



Jersey Bank Depositors Compensation Board

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

31 JANUARY 2021

R.125/2021



**THE JERSEY BANK DEPOSITORS COMPENSATION BOARD
REPORT AND AUDITED FINANCIAL STATEMENTS
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THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Information

Board members

Paul Leary, Chairman
Peter Shirreffs
Amy Taylor
Tom Fothergill (appointed on 5 October 2020)
Ian Henderson (appointed on 5 October 2020)

Independent auditor

BDO Limited
Windward House
La Route de la Liberation
St Helier
Jersey
JE1 1BG

Bankers

HSBC Bank plc
PO Box 14
27 Halkett Street
St Helier
Jersey
JE4 8NJ

Lloyds Bank International Limited
PO Box 10
9 Broad Street
St Helier
Jersey
JE4 8NG

Accountants

Halford Accountants Limited
Chartered Certified Accountants
Les Sapins
Rue De La Guilleaumerie
St Saviour
Jersey
JE2 7XF

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report for the year ended 31 January 2021

The Jersey Bank Depositors Compensation Board (the "Board") presents its report and the audited financial statements for the year ended 31 January 2021.

Principal activities

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

The functions of the Board are generally to administer the Bank Depositors Compensation Scheme ("DCS"), including establishing and maintaining arrangements in readiness for the possibility of a default of a bank operating in Jersey and administering compensation for any such default. Its function also includes arranging for the publication of information for the public on the operation of the DCS.

An administration levy fee continued to be raised in the current year which was utilised to achieve the above functions and also help maintain a prudent reserve. After discussions between the Board, the Jersey Bankers Association and the Government of Jersey, it was agreed by the External Relations Minister that for the Board to continue to fulfil its functions, it required to maintain the annual levy for 2020/21 at £9,000 per licence holder.

No compensation levy fee was raised as there was no bank default in the current year.

This 12-month period was something of a landmark for the Board in that it worked intensively to develop a new depositor pay-out system to replace a previous solution that had gone beyond its useful life.

After a comprehensive assessment process lasting many months, and working in tandem with experts from the Jersey Bankers Association, the Board entered into a software as a service contract with professional services advisory firm Deloitte LLP to utilise their claims management proprietary software engine CMS Pro to develop a JDCS-tailored pay-out solution. The initial contract was signed in September 2020 and a final version incorporating revisions required by the Board, in December 2020. The Board is content that it managed to achieve excellent value for money in securing the new solution compared to the costs incurred by comparable jurisdictions across Europe.

The new pay-out tool requires bank data to be ingested in the form of a Single Customer File (SCV). Significant progress was made during 2020 in working with banks for them to develop the required SCV files. A deadline of 30 June 2021 is in place for banks to meet the specification issued by the Board.

Other related projects will continue during 2021 to develop required support services and undertake systems testing as the Board works to achieve a claims management solution that is both jurisdictionally appropriate and sufficiently flexible to respond to any default scenario that may occur.

Elsewhere, the Board continued to contribute to the European Forum of Deposit Insurers ("EFDI") and Affiliation of Micro European States (AMES) through attending meetings of the organisations.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Report (continued) for the year ended 31 January 2021

A value for money decision was made by the Board to resign its membership of the International Association of Deposit Insurers on 31 December 2019 due to a proposed significant increase in membership fees. Consequently no fee was levied in 20/21. The Board remains a member of the European Forum Of Deposit Insurers (EFDI) and also a member of the Affiliation of European Micro States (AMES), an EFDI sub-committee of smaller territories.

No payment was made to the Outsourcer in 20/21. This fee was previously levied for support in systems testing. The systems in question were close to redundancy and such testing support would not represent value for money.

Members

Paul Leary, Peter Shirreffs and Amy Taylor were members of the Board throughout the year. Tom Fothergill and Ian Henderson were appointed to the Board on 5 October 2020. Advocate Mark Dunlop resigned from the Board effective 2 February 2020 after completing a four-year term of office. His resignation was formally accepted by the Board at its meeting on 28 January 2020 and he was formally thanked for his exemplary service by way of letter from the Chair dated 9 February 2020.

Results

The Statement of Comprehensive Income of the Board for the year is set out in detail on page 8.

Disclosure of information to auditor

Each of the persons who are members at the time when this Board's Report is approved has confirmed that:

- so far as that member is aware, there is no relevant audit information of which the the Board's auditor is unaware, and
- that member has taken all the steps that ought to have been taken as a member in order to be aware of any relevant audit information and to establish that the the Board's auditor is aware of that information.

Independent auditors

The independent auditor, BDO Limited, has expressed their willingness to continue in office.

This report was approved by the Members on 24 June 21 and signed on their behalf by:

Chairman

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Board's Responsibilities Statement for the year ended 31 January 2021

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 surplus or deficit of the the Board for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies for the the Board's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the entity will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Board's transactions and disclose with reasonable accuracy at any time the financial position of the Board and to enable them to ensure that the financial statements comply with the Law. They are also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Board's affairs as at 31 January 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Banking Business (Deposit Compensation) (Jersey) Regulations 2009.

We have audited the financial statements of The Jersey Bank Depositors Compensation Board ("the Board") for the year ended 31 January 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and notes 1 to 11 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board members' 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 Board'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 Board members with respect to going concern are described in the relevant sections of this report.

Other information

The Board members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Board members

As explained more fully in the Board's Responsibilities Statement, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board members are responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board members either intend to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

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 considered the laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management regarding known or suspected instances of non-compliance with laws and regulations;
- obtaining an understanding of the control environment in place to prevent and detect irregularities; and
- review of minutes of Board meetings throughout the period.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws



and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Board's members, as a body, in accordance with the requirements of the Banking Business (Deposit Compensation) (Jersey) Regulations 2009. Our audit work has been undertaken so that we might state to the Board's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Limited
Chartered Accountants
Jersey, Channel Islands
24 June 2021

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

**Statement of Comprehensive Income
for the year ended 31 January 2021**

	Notes	2021 £	2020 £
Administration levy income		171,000	171,000
Administrative expenses			
Information technology, maintenance and support costs		54,617	38,970
Board members' remuneration		33,125	33,625
Membership fees		3,574	20,669
Outsourcer fees		-	10,000
Professional and secretarial fees		39,759	33,352
Travel and subsistence		-	1,419
Auditor's fees	4	3,662	3,833
Accountancy fees		600	1,175
Conferences and training		460	783
Telephone charges		1,247	1,085
General office expenses		2,044	1,149
Insurances		8,092	7,728
Bank charges		481	1,283
Total administrative expenses		<u>147,661</u>	<u>155,071</u>
Operating profit		23,339	15,929
Interest receivable		15	182
Total net comprehensive profit for the year		<u>23,354</u>	<u>16,111</u>

All amounts relate to continuing operations.

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

There was no other comprehensive income for 2021 (2020 : £NIL).

The notes on pages 10 to 14 form part of these financial statements.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD
Statement of Financial Position
as at 31 January 2021

	Notes	£	2021 £	£	2020 £
Current assets					
Debtors	5	162,738		4,652	
Cash at bank and in hand	6	<u>198,062</u>		<u>171,535</u>	
		360,800		176,187	
Creditors: amounts falling due within one year	7	(174,002)		(12,743)	
Net current assets			186,798		163,444
Net assets			<u>186,798</u>		<u>163,444</u>
Represented by:					
Retained surplus	8		186,798		163,444
Total administrative reserve fund			<u>186,798</u>		<u>163,444</u>

These financial statements on pages 8 to 14 were approved and authorised for issue by the Board and were signed on their behalf on 24 June 21

Chariman

The notes on pages 10 to 14 form part of these financial statements.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD
Notes to the financial statements
for the year ended 31 January 2021

1 Accounting policies

General information

The Jersey Bank Depositors Compensation Board (the "Board") was created by the Banking Business (Depositors Compensation) (Jersey) Regulations 2009 (the "Law") and is domiciled in Jersey. The Board consists of five appointed members assisted by a representative of the States of Jersey.

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" (FRS102) effective 1 January 2015. The financial statements have also been prepared in accordance with the Law, which came into force on 6 November 2009, which was subsequently amended on 2 October 2012 by the Banking Business (Depositors Compensation) (Amendment and Miscellaneous Provision) (Jersey) Regulations 2012 and further amended on 28 January 2020 by the Banking Business (Depositors Compensation) (Amendment No 20 (Jersey) Regulations 2020.

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.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The financial statements of the Board are presented in British Pounds ("£"), being the functional currency of the Board. The Board has determined its functional currency based on its primary economic environment.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the entity's accounting policies (see note 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 2021

1 Accounting policies (continued)

Going Concern

The Board has prepared the financial statements on a going concern basis. The Board considers this to be appropriate as they are in a position to raise administration levies on banking groups in Jersey according to the financial needs of the Board and in particular its recurring administrative costs in a particular period. The Board prepares a budget on an annual basis to project its future financial needs and is satisfied there are sufficient funds to continue as a going concern.

Revenue

Under the Law the Board can raise two types of levy income:

a) Administration levy income

Levy income is raised by the Board on an annual basis to enable it to meet its recurring administrative costs in each registration year. The level of levy is decided by the Board and is payable by each bank registered on the island of Jersey under the Banking Business (Jersey) Law 1991. Administration levy income is recognised on accruals basis and applies for the whole year in which each bank was registered.

b) Compensation levy income

Compensation levy applies if any of the banks registered in Jersey becomes bankrupt.

A bank that is not in default is liable to pay a compensation levy, in respect of the bank that is in default, if;

- (i) the Board publishes a notice specifying the relevant date in respect of the bank in default; and
- (ii) the bank that is not in default held eligible deposits on that relevant date.

The total amount of the compensation levies to be paid by the banks liable to pay such a levy in respect of a bank in default will have to be sufficient to raise such amount as the Board estimates will be necessary to meet payment by it of compensation in respect of the bank in default and the Board's default-related administrative costs in that respect.

Administrative expenses

Administrative expenses are charged to the Statement of Comprehensive Income and recognised on an accruals basis in relation to the period they relate to.

Finance costs

Finance expenses are charged to the Statement of Comprehensive Income and recognised on an accruals basis in relation to the period they relate to.

Debtors

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

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

Notes to the financial statements for the year ended 31 January 2021

1 Accounting policies (continued)

Cash and cash equivalents

Cash is represented by cash on hand and demand and deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Creditors

Short term creditors are measured at the transaction price.

Operating leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest income is recognised in the Statement of Comprehensive Income on an accruals basis.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Board considers there to be no estimates or judgements.

3 Taxation

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

4 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the Board's auditor	<u>3,662</u>	<u>3,833</u>

5 Debtors

	2021	2020
	£	£
Other debtors and prepayments	<u>162,738</u>	<u>4,652</u>

The significant increase in prepaid costs compared to the prior year relates to a supplier invoice received in January 2021 in the sum of £162,800 for the annual subscription fee for CMS Pro Saas delivery. This amount payable is included in trade creditors in note 7 below as the invoice was settled following year end.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD
Notes to the financial statements
for the year ended 31 January 2021

6 Cash and cash equivalents	2021	2020
	£	£
Cash at bank	<u>198,062</u>	<u>171,535</u>

7 Creditors: amounts falling due within one year	2021	2020
	£	£
Trade creditors	164,455	1,778
Accountancy accrual	600	600
Audit accrual	3,500	3,500
Other taxes and social security costs	1,729	2,236
Other creditors	<u>3,718</u>	<u>4,629</u>
	<u>174,002</u>	<u>12,743</u>

The large increase in trade creditors at year end is detailed in note 5.

8 Retained surplus	2021	2020
	£	£
At 1 February	163,444	147,333
Profit for the year	<u>23,354</u>	<u>16,111</u>
At 31 January	<u>186,798</u>	<u>163,444</u>

9 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.

The Board's operational income comprises the collection of an annual levy from licensed banks. Covid-19 has not impacted income as the Board has collected all expected levies for the next financial year 2021/22. In respect of the potential impact of Covid-19 on the banking sector in Jersey, the Board is in regular communication with the Jersey Financial Services Commission, the Government of Jersey and the Jersey Bankers Association and closely monitors the position. The Board exists to be ready to deal with compensation pay-outs in the event of a bank default and is mindful of the associated risks arising from the potential economic impact of the Covid-19 pandemic.

THE JERSEY BANK DEPOSITORS COMPENSATION BOARD
Notes to the financial statements
for the year ended 31 January 2021

10 Other financial commitments

2021	2020
£	£

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

Operating leases which expire:

within one year

154,467	-
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within two to five years

245,967	-
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<u>400,434</u>	<u>-</u>
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The operating lease relates to a software service contract (CMS Pro proprietary software) which is being provided over a term of 5 years from 1 January 2021.

11 Controlling party

In the opinion of the Board, there is no ultimate controlling party or beneficial owner meeting the definitions as prescribed by FRS 102.