
STATES OF JERSEY



JERSEY BANK DEPOSITORS COMPENSATION BOARD: ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2015

**Presented to the States on 20th July 2015
by the Chief Minister**

STATES GREFFE



Jersey Bank Depositors
Compensation Scheme

The Jersey Bank Depositors Compensation Board

Annual Report and Audited Financial Statements

For the Year Ended 31 January 2015



BRACKEN | ROTHWELL

CHARTERED ACCOUNTANTS

The Jersey Bank Depositors Compensation Board

Contents

	Page
Information	1
Board's report	2 - 3
Board's responsibility statement	4
Independent auditor's report	5
Income and Expenditure Account	6
Balance Sheet	7
Notes to the Financial Statements	8 - 10

The Jersey Bank Depositors Compensation Board

Information

Board members Roger Bignell (resigned 31 December 2014)
Frank Dearie
Simon Howard
George Dunbar Kean
Paul Leary
Mark Wildman

Principal office 5th Floor, Cyril Le Marquand House
The Parade
St. Helier
Jersey
JE4 8UL

Accountants Bracken Rothwell Limited
8th Floor, Union House
Union Street
St. Helier
Jersey
JE2 3RF

Independent auditors 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

The Jersey Bank Depositors Compensation Board

Board's Report For the Year Ended 31 January 2015

The Jersey Bank Depositors Compensation Board ("the Board") presents its annual report together with the audited financial statements for the year ended 31 January 2015.

Principal activities

The Board was created as a result of the Banking Business (Depositors Compensation) (Jersey) Regulations 2009 ("the Law"). The law celebrated its 5th birthday in 2014 and it is appropriate to look back at some of the landmark developments. The Board commenced receiving monies from 7 July 2012. It has put into place key infrastructure in order to administer compensation in the unlikely event of a bank becoming in default.

The Board's responsibilities are currently carried out by the Chief Minister ("the Minister"). It is the intention that the Board will assume its full responsibilities following the notice in writing by the Minister to the Board that it should assume its functions.

The functions of the Board are generally to administer the Bank Depositors Compensation Scheme ("DCS"), including in particular establishing and maintaining arrangements in readiness for the possibility of a default of a banking group operating in Jersey and administering compensations 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 in accordance with the Law and was received from all relevant banking groups for which they are eligible to pay for deposits in Jersey. No compensation levy fee was raised as there was no bank default in Jersey in the current year. The levels of reserves have now been built up to one year's operating expenses which is considered to be a prudent level. Additional surpluses are being set aside to smooth the costs of replacement and enhancement of the IT systems which will need updating in due course.

In the current year the Board continued to enhance the systems in place for dealing with a default. The IT software used to administer a default is owned by the IT provider. The Board have been given the right to use the software and have to pay for the upgrades specific to the Board's particular circumstances. Further work took place with the outsourcing agent under the outsourcing contract (set up in order to provide administrative support in the event of a default) on the practicalities of administering claims for compensation. Further tests took place on the IT tool commissioned in order to administer a default. These tests involved persons operating the tool at the chosen operations location and was successful. Changes to the disaster recovery site have involved the modernisation of some of the hardware and updates have taken place to the telephone systems.

International co-operation continued with representation at the European Federation of Deposit Insurers and International Association of Deposit Insurance, meetings with the other Crown Dependencies, with the UK's Financial Services Compensation Scheme, and other members of the safety net in Jersey including the Jersey Financial Services Commission. There have been significant changes in Europe as a result of the financial crisis and key pieces of legislation were finalised including the revision of the Deposit Guarantee Scheme Directive 94/19/EC and the new Bank Recovery and Resolution Directive 2014/59/EU which aims to equip public authorities across Europe with a broad range of powers and tools to deal with failing banks which preserving financial stability. As a consequence work has commenced on the creation of resolution powers in Jersey in order to match the regimes that are developing in many overseas jurisdictions.

Board Members

The Board members were appointed by the States of Jersey on the nomination of the Minister for Economic Development. Since that time the Board's responsibilities were transferred from the Minister for Economic Development to the Chief Minister.

Results

The surplus of income over expenditure of the Board for the year are set out in detail on page 6.

The Jersey Bank Depositors Compensation Board

**Board's Report (continued)
For the Year Ended 31 January 2015**

Auditors

The auditors, BDO Limited, were appointed on 22 May 2013 and have expressed their willingness to continue in office. The Board will propose a motion re-appointing the auditors.

This report was approved and signed by the Assistant Chief Minister acting under delegated powers from the Chief Minister acting in his capacity carrying out the functions of the Board:



Assistant Chief Minister

22-5-2015
Date:

The Jersey Bank Depositors Compensation Board

Board's Responsibility Statement For the Year Ended 31 January 2015

The Board is responsible for preparing the report and the 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 United Kingdom Accounting Standards. Under the Law, as applied to the Board, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the the Board and the surplus or deficit of the Board for that period. In preparing these financial statements, the Board should:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 the Board will continue in business.

The Board is responsible for keeping adequate accounting records which are sufficient to show and explain the Board's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the the Board and enable the Board to ensure that the financial statements comply with the Law. The Board is 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 acknowledges the auditor's right of access at all times to the Board's records and acknowledges that it is under an obligation not to recklessly or knowingly supply information to the auditors that is false or misleading and to fail to promptly provide information requested.

The Board has taken all steps they ought to have taken to make themselves aware of any information needed by the Board's auditors for the purpose of their audit. The Board is not aware of any relevant audit information of which the auditors are unaware.

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

We have audited the financial statements of The Jersey Bank Depositors Compensation Board (the 'Board') for the year ended 31 January 2015 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes 1 to 8. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

This report is made solely to the Board's members, as a body, in accordance with Banking Business (Depositors 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 auditor's 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.

Respective responsibilities of the Board and auditor

As explained more fully in the Statement of Board's Responsibilities, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Board's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Board's affairs as at 31 January 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been properly prepared in accordance with the Banking Business (Depositors Compensation) (Jersey) Regulations 2009.



BDO Limited
Chartered Accountants
Jersey, Channel Islands
22 May 2015

The Jersey Bank Depositors Compensation Board

Income and Expenditure Account
For the Year Ended 31 January 2015

	Note	Year ended 31 January 2015 £	Period ended 31 January 2014 £
Administration levy income			
Fees received	1	100,000	88,027
Other income - write-off gain		1,342	-
		<u>101,342</u>	<u>88,027</u>
Administrative expenses			
Telephone charges		723	512
Computer costs		1,341	22,534
General office expenses		247	17
Membership fees		8,685	7,352
Auditors' fees	2	3,100	3,060
Professional fees		36,185	20,243
Accountancy fees		1,500	1,500
		<u>(51,781)</u>	<u>(55,218)</u>
Finance expenses			
Bank charges		(130)	(109)
		<u>49,431</u>	<u>32,700</u>
Surplus for the year/period		<u><u>49,431</u></u>	<u><u>32,700</u></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the Income and Expenditure Account.

There is no material difference between the retained surplus for the financial year stated above and its historical cost equivalent.

The notes on pages 8 to 10 form part of these financial statements.

The Jersey Bank Depositors Compensation Board
Registered number:

Balance Sheet
As at 31 January 2015

	Notes	£	2015 £	£	2014 £
Current assets					
Debtors	3	11,566		6,641	
Cash at bank		128,276		92,288	
			<u>139,842</u>		<u>98,929</u>
Total assets less current liabilities					
			<u>139,842</u>		<u>98,929</u>
Creditors: amounts falling due within one year					
	4		<u>(17,199)</u>		<u>(25,717)</u>
Net assets					
			<u>122,643</u>		<u>73,212</u>
Represented by:					
Retained surplus			<u>122,643</u>		<u>73,212</u>
			<u>122,643</u>		<u>73,212</u>
Total administration fund reserve			<u>122,643</u>		<u>73,212</u>

The financial statements were approved and authorised by the Assistant Chief Minister acting under delegated powers from the Chief Minister acting in his capacity carrying out the functions of the Board:


Assistant Chief Minister
Date: 22/05/2015

The notes on pages 8 to 10 form part of these financial statements.

The Jersey Bank Depositors Compensation Board

Notes to the Financial Statements For the Year Ended 31 January 2015

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements of the Jersey Bank Depositors Compensation Board ("the Board") have been prepared under the historical cost convention, on a going concern basis and in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP").

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.

1.2 Statement of compliance

The financial statements for the year ended 31 January 2015 on pages 6 to 10 have been prepared in accordance with UK GAAP and are in conformity with Banking Business (Depositors Compensation) (Jersey) Regulations 2009.

1.3 Legal framework

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

1.4 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 position to raise administration levies on banking groups in Jersey according to the finance 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 finance needs and is satisfied that there are sufficient funds to continue as a going concern.

1.5 Cash flow

The Board has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds of its size.

1.6 Administration levy income

Administration levy income is recognised by the Board in respect of the annual administration levy declared and is raised by the Board on annual basis to enable it to meet operating expenses. The income is recognised on an accrual basis in relation to the period the administration levy relates to. The administration levy year runs from 1 February to 31 January annually.

1.7 Creditors and accruals

Trade creditors are recorded on an accrual basis, are not interest bearing and are stated at their nominal value.

1.8 Cash at Bank

Cash comprises current and deposit accounts with maturities of less than 3 months.

The Jersey Bank Depositors Compensation Board

Notes to the Financial Statements For the Year Ended 31 January 2015

2. Auditor's remuneration

	2015 £	2014 £
Fees payable to the the Board's auditor	<u>3,100</u>	<u>3,060</u>

3. Debtors

	2015 £	2014 £
Administration levy receivable	-	5,000
Membership prepaid	1,312	1,376
Other prepayments	10,254	265
	<u>11,566</u>	<u>6,641</u>

4. Creditors: Amounts falling due within one year

	2015 £	2014 £
Accruals	<u>17,199</u>	<u>25,717</u>

5. Reconciliation of administration fund reserve

	2015 £
Opening balance as at 1 February 2014	73,212
Retained surplus for the year	49,431
	<u>122,643</u>
Administration fund reserve carried forward	<u>122,643</u>

6. Taxation

The Board is exempt from tax. Provision has therefore not been made in these financial statements for Jersey income tax.

7. 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.

The Jersey Bank Depositors Compensation Board

**Notes to the Financial Statements
For the Year Ended 31 January 2015**

8. Controlling party

The Chief Minister (formerly the Minister for Economic Development), carries out the functions of the Board, until such time as he determines by notice in writing to the Board that it should assume its function. In the opinion of the Board, there is no ultimate controlling party or beneficial owner meeting the definitions as prescribed by the UK GAAP.