
STATES OF JERSEY



JERSEY BANK DEPOSITORS COMPENSATION BOARD: ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

**Presented to the States on 10th July 2019
by the Minister for External Relations**

STATES GREFFE



Jersey Bank Depositors
Compensation Board

The Jersey Bank Depositors Compensation Board

Annual Report and Audited Financial Statements

For the Year Ended 31 January 2019



BRACKEN | ROTHWELL

CHARTERED ACCOUNTANTS

The Jersey Bank Depositors Compensation Board

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The Jersey Bank Depositors Compensation Board

Information

Board members Paul Leary, Chairman
Mark Dunlop, Advocate
Michael Halsey (resigned 31/7/2018)
Peter Shirreffs
Amy Taylor (appointed 18/9/2018)

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 International Limited
PO Box 10
9 Broad Street
St Helier
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Accountants Bracken Rothwell Limited
2nd Floor, The Le Gallais Building
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The Jersey Bank Depositors Compensation Board

Board's Report For the Year Ended 31 January 2019

The Jersey Bank Depositors Compensation Board (the "Board") presents its annual report together with the audited financial statements for the year ended 31 January 2019.

Principal activities

The Board was created as a result of the Banking Business (Depositors Compensation) (Jersey) Regulations 2009 ("the Law").

The functions of the Board are generally 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 function also includes arranging for the publication of information for the public on the operation of the DCS.

An administration levy fee continued to be raised in the current year which is utilised to achieve the above functions and also provides for maintaining a prudent reserve. No compensation levy fee was raised as there was no bank default in the current year.

To ensure that the new IT systems were maintained in a state of readiness the Board oversaw the annual testing of the software which would administer payments in the event of a bank default. A penetration test was also undertaken to ensure that the systems were suitably resistant to an external cyber threat.

During 2018 the Board commissioned a report on the extent to which the current scheme meets the recently published International Association of Depositor Insurers ("IADI") Core Principles for Effective Deposit Insurance Systems. The Board has committed to a series of actions to further develop its readiness in the event of a bank default. It has also passed the report to the relevant officials in the States of Jersey to allow them to consider both the policy points raised and any actions required within their own departments.

The Board contributed to the European Forum of Deposit Insurers ("EFDI") and IADI through attending meetings of the organisations and contributed to sharing knowledge by interaction with surveys and engaging with specific issues raised by members.

Members

Paul Leary, Mark Dunlop and Peter Shirreffs were members of the Board throughout the year. Michael Halsey resigned his position as Board's member on 31 July 2018 and Amy Taylor was appointed on 18 September 2018.

Results

The Statement of Comprehensive Income of the Board for the year is set out in detail on page 7.

The Jersey Bank Depositors Compensation Board

**Board's Report (continued)
For the Year Ended 31 January 2019**

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, was appointed on 16 January 2017 and has expressed their willingness to continue in office.

This report was approved by the Members on 26/06/19 and signed on their behalf by: *PAUL LEARY*

Chairman

The Jersey Bank Depositors Compensation Board

Board's Responsibilities Statement For the Year Ended 31 January 2019

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 are 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

We have audited the financial statements of The Jersey Bank Depositors Compensation Board ("the Board") for the year ended 31 January 2019 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Board's affairs as at 31 January 2019 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.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board's members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Board's Report. The Board's members are responsible for the other information. 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's members

As explained more fully in the Board's responsibilities statement, the Board's 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's 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's 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's 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.

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
25 June 2019

The Jersey Bank Depositors Compensation Board

**Statement of Comprehensive Income
For the Year Ended 31 January 2019**

| | Note | 2019 £ | 2018 £ |
|---|------|-----------------|----------------|
| Administration levy income | | 97,268 | 95,000 |
| | | <hr/> | <hr/> |
| | | 97,268 | 95,000 |
| Administrative expenses | | | |
| Information technology, maintenance and support costs | | (18,062) | (18,631) |
| Board members' remuneration | | (37,600) | (26,800) |
| Membership fees | | (15,813) | (14,568) |
| Outsourcer fees | | (10,000) | (10,000) |
| Professional and secretarial fees | | (25,477) | (24,106) |
| Travel and subsistence | | (6,533) | (1,330) |
| Auditor's fees | 5 | (3,150) | (3,150) |
| Accountancy fees | | (1,000) | (1,000) |
| Conferences and training | | (724) | (717) |
| Telephone charges | | - | (414) |
| General office expenses | | (1,837) | (462) |
| Irrecoverable GST | | (576) | (602) |
| Insurances | | (2,897) | - |
| | | <hr/> | <hr/> |
| Total administrative expenses for the year | | (123,669) | (101,780) |
| Operating loss | | (26,401) | (6,780) |
| Interest receivable | | 722 | 498 |
| Bank charges | | (1,588) | (1,027) |
| | | <hr/> | <hr/> |
| Total net comprehensive loss for the year | | <u>(27,267)</u> | <u>(7,309)</u> |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2019 or 2018 other than those included in the Statement of Comprehensive Income.

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 9 to 12 form part of these financial statements.

The Jersey Bank Depositors Compensation Board

Statement of Financial Position
As at 31 January 2019

| | Note | 2019 £ | 2018 £ |
|--|------|----------------|----------------|
| Current assets | | | |
| Debtors: Amounts falling due within one year | 7 | 7,446 | 12,676 |
| Cash at bank | 8 | 145,024 | 167,590 |
| | | <u>152,470</u> | <u>180,266</u> |
| Creditors: Amounts Falling Due Within One Year | 9 | (5,137) | (5,666) |
| Net current assets | | <u>147,333</u> | <u>174,600</u> |
| Total assets less current liabilities | | <u>147,333</u> | <u>174,600</u> |
| Net assets | | <u>147,333</u> | <u>174,600</u> |
| Represented by: | | | |
| Retained surplus | | <u>147,333</u> | <u>174,600</u> |
| | | <u>147,333</u> | <u>174,600</u> |
| Total administrative reserve fund | | <u>147,333</u> | <u>174,600</u> |

The financial statements were approved and authorised for issue by the Board and were signed on their behalf on 25/6/19

Chairman

The notes on pages 9 to 12 form part of these financial statements.

The Jersey Bank Depositors Compensation Board

Notes to the Financial Statements For the Year Ended 31 January 2019

1. 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 four appointed members assisted by a representative of the States of Jersey.

2. 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" ("FRS 102") effective 1 January 2015. The financial statements have also been prepared in accordance with the Law, which came into force on 6 November 2009 and has been subsequently amended on 2 October 2012 by the Banking Business (Depositors Compensation) (Amendment and Miscellaneous Provision) (Jersey) Regulations 2012.

3. 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.

3.1 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 4).

3.2 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).

3.3 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.

Notes to the Financial Statements
For the Year Ended 31 January 2019

3. Summary of significant accounting policies (continued)

3.4 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 decided by the Board and is payable by each bank registered on the island of Jersey under the Banking Business (Jersey) Law 1991. Administration levy income is recognised on accruals basis and applies for the whole year in which each bank was registered.

b) Compensation levy income

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.

3.5 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.

3.6 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.

3.7 Debtors

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

3.8 Cash and cash equivalents

Cash is represented by cash on hand and demand and deposits. 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.

3.9 Creditors

Short term creditors are measured at the transaction price.

The Jersey Bank Depositors Compensation Board

Notes to the Financial Statements For the Year Ended 31 January 2019

3. Summary of significant accounting policies (continued)

3.10 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.

4. 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.

5. Auditor's remuneration

| | 2019 £ | 2018 £ |
|-------------------------------------|--------------|--------------|
| Fees payable to the Board's auditor | <u>3,150</u> | <u>3,150</u> |

6. Taxation

The Board is exempt from Jersey income tax. Therefore a provision has not been made in these financial statements for Jersey income tax.

7. Debtors

| | 2019 £ | 2018 £ |
|---------------------|--------------|---------------|
| Memberships prepaid | 2,264 | 2,496 |
| Other prepayments | 5,182 | 10,180 |
| | <u>7,446</u> | <u>12,676</u> |

8. Cash and cash equivalents

| | 2019 £ | 2018 £ |
|--------------|----------------|----------------|
| Cash at bank | <u>145,024</u> | <u>167,590</u> |

The Jersey Bank Depositors Compensation Board

Notes to the Financial Statements
For the Year Ended 31 January 2019

9. Creditors: Amounts falling due within one year

| | 2019 £ | 2018 £ |
|---------------------|--------------|--------------|
| Trade creditors | 987 | 1,516 |
| Accountancy accrual | 1,000 | 1,000 |
| Audit accrual | 3,150 | 3,150 |
| | <u>5,137</u> | <u>5,666</u> |

10. 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 or additional disclosure.

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.