



Jersey Bank Depositors Compensation Board

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

31 JANUARY 2023



R.87/2023

**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, Chair (Retired on 10/03/2023)
Mike Mitchell, Interim Chair (Appointed 15/03/2023)
Peter Shirreffs
Amy Taylor
Tom Fothergill
Ian Henderson

Independent auditor

BDO Limited
Windward House
La Route de la Liberation
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Bankers

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Lloyds Bank Corporate Markets plc.
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Accountants

Halford Accountants Limited
Chartered Certified Accountants
Les Sapins
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THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report for the year ended 31 January 2023

The Jersey Bank Depositors Compensation Board (the "Board") presents its report and the audited financial statements for the year ended 31 January 2023.

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 also include arranging for the publication of information for the public on the operation of the DCS.

Chair Overview

In keeping with the practice adopted in the last report and audited financial statements, the Board continues to follow the guidance on annual reporting issued by the Comptroller & Auditor General.

Overall, the Board's continued tight management of costs meant that it posted a small surplus at year end of £13,391 as compared to a projected budget deficit of £7,900.

The 12 months from February 2022 to January 2023 saw further progress on the Board's objective of enhancing the efficacy of the pay-out solution it initially developed and commissioned in 2020.

As outlined in the Board's report for the FY 2020/21, the Board entered into a minimum 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 days and brings Jersey into line with more than 30 European jurisdictions.

During 2022/23, the Board continued to progress projects to improve its case management and pay-out capability. During the 2021-22 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. The 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 Data Quality Testing

The major operational project undertaken during the year was 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 JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2023

Another significant piece of work concluded during the year was the implementation of a Data Protection Impact Assessment ("DPIA") to govern 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 this documentation and the content was approved by the Board at its June meeting. Until this DPIA was completed, the Board could not start receiving Bank data files for testing and analysis purposes.

It was agreed by the Board that initial testing should be conducted with some banks that volunteered to have their SCV file and processes tested. Work with the first volunteer bank began during the summer months and as there were some technical barriers that needed to be overcome, the process ran throughout July, August and September.

The testing was completed by end of September 2022 when the Board, its service provider, and the bank's representatives held a call to discuss feedback on the test results. Further work was required by the bank concerned leading to additional discussions.

The Summary Testing Report (the "Report") produced by the Board's service provider, contained an 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 why certain records would not be capable of being processed in their current form.

The bank was provided with a report containing the results of the SCV file integrity, compliance, and quality testing. That data was only known to the technical analysts of the service provider, working on behalf of the Board, and the bank itself. The files and reports were transferred securely directly between the bank and the service provider.

In line with the requirements of the DPIA, no Board member saw the SCV file containing any 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 bank reported that the matters highlighted by the testing were all capable of rectification, and they undertook to report back to the Board on progress with those remedies. The bank's remediation plan was approved by the Board in December 2022.

From the bank's perspective, the exercise assisted it in identifying specific remediation issues within its SCV processes, but also provided reassurance as to the overall quality of its clients' records.

It was the Board's stated objective for the 2022-23 financial year to complete data quality tests on two banks, and a second bank test was completed before the end of January 2023. The outcome of that test was similar to the results of the first bank test.

The Board is continuing the data quality testing programme and began working with a third bank in February 2023 to conduct the final voluntary test.

The Board plans to test three further banks during the 2023-24 financial year and will select the banks to be tested.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2023

DCS CMS Ingestion testing

During 2022, the Board worked with a bank that provided a data file resembling a real SCV file but containing dummy data. This file was ingested into the pay-out tool and the work was completed in mid-August.

This was a useful exercise for the Board and the service provider, as some technical matters arose that led to a review and amendment of presumed parameters. The service provider undertook to make some infrastructure changes and conduct a reassessment of the operational processes on data upload. The service provider reported that this work had been conducted and satisfactorily completed by December 2022.

SCV Reports

In October 2022, all banks in Jersey were asked to populate their JDCS SCV Report and deliver it to the Board's service provider. Initially some banks had technical matters to overcome as a result of internal security systems/firewalls, but the exercise confirmed that all banks were ultimately able to properly utilise the secure data transfer system.

This outcome provides reassurance to the Board that in the event of a default, member banks would be able to transfer SCV files via the stipulated methodology.

The JDCS SCV Report is a snapshot summary of what would be contained in a bank's SCV file produced on a particular date but excludes any personal client detail. A report was compiled from analysis of all the JDCS SCV Reports received and which provides the Board with an overview of the scheme's coverage.

The Board intends to present an anonymised summary of the outcome of this exercise to members of the Jersey Bankers Association, highlighting any trends or themes that were evident from the data. The Board has discussed specific findings with some individual banks and intends to do so with others where appropriate.

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 2022/23 attributed to that category were £163,161 and were directly comparable to the 2021/22 figure of £162,859.

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 must secure the approval of the Minister with responsibility for Financial Services for 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 during the 2022-23 Financial Year, raising a total of £312,600 from the 18 licensed 'grouped' banks.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2023

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 has continued to highlight to Government a risk that if a bank was to default that pay-out timelines could be adversely affected under the current legislative framework. The Government has committed to consider required changes as part of a wider review of legislative developments.

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, supervision implemented by the Jersey Financial Services Commission ("JFSC") and the work of the Jersey Resolution Authority ("JRA"). 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.

During 2022, the Bank Resolution Planning Group ("BRPG") was formed to improve communication within the framework and make provision for enhanced contingency planning; the BRPG has assumed the role previously discharged by the Contingency Planning Group. The Board and the other agencies that are part of the legislative framework are members of the BRPG.

The Board is progressing 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.

Legal Review

The Government has initiated plans to bring together the DCS and the JRA. The project intends to deliver the legislative and operational changes necessary to have a fully functioning resolution framework to manage the risks of bank failure. The current project plan is to deliver this by the end of 2024. The DCS will engage directly in the development of this policy with Government.

Board Membership and attendance, 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.

Mr Leary's term of office ended on 10 March 2023 and he retired from the Board after 12 years' service. He was formally thanked for his efforts at his final Board meeting held on 13 February 2023.

Mr Mike Mitchell, who also holds the post of Chair of the Jersey Resolution Authority, was appointed Interim Chair of the Jersey Bank Depositors Compensation Board on 15 March 2023.

Government is developing strategic plans to transfer the functions of the DCS to the JRA in 2024. It recognised there was significant value in the appointment of Mr Mitchell during this transitional period, not only due to his significant relevant experience in the field of banking resolution and more broadly in the banking sector but also to provide a valuable opportunity for the JRA to understand the specific nature of the DCS Board's functions and ensure a smooth transfer.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2023

During the 2022-23 Financial Year, Board meetings were 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.

Board remuneration

The level of Board Members Remuneration in the 2022/23 accounts was £70,789 as compared to £73,009 in 2021/22. 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/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 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, 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.

As noted above, Jersey Resolution Authority Chair Mike Mitchell has been appointed interim Chair of the Board. That appointment will lead to enhanced cooperation between the two bodies. Further, the Board is a member of Bank Resolution Planning Group which has been formally established to enhance joint agency response to recovery planning.

The Jersey Bank Deposit 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. Other EFDI Working Groups provide expertise in matters relevant to smaller jurisdictions. For example, the head of the EFDI Public Relations Working Group attended an AMES meeting in March 2023 in Guernsey during which a session was held on how DCS's in smaller jurisdictions can communicate effectively in the modern age.

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.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2023

As initially reported in the 2021/22 Report and Accounts, the impact of Brexit in the field of deposit compensation has been considered and monitored through AMES and continues to be so. AMES members include the other Crown Dependencies and Gibraltar. As initially reported in the 2021/22 Report and Accounts, the impact of Brexit in the field of deposit compensation has been considered and monitored through AMES and continues to be so. AMES members include the other Crown Dependencies and Gibraltar. AMES members continue 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 driving force behind the moves to introduce local legislation to require 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. 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 through 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.

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 handing/storage/security/deletion protocols for all bank data provided to the Board for testing/analysis. The Board signed off the final version at its June 2022 meeting. The protocols contained therein will continue to govern all processes and provide continued reassurance that sensitive client data is being properly protected.

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 a number of overseas bank failures.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2023

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

The following headline risks are identified as matters that 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.

From a day-to-day perspective, 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, a Board member travels to the EFDI annual conference at a European venue. Three AMES meetings are usually held in London but there are plans for individual states to host 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 Financial Stability Board and the Government of Jersey. A review of Banking Services is due to be completed by the Government of Jersey in 2023 and the Board will consider its conclusions. 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. 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 Financial Stability Board and the Government of Jersey. A review of Banking Services is due to be completed by the Government of Jersey in 2023 and the Board will consider its conclusions. 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

Covid 19. As was the case during the 2021-22 financial year, the Board again successfully managed to operate with minimal disruption during 2022/23 in respect of the Covid 19 pandemic. Operationally, the Board has worked on a remote basis for a number of years dealing with stakeholders and suppliers through electronic means.

Contingency planning. During 2022 the BRPG was formed. The membership of this group comprises the key players responsible for formulating planning for a bank failure in Jersey. Led by the JRA, the membership includes representatives of the Board, the JFSC and Government. This group has strengthened over the past 12 months and has agreed a plan for a programme of development for the 12 months ahead. It is intent on conducting a contingency planning exercise in the autumn.

Meanwhile, the Board has made significant progress in revising the manual that will govern processes in the event of a default. This work is being led by Board member Ian Henderson and is expected to be completed during 2023. Mr Henderson is liaising with the JRA as he seeks to conclude this work as the Government has a stated objective of integrating the transfer of functions of the DCS and the JRA by the end of 2024.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2023

In the first quarter of 2023, there was a degree of global uncertainty surrounding the banking sector leading to the restructuring of a number of overseas banking groups, none of which has a presence in Jersey. As highlighted 12 months previously, levels of indebtedness across the world, a tightening of financial conditions and an end to temporary regulatory forbearance may increase risks of corporate bankruptcies, which in turn may translate into higher bank default risks.

The role of Deposit Compensation in Bank Resolution. Policy in this area continues to be developed through the BRPG, jointly and separately in conjunction with the JRA, the JFSC, Government of Jersey and other stakeholders.

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 remains 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 14.

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.

Independent auditors

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

office. This report was approved by the Members on 4 May 2023 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 2023

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.

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 2023 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 2023 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. 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
5 May 2023

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD
Statement of Comprehensive Income
for the year ended 31 January 2023

	Notes	2023 £	2022 £
Revenue		312,600	320,600
Administrative expenses			
Information technology, maintenance and support costs		163,161	162,859
Board members' remuneration		70,789	73,009
Membership fees		3,455	3,545
Professional and secretarial fees		36,643	35,405
Travel and subsistence		785	-
Auditor's fees	4	8,833	5,563
Accountancy fees		1,390	1,052
Conferences and training		-	240
Telephone charges		1,247	1,143
General office expenses		854	640
Insurances		11,500	10,884
Bank charges		552	608
Total administrative expenses		<u>299,209</u>	<u>294,948</u>
Operating profit		13,391	25,652
Interest receivable		-	-
Total comprehensive income for the year		<u><u>13,391</u></u>	<u><u>25,652</u></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 2023 (2022 : £NIL).

The notes on pages 16 to 19 form part of these financial statements.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD
Statement of Financial Position
as at 31 January 2023

	Notes	£	2023 £	£	2022 £
Current assets					
Debtors	5	128,566		155,066	
Cash at bank and in hand	6	<u>175,096</u>		<u>91,402</u>	
		303,662		246,468	
Creditors: amounts falling due within one year					
	7	(77,821)		(34,018)	
Net current assets			<u>225,841</u>	<u>212,450</u>	
Net assets			<u><u>225,841</u></u>	<u><u>212,450</u></u>	
Represented by:					
Retained surplus	8		225,841		212,450
Total administrative reserve fund			<u><u>225,841</u></u>	<u><u>212,450</u></u>	

These financial statements on pages 14 to 19 were approved and authorised for issue by the Board and were signed on their behalf on 4 May 2023

Chair

The notes on pages 16 to 19 form part of these financial statements.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD
Notes to the financial statements
for the year ended 31 January 2023

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 2023

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 2023

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

	2023	2022
	£	£
Fees payable to the Board's auditor	<u>8,833</u>	<u>5,563</u>

5 Debtors

	2023	2022
	£	£
Other debtors and prepayments	<u>128,566</u>	<u>155,066</u>

£115,900 of the debtors balance in 2023 (2022 : £135,900) 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 2023

6 Cash and cash equivalents	2023	2022
	£	£
Cash at bank	<u>175,096</u>	<u>91,402</u>

7 Creditors: amounts falling due within one year	2023	2022
	£	£
Trade creditors	63,034	21,354
Accountancy accrual	725	625
Audit accrual	8,500	5,250
Other taxes and social security costs	216	279
Other creditors	<u>5,346</u>	<u>6,510</u>
	<u>77,821</u>	<u>34,018</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.

8 Retained surplus	2023	2022
	£	£
At 1 February	212,450	186,798
Profit for the year	<u>13,391</u>	<u>25,652</u>
At 31 January	<u>225,841</u>	<u>212,450</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.

10 Other financial commitments	2023	2022
	£	£
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>120,367</u>	<u>183,167</u>
	<u>183,167</u>	<u>245,967</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.