



JRA Funding in 2025

Issued: 06 December 2024

Glossary of terms

Defined terms are indicated throughout this document as follows:

Branch	The Jersey Branch of an Overseas Incorporated Bank
Jersey Bank	A person registered to carry on deposit-taking business in or from within Jersey under the Banking Law
Jersey DCS	Jersey Bank Depositors Compensation Scheme
JFSC	Jersey Financial Services Commission
JRA	Jersey Resolution Authority
Resolution Law	Bank (Recovery and Resolution) (Jersey) Law 2017
Subsidiary	shall be construed in accordance with Article 2 of the Companies Law

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1 Executive Summary

1.1 Overview

- 1.1.1 The JRA is established under the Resolution Law to minimise the impact of a bank failure and to ensure public funds are protected. The JRA is independent from Government and the Jersey Financial Services Commission (JFSC). The JRA is funded by industry.
- 1.1.2 This paper has been sent to all Jersey Banks to provide details of the annual levy that the JRA will require to fund its operations in 2025.
- 1.1.3 Our proposed levy for 2025 is £481,700 (3% lower than 2024: £495,500).
- 1.1.4 Our 2025 levy relates only to recurring costs as we plan to fund non-recurring costs from our forecast surplus for 2024 (see 3.2 below). Additionally, we do not intend to levy to build our reserves (see 3.3 below).
- 1.1.5 Our 2025 budget factors in recruitment of a third staff member in Q2 2025 to ensure we are prepared to take on responsibility for the Jersey DCS at the end of 2025.
- 1.1.6 Having amended the methodology used to allocate our administration levy across Jersey Banks in 2024, we do not intend to make any amendments for 2025.

1.2 Feedback

- 1.2.1 Comments are invited from interested parties on the proposals by 31 January 2025.
- 1.2.2 Comments should be sent to Martin Edwards, Head of the JRA at: m.edwards@jerseyfsc.org
- 1.2.3 Comments may be made anonymously via Lisa Springate at Jersey Finance Limited: Lisa.Springate@jerseyfinance.je
- 1.2.4 Comments received may be shared with the JFSC to the extent necessary to facilitate completion of the JRA's budgeting and annual administration levy process.

1.3 Next Steps

- 1.3.1 We will consider any feedback received and, if necessary, publish a Feedback Paper in the first quarter of 2025.
- 1.3.2 It is intended that the annual administration levy for 2025 will be declared in the first quarter of 2025.
- 1.3.3 A Notice will be sent to each Jersey Bank, providing details of the invoice amount and the date payable.

2 The JRA

2.1 Overview

- 2.1.1 The JRA is established under the Resolution Law to minimise the impact of a bank failure and to ensure public funds are protected. The JRA is independent from Government and the Jersey Financial Services Commission.
- 2.1.2 The JRA plays a key role in upholding Jersey's status as a leading international finance centre by:
 - 2.1.2.1 reducing the risk of financial loss due to bank failure;
 - 2.1.2.2 protecting and enhancing the reputation and integrity of Jersey; and
 - 2.1.2.3 considering the best economic interests of Jersey.

2.2 Annual Administration Levies

- 2.2.1 The Resolution Law requires that the JRA shall adopt a budget for each financial year (being the 12 months ending 31 December each year) and that, based on that budget, the JRA shall determine whether to raise an annual administration levy and, if so, the total amount to levy.
- 2.2.2 The Resolution Law provides that an annual administration levy may be raised to:
 - 2.2.2.1 Cover annual recurring administrative costs;
 - 2.2.2.2 Maintain a reserve for potential future administrative costs (by way of contingency or otherwise); and
 - 2.2.2.3 Maintain a reserve against the possibility, in the event of a bank resolution, of the JRA wishing to pay administrative costs without needing to wait for receipt of other funding for these costs.
- 2.2.3 The Resolution Law provides that the JRA shall determine the method of calculation of the annual administration levy to be paid by each Jersey Bank and, as soon as practicable, to send written notice to each Jersey Bank requiring it to pay the annual administration levy.

3 Proposals

3.1 2025 recurring expenditure

- 3.1.1 Our total budgeted recurring expenditure for 2024 was £411,350.
- 3.1.2 Due to operating with a vacancy for the first four months of 2024, partially offset by recruitment costs and higher professional fees, our recurring costs in 2024 are forecast to be under budget by c.£13,500.
- 3.1.3 Our budgeted recurring expenditure for 2025 has been set at £481,700 (a 17% increase versus 2024 budgeted recurring costs and 21% increase versus 2024 forecast recurring costs). This reflects plans to recruit a third full time employee in quarter two 2025 as well as inflationary increases.
- 3.1.4 Recruiting early allows us to remove the need for external project management support and gives us time to invest in our new staff member ahead of taking on responsibility for the Jersey DCS. We estimate the cost of recruiting early (net of savings in external project management support) to be c.£25,000.
- 3.1.5 The table below provides a further breakdown 2025 budgeted costs and comparison to 2024 budget and forecast:

	2025 Budget	2024 Forecast	2024 Budget
Board Fees	£58,700	£57,037	£55,000
Staff Costs	£283,000	£205,781	£225,000
JFSC Service Charge	£84,500	£82,500	£82,500
Other Recurring Costs	£55,500	£52,515	£48,850
Total Recurring Costs	£481,700	£397,833	£411,350
Non-recurring costs	£25,000	£47,560	£75,000
Total Costs	£506,700	£445,393	£486,350

3.2 2025 non-recurring expenditure

- 3.2.1 Budgeted non-recurring expenditure for 2024 was £75,000. This related to the project to transfer responsibility for the Jersey DCS to the JRA (DCS Transfer project) and support developing our Valuations Standard. Due to delays in the DCS Transfer project, non-recurring expenditure is forecast to be c.£27,000 under budget.
- 3.2.2 Non-recurring expenditure in 2025 is budgeted at £25,000. This represents external support required in relation to the DCS Transfer project. It is a combination of external project management resource and incremental one-off costs associated with IT, Legal and Finance.
- 3.2.3 Given project spend in 2024 will be under budget, we intend to fund 2025 project expenditure from our reserves.

3.3 Administrative Reserves

- 3.3.1 Our administrative reserve policy remains unchanged and provides for:
- 3.3.1.1 Levies to achieve a minimum level of reserves equal to two months' of annual recurring costs; and
 - 3.3.1.2 Levies to reach a target level of reserves equal to four months' of annual recurring costs on a 'smoothed' basis¹.
- 3.3.2 Applying this to 2025 budgeted recurring costs and taking account of forecast closing reserves would give rise to a levy for reserves of £3,500.
- 3.3.3 However, we do not intend to levy for reserves in 2025 as we anticipate that, once the transfer of responsibilities for the Jersey DCS is complete, we will receive a transfer of the residual reserves from the Jersey Bank Depositors Compensation Board.

3.4 2025 Levy

- 3.4.1 As a result, the proposed Annual Administration Levy for 2025 is set out in the table below:

	2025 Proposed	2024 Actual
Levy for recurring costs	£481,700	£411,350
Levy for non-recurring costs	-	£75,000
Levy for reserves	-	£9,150
Total Annual Administration Levy	£481,700	£495,500

3.5 Levy Allocation Methodology

- 3.5.1 In response to feedback from Jersey Banks we reviewed our levy allocation methodology during 2023 and amended it for our 2024 levy.
- 3.5.2 We do not intend to make any amendments to our levy allocation methodology for 2025.
- 3.5.3 We note that, due to changes in the structure of one Jersey Bank, the base levy for most Jersey Banks will increase (despite the small reduction in our total levy).

¹ Levying one third of the deficit to the target level of reserves.

3.5.4 Accordingly, we plan to use the following levy allocation methodology:

	Description	Formula	Illustration based on 2025 proposed levy
Base Levy	75% of the Total Annual Administration Levy will be allocated evenly across banking groups operating in Jersey except that those with Subsidiaries will receive a base levy that is double that of Branches.	<p>Base Levy for Branches = 75% of Total Annual Administration Levy / (Number of banking groups + number of Subsidiaries).</p> <p>Base Levy for Subsidiaries = 2 x Base Levy for Branches.</p>	<p>Base Levy for Branches = (75% x £481,700) / (18 + 3) = £17,204 (2024: £16,892).</p> <p>Base Levy for Subsidiaries = 2 x £17,204 = £34,407 (2024: £33,784).</p>
Premium	25% of the Total Annual Administration Levy will be allocated across banking groups that perform Critical Functions in Jersey in proportion to those banks' Total Customer Deposits ² as at 31 December of the preceding year.	A Jersey Bank's Premium Levy = 25% of Total Annual Administration Levy * (The Jersey Bank's Total Customer Deposits / Sum of Total Customer Deposits of all Jersey Bank's performing Critical Functions).	<p>Varies by bank and providing a full illustration is not possible without disclosing confidential information.</p> <p>However, £120,425 would be allocated across Jersey Banks that perform Critical Functions based on their proportion of the Sum of Total Customer Deposits of these banks (at 31 December 2023 this total was £95.6bn).</p>
New Banks	A new banking group will be charged a Base Levy (calculated based on the above) in the year that it first receives its Deposit-taking registration from the JFSC.		
Ceasing Banks	<p>All banking groups that hold a registration on 1 January will receive a levy for that calendar year. No refunds will be provided for banks that subsequently cease during the year.</p> <p>However, the JRA will retain the discretion to remove an inactive bank that is in the course of closing from the annual levy cycle.</p>		

² As reported on tab 2.3 BS Liabilities of each bank's Q4 prudential return to the JFSC. Total Customer Deposits taken as the sum of rows A.4, A.5, A.6, and A.7.

3.6 Future Annual Administration Levies

- 3.6.1 In preparation for the transfer of responsibility for the Jersey DCS to the JRA at the end of 2025, our 2025 budget includes some DCS related costs.
- 3.6.2 We are not yet in a position to provide an indication of the level of expenditure (and hence levy) in 2026. Whilst cost savings are expected (compared to the sum of both agencies' costs), it is difficult to reliably estimate what these will be.
- 3.6.3 In budgeting for 2025 the JRA has based its calculations on no Jersey Bank becoming financially distressed or entering resolution. Were such events to take place, the JRA would incur additional administrative costs, which may result in an increased annual administration levy or additional 'top-up' administration levy during the year.

Appendix A: List of representative bodies who have been sent this funding paper

- 1.1 Jersey Bankers Association
- 1.2 Jersey Finance Limited