JERSEY RESOLUTION AUTHORITY

Annual Report 2022

R.79/2023

JERSEY RESOLUTION AUTHORITY

Contents

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Members of the Jersey Resolution Authority	Mike Mitchell (Chair) Katherine Hitchins (Deputy Chair) Jill Britton Monique O'Keefe
Address	14 – 18 Castle Street St Helier, Jersey JE4 8TP
Independent auditors	PKF BBA Audit and Assurance Limited 9 Bond Street St Helier, Jersey JE2 3NP
Bankers	HSBC Bank plc HSBC House Esplanade St Helier, Jersey JE1 1HS

Report on Operations for the period ended 31 December 2022

Principal activities

The Members of the Jersey Resolution Authority (collectively "the Board") present the report on operations and the audited financial statements for the period ended 31 December 2022.

The Jersey Resolution Authority ("the Authority" or "the JRA") was established on 31 January 2022 under the Bank (Recovery and Resolution) (Jersey) Law 2017 ("the Resolution Law").

The purpose and principal activity of the Authority is its statutory responsibility to prepare for and administer the resolution of banks in Jersey, Channel Islands ("the Island"). In doing so the Authority aims to:

- ensure continuity of banking services and critical functions in Jersey;
- protect and enhance the stability of the financial system in Jersey;
- protect and enhance public confidence in the stability of the financial system in Jersey;
- protect public funds;
- protect covered deposits (deposits covered by Jersey's Deposit Compensation Scheme); and
- protect client assets.

Accountability

Chair Overview

I was delighted to be appointed Chair of the Authority, and I am proud of our achievements in the 11 months since our inception on 31 January 2022. I am very fortunate to have worked alongside excellent board members and executive colleagues in the establishment of the JRA.

We published our Strategy document in May 2022, and this has provided the foundation for our work throughout the year and will continue to do so for our activities in 2023. We are determined to deliver our mission to establish and operate a robust and credible recovery and resolution regime to manage bank failure effectively. We are very grateful for the support of our key stakeholders, Jersey's Banks, the Government of Jersey, and the Jersey Financial Services Commission ("JFSC"). I am particularly conscious that the banks have had to manage a range of competing priorities in an increasingly stressed external environment. For our part, we have sought to ensure that our approach and our requirements of the banks are proportionate to the risks.

I believe we have made a very good start to our life as a regulatory authority although we have some way to go to deliver our goals.

I would like to highlight our achievements in 2022:

- In the early months, we established our small executive team and our key policies and procedures.
- We published our Strategy Paper in May which included our mission, our strategic goals, and our operational fundamentals – these building blocks provided the foundation for our detailed Action Plan, which outlined operational steps we intended to make to achieve our strategy.

- Our first Information Request to banks (issued on 6 June 2022) enabled us to undertake a detailed analysis of the critical banking functions being undertaken on the island – we have shared the output of this work with our key stakeholders, and this will be a key input to our resolution strategy determination for each bank.
- The second key input to a preferred resolution strategy is the content and impact of Group Resolution Plans on Jersey's Banks – we sought to develop our understanding of Group Resolution Plans through a combination of a second Information Request to banks (issued in November last year) and dialogue with the Home Resolution Authorities. This work has continued into 2023.

It has been a challenge for our small executive team to balance the internal and external work and as a result we have not made as much progress documenting internal policies and procedures as we originally planned. However, the Authority's members have been satisfied that key internal practices, policies and processes have been prioritised and therefore the JRA is not exposed to any undue risk as a result.

We established an ambitious programme of work and, as set out in the performance section of this report, we have been required to make priority calls, which have resulted in some of our targeted activities being revised or deferred in the light of experience.

Looking ahead, 2023 will be a busy year for our small team and for the banks. In the first part of the year, we will be establishing our resolution strategies for each bank based on the two inputs referred to above. We plan to finalise these strategies before the end of June. The focus in the second half of the year will be on us working with the banks to establish resolution plans in line with these agreed strategies. We expect to be in a position to undertake resolvability assessments in 2024.

I would like to thank my excellent Board colleagues who have given me 100% support, as well as provided robust challenge to myself and the executive team, and who have shared their abundant knowledge and experience. I am especially grateful to our small executive team, Martin Edwards, Head of the JRA and Helen Gill, both of whom have produced excellent results in this, our first 11 months of operating together.

Corporate Governance

The Board comprises two independent members and two members who are also on the Board of Commissioners of the JFSC. The JRA's Chair was appointed as Chair of the Jersey Bank Depositors Compensation Board on 11 March 2023 with the aim to facilitate the transfer of responsibility for the Jersey Bank Depositors Compensation Scheme to the JRA by the end of 2024.

The following persons were members of the Authority during the period and up to the date of this report:

Mike Mitchell (Chair)	Appointed 31 January 2022
Katherine Hitchins (Deputy Chair)	Appointed 31 January 2022
Jill Britton (JFSC Director General)	Appointed 31 January 2022
Monique O'Keefe (JFSC Deputy Chair)	Appointed 31 January 2022

The small size of the Authority has led the Board to conclude that, at this time, it is not necessary to set up any sub-committees of the Board. However, the Board has considered and where appropriate delegated certain responsibilities to the Head of the JRA – such delegation remains subject to oversight from and periodic review by the Board.

The Board ordinarily plans to meet quarterly. During 2022 it met six times (four in person and two virtual) with a further four informal and educational sessions. Three members of the Authority attended all six Board meetings with the fourth attending five Board meetings.

The main topics considered by the Board during 2022 were:

- The JRA's strategy for 2022 and 2023;
- The JRA's Corporate Governance structure and associated policies;
- The JRA's approach to and initial determination of which banks perform critical functions;
- Determining our planned risk-based approach to resolution planning;
- The JRA's Information Management Framework and other internal policies and procedures;
- Our 2023 budget and funding paper.

The Board is committed to high standards of governance. With this in mind, the JRA commenced an internal review of Board performance in Q1 2023.

Remuneration and staff report

The JRA is a small organisation with two full time staff and four non-executive members of the Board. Staff are seconded to the JRA by the JFSC, and all are employed by the JFSC on a permanent basis. The JRA has leveraged the JFSC's existing knowledge and experience in respect of Human Resources, including adopting consistent internal policies and procedures in respect of remuneration and other staffing matters.

During 2022 the JRA's staff have benefited from access to the JFSC's internal training programmes and have also attended external resolution specific training courses run by the International Monetary Fund and the Bank for International Settlement as well as the United States' Federal Deposit Insurance Corporation.

It is not felt appropriate, on the grounds of confidentiality, to disclose details of staff remuneration. However, the table below sets out Board remuneration in respect of 2022:

Members of the Authority	Remuneration in 2022
Mike Mitchell (Chair)	£22,916
Katherine Hitchins (Deputy Chair)	£13,750
Monique O'Keefe	£9,167
Jill Britton	Nil*
	£45,833

* Jill Britton is a member of the Authority as a result of her role as the Director General of the JFSC.

Values

Aligned to the JFSC, the JRA has adopted the following set of values:

Professionalism – We set high standards for ourselves and are positive role models in all that we do

Integrity – We are trustworthy and act in good faith

Excellence – We strive for excellence in all that we do

Respect – We understand the value of a diverse workforce and we trust those we work with

Teamwork – We work well together to achieve the same outcome, encouraging openness, sharing of knowledge and contribution from all colleagues

Diversity and Inclusion

The JRA has adopted the JFSC's Diversity and Inclusion Policy and is fully committed to a policy of treating all its employees and job applicants equally. The JRA's recruitment process aims to ensure diversity of thought and professional experience. Considering both members of the Board and staff, our female-to-male ratio is 67%:33%. However, for confidentiality reasons, publication of further statistics is not deemed appropriate.

Sustainability and the Environment

As a new organisation, the JRA has yet to focus specifically on what it can do to ensure it operates in a sustainable fashion and to reduce its impact on the environment. However, from inception we have operated a largely paperless office environment. Additionally, we make use of modern video meeting capabilities to not only reduce expense but also to help reduce the impact of business travel on the environment.

The JRA is also able to leverage its relationship with the JFSC to enable staff to participate in its environmental and community activities, this includes allowing staff to dedicate up to two days every year to volunteer for their chosen charitable causes or environmental projects.

Anti-bribery and Corruption

The JRA has implemented a Conflict of Interests Policy that clearly sets out expectations and requirements for all staff, including members of the Board. This policy requires all staff to act with honesty and integrity, disclose various outside interests and to annually confirm that all such interests have been disclosed. Conflict of Interests is a standing agenda item at all JRA Board meetings.

Additionally, the JRA operates an insider list and is in the process of finalising a Code of Conduct that builds on the Conflict of Interests Policy.

Staff are provided with annual training, via the JFSC, in respect of Anti-Money Laundering, Countering the Financing of Terrorism, Countering Proliferation Financing, and Anti-Bribery and Corruption.

Performance

Strategy

In May 2022, the JRA published its Mission and Strategy for 2022 – 2023. We set ourselves an ambitious target to have resolution plans in place for all Jersey Banks by the end of 2023.

Thanks to support from the JFSC, and the focus and commitment of our small team, we have made great progress during 2022. However, given our limited resources, there are some areas where we have not progressed as quickly as we originally thought we would. We have taken a risk-based approach to prioritise our activities and allocation of resources.

The Board has focused our resources on the key activities required to enable us to put in place resolution plans by the end of 2023. This means that some internal activities have been deprioritised and will now take place either during 2023 or in 2024.

The table on the following pages sets out our Strategic Goals and Operational Fundamentals, our performance against them during 2022 as well as the main priorities for the year ahead.

Strategic Goal	Progress during 2022	Priorities in 2023
Develop effective working relationships with our key stakeholders.	In the first half of 2022 we performed a detailed stakeholder analysis and developed engagement plans for key stakeholders. We set up monthly meetings with the JFSC and separately with a representative from the Government of Jersey. On 16 May 2022 we completed our first Memorandum of Understanding (MoU) with the JFSC. Whilst we have not yet agreed any MoU with Home Resolution Authorities, we have established contact and engaged with all relevant Home Resolution Authorities. We have met regularly with several other stakeholders including the Jersey Bankers Association and the Jersey Bank Depositors Compensation Board. We have also maintained on-going dialogue with Jersey Banks.	We will review our stakeholder analysis and, if necessary, amend our engagement plans. We will maintain monthly meetings with the JFSC and a representative from the Government of Jersey as well as an appropriate level of engagement with other stakeholders. We will maintain engagement with Home Resolution Authorities and, where necessary, ensure appropriate cooperation or confidentiality agreements are in place to facilitate cross-border resolution planning.
Build a comprehensive picture of the critical functions undertaken by banks in Jersey. (Critical functions are services provided to third parties, whose discontinuance would likely lead to disruption of services that are essential to the real economy in Jersey or the disruption of financial stability)	We developed an approach to assessing critical functions that is based on international standards and guidance issued by the Financial Stability Board, the Bank of England, and the European Union's Single Resolution Board. Our approach considers the impact of sudden disruption of services on banks' customers as well as the ease with which banks' activities could be substituted by other market participants. We obtained information and data from all Jersey Banks to ensure we understand the size, nature, and structure of their activities in Jersey. We analysed the data to determine which Jersey Banks perform critical functions. The outcome from this work was shared with each bank, the JFSC and the Government of Jersey.	Feedback we received, in respect of our determination of critical functions, has been considered and, in January 2023, we finalised our determination of which banks perform critical functions. This was communicated to banks in February 2023. Our work on critical functions will be combined with our understanding of Group Resolution Plans to determine the JRA's Preferred Resolution Strategy for each Jersey Bank. This will inform the nature of resolution planning required in 2023. Determination of critical functions is a continuous process. In Q4 2023 we plan to consult with Jersey Banks on our ongoing approach to determining critical functions and the associated data requirements. We aim to implement a two-year cycle to reassess critical functions, whereby data will next be collected in 2024.

Strategic Goal	Progress during 2022	Priorities in 2023
Ensure each bank in Jersey has recovery (where required) and resolution plans for its Jersey-domiciled activities, which we regard as effective and credible (with a definite plan to address any barriers to resolution).	The JRA has developed a risk-based approach to resolution planning. Based on this approach we will focus more on those banks that have been identified as performing critical functions as well as those that are subsidiaries and those that do not have Group Resolution Plans in place. Jersey Banks that do not meet these criteria will still be required to perform resolution planning. However, the extent and nature will vary depending on the level of comfort provided by Group Resolution Plans. In Q4 2022 we began work to ensure we sufficiently understand Group Resolution Plans and the likely impact on Jersey Banks if they or their groups failed. This work is on-going and has included obtaining information from Jersey Banks and engaging with Home Resolution Authorities.	We will determine our preferred resolution strategy for each Jersey Bank, where applicable this will align to existing preferred resolution strategies in place at a group level. We will develop our framework for resolution planning, setting out our high-level expectations and requirements for Jersey Banks in respect of resolution planning. We will work with each Jersey Bank to ensure that appropriate resolution plans are put in place and, where barriers to resolution are identified, plans are put in place to address them. Jersey Bank's recovery plans will be reviewed with the aim of identifying whether any planned recovery actions may adversely impact the resolvability of the bank.
Develop and maintain a fit for purpose operating framework including processes, systems, and people.	With the assistance of the JFSC, the JRA was able to launch with a core base of systems and internal practices already in place. Wherever possible we have leveraged the experience of the JFSC to ensure that we have comprehensive internal policies and procedures in place, particularly in respect of information management and security. Despite this good start, there remains work to do to ensure these practices are fully embedded and clearly documented (see the operational fundamentals below for further details).	Remaining internal policies and procedures will be finalised and documented. Our focus will turn towards ensuring we document our policies and procedures relating to our statutory responsibilities of resolution planning and administering the resolution of banks. Some of this activity will likely continue into 2024.

Operational Fundamentals	Progress during 2022	Priorities in 2023
Develop and implement a detailed plan to deliver our mission and strategic goals for 2022 & 2023.	We developed our strategy for 2022 and 2023, which was published in May 2022. Our strategy is supported by 34 planned key activities. We have implemented internal reporting to the Board of progress regarding these 34 key activities, including RAG status.	During 2023 we will revisit our strategy and update this for the coming years. We plan to communicate our updated strategy to industry in Q4 2023.
Agree and implement a governance framework, policies, procedures, and systems to provide clear responsibilities and accountabilities for the board and executive officers.	We have implemented relevant Board level policies including setting the Board's Terms of Reference, a Conflicts of Interest Policy and a Delegated Powers Policy that clearly articulates to all staff the level of approvals required and associated responsibilities of the Board and the Head of the JRA. Appropriate practices have been implemented covering Information Management and Information Security. However, we have chosen to focus our limited resources on other priorities. As such, whilst they are in use on a day-to-day basis, the related internal Policies and Procedures remain in draft pending finalisation of certain areas. We have mapped out our planned policies and procedures associated with our statutory functions under the Resolution Law. Whilst we originally planned to put these in place during 2022, this has proven not to be possible given the resources available and our desire to prioritise practical steps to develop resolution plans.	Corporate governance policies and procedures will be subject to annual review in May 2023 and the remaining internal policies and procedures will be documented by end of June 2023. We will begin to put in place relevant policies and procedures associated with our statutory functions under the Resolution Law. However, we are prioritising working through a complete cycle of resolution planning and completing initial resolution plans before we turn our focus on ensuring associated policies and procedures are in place. Accordingly, we expect work to document our resolution policies and procedures to continue into 2024.

Operational Fundamentals	Progress during 2022	Priorities in 2023
Establish an effective operating model, working closely with the JFSC, other stakeholders and our staff, to ensure we deliver our goals.	The JRA entered into a Master Services Agreement (MSA) with the JFSC to outsource various operational activities to the JFSC. We have worked closely with colleagues at the JFSC to ensure that appropriate processes are in place to facilitate day to day activities relating to Finance, Human Resources, Information Technology, Secretariate and Facilities. Regular operational meetings were held to ensure adequate focus and progress. The frequency of these meetings has since been reduced to quarterly. We recruited our staff, with the assistance of the JFSC, and since joining our staff have undertaken relevant training courses on resolution provided by international bodies.	We will complete a review of our existing MSA with the JFSC to ensure it fully reflects the services we receive. Further we will consider the most effective way to access certain support services. We will maintain our existing close working relationships with colleagues at the JFSC to ensure day to day operational activities run smoothly. We will continue to invest in our staff who are encouraged to identify appropriate training courses. Where possible we will continue to leverage the experience of other Resolution Authorities to provide training on technical aspects of resolution.
Report and review the Authority's revenue and expenditure regularly and agree a sustainable and appropriate budget annually.	The JFSC's Finance team has been very helpful in establishing the processes to prepare monthly management accounts. These are reviewed by the Head of the JRA with the latest version reported to each Board meeting. We have implemented an Administrative Reserves Policy designed to ensure the JRA maintains a modest reserve of at least two months' worth of annual recurring costs with a target level of four months' worth of annual recurring costs. We have set up an annual budgeting process that is closely aligned to the JFSC's process. Our financial performance in 2022 is covered on page 15.	We will continue to monitor our financial performance monthly with oversight from the Board via each Board meeting. We will continue to maintain an appropriate level of scrutiny in respect of our costs and annual budgeting process. We will review the approach to how our Annual Administration Levy is allocated across Jersey Banks, with the aim of ensuring it is allocated in a manner that is proportionate to risk.

Risks

The JRA has implemented appropriate risk management systems commensurate with its size and development.

When considering risks to our statutory responsibilities and strategic goals we must recognise that we have only just begun our journey and further work is required to develop Jersey's resolution regime.

We have implemented a RAID log that sets out risks, assumptions, issues, and dependencies associated with our activities as Jersey's Resolution Authority. The RAID log is maintained by staff and reported to the Board on a quarterly basis.

The table below sets out main risks to the JRA and work underway or planned to help mitigate those risks.

Risk Area	Work underway or planned to mitigate the risk
The JRA has limited financial and staff resource	Whilst we currently believe our level of resourcing to be proportionate to the size and nature of Jersey's banking sector, there is a natural limit to the amount that can be achieved with a small team. Where possible, we seek to leverage the knowledge and experience of the JFSC and of other resolution authorities. This includes participating in and sharing knowledge with similar small resolution authorities via the Forum of Resolution Authorities in Micro European States (FRAMES) setup jointly by the JRA and the resolution authorities in Gibraltar and the Isle of Man. In due course we plan to put in place a panel of professional services firms that could be called upon to assist the JRA if we are required to resolve a bank. This work is expected to commence in 2024.
The Jersey Bank Resolution Fund (the Fund) is not pre-funded	Whilst there are no current plans to pre-fund the Fund, the Resolution Law allows for the JRA to borrow money from the Government of Jersey to enable the Authority to perform enhanced resolution planning. This will allow necessary activity to take place without the need to levy money from Jersey Banks in advance of the resolution becoming public knowledge. We are working with Government to ensure processes are in place to enable this. Once we have completed our first round of resolution planning, we will be better placed to assess the need for the Fund to be pre-funded.

Risk Area	Work underway or planned to mitigate the risk
Operational dependency on the JFSC	Whilst the JFSC has been of great assistance during the set-up of the JRA, we have several key dependencies on it to provide us operational services, to participate in resolution planning, and the development of Jersey's resolution regime. Assisting the JRA is just one of many areas of work that the JFSC undertakes, and its priorities for 2023 are importantly and understandably focused on Jersey's MoneyVal Assessment. We work closely with the JFSC, including by way of monthly and quarterly meetings, and seek to identify pinch points that might delay the JFSC from providing support to the JRA.
Lack of engagement or insufficient capabilities of Jersey Banks	Jersey's banking sector is predominately made up of the local operations of large multi-national banks. As such, many of Jersey's banks have already devoted significant resource to resolution planning at a group level. This is of benefit to Jersey; however, it may also be a threat if it results in Jersey Banks being unwilling to engage with, or build capabilities for, resolution at a local level. We have sought to engage proactively with banks throughout 2022 and will continue to do so. In some cases, we have worked closely with banks to ensure that data provided is accurate and reliable. This work will continue as we develop our approach and we will consult informally and formally with the banking sector to ensure that Jersey Banks understand the rationale for our approach and assist them in ensuring they can develop sufficient local capabilities to meet our expectations. As we finalise our approach, we will issue guidance to Jersey Banks to ensure clarity of understanding regarding our expectations.
Information Security	To perform our statutory functions, we must obtain information and data from various sources, in particular from Jersey Banks. Some of that data could be highly sensitive. Accordingly, it is important for the JRA to have in place appropriate Information Security Policies and Procedures to safeguard that information. We have worked with subject matter experts at the JFSC and leveraged the JFSC's existing Information Management and Information Security Policies and Procedures to develop a robust Information Management Framework. This includes appropriate user access controls, physical security, document storage and incident reporting processes. As noted above, some of the processes we have put in place still need to be documented, however, they are operating in practice on a day-to-day basis. During 2023 further work will be performed in relation to record retention and destruction policies.

Operations

Much of 2022 has involved work to set up the JRA and develop our operating model.

We reached agreement with the JFSC for it to provide operational services relating to Human Resources, Information Technology, Finance, Secretariate, Facilities and Legal. This is both an efficient solution for the JRA and it also ensures we have access to subject matter experts that would not otherwise be cost effective for a small organisation to obtain. This arrangement also provides comfort from a confidentiality perspective as JFSC staff are experienced operating in an environment that includes legal restrictions regarding confidentiality of third-party information.

Quarterly operational meetings are held with the JFSC to discuss all operational areas and, if needed, there are mechanisms to escalate if services received are not aligned to the MSA. We recently commenced a review of the MSA to ensure that it correctly reflects the services being received and relevant service level standards agreed.

Financial Performance Review

The results for the period are set out in the Income Statement on page 22. Accumulated reserves of the Authority as at 31 December 2022 totalled £108,139.

Of the surplus generated during 2022, £77,000 is attributable to lower than budgeted staff costs, predominantly due to staff not being employed for the whole period. The remaining £31,000 is due to lower than budgeted set-up costs, travel expenditure and professional services costs.

On 29 December 2022, the Authority issued a Funding Paper setting out its budget and proposed Annual Administration Levy for 2023. The JRA's budgeted expenditure for 2023 has been set at £398,500 (an 8.1% increase versus 2022 budgeted recurring costs). On 20 February 2023, the JRA issued notices to Jersey Banks in respect of the 2023 Annual Administration Levy, which totals £416,500. Accordingly, the Authority expects to generate a small surplus during 2023.

Going Concern

The Authority is established by the Resolution Law and is funded entirely by Jersey Banks. The Resolution Law gives the Authority power to raise administration levies to cover expenditure and to establish a reserve. The Authority has adopted an Administrative Reserves Policy designed to ensure it maintains a minimum level of reserves (“Minimum Reserve Level”) equal to two month’s budgeted recurring expenditure with a target level of reserve (“Target Reserve Level”) equal to four month’s budgeted recurring expenditure. During 2022 the Authority has generated a surplus that exceeds the Minimum Reserve Level but not the Target Reserve Level. As noted above, the JRA expects to generate a small surplus during 2023, which will take us towards our Target Reserve Level. The Board regularly reviews the Authority's actual and forecast reserves and the Resolution Law allows the Authority to make additional levies should it forecast a need to do so. On this basis, the Board expects that the Authority has adequate resources to continue in operational existence for the foreseeable future and, therefore, the Authority has adopted the going concern basis in preparing its financial statements.

External Factors

There are several external factors that may impact on the JRA's ability to meet its Strategic Goals and Operational Fundamentals. These include:

Macroeconomic conditions could put pressure on banks and hence increase the likelihood of a bank failure. Whilst there are no immediate concerns in this respect, we continue to work closely with banks and the JFSC to better understand what, if any, pressures are impacting Jersey Banks.

Evolving banking regulation could present challenges and benefits. The JRA will need to factor in the JFSC's approach to implementing Basel 3 when determining its approach to Minimum Requirements for own funds and Eligible Liabilities. The United Kingdom's announcement that it will revisit its ringfencing requirements could result in changes to the structure of Jersey Banks that may improve or reduce their local resolvability.

Fintech and the digitisation of banking services could impact resolution planning from several perspectives. Greater integration of payment systems could be both a threat to resolvability, through increased interconnectedness, and an opportunity, through increased competition and substitutability of service providers. The possibility of over reliance on a small number of large tech firms (for example in provision of cloud-based services) could negatively impact on the ability of banks to demonstrate operational continuity both in normal times and during resolution.

Statement of Board responsibilities in respect of the financial statements

The Board is responsible for preparing the financial statements in accordance with applicable law and regulations.

The Resolution Law requires the Authority to keep proper accounts and proper records in relation to its accounts that permit its financial position to be ascertained with reasonable accuracy at any time and prepare accounts in respect of each financial year and a report on its operations during each financial year. Under that law, the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A).

Under the Resolution Law, 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 Authority and of the surplus of the Authority for that period. In preparing the financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in business.

The Board are responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board are also responsible for keeping adequate accounting records that are sufficient to show and explain the Authority's transactions and disclose with reasonable accuracy at any time the financial position of the Authority and enable them to ensure that the financial statements comply with the Resolution Law.

The Resolution Law also requires that the Authority's accounts must set out the income and expenditure of the Jersey Bank Resolution Fund ("the Fund") separately from any other money received, held, or expended by the Authority. The Fund's income and expenditure during the period is set out on page 33.

Confirmations of members of the Authority

In the case of each member in office at the date the Report on operations is approved:

- so far as that member is aware, there is no relevant audit information of which the Authority's auditors are unaware; and
- they have 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 Authority's auditors are aware of that information.

Independent auditors

On 12 October 2022, the Board approved the appointment of PKF BBA Audit and Assurance Limited as independent auditors to the Authority.

This report was approved by the Board on 13 March 2023 and signed on its behalf by:

M. F. Mitchell (Chair)

Independent Auditor's Report to the Members of the Jersey Resolution Authority for the period ended 31 December 2022

Opinion

We have audited the financial statements of the Jersey Resolution Authority (the "Authority") for the period ended 31 December 2022 which comprise the Income Statement, the Statement of Financial Position, the Notes to the Financial Statements (including a summary of significant accounting policies) and the Jersey Bank Resolution Fund ("the Fund"). The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2022 and of its result for the period then ended;
- give a true and fair view of the state of the Fund's affairs as at 31 December 2022 and of its income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Bank (Recovery and Resolution) (Jersey) Law 2017.

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 Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, 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 member's 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 Authority'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 members with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which our engagement letter requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the Statement of Board Responsibilities in Respect of the Financial Statements, set out on page 16, the 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 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 members are responsible for assessing the Authority’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 members either intend to liquidate the Authority 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.

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 obtained an understanding of the legal and regulatory framework applicable to the Authority through enquiry of management, review of board minutes and regulatory correspondence, industry research and the application of cumulative audit knowledge. We identified the following principal laws and regulations relevant to the Authority:

- The Bank (Recovery and Resolution) (Jersey) Law 2017; and
- Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

We developed an understanding of the key fraud risks to the Authority (including how fraud might occur), the controls in place to help mitigate those risks, and the accounts, balances and disclosures within the financial statements which may be susceptible to management bias. Our understanding was obtained through review of the financial statements for accounting estimates, analysis of journal entries, walkthrough of the key control cycles in place and enquiry of management.

Our procedures to respond to those risks identified included, but were not limited to:

- Identifying and assessing the design of key controls implemented by management to prevent and detect fraud;
- Enquiry of management and those charged with governance;
- Performance of analytical procedures to identify unusual relationships which may indicate a risk of fraud or an irregularity;
- Review of board minutes and correspondence with the Jersey Financial Services Commission; and
- Journal entry testing - including analysis of the general ledger to identify entries deemed to represent a higher risk of fraud or error.

The inherent limitations of an audit mean that there will always be a risk that irregularities will go undetected, including those which may ultimately lead to a material misstatement. This risk is considered greater where an irregularity results from fraud including misrepresentation, collusion, and forgery.

A further description of our responsibilities for the audit of the financial statements is located on 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 Authority's members, as a body, in accordance with the Bank (Recovery and Resolution) (Jersey) Law 2017. Our audit work has been undertaken so that we might state to the Authority'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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

PKF BBA Audit and Assurance Ltd.

PKF BBA Audit and Assurance Limited
9 Bond Street,
St Helier,
Jersey, JE2 3NP

Date: 13/03/2023

Income Statement

For the period ended 31 December 2022

	Notes	2022 £
Income		
Administration Levy	5	400,000
Total income		400,000
Expenses		
Administrative service fee	12	50,000
Members' fees	12	45,833
Staff costs	12	167,079
Other administration costs	12	28,949
Total expenses		291,861
Net surplus for the period	6	**108,139**

All the items dealt with in arriving at the net surplus relate to continuing operations.

There are no recognised gains and losses in the current period other than those included in the net surplus above, therefore no separate statement of other comprehensive income and expenditure has been presented.

The notes on pages 24 to 32 form an integral part of the financial statements.

Statement of financial position

As at 31 December 2022

	Notes	2022 £
Fixed assets		
Intangible assets	7	3,151
Tangible fixed assets	8	2,199
		5,350
Current assets		
Debtors	9	7,177
Cash and cash equivalents		170,274
		177,451
Creditors: amounts falling due within one year		
Creditors	10	74,662
		74,662
Net current assets		102,789
Net assets		**108,139**
Represented by		
Accumulated reserves		108,139
		108,139

The financial statements on pages 22 to 33 were approved and authorised for issue by the Authority on 13 March 2023, and signed on its behalf by:

M.F. Mitchell

K. Hitchins

The notes on pages 24 to 32 form an integral part of the financial statements.

Notes to the financial statements

For the period ended 31 December 2022

1 General Information

The Jersey Resolution Authority ("the Authority") was established under the Bank (Recovery and Resolution) (Jersey) Law 2017 ("the Resolution Law") on 31 January 2022.

The principal activity of the Authority is its statutory responsibility to prepare for and administer the resolution of banks in Jersey, Channel Islands ("the Island") by minimising the impact of bank failure in the Island and ensuring that public funds are protected.

2 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 during the period under review.

Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention, and presented in pound sterling (£), which is the Authority's functional and presentational currency. All values stated in the financial statements are rounded to the nearest pound sterling.

The financial statements of the Authority have been prepared in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A ("FRS 102 Section 1A"), and the Resolution Law).

Other critical accounting estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Exemptions for qualifying entities

Under FRS 102 Section 1A, the Authority is exempt from:

- Preparing a statement of changes in equity; and
- Preparing a cash flow statement.

Notes to the financial statements (continued)

For the period ended 31 December 2022

2 Summary of significant accounting policies (continued)

Going concern

The Authority is established by the Resolution Law and is funded entirely by Jersey Banks. The Resolution Law gives the Authority power to raise administration levies to cover expenditure and to establish a reserve. The Authority has adopted an Administrative Reserves Policy designed to ensure it maintains a minimum level of reserves ("Minimum Reserve Level") equal to two month's budgeted recurring expenditure with a target level of reserve ("Target Reserve Level") equal to four month's budgeted recurring expenditure. During 2022 the Authority has generated a surplus that exceeds the Minimum Reserve Level but not the Target Reserve Level. On 29 December 2022, the Authority issued a Funding Paper setting out its budget and proposed Annual Administration Levy for 2023. Based on this the Authority expects to generate a small surplus during 2023, which will take us towards our Target Reserve Level. The Board regularly reviews the Authority's actual and forecast reserves and the Resolution Law allows the Authority to make additional levies should it forecast a need to do so. On this basis, the Board expects that the Authority has adequate resources to continue in operational existence for the foreseeable future and, therefore, the Authority has adopted the going concern basis in preparing its financial statements.

Income

Levy income is raised by the Authority on an annual basis to enable it to meet its expected administrative costs in a particular year and to provide or maintain a reserve as detailed under Article 16 of the Resolution Law. Annual administration levies raised by the Authority are recognised on a straight-line basis over that year.

Interest income is recognised using the effective interest method.

Article 22 of the Resolution Law establishes the Jersey Bank Resolution Fund ("the Fund"). Any monies received for the Fund are kept separate from the income of the Authority. See also page 33.

Expenses

All expenditure is recognised on an accruals basis.

Cash and cash equivalents

Cash and cash equivalents 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.

Notes to the financial statements (continued)

For the period ended 31 December 2022

2 Summary of significant accounting policies (continued)

Financial instruments
The Authority has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial liabilities
Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price plus attributable transaction costs.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled, or expires.

Trade and sundry creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Tangible fixed assets
Tangible fixed assets are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes the original purchase price and expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation of tangible fixed assets is calculated so as to write off their cost less estimated residual value on a straight-line basis over their expected useful lives. The estimated useful lives used for this purpose are:

Computer equipment	3 to 5 years

Gains and losses on disposals of fixed assets are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Notes to the financial statements (continued)

For the period ended 31 December 2022

2 Summary of significant accounting policies (continued)

Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation and any impairment losses. Historical cost includes the original purchase price and expenditure that is directly attributable to the development of the intangible asset. Subsequent maintenance and support costs are charged to the income statement during the period in which they are incurred.

Amortisation of intangible assets is calculated so as to write off their cost on a straight-line basis over their expected useful lives. The estimated useful lives used for this purpose are:

Computer software	Up to 7 years

The cost of computer software in respect of major systems is capitalised within intangible assets. All other computer software costs are expensed as incurred. Computer systems under development are not amortised until the system has been completed and is ready for use.

Gains and losses on disposal of intangible assets are determined by comparing any proceeds with their carrying amount and are recognised in the income statement.

Impairment

Assets that are subject to depreciation and amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is an indication that an asset may be impaired, it is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Notes to the financial statements (continued)

For the period ended 31 December 2022

3 Critical accounting judgements 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.

Key accounting estimates and assumptions

Management is required to make estimates and assumptions concerning the future. The resulting accounting estimates may not equal the actual outcomes. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within this and the next financial year are outlined below.

Useful lives and residual values

Fixed assets are depreciated over their expected useful lives, taking into account residual values where appropriate. The actual lives and residual values are assessed annually and may vary depending on a number of factors. In re-assessing useful lives and residual values, a wide range of factors are taken into account. Changes in these assessments are accounted for prospectively and therefore only have a financial effect on current and future periods.

4 Taxation

In accordance with Article 20 of the Resolution Law, the Authority is exempt from the provisions of the Income Tax (Jersey) Law 1961, as amended.

5 Administration levy

	2022
	£
Annual administration levies	400,000

The fees for 2022 were levied in accordance with Article 16 of the Resolution Law.

Notes to the financial statements (continued)

For the period ended 31 December 2022

6 Net surplus for the period

The net surplus for the period is stated after including the below:

	2022
	£
Audit fees	10,000
Depreciation	1,341
	11,341

7 Intangible assets

	Computer systems	**Total**
	£	**£**
Cost		
Additions	3,625	3,625
At 31 December 2022	3,625	3,625
Amortisation		
Charge for the period	(474)	(474)
At 31 December 2022	(474)	(474)
Net book value at 31 December 2022	**3,151**	**3,151**

The principal additions during the period related to the initial set up of computer systems for the Authority.

Notes to the financial statements (continued)

For the period ended 31 December 2022

8 Tangible fixed assets

	Computer systems £	Total £
Cost		
Additions	3,066	3,066
At 31 December 2022	3,066	3,066
Accumulated depreciation		
Charge for the period	(867)	(867)
At 31 December 2022	(867)	(867)
Net book value at 31 December 2022	**2,199**	**2,199**

9 Debtors

	2022 £
Prepayments	7,177

10 Creditors

	2022 £
Accruals	11,159
Other creditors	63,503
	74,662

Other creditors represents the amount payable to the Jersey Financial Services Commission ("the JFSC") at 31 December 2022 regarding the basic services fee and other recharged costs as referred to in note 12.

Notes to the financial statements (continued)

For the period ended 31 December 2022

11 Financial instruments

The Authority's financial instruments are analysed as follows:

	2022 £
Financial assets	
Financial assets measured at amortised cost	177,451
Financial liabilities	
Financial liabilities measured at amortised cost	74,662

Financial assets measured at amortised cost comprise cash and cash equivalents and debtors.

Financial liabilities measured at amortised cost comprise trade creditors and other creditors.

12 Related party transactions

Transactions with the Government of Jersey and the Jersey Financial Services Commission

The Authority has been established by the Resolution Law as an independent public body. However, under the Resolution Law the Authority is accountable to the Minister for External Relations and Financial Services ("the Minister"). The Resolution Law allows for the Government of Jersey to make grants towards the expenses of the Authority in carrying out its functions. To date no grants have been received.

The Authority and the JFSC have common representation at governance level with Jill Britton and Monique O'Keefe (respectively the Director General and Deputy Chair of the JFSC) serving on the Board of the Authority. The Authority occupies an office within the JFSC and utilises the JFSC for certain support and administrative services. The Authority entered into an agreement, the Master Services Agreement ("the MSA"), with the JFSC on 31 January 2022 for the provision of various administrative and other support services, including premises, facilities, information technology and human resources. The Authority was charged a fee of £50,000 by the JFSC in 2022 for the services under the MSA.

During 2022 the JFSC also recharged the Authority for costs it paid on the Authority's behalf including reimbursement of staff costs of £167,079; Members' fees of £41,667; and other administration costs of £27,228.

The amount payable to the JFSC as at the period end was £63,503 (Note 10).

Notes to the financial statements (continued)

For the period ended 31 December 2022

12 Related party transactions (continued)

Remuneration of key management personnel

Key management personnel includes all the members of the Board who together have authority and responsibility for planning, directing and controlling the activities of the Authority. Total remuneration paid to Board members during the period was £45,833. The Director General of the JFSC is not remunerated in respect of their position as a Member of the Authority.

13 Controlling party

In the opinion of the Board, there is no ultimate controlling party.

14 Events after the reporting period

On 20 February 2023, the Authority issued Notices to all Jersey Banks setting out the 2023 Annual Administration Levy. The total amount levied of £416,500 is in line with the Funding Paper issued by the Authority on 29 December 2022.

In the opinion of the Board, no adjustments are required to the financial statements for events after the current reporting period.

Jersey Bank Resolution Fund

For the period ended 31 December 2022

	2022
	£
Income	-
	-
Expenditure	-
	-
Retained funds as at 31 December 2022	-

The Jersey Bank Resolution Fund ("the Fund") is established under the terms of Article 22 of the Bank (Recovery and Resolution) (Jersey) Law 2017 ("the Resolution Law") for the purpose of ensuring the effective exercise by the Authority of the resolution powers and application by the Authority of the resolution tools as defined in the Resolution Law. The Fund is controlled, managed, and administered by the Authority however any monies received, held, or expended for the Fund are not included in the income and expenditure of the Authority. During the current period, no monies were received or expended by the Fund.