

Funding the Jersey Resolution Authority

1 Executive Summary

Overview

- 1.1 The Jersey Resolution Authority (the **JRA**) is being established under the Bank (Recovery and Resolution) (Jersey) Law 2017 (the **BRRJL**) to minimise the impact of a bank failure and to ensure public funds are protected.
- 1.2 This paper has been sent to all **Registered Banks** (those registered with the Jersey Financial Services Commission (**JFSC**) under the Banking Business (Jersey) Law 1991) to provide details of the annual levy that the *JRA* will require to fund its operations in 2022.
- 1.3 Specifically, it is proposed to levy *Registered Banks* a total of £400,000, allocated amongst them in the same proportions used by the *JFSC* when calculating Banking fees.

Feedback

- 1.4 Comments are invited from interested parties on the proposals, by 30 November 2021, which should be sent to Mike Mitchell, the Chair Designate of the *JRA* at:
 - M.Mitchell@jerseyfsc.org
- 1.5 Comments will be shared with the *JFSC*, who are supporting the *JRA*'s operationalisation.

Next steps

- 1.6 The *JRA* will update *Registered Banks* on its plans in this respect, once it is operational, which is expected to be in January 2022.
- 1.7 It is the intention that the annual administrative levy for 2022 will be declared in the first quarter of 2022. A Notice will be sent to each *Registered Bank*, providing details of the invoice amount and the date payable.

2 The JRA

Overview

- 2.1 The *JRA* will play a key role in upholding Jersey's status as a leading international finance centre by:
 - reducing the risk of financial loss due to bank failure
 - protecting and enhancing the reputation and integrity of Jersey; and
 - considering the best economic interests of Jersey.

- 2.2 The *JRA* will implement a bank resolution regime in Jersey in line with the *BRRJL* and will work closely with the *JFSC* and other stakeholders to ensure that the new Authority establishes a regime which is robust, practical and proportionate.
- 2.3 The Government decided that the *JRA* would be established as an independent entity with its own board and a small team of people to implement the regime. However, Mike Mitchell, the Chair Designate, is determined that the *JRA* will be established at the lowest possible cost to Jersey's banking industry, and will be working closely with Jill Britton, the Interim Deputy General of the *JFSC* to ensure that the *JRA* will leverage the existing resources and expertise of the *JFSC*.
- 2.4 Nevertheless, the successful implementation of the resolution regime will require an independent board with knowledgeable and capable members, and staff with experience and knowledge of banking resolution. The working level team will be just two members of staff but we have needed to ensure the reward packages are sufficient to attract the right people.
- 2.5 We have set out below the key elements of our proposed budget for 2022, and have sought to be as transparent as possible at this early stage

Annual administrative levies

- 2.6 Article 16 of the *BRRJL* empowers the *JRA* to raise an annual administration levy to meet its funding need.
- 2.7 The *JRA* is required to determine how much the levy is both in aggregate and for each *Registered Bank* and communicate this by Notice.
- 2.8 The Notice will specify (1) the amount, (2) the method of calculation and (3) the date by which it is payable.
- 2.9 Article 16 also provides for additional levies to be raised, should circumstances dictate that they are necessary.

3 Proposals

Annual administrative levy for 2022

- 3.1 The projected annual cost of the *JRA* is £400,000, and hence the total annual levy requirement, is made up of the following:
- Board member remuneration: £50,000
 - Support services provided by the *JFSC*: £50,000
 - Other costs: £300,000
- 3.2 There are no contingencies or reserves built into this proposal. The *JRA* Chair designate considers these costs to be a reasonable estimate of the costs that will be incurred by the *JRA* on an annual basis, it may be that there are variances to these costs which will need to be recovered by way of future levies, or would be discounted as a reduction in future levies.
- 3.3 It is proposed to levy banks in the same proportions used by the *JFSC* when determining Banking fees.

Future annual administrative levies

- 3.4 In the absence of a financial crisis impacting on Jersey banks, we intend to maintain a small team with limited overheads. In the event of a crisis, additional costs will undoubtedly occur, which may necessitate additional levies being raised.
- 3.5 Other than in such extraordinary circumstances, the *JRA* does not expect to use the power to levy additional amounts.