
STATES OF JERSEY



JERSEY BANK DEPOSITORS COMPENSATION BOARD: ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2016

**Presented to the States on 1st August 2016
by the Chief Minister**

STATES GREFFE



The Jersey Bank Depositors Compensation Board

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the Year Ended 31 January 2016



BRACKEN | ROTHWELL

CHARTERED ACCOUNTANTS

The Jersey Bank Depositors Compensation Board

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The Jersey Bank Depositors Compensation Board

Information

Board members	Frank Dearie (appointment ended 19/1/2016) Simon Howard (appointment ended 19/1/2016) George Dunbar Kean (appointment ended 19/1/2016) Mark Wildman (appointment ended 19/1/2016) Paul Leary (appointment ended 19/1/2016) re-appointed as Chairman 02/02/2016 Peter Shirreffs (appointed 2/2/2016) Michael Halsey (appointed 2/2/2016) Advocate Mark Dunlop (appointed 2/2/2016) James Mews, States Participant (appointed 2/2/2016)
Principal office	5th Floor, Cyril Le Marquand House The Parade St. Helier Jersey JE4 8UL
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
Accountants	Bracken Rothwell Limited 8th Floor, Union House Union Street St. Helier Jersey JE2 3RF

The Jersey Bank Depositors Compensation Board

Board's Report For the Year Ended 31 January 2016

The Jersey Bank Depositors Compensation Board (the "Board") presents its annual report together with the audited financial statements for the year ended 31 January 2016.

PRINCIPAL ACTIVITIES

The Board was created as a result of the Banking Business (Depositors Compensation) (Jersey) Regulations 2009 ("the Law"). In 2015 there were a number of active developments: A new Board was selected; there was considerable development domestically in the related field of resolution; and developments in Europe with the implementation of the Deposit Guarantee Directive.

The Board remains in a constant state of readiness to protect depositors against the failure of a financial institution regulated as a deposit taker by the Jersey Financial Services Commission. This role was carried out to the full in 2015.

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 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 in accordance with arrangements established with the relevant banking groups 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 over 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 and also to cover operating costs in the event that there was a failure of a Jersey bank.

In the current year the Board continued to enhance the systems in place for dealing with a default. 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 were successful.

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 implemented 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 while 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.

The Board's responsibilities were carried out by the Chief Minister ("the Minister") until 5 May 2016. A key part of our aims in 2015 were to develop our people and infrastructure. Working with the Jersey Appointments Commission the new roles on the Board were advertised and approaching 30 applicants were considered for the 4 roles available. A States debate was set for 2 February 2016 for the new Board to be appointed by the States of Jersey Assembly. A new Board was appointed comprising a new Chairman Mr Paul Leary, and Board Members Advocate Mark Dunlop, Mr Michael Halsey and Mr Peter Shirreffs. The States interests are represented by Mr James Mews who attends Board meetings as a non-voting participant and, in addition, the Board has sought that a representative of the Jersey Financial Services Commission attends when relevant.

With the change in leadership, it is therefore the new members of the Board who are in place to sign off the accounts following assumption of their full responsibilities.

The Jersey Bank Depositors Compensation Board

**Board's Report (continued)
For the Year Ended 31 January 2016**

RESULTS

The total comprehensive income of the Board for the year is set out in detail on page 6.

INDEPENDENT AUDITORS

The independent auditor, BDO Limited, was appointed on 22 May 2013 and has expressed their willingness to continue in office. The Board will propose a motion re-appointing the auditor.

This report was approved by the Members on *30 June 2016* 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 2016

The Board is responsible for preparing the report and financial statements in accordance with applicable Jersey law and regulations and generally accepted accounting principles.

The Banking Business (Depositors Compensation) (Jersey) Regulations 2009 (the "Law") requires the Board to prepare financial statements for each financial year. Under that Law the Board has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") . Under the Law, as applied to the Board, the Board must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the the Board and of the comprehensive income for that period. In preparing these financial statements, the members are required to:

- 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, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its stakeholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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 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 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 auditor that is false or misleading and to fail to promptly provide information requested.

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

The Board confirm that they have complied with the above requirements in preparation of the financial statements.

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 2016 which comprise the statement of comprehensive income, the statement of financial position and the related notes 1 to 14. 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'.

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 Financial Reporting Council'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 2016 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
30 June 2016

The Jersey Bank Depositors Compensation Board

**Statement of Comprehensive Income
For the Year Ended 31 January 2016**

	Note	2016 £	2015 £
Administration levy income			
Fees received		100,000	100,000
Other income - write off gain		-	1,342
		<hr/>	<hr/>
	5	100,000	101,342
Administrative expenses			
	3.5		
Professional fees		(13,248)	(36,185)
Telephone charges		(688)	(723)
Accountancy fees		(1,650)	(1,500)
Conferences		(728)	-
Computer costs		3,911	(1,341)
Auditor's fees		(3,650)	(3,100)
Membership fees		(8,823)	(8,685)
General office expenses		(201)	(247)
Travel and entertainment		(28)	-
		<hr/>	<hr/>
Operating profit		74,895	49,561
Bank charges		(153)	(130)
		<hr/>	<hr/>
Total comprehensive income		74,742	49,431
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2016 or 2015 other than those included in the Statement of Comprehensive income.

The notes on pages 8 to 12 form part of these financial statements.

The Jersey Bank Depositors Compensation Board

Statement of Financial Position
As at 31 January 2016

	Note	2016 £	2015 £
Current assets			
Debtors: amounts falling due within one year	8	11,612	11,566
Cash at bank	9	195,321	128,276
		<u>206,933</u>	<u>139,842</u>
Creditors: amounts falling due within one year	10	(9,548)	(17,199)
		<u>197,385</u>	<u>122,643</u>
Net assets		<u>197,385</u>	<u>122,643</u>
Represented by:			
Retained surplus		197,385	122,643
		<u>197,385</u>	<u>122,643</u>
Total administration fund reserve		<u>197,385</u>	<u>122,643</u>

The financial statements were approved and authorised for issue by the Board:



Paul Leary
Chairman

Date: 30 June 2016

The notes on pages 8 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 2016

1. GENERAL INFORMATION

The Jersey Bank Depositors Compensation Board (the "Board") was established under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009 (the "Law") and is domiciled in Jersey. Its principal office is 5th Floor, Cyril Le Marquand House, St Helier, Jersey, Channel Islands.

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. The Board has adopted FRS 102 in these audited financial statements. Details of the transition are disclosed in note 14.

3.1 BASIS OF PREPARATION

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value.

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).

The Jersey Bank Depositors Compensation Board

Notes to the Financial Statements For the Year Ended 31 January 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

3.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Board and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates and goods and services tax (GST). The following criteria must also be met before revenue is recognised:

Administration levy income

Revenue from administration levy income is recognised in the period in which the services are provided when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the the Board will receive the consideration due under the contract;

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 that 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 that they relate to.

3.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

3.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

The Jersey Bank Depositors Compensation Board

**Notes to the Financial Statements
For the Year Ended 31 January 2016**

**4. JUDGMENTS 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. ANALYSIS OF INCOME

An analysis of income by class of business is as follows:

	2016 £	2015 £
Administration levy income	100,000	100,000
Other income - write-off gain	-	1,342
	<u>100,000</u>	<u>101,342</u>

6. AUDITOR'S REMUNERATION

	2016 £	2015 £
Fees payable to the the Board's auditor	<u>3,650</u>	<u>3,100</u>

7. TAXATION

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

8. DEBTORS

	2016 £	2015 £
Memberships prepaid	1,354	1,312
Other prepayments	10,258	10,254
	<u>11,612</u>	<u>11,566</u>

The Jersey Bank Depositors Compensation Board

**Notes to the Financial Statements
For the Year Ended 31 January 2016**

9. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash at bank	195,321	128,276
	<u>195,321</u>	<u>128,276</u>

10. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Accruals	9,548	17,199
	<u>9,548</u>	<u>17,199</u>

11. RECONCILIATION OF ADMINISTRATION FUND RESERVE

	2016 £	2015 £
Opening balance as at 1 February	122,643	73,212
Retained surplus for the year	74,742	49,431
Administration fund reserve carried forward	<u>197,385</u>	<u>122,643</u>

12. 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.

13. CONTROLLING PARTY

The Chief Minister (formerly the Minister for Economic Development), carried out the functions of the Board until 5 May 2016. On 2 February 2016 a new Board was appointed by the States of Jersey Assembly with Mr Paul Leary appointed as Chairman. The Chief Minister by notice on 5 May 2016 directed the new Board to assume its functions. In the opinion of the Board, there is no ultimate controlling party or beneficial owner meeting the definitions as prescribed by FRS 102.

The Jersey Bank Depositors Compensation Board

**Notes to the Financial Statements
For the Year Ended 31 January 2016**

14. FIRST TIME ADOPTION OF FRS 102

This is the first year that the Board has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 January 2015.

The date of transition to FRS 102 was 1 February 2015.

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on retained surplus or comprehensive income.