
**Notes to the financial statements**  
**for the year ended 31 January 2022**

<b>6 Cash and cash equivalents</b>	<b>2022</b>	<b>2021</b>
	£	£
Cash at bank	<u>91,402</u>	<u>198,062</u>
<b>7 Creditors: amounts falling due within one year</b>	<b>2022</b>	<b>2021</b>
	£	£
Trade creditors	21,354	164,455
Accountancy accrual	625	600
Audit accrual	5,250	3,500
Other taxes and social security costs	279	1,729
Other creditors	<u>6,510</u>	<u>3,718</u>
	<u>34,018</u>	<u>174,002</u>

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

<b>8 Retained surplus</b>	<b>2022</b>	<b>2021</b>
	£	£
At 1 February	186,798	163,444
Profit for the year	<u>25,652</u>	<u>23,354</u>
At 31 January	<u>212,450</u>	<u>186,798</u>

**9 Post balance sheet events**

In the opinion of the Board, there are no adjusting or non adjusting events after the balance sheet date necessitating the revision of the financial statements.

<b>10 Other financial commitments</b>	<b>2022</b>	<b>2021</b>
	£	£
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	154,467
within two to five years	<u>183,167</u>	<u>245,967</u>
	<u>245,967</u>	<u>400,434</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.