JERSEY RESOLUTION AUTHORITY

Annual Report 2023

R.95/2024

JERSEY RESOLUTION AUTHORITY

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Information

Members of the Jersey Resolution Authority	Mike Mitchell (Chair) Katherine Hitchins (Deputy Chair) Jill Britton Monique O’Keefe
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Independent auditors	PKF BBA Audit and Assurance Limited 9 Bond Street St Helier, Jersey JE2 3NP
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Report on Operations for the year ended 31 December 2023

Principal activities

The Members of the Jersey Resolution Authority (collectively "the Board") present the report on operations and the audited financial statements for the year ended 31 December 2023.

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 provision of critical functions in Jersey;
- protect and enhance the stability of the financial system in Jersey, including preventing contagion and maintaining market discipline;
- protect and enhance public confidence in the stability of the financial system in Jersey;
- protect public funds;
- protect eligible depositors to the extent they have covered deposits (deposits covered by Jersey's Deposit Compensation Scheme); and
- protect client assets.

Accountability

Chair Overview

I am very pleased to report that 2023 was a year of continued progress towards our mission to operate a robust and credible recovery and resolution regime to manage bank failure effectively for the island of Jersey.

I would like to thank Jersey's Banks, the Government of Jersey, and the Jersey Financial Services Commission ("JFSC"). All these stakeholders have found the time and capacity to support our work despite other significant priorities, notably of course the substantial work required to contribute to Jersey's Moneyval assessment process.

These stakeholders have helped our team deliver some key outputs:

› In March, we agreed resolution strategies for each bank operating on the island. This is an essential building block for our regime.

› In April, we issued our Consultation Paper on our Approach to Resolution Planning and Resolvability and in August, we were able to publish our final Policy Statement – this document sets out the framework by which we will assess the resolvability of Jersey's banks.

› In June, we reviewed our mission and strategic objectives and subsequently shared the outcome with our key stakeholders and published it on our website. Our mission remains, but we have refined our objectives and plans in the light of our experience.

- In November, we led a very important scenario exercise with other members of the Bank Resolution Planning Group ("BRPG") comprising Government, JFSC, Jersey Bank Depositors Compensation Scheme ("JDCS") and JRA representatives. This session enabled us to "road test" our Resolution Playbook and other Authorities' preparedness. It worked well but highlighted a number of actions for us all to address over the next few years.
- In December, we issued a Position Paper in respect of our proposed approach to setting Minimum Requirements for own funds and Eligible Liabilities ("MREL") – this an essential element of any resolution regime. Recognising the challenge of balancing the benefits and costs of MREL and listening to feedback, we have extended the timeframe over which Jersey Incorporated Banks will need to meet MREL.

I would like to recognise the challenges we have faced. Whilst we have made very good progress with the implementation of Jersey's resolution regime, in common with other jurisdictions, implementing a robust resolution regime takes several years. Our initial aspirations have been moderated by experience and we now plan to complete our initial policy programme by the end of 2026, rather than 2023. We have paused work to finalise some of our internal processes due to other priorities and a lack of available expertise and capacity. The Board is comfortable that we have addressed high risk areas, and we will resume this work when we are up to normal staffing levels.

I have been very pleased with two assessments which we undertook last year:

- In June, the Board received a Board Evaluation Report from our excellent secretary. We scored highly on the quality of the Board Meetings, board education sessions and the quality of information provided to the Board. However, we have work to do to improve the review of our risk landscape and we need to upgrade our work on board composition, especially in the light of the Government's proposals to transfer the functions of the JDCS to the JRA by the end of 2024.
- In July we conducted a survey of our key stakeholders which we supplemented with some in-depth conversations – the results were excellent with 85% of respondents rating their most recent engagement as 8 or more out of 10 and all but one respondent agreeing or strongly agreeing with statements regarding how well we have kept them informed, been proactive, timely, and responsive.

2024 will be a very important year for us as we continue to roll out our policy programme but also because of the Government of Jersey's plan for us to take over the functions of the JDCS. Important new legislation is required to facilitate this and will shortly move into the drafting phase – planning the operational changes will consume resource and energy this year but the Board is determined to be fully prepared for this material expansion of our responsibilities.

I am indebted to my Board who have again given me outstanding support and to our small executive team led by the Head of the JRA, and ably assisted by our Resolution Officer.

I am proud of our achievements in 2023 but recognise that we will need to work very hard in 2024 to deliver on our objectives. I am confident that we have the team to do so.

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 JDCS Board on 11 March 2023 with the aim to facilitate the transfer of responsibility for the JDCS to the JRA by the end of 2024.

The following persons were members of the Authority during the year 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 2023 it met five times (four in person and one virtual) with a further five informal and educational sessions. Three members of the Authority attended all five Board meetings with the fourth attending three Board meetings.

The main topics considered by the Board during 2023 were:

- Determination of which banks perform critical functions and consideration of group resolution strategies in place in relation to Jersey banks;
- Policy Statement 2023/01 'Resolution Planning and Resolvability' (our Resolution Framework), which was published in August 2023;
- Our planned approach to the MREL and guidance in respect of Operational Continuity in Resolution and Communication Planning;
- The JRA's strategy for 2024 – 2026; and
- Our 2024 budget and funding paper.

The Board is committed to high standards of governance. In this respect, the Board uses the Financial Reporting Council's UK Corporate Governance Code 2018 as guidance.

During 2023 we performed an internal review of Board performance. The exercise, which was completed in June 2023, resulted in five actions covering board composition, succession planning, stakeholder engagement, risk management and Board training. These actions have been well progressed, including creating a combined Board skills matrix, performing a risk deep dive and provision of Board educational sessions. We plan to perform a review of board composition in Q2 2024 and are considering options for an external review of governance arrangements in 2025.

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.

The JRA's staff benefit from access to the JFSC's internal training programmes and have also attended external courses relating to bank resolution and financial analysis during the year.

On the grounds of confidentiality, it is not felt appropriate to disclose details of staff remuneration. However, the table below sets out Board remuneration:

Members of the Authority	2023	2022
Mike Mitchell (Chair)	£25,000	£22,916
Katherine Hitchins (Deputy Chair)	£15,000	£13,750
Monique O'Keefe	£10,000	£9,167
Jill Britton	Nil*	Nil*
	£50,000	**£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 as at 31 December 2023 was 60%:40% (2022: 67%:33%). However, for confidentiality reasons, publication of further statistics is not deemed appropriate.

Sustainability and the Environment

The JRA is committed to ensuring we operate in a sustainable fashion and reduce our impact on the environment. We aim to make a positive contribution to Jersey's community and the wider environment.

Since inception we have operated a largely paperless office environment. Additionally, we make use of modern video meeting capabilities to reduce costs and help reduce the impact of business travel on the environment. During 2023 LED lighting was installed to reduce energy consumption.

JRA staff participate in JFSC initiatives such as Mental Health Awareness week, Second-hand September, and other charitable events. Staff can dedicate up to two days every year to volunteer for their chosen charitable causes or environmental projects.

All staff benefit from private medical insurance, including mental health provisions, and attend JFSC led training on equality and anti-discrimination.

As a small organization we do not have the resource capacity to develop sustainability metrics, however, we plan to continue to leverage JFSC capabilities and green initiatives wherever possible. Additionally, as plans progress to transfer responsibility for the JDCS to the JRA, we will consider how we can contribute to financial literacy education.

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 has implemented 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

2023 saw us review and refresh our strategy for the next three years, with our updated strategy being published in December. It represents an evolution of our initial strategy set in May 2022. Our mission, which remains unchanged, is to operate a robust and credible regime to manage bank failure, reduce risk, and protect the Jersey economy.

Reflecting on our May 2022 strategy it became clear during 2023 that our original goal to implement Jersey's resolution regime, including resolution plans for all Jersey Banks, by end 2023 was unrealistic both in terms of the time required to develop associated policy and time needed for banks to implement required capabilities. We have made good progress towards that goal, however, when developing our Resolution Framework we identified a need to apply a phased rollout to implementation.

Banking failures in the US and Europe in the first half of 2023 have reconfirmed the importance of implementing an effective resolution regime to help protect Jersey's economy and public funds.

We believe the three-year phased rollout of Jersey's resolution regime, which we set out in Policy Statement 2023/02 'Resolution Planning and Resolvability', achieves a reasonable balance between ensuring resolvability of Jersey Banks, giving them sufficient time to address our requirements, and factoring in our resource capacity.

Our updated strategy aligns to this three-year phased rollout and captures other key areas of focus such as:

- 2024: Preparing for the transfer of responsibility for the JDCS;
- 2025: Updating our determination of banks' Critical Functions; and
- 2026: Completing our first full resolvability assessment of Jersey Banks.

The table on the following pages sets out our updated Strategic Goals, our performance against them during 2023 as well as the main priorities for the year ahead.

Strategic Goal	Progress during 2023	Priorities in 2024
Develop effective strategic relationships with our key stakeholders (especially international regulators, Jersey's banks, the JFSC and the Government of Jersey).	› Two well received workshops with Jersey Banks as part of our consultation in relation to our Resolution Framework. › Stakeholder feedback through face-to-face meetings and an online survey (July 2023). Responses were very positive, and we have acted on feedback, including enhancing policy and guidance content on our website. › Continued to engage positively with home resolution authorities although progress towards formal cooperation agreements has been slower than originally hoped. › Monthly engagement with all key domestic stakeholders now fully embedded.	› Work with Government, the JDCS Board and the JFSC in relation to the transfer of responsibility for the JDCS to the JRA. › Continued engagement with the JFSC on policy matters (MREL, Valuations, Restructuring and Governance). › Work with the JFSC to begin integration of resolution planning and resolvability into supervisory processes. › Continue to build our relationships with Home Resolution Authorities, including in respect of group resolvability assessments undertaken.
Develop and maintain Jersey's Resolution Framework, where appropriate in line with international standards and developments.	› Developed and published our Resolution Framework (Policy Statement 2023/01 'Resolution Planning and Resolvability'), which sets out a three-year phased rollout of Jersey's resolution regime. › Developed and consulted on guidance notes relating to Operational Continuity in Resolution (OCiR) and Communication Planning. Publishing final versions was delayed slightly to February 2024. › Developed our planned approach to MREL, engaging with relevant Jersey Banks, home resolution authorities and the JFSC. › We listened to feedback from Jersey Banks and, as set out in our MREL Position Paper issued in December, we delayed implementation and now propose rolling out MREL over a four-year period starting end 2024.	› In February we issued a Feedback Paper and published our guidance notes in relation to OCiR and Communication Planning. › Finalise our MREL Policy Statement, consulting with relevant Jersey Banks, the JFSC and home resolution authorities. › Develop and consult on our Valuations Standard and Data Set as well as guidance in relation to Restructuring and Governance. › Consult in relation to our approach to determining Critical Functions and associated Data Collection template, including working with Jersey Banks and the JFSC to ensure appropriate definitions for key customer segments.

Strategic Goal	Progress during 2023	Priorities in 2024
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).	› Finalised our determination of bank Critical Functions. › Combined work on Critical Functions and our understanding of group resolution plans to determine our Preferred Resolution Strategy for each Jersey Bank. › Our work understanding group resolution plans confirmed that 12 out of 18 banking groups operating in Jersey have bail-in resolution strategies in place at a group level (representing 94% of Total Bank Deposits in Jersey as at 31 December 2023). › Developed a Resolution Playbook, which will assist the JRA and other agencies in the period leading up to, during and after a bank resolution. › Began considering practical steps that would help facilitate the sale of a Jersey Bank during resolution, should the need arise. › In November, we coordinated and ran a walkthrough scenario with involvement of all members of Jersey's Bank Resolution Planning Group ("BRPG"). The exercise helped identify several additional practical steps that can be taken as we develop our resolution capabilities.	› By end March 2024, banks are required to provide an update on progress towards ensuring they can meet requirements relating to OCiR and Communication Planning. We will review these updates and feed back to banks. › Bilateral engagement with banks ahead of their self-assessments in relation to OCiR and Communication Planning, due 31 December 2024. › Consider further practical steps to enhance our capability to resolve a Jersey Bank. › Progress actions arising from the BRPG walkthrough, including enhancing our Resolution Playbook where necessary. › Commence work to develop a panel of professional services firms that can assist the JRA in a resolution event.

<table>
<tr><th>Strategic Goal</th><th>Progress during 2023</th><th>Priorities in 2024</th></tr>
<tr><td>Develop and maintain fit for purpose governance and operating frameworks including processes, systems and people.</td><td>› Internal Board performance review completed in June with actions arising completed or well progressed.
› Board educational sessions are a standing Board agenda item.
› Separate educational sessions covering lessons from 2023 bank failures, financial stability, and the macroeconomic climate.
› Staff attended training sessions relating to removing resolution barriers, bank financial analysis as well as the JFSC’s Enterprise Leadership Training.
› Continued implementing internal policies and procedures.
› In Q4 we commenced work to prepare operationally for the transfer of DCS responsibilities to the JRA.
› Commenced recruitment of our new Resolution Officer.</td><td>› Prepare operationally for the transfer of DCS responsibilities to the JRA. Principal areas of focus include:
- JRA resourcing and Board composition, including recruitment of additional staff and Board members;
- Review and transfer of the DCS’s payout tool and associated external service provider;
- Transfer of DCS records; and
- Training for Staff and the Board.
› Update internal Board performance review, using output to inform future Board composition.
› In January we completed recruitment of our new Resolution Officer, who will join us in May.
› Provision of training to new and existing staff.</td></tr>
</table>

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 recognise that further work is required to develop Jersey's resolution regime in line with the three-year phased rollout set out in Policy Statement 2023/01 'Resolution Planning and Resolvability'.

We continue to maintain a RAID log setting out risks, assumptions, issues, and dependencies associated with our activities. The RAID log is maintained by staff and reported to the Board on a quarterly basis. In January 2024 we performed a Risk Deep dive to enable a more holistic consideration of risks. We anticipate developing this further during 2024, including enhanced risk reporting to the Board.

The table below sets out the main risks to the JRA that we have identified and the 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	The JRA is a small organisation and there is a natural limit to the amount that can be achieved with a team of two full time staff. Where possible, we seek to leverage the knowledge and experience of the JFSC and of other resolution authorities. Our operating model necessitates that, in a time of crisis, the JRA would need to utilise additional external resource. During 2024 we plan to commence work 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. The Board recognises that our small size also gives rise to Key Person risk; this risk has been emphasised as we have operated with a vacancy (50% headcount) since the end of November 2023. The vacancy has been filled and we welcome our new Resolution Officer at the start of May. During 2024 we will review staffing levels in light of our expanding remit in respect of Jersey's DCS. This risk also encapsulates the capacity and skills of the Board. Whilst to date this has not been a major concern, considering the planned transfer of DCS responsibilities to the JRA, a review of Board composition will take place during the first half of 2024.
Transfer of DCS responsibilities to the JRA could adversely impact our ability to complete planned activities relating to resolution.	During 2024 we will be working closely with the JDCS Board and Government to prepare for the transfer of responsibilities for the JDCS to the JRA. This preparation activity could divert the JRA's limited resources from resolution planning activities. We factored this risk into planning for 2024 and, as set out in our 2024 Funding Paper, we have budgeted to bring in additional external resource to support JRA staff and reduce the potential for this risk to crystalise. We will monitor this during 2024 and, if needed, take additional steps to minimise the impact on our resolution policy and planning activities.

Risk Area	Work underway or planned to mitigate the risk
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 have agreed a process with Government 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.
Lack of capacity 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. The nature of Jersey's banking sector was factored into the development of the Resolution Framework set out in Policy Statement 2023/01 'Resolution Planning and Resolvability', published in August 2023. We have made it clear to banks that, whilst group resolution planning activities can be used to demonstrate local requirements, this does not mean banks can simply assume that no further work is necessary at a local level. At the end of March 2024, Jersey Banks will provide us with an update on their progress towards implementing requirements for Operational Continuity and Communication Planning. This will enable the JRA to gauge banks' capacity and capabilities.
Adequacy of legislation	Jersey's Resolution Law was developed based on the EU's Bank Recovery and Resolution Directive and the UK's Banking Act. However, it has not been updated to reflect evolution of the EU or UK resolution regimes. Whilst we are comfortable that the Resolution Law contains the provisions that would be expected for an effective resolution regime, as we work through detailed policy development and resolution planning activities, we may identify parts of the law that need to be clarified or enhanced. An example of this, highlighted via the MREL Position Paper we issued in December 2023, relates to implementation of MREL and associated contractual bail-in requirements. As we progress this area of policy development during 2024, we will work with Government to address any required changes to legislation. In the longer term we anticipate the need to perform a holistic review of the Resolution Law to ensure it continues to align to international standards.

Operations

The JRA outsources operational activity to the JFSC by way of a Master Services Agreement (MSA) and associated Statements of Work. This includes services related to Human Resources, Information Technology, Facilities and Premises, Finance, Secretariate, Legal, Data Protection and Communications support.

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.

Monthly 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.

Financial Performance Review

The results for the year are set out in the Income Statement on page 22. During the year, the Authority incurred a deficit of £8,217 (2022: surplus of £108,139).

The 2023 deficit has arisen from additional external consultancy costs that were partially offset by cost savings.

In April 2023 we identified a need for additional resource to support our programme of work in 2023. The Board approved an additional spend of £50,000. This was anticipated to be funded through a combination of our existing budget for legal and professional fees, the budgeted surplus for 2023 and lower than budgeted staff costs.

Whilst staff and other operating costs were under budget for 2023, this was not to the extent originally anticipated because of additional staff related costs incurred in the second half of 2023 along with additional professional fees.

Accumulated reserves of the Authority as at 31 December 2023 totalled £99,922 (2022: £108,139). Accumulated reserves are above the JRA's Minimum Reserves Level of £68,500 but below our Target Reserve Level of £137,000.

On 18 December 2023, the Authority issued a 2024 Funding Paper setting out its budget and proposed Annual Administration Levy for 2024. The JRA's budgeted expenditure for 2024 has been set at £486,350 (a 22% increase versus 2023 budgeted costs of £398,500). £75,000 of this increase relates to non-recurring costs with recurring costs budgeted to be only 3% higher than in our 2023 budget. On 29 February 2024, the JRA issued notices to Jersey Banks in respect of the 2024 Annual Administration Levy, which totals £495,500. Accordingly, the Authority expects to generate a small surplus during 2024.

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.

Whilst the Authority incurred a deficit in 2023, accumulated reserves remain above the Minimum Reserve Level. Additionally, as noted above, the JRA expects to generate a small surplus during 2024, 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. These include:

Macroeconomic conditions could put pressure on banks and hence increase the likelihood of a bank failure. Global macroeconomic conditions remain challenging, the spring of 2023 saw high-profile banking collapses in the US and Switzerland, and global geopolitical tensions have increased. Whilst there are no immediate concerns in relation to Jersey's banking industry, we continue to work closely with banks and the JFSC to understand what, if any, pressures are impacting Jersey Banks.

Evolving banking regulation could present challenges and bring benefits from a resolvability perspective. During 2023 we worked with the JFSC to develop our approach to MREL and help ensure this would align to the JFSC's approach to implementing Basel 3. This work will continue during 2024. Regulators and Resolution Authorities in other jurisdictions continue to consider learnings from the bank failures in the spring of 2023. The JRA continues to monitor these developments and factor the lessons learned into our development of future policy statements and guidance.

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. 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 or deficit of the Authority for that year. 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 operation.

The Board is 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 is 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 year 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

PKF BBA Audit and Assurance Limited act as independent auditors to the Authority.

This report was approved by the Board on 25 March 2024 and signed on its behalf by:

M. F. Mitchell (Chair)

Independent Auditor’s Report to the Members of the Jersey Resolution Authority for the year ended 31 December 2023

Opinion

We have audited the financial statements of the Jersey Resolution Authority (the “Authority”) for the year ended 31 December 2023 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 2023 and of its result for the year then ended;
- give a true and fair view of the state of the Fund’s affairs as at 31 December 2023 and of its income and expenditure for the year 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 22, 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: 25/03/2024

Income Statement

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Income			
Administration Levy	5	416,500	400,000
Total income		416,500	400,000
Expenses			
Administrative service fee	12	75,000	50,000
Members' fees	12	50,000	45,833
Staff costs	12	212,413	167,079
Other administration costs	12	87,304	28,949
Total expenses		424,717	291,861
Net (deficit)/surplus for the year	6	**(8,217)**	**108,139**

All the items dealt with in arriving at the net (deficit)/surplus relate to continuing operations.

There are no recognised gains and losses in the current period other than those included in the net (deficit)/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 2023

	Notes	2023 £	2022 £
Fixed assets			
Intangible assets	7	2,635	3,151
Tangible fixed assets	8	1,175	2,199
		3,810	5,350
Current assets			
Debtors	9	7,220	7,177
Cash and cash equivalents		171,169	170,274
		178,389	177,451
Creditors: amounts falling due within one year			
Creditors	10	82,277	74,662
		82,277	74,662
Net current assets		96,112	102,789
Net assets		**99,922**	**108,139**
Represented by			
Accumulated reserves		99,922	108,139
		99,922	**108,139**

The financial statements on pages 22 to 32 were approved and authorised for issue by the Authority on 25 March 2024, 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 year ended 31 December 2023

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 year 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).

Comparative information presented in these financial statements is for the period from the date of establishment of the Authority, 31 January 2022, to 31 December 2022. Accordingly, performance related comparative figures are not directly comparable to those of the current year.

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 year ended 31 December 2023

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.

Whilst the Authority incurred a deficit in 2023, accumulated reserves remain above the Minimum Reserve Level. On 18 December 2023, the Authority issued a Funding Paper setting out its budget and proposed Annual Administration Levy for 2024. Based on this the Authority expects to generate a small surplus during 2024, 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 year ended 31 December 2023

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 the income statement.

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 year ended 31 December 2023

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 year ended 31 December 2023

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

	Year ended 31 December 2023 £	**Period ended 31 December 2022 £**
Annual administration levies	416,500	400,000

Annual administration levies were levied in accordance with Article 16 of the Resolution Law.

Notes to the financial statements (continued)

For the year ended 31 December 2023

6 Net (deficit)/surplus for the year

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

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Audit fees	10,573	10,000
Depreciation	1,540	1,341
	12,113	**11,341**

7 Intangible assets

	Computer systems £	Total £
Cost		
Balance at 1 January 2023	3,625	3,625
Additions during the year	-	-
At 31 December 2023	3,625	3,625
Amortisation		
Balance at 1 January 2023	(474)	(474)
Charge for the year	(516)	(516)
At 31 December 2023	(990)	(990)
Net book value at 31 December 2023	**2,635**	**2,635**
Net book value at 31 December 2022	3,151	3,151

The principal additions during 2022 related to the initial set up of computer systems for the Authority.

Notes to the financial statements (continued)

For the year ended 31 December 2023

8 Tangible fixed assets

	Computer systems £	Total £
Cost		
Balance at 1 January 2023	3,066	3,066
Additions during the year	-	-
At 31 December 2023	3,066	3,066
Accumulated depreciation		
Balance at 1 January 2023	(867)	(867)
Charge for the year	(1,024)	(1,024)
At 31 December 2023	(1,891)	(1,891)
Net book value at 31 December 2023	**1,175**	**1,175**
Net book value at 31 December 2022	2,199	2,199

9 Debtors

	2023 £	2022 £
Prepayments	7,220	7,177

10 Creditors

	2023 £	2022 £
Trade creditors	2,135	-
Accruals	16,667	11,159
Other creditors	63,475	63,503
	82,277	**74,662**

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

Notes to the financial statements (continued)

For the year ended 31 December 2023

11 Financial instruments

The Authority's financial instruments are analysed as follows:

	2023 £	2022 £
Financial assets		
Financial assets measured at amortised cost	178,389	177,451
Financial liabilities		
Financial liabilities measured at amortised cost	82,277	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 ("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 (last updated 13 October 2023) 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 £75,000 by the JFSC in 2023 for the services under the MSA (2022: £50,000).

During 2023 the JFSC also recharged the Authority for costs it paid on the Authority's behalf including reimbursement of staff costs of £206,674 (2022: £167,079); Members' fees of £nil (2022: £41,667); and other administration costs of £6,935 (2022: £27,228).

The amount payable to the JFSC as at the year-end was £63,475 (2022: £63,503) (Note 10).

Notes to the financial statements (continued)

For the year ended 31 December 2023

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 year was £50,000 (2022: £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 29 February 2024, the Authority issued notices to all Jersey Banks setting out the 2024 Annual Administration Levy. The total amount levied of £495,500 (2023: £416,500) is in line with the 2024 Funding Paper issued by the Authority on 18 December 2023.

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 year ended 31 December 2023

	Year ended 31 December 2023 £	Period ended 31 December 2022 £
Income	-	-
	-	-
Expenditure	-	-
	-	-
Retained funds as at 31 December	-	-

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 (2022: £nil).