

Deputy Montford Tadier  
Chair  
Economic and International Affairs Scrutiny Panel  
By email

11 June 2025

Dear Deputy Tadier

## **Draft Bank (Recovery and Resolution) (Jersey) Amendment Law 202-**

Thank you for the opportunity to contribute to your consideration of the Draft Bank (Recovery and Resolution) (Jersey) Amendments Law 202- (the draft Law) as set out in your letter dated 4 June 2025.

Your understanding is correct, the Jersey Resolution Authority (JRA) has been consulted by the Government of Jersey during the formation of the draft Law. We have been directly involved in the drafting process, and we continue to work closely with the Government to prepare for the transfer of the functions of the Bank Depositors Compensation Scheme (the Scheme) to the JRA.

### **Views in respect of the draft Law**

The draft Law makes several enhancements to the Scheme that benefit depositors and help ensure the Scheme remains aligned to international standards.

Most importantly, amendments enable straight-through processing of compensation, which significantly improves the ability of the Scheme to make timely payment of compensation and reduces the administrative burden for the Authority and depositors.

Enhancements also remove the cap on the maximum amount of compensation that the Scheme can pay in any one 5-year period (currently set at £100m). This enables the Scheme to be used more effectively for medium sized Jersey banks or in the event of the failure of more than one bank in a 5-year period.

The draft Law also provides greater flexibility regarding activation of the Scheme. This is important as it allows the Authority to consider the circumstances relating to a failing bank and either apply its resolution powers, allow a home resolution authority to apply its resolution powers or conclude that it is necessary to invoke the Scheme and pay compensation to eligible depositors. This is a necessary amendment to ensure the Scheme is integrated into the wider financial safety net.

Government is also enhancing the Scheme by providing the option for the Authority to vest excess rights into the Scheme. This is a complex subject but in simple terms it would assist the Authority, in certain circumstances, to help ensure eligible depositors receive appropriate preference in the liquidation of an overseas incorporated bank operating in Jersey.

Additionally, transferring functions relating to the Scheme to the Authority, creates efficiencies in terms of the operation of Jersey's financial safety net and helps ensure timely flows of information during the lead up to or in the event of a failure of a Jersey bank.

We also note that the draft Law makes some small amendments relating to bank resolution. These are at our request to better align Jersey's bank resolution regime to international standards and assist us in its implementation. For example, adding the power for the Minister for External Relations to prescribe criteria for eligible liabilities, which will enable us to better implement our planned policy relating to the minimum requirement for own funds and eligible liabilities (MREL).

Accordingly, the draft law represents an important enhancement of Jersey's financial safety net bringing important benefits to depositors.

#### **Maximum amount of depositors' compensation**

As you noted, the maximum amount of depositors' compensation available under the Scheme is £50,000 per eligible depositor and this figure has not increased since the Scheme was introduced in 2009. However, Jersey's financial safety net has been enhanced by establishing the JRA as Jersey's bank resolution authority.

Consideration of the £50,000 limit must take account of the broader financial safety net including the nature of Jersey's banks, on-going supervision by the JFSC, the bank resolution regime as well as the terms of the Scheme.

The implementation of a resolution regime (which is progressing well) significantly strengthens Jersey's ability to manage a future banking crisis. Such an event will involve us working closely with resolution authorities in other jurisdictions, as well as using the JRA's resolution powers as necessary, before considering whether it might be necessary to rely on the "backstop" of the Scheme.

Typically larger Jersey banks will be subject to bank resolution with the bank's Home Resolution Authority using powers to stabilise the failing bank or its group. This means that the failing bank would continue to provide banking services, and its customers will see little or no disruption. Importantly in such scenarios retail customers would not incur losses and there would be no need to invoke the Scheme.

Given the composition of Jersey's banking industry approximately 93% of bank deposits in Jersey are with banks whose groups would be subject to resolution by an established Home Resolution Authority (for example the Bank of England).

We agree that the terms of the Scheme including limits, coverage and funding should be reviewed but such a review will be complex and will require extensive consultation with domestic stakeholders and other peer jurisdictions, especially Guernsey and the Isle of Man as their schemes are broadly in line with our own.

In this context, we agreed with Government officials that any such review should be deferred until after the functions have been transferred to the Authority and should allow us time to embed those new functions. We stand ready to assist the Government with this work.

We trust that the above assists the Economic and International Affairs Scrutiny Panel in its consideration of the draft Law and we would be happy to answer any further questions should that be necessary.

Yours sincerely



**Mike Mitchell**

**Chair of the Jersey Resolution Authority**

