

Guernsey Banking Deposit Compensation Scheme
Annual Report and Financial Statements
Year Ended
31 December 2024

Guernsey Banking Deposit Compensation Scheme

Scheme Information

Board Members	Robert Girard Stuart Lawson Karen Gibbons Kate Storey
Registered office	PO Box 33 Dorey Court Admiral Park St Peter Port Guernsey GY1 4AT

Guernsey Banking Deposit Compensation Scheme

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The detailed profit and loss account is not audited and does not form part of the audited financial statements of the Scheme.



Chairman's Annual Report 2024

Introductory remarks and succession arrangements

2024 was a transitional year for our scheme as the new board set its strategy for the coming years building on the strategic direction established by its predecessors, in both completing workstreams that were in course, establishing new workstreams to further build on the schemes readiness and building links with key jurisdictions and other safety net participants to maintain a co-ordinated approach to the schemes readiness.

As at 31 December 2024 the Scheme had the following Board Members:

Rob Girard	Chairman
Stuart Lawson	Deputy Chairman
Karen Gibbons	
Kate Storey	

Financial Statements for the Year Ended 31 December 2024

The Financial Statements for the year ended 31 December 2024 show an increase in the Scheme's reserves to £450,567 compared to £293,605 for the year ended 31 December 2023. This is considered reasonable given the continued investment in improvement projects during the period. The Board considers the Scheme's remaining reserves satisfactory for its continuing operation. Whilst fees are reviewed annually to ensure the Scheme can continue to deliver on its objectives and ensuring reserves are adequate to enable further systems and process development.

Banking Industry in Guernsey

The Board considers it important to inform its stakeholders of key features of the current banking industry in Guernsey to provide the context in which the Scheme operates.

The number of licences issued to banks increased to 21 for the year (2023: 20). Since the inception of the Scheme in 2008, the number of Licensed Banks in the Bailiwick has fallen from 45.

This longer term reduction reflects the industry trend of increasing consolidation and streamlining by these multinational institutions as their business models evolve to meet changing customer demands, regulatory change and increasing automation.

Total deposits have increased over the last decade, demonstrating that investors continue to recognise Guernsey as a safe and leading International Financial Centre.

The fallout from the pandemic, the war in Ukraine and the rapidly changing geo political situation globally, have the potential to cause volatility across financial markets and significant disruption to the global economy. This together with a continuing inflationary environment has the potential to impact loan performance metrics and in turn pressure on capital adequacy and liquidity. Banks are however seeing increased profits thanks to higher interest rates. As a result, the Scheme and international deposit compensation scheme bodies remain in a state of heightened alert recognising the need to ensure readiness to support their local communities. The Scheme has worked closely with the Association of Guernsey Banks (AGB) during this time and remains vigilant should an event occur.



International Standards

The Board have identified two sets of global standards by which deposit compensation schemes can benchmark themselves.

The first are the IADI Core Principles for Effective Deposit Compensation Systems (the Core Principles). First published in November 2014, the Board reviewed its previous analysis of its compliance with these principles during 2021, noting several areas of interest and development. These have been key drivers for the continued improvement of the Scheme, informing the development of workstreams for the Board and Aon Services (Guernsey) Limited as Scheme Manager (Aon) some of which are outlined in this report. The Board will continue to work to meet the IADI standards where these are consistent with the public policy objectives and legal framework established by the States of Deliberation in 2008. However, the Board has been working more closely with the European Forum of Deposit Insurers (EFDI) as a guiding body given their more proactive stance to ensure the Scheme's readiness and the greater availability of guidance and support.

Secondly, although the Bailiwick and the Scheme fall outside the European Union (EU), the EU's Deposit Compensation Scheme Directive is considered an important influence given it guides the standards of deposit compensation schemes throughout Europe. Given the Bailiwick's status as an International Financial Centre, the Board considers it important to ensure the Scheme's response to a default scenario will be in line with our international counterparts. The Board has also worked co-operatively with the Affiliation of Micro European States (AMES), a working group of EFDI.

Within EFDI we continue to play a leading role in the development of the subgroup AMES. This body, comprised of smaller jurisdictions, initially including the other Crown Dependencies, Iceland, Gibraltar, and Liechtenstein which, facilitates the sharing of resources, exchange of information and allows the jurisdictions to progress projects of mutual interest.

This has been a major support to the Guernsey Board's project plans and has helped achieve a consistent pace of improvement across these smaller jurisdictions to the benefit of all jurisdictions.

Co-operation with external parties

We have continued to hold discussions with important stakeholders and have enjoyed a constructive dialogue with:

- Association of Micro-European States
- Association of Guernsey Banks
- Channel Islands Financial Ombudsman
- Deposit Guarantee and Investment Compensation Foundation PCC (EAS Liechtenstein)
- European Forum of Deposit Insurers
- Financial Services Compensation Scheme (UK)
- Gibraltar Deposit Guarantee Scheme
- Guernsey Financial Services Commission
- Icelandic Depositors and Investors Guarantee Fund
- Isle of Man Depositors Compensation Scheme
- Jersey Banking Deposit Compensation Scheme
- States' Finance Sector Development
- Depositors in Guernsey banks

Our Single Customer View (SCV) project, which facilitates all constituent banks being able to automatically report data on deposits which may be compensated for each customer across multiple accounts, is an example of how this collaboration can benefit multiple jurisdictions, the banks and depositors by sharing resources and achieving consistency of standards.



The Board continues to ensure that the Scheme's website www.dcs.gg is up to date and that all local banks are correctly distributing the latest edition of the Scheme's information leaflet.

Aon continues to receive enquires about the application of the Scheme from both the general public and corporates. These are referred to the Board as appropriate. Aon has also ensured the Scheme is compliant with the General Data Protection Regulations concerning any personal data held.

Funding of the Scheme

The reduction in the number of Licensed Banks in the Bailiwick reduces the base from which the Scheme can charge administrative levies and, in the event of a default, compensation levies. The implications in respect of this reduction are reviewed annually.

To ensure the Scheme has immediate funds available in the event of a bank default and any time delay in receiving funds levied from other Guernsey-based banks, the Scheme has a liquidity facility of £15m with the States of Guernsey. This facility was formalised in 2019.

The administrative levy for the year ending 31 December 2024 increased to £19,500 (2023: £17,000) per annum to help replenish decreasing reserves whilst spending more on projects for essential improvements. The budgeted administrative income remains in line with that proposed in the 2008 policy paper before inflation.

Ordinance amendments

The current Ordinance, upon which the Scheme was founded, was last reviewed in 2017 and 2018 in a process stimulated by a review of the Scheme's alignment with the Core Principles. The review identified that, due to developments in the global deposit compensation scheme environment, the Ordinance is too restrictive operationally and does not address several issues identified in international deposit scheme practice since its initial drafting.

In response to this assessment, the Board began a project to seek the redrafting of the statute and to improve legal protection for depositors. The revised Ordinance Policy letter was approved by the Assembly in Autumn 2024 and is now in its legal drafting stage. The States' Finance Sector Development team has been instrumental in bringing the revised Policy Letter to the Assembly. The Board thanks them for their work and assistance in this regard.

During 2024 the Board has also worked closely with Policy and Resources and the GFSC as a Resolution Scheme Policy letter was brought to the Assembly in February 25, which further enhances Guernsey's position from an international co-operation and co-ordination perspective. We will continue to work with all parties to support this initiative as it progresses through its formal constitution.

Operational improvements

The Board is continuing to review deposit data of the Bailiwick's Licensed Banks to ensure it has the necessary information to enable it to react efficiently in any default scenario, supported by appropriate operating procedures and systems. The importance of data presentation to meet international standards has been highlighted as a development area through our increased participation with EFDI where the standardisation of information from Licensed Banks has been proven to have a hugely positive impact on a scheme's ability to respond to default scenarios. The SCV project is perhaps the most ambitious in the history of the Scheme and the Board has worked closely with Aon as its scheme manager and the AGB and other stakeholders to deliver this significant project. A key new project for the board is an independent assurance review of its data handling in relation to the scheme including SCV which we expect to complete in H1 2025.

Processes and procedures in the event of a default, to ensure compensation payout is as efficient as possible continue to be a matter of focus both locally and amongst other jurisdictions. To this end, the Board has identified areas which could expedite the process and reduce costs, both through its review of international standards and following discussions with other Deposit Compensation Scheme representatives. The full implementation of SCV is now complete and re-testing on a periodic basis is in progress.



Guernsey Banking Deposit Compensation Scheme

A key step to ensure operational efficiency is our ongoing testing programme of key components of the scheme which will continue through 2025 to include a full review of the scheme's communication processes and related protocols. The Board has also worked closely with Aon to continuously review its data and cyber security and assess other threats.

Cross Border Co-operation

A further area of development is concerning the management of cross border issues in the event of a bank failure and pay-out to international depositors that use local banks. This is an item of critical importance as identified by the Core Principles, and something the Board also recognises as being key given the multinational nature of the Bailiwick's banks and customers. A default scenario of any bank is likely to require international cooperation and to this end, the Board is working to improve dialogue and understanding of the cross-border issues through increased participation in international bodies. The establishment of the AMES subgroup in EFDI demonstrates both the Board's commitment to international cooperation and to learn from this engagement, as well as benefiting from sharing of resources and applying the specialist knowledge of other jurisdictions.

During 2024 the Board began a dialogue with certain key jurisdictions to seek to establish a series of MOU's with our equivalents in jurisdictions with links to Guernsey banks and this will be a workstream focus in 2025.

Support Services

The GBDCS Board has enjoyed superior support for the Scheme management and administration from Aon Services (Guernsey) Limited since 2008. This contract was renewed in 2022 following a competitive tender. The continued appointment of Aon reconfirms their capabilities and commitment to the support of the Scheme and its future development.

A Personal Note

I am fortunate to be working with an outstanding team and thank our Board for their enthusiasm towards continual improvements to the Guernsey Banking Deposit Compensation Scheme in line with international standards. This work will continue to enhance the reputation of the strong Guernsey banking industry and the wider reputation of the jurisdiction for its financial stability.

Robert Girard

Chair,
Guernsey Banking Deposit Compensation Scheme

Guernsey Banking Deposit Compensation Scheme

Board Report For the Year Ended 31 December 2024

The Board presents their report and the financial statements for the year ended 31 December 2024.

Board's responsibilities statement

The Board are responsible for preparing the Scheme financial statements in accordance with applicable law and generally accepted accounting practice.

The Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008 ("The Ordinance") requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Scheme and of the profit or loss of the Scheme for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable 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 Scheme will continue in operation.

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain the Scheme's transactions and disclose with reasonable accuracy at any time the financial position of the Scheme and which enable them to ensure that the financial statements comply with the Banking Deposit Scheme (Bailiwick of Guernsey) Ordinance 2008. They are also responsible for safeguarding the assets of the Scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the Scheme is the administration of the Scheme which was established by the States of Guernsey on 26 November 2008.

Results

The Statement of Comprehensive Income for the year is set out on page 14.

Board

The members of the Board who served during the year were:

Robert Girard
Stuart Lawson
Karen Gibbons
Kate Storey

Guernsey Banking Deposit Compensation Scheme

Board Report (continued)
For the Year Ended 31 December 2024

Independent auditor

The auditor, BDO Limited, is deemed to be reappointed in accordance with the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008 by virtue of an elective resolution passed by the members on 21 January 2015.

This report was approved by the Board on 04/03/2025 and signed on its behalf.

Chairman  Signed by:
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Guernsey Banking Deposit Compensation Scheme

INDEPENDENT AUDITOR'S REPORT OF BDO LIMITED TO THE MEMBERS OF GUERNSEY BANKING DEPOSIT COMPENSATION SCHEME

Opinion on the financial statements

In our opinion, the financial statements of the Guernsey Banking Deposit Compensation Scheme ("the Scheme"):

- give a true and fair view of the state of the Scheme's affairs as at 31 December 2024 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

We have audited the financial statements of the Scheme for the year ended 31 December 2024 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes 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, including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("United Kingdom Generally Accepted Accounting Practice").

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Scheme 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.

Conclusions relating to going concern

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

Guernsey Banking Deposit Compensation Scheme

INDEPENDENT AUDITOR'S REPORT OF BDO LIMITED TO THE MEMBERS OF GUERNSEY BANKING DEPOSIT COMPENSATION SCHEME (CONTINUED)

Other information

The Board is 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 the Board

As explained more fully in the Board's responsibilities statement within the Board Report, the Board is 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 determines 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 is responsible for assessing the Scheme'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 either intends to liquidate the Scheme 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:

Non-compliance with laws and regulations

Based on our understanding of the Scheme and the environment in which it operates, we identified that the principal risk of non-compliance with laws and regulations related to the operation of the Scheme, and we considered the extent to which non-compliance might have a material effect on the Scheme's financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008.

Guernsey Banking Deposit Compensation Scheme

INDEPENDENT AUDITOR'S REPORT OF BDO LIMITED TO THE MEMBERS OF GUERNSEY BANKING DEPOSIT COMPENSATION SCHEME (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

Non-compliance with laws and regulations (continued)

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with applicable authorities for any instances of non-compliance with laws and regulations; and
- Review of financial statement disclosures and agreeing to supporting documentation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls) and determined that the principal risk was related management bias in preparation of the financial statements, particularly with regard to journals posted in the accounting records.

Audit procedures performed by the engagement team to respond to the risk, identified included:

- Discussions with management and those charged with governance, reading minutes of meetings of the Board and reviewing correspondence with the States of Guernsey including consideration of known or suspected instances of non-compliance with laws and regulations;
- Obtaining an understanding of the internal control environment in place to prevent and detect irregularities; and
- Review and challenge of accounting records including review of the general ledger inclusive of journal transactions.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiring with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Scheme's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Reviewing of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the areas most susceptible to fraud to be Management Override of Controls and Revenue Recognition.

Guernsey Banking Deposit Compensation Scheme

INDEPENDENT AUDITOR'S REPORT OF BDO LIMITED TO THE MEMBERS OF GUERNSEY BANKING DEPOSIT COMPENSATION SCHEME (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

Fraud (continued)

Our procedures in respect of Management Override of Controls included:

- Identifying fraud risks during the planning stages;
- Inquiring of management about risks of fraud and the controls put in place to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Considering the effectiveness of management's controls designed to address the risk of fraud;
- Determining an appropriate strategy to address those identified risks of fraud;
- Reviewing the financial reporting practices of the Scheme, with a focus on accounting estimates, judgements and decisions made by management;
- Reviewing the accounting estimates, judgements and decisions made by management; and
- On a sample basis, testing journal entries and reviewing significant, unusual transactions and agreeing to supporting evidence.

Our procedures in respect of Revenue Recognition included:

- Obtaining a breakdown of the fees per bank and carrying out the following:
 - Verifying fees and noting increases to supporting documentation;
 - Recalculating the expected fee (Number of banks by the fee charged);
 - Agreeing the total to the financial statements; and
 - Reviewing the GFSC's list of registered banks and ensuring that all are included within the break down.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Guernsey Banking Deposit Compensation Scheme

INDEPENDENT AUDITOR'S REPORT OF BDO LIMITED TO THE MEMBERS OF GUERNSEY BANKING DEPOSIT COMPENSATION SCHEME (CONTINUED)

Use of our report

This report is made solely to the Scheme's members, as a body. Our audit work has been undertaken so that we might state to the Scheme's Board 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 Scheme and the Scheme's Board, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Limited

BDO Limited
Chartered Accountants
Second Floor
Plaza House
Admiral Park
St Peter Port
Guernsey

Date 16 April 2025

Guernsey Banking Deposit Compensation Scheme

Statement of Comprehensive Income
For the Year Ended 31 December 2024

	Notes	2024 £	2023 £
Income	4	401,375	371,112
Administrative expenses		(262,976)	(233,952)
OPERATING PROFIT		138,399	137,160
Interest income		18,563	8,463
PROFIT FOR THE FINANCIAL YEAR		156,962	145,623

There was no other comprehensive income for 2024 (2023: £NIL).

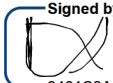
The notes on pages 18 to 21 form an integral part of these financial statements.

Guernsey Banking Deposit Compensation Scheme

Statement of Financial Position
As at 31 December 2024

	Notes	2024 £	2023 £
CURRENT ASSETS			
Debtors: amounts falling due within one year	5	2,593	78,000
Cash at bank		513,277	697,065
		<u>515,870</u>	<u>775,065</u>
Creditors: amounts falling due within one year	6	(65,303)	(481,460)
NET CURRENT ASSETS		<u>450,567</u>	<u>293,605</u>
NET ASSETS		<u>450,567</u>	<u>293,605</u>
CAPITAL AND RESERVES			
Profit and loss account		<u>450,567</u>	<u>293,605</u>
		<u>450,567</u>	<u>293,605</u>

The financial statements were approved and authorised for issue by the Members of the Board and were signed on its behalf by:

Signed by: 
.....
Board Member

Date: 14-Apr-2025

The notes on pages 18 to 21 form an integral part of these financial statements.

Guernsey Banking Deposit Compensation Scheme

Statement of Changes in Equity For the Year Ended 31 December 2024

	Profit and loss account	Total equity
	£	£
At 1 January 2024	293,605	293,605
Profit for the year	156,962	156,962
	<hr/>	<hr/>
AT 31 DECEMBER 2024	450,567	450,567
	<hr/> <hr/>	<hr/> <hr/>

Statement of Changes in Equity For the Year Ended 31 December 2023

	Profit and loss account	Total equity
	£	£
At 1 January 2023	147,982	147,982
Profit for the year	145,623	145,623
	<hr/>	<hr/>
AT 31 DECEMBER 2023	293,605	293,605
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 18 to 21 form an integral part of these financial statements.

Guernsey Banking Deposit Compensation Scheme

Statement of Cash Flows For the Year Ended 31 December 2024

	2024 £	2023 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	156,962	145,623
ADJUSTMENTS FOR:		
Interest received	(15,970)	(8,463)
Decrease in debtors	75,407	47,181
Decrease in creditors	(416,157)	(25,389)
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES	(199,758)	158,952
NET CASH GENERATED FROM INVESTING ACTIVITIES	15,970	8,463
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(183,788)	167,415
Cash and cash equivalents at beginning of year	697,065	529,650
Cash and cash equivalents at the end of the year	513,277	697,065

The notes on pages 18 to 21 form an integral part of these financial statements.

Guernsey Banking Deposit Compensation Scheme

Notes to the Financial Statements For the Year Ended 31 December 2024

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102").

The Guernsey Banking Deposit Compensation Scheme (the "Scheme") was established in Guernsey on 26 November 2008 by the States of Guernsey. The Board acts as an administrator to the Scheme in order to collect levies from Guernsey banks. The Scheme's registered office can be seen on the Scheme Contact us page. Note that the Board consider the Scheme to be a Public Benefit Entity (PBE) defined in FRS 100 as an entity whose primary objective is to provide goods or services for the general public community or social benefit and where any equity is provided with a view to supporting the entity's primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.

The Scheme's functional and presentation currency is Sterling ("GBP"), being the primary currency of the economic environment in which the Scheme operates.

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 Scheme accounting policies.

The following principal accounting policies have been applied:

1.2 Going concern

The Board has prepared the financial statements on a going concern basis. The Board have considered the potential impact of the ongoing global conflicts on the Scheme and its ability to continue as a going concern. All of the assets are held in cash with banks of a rating of at least A on S&P. There is not a significant amount owed in the case of debtors to the Scheme and the majority of the creditors are the levies for 2024 received in advance. The Board are satisfied that the Scheme is a going concern.

The Board has the power to levy the Participants of the Scheme on an annual basis to cover the expected costs of the forthcoming year.

The Scheme has entered into a loan facility arrangement with the States of Guernsey for £15,000,000 which is available for drawdown in the event of a default by a licensed bank.

1.3 Income and deferred income

Income is recognised in the Statement of Comprehensive Income on an accruals basis. Fees received in advance are deferred over the period to which they relate.

1.4 Debtors

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

1.5 Cash at bank

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Guernsey Banking Deposit Compensation Scheme

Notes to the Financial Statements For the Year Ended 31 December 2024

1. Accounting policies (continued)

1.6 Creditors

Short term creditors are measured at the transaction price.

1.7 Financial instruments

Financial assets and financial liabilities are recognised when the Scheme becomes party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangement entered into.

i. Initial recognition and subsequent measurement

All financial assets and financial liabilities are initially measured at transaction price (including transaction cost), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction cost), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a marked rate of interest for a similar debt instrument.

During the year no gain or loss was made on the financial assets therefore no gain or loss has been recognised through profit or loss.

Financial assets and financial liabilities are offset in the Statement of Financial Position only when, there is a legally enforceable right to offset the recognised amounts and the Scheme intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ii. Derecognition of financial instruments

Financial assets are derecognised when:

- a) the contractual right to the cash flows from the financial asset expire or are settled,
- b) the Scheme transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- c) the Scheme, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Guernsey Banking Deposit Compensation Scheme

Notes to the Financial Statements For the Year Ended 31 December 2024

1. Accounting policies (continued)

1.7 Financial instruments (continued)

iii. Impairment of financial assets

The Board assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Comprehensive Income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed through the Statement of Comprehensive Income.

1.8 Profit and loss reserve

The Scheme's reserves comprise the cumulative profits (or losses) net of any adjustments.

2. Financial Reporting Council Ethical Standard - Provisions Available for Audits of Small Entities

In common with many other entities of its size and nature the Scheme uses its auditor to assist with the preparation of the financial statements.

3. Taxation

In accordance with the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008 the Scheme is exempt from tax. Provision had therefore not been made in these financial statements for Guernsey Income Tax.

4. Income

During the year the main source of income was obtained from 20 Participant banks of £19,500 per Bank (2023: 22 Participant Banks at £17,000). Additionally, one bank joined in May 2024 and its annual fee was apportioned resulting in recognition of income of £11,375 in 2024.

Guernsey Banking Deposit Compensation Scheme

Notes to the Financial Statements For the Year Ended 31 December 2024

5. Debtors: amounts falling due within one year

	2024 £	2023 £
Trade debtors	-	78,000
Other receivable - accrued interest	2,593	-
	<u>2,593</u>	<u>78,000</u>

6. Creditors: amounts falling due within one year

	2024 £	2023 £
Accruals	(65,303)	(91,460)
Deferred income	-	(390,000)
	<u>(65,303)</u>	<u>(481,460)</u>

Administrative levies for the upcoming fiscal year were not billed within the current year. Consequently, no deferred revenue has been recorded in the current year financial statements.

7. Related party transactions

Key management personnel include all members of the Board who together have authority and responsibility for planning, directing and controlling the activities of the Scheme. The total compensation paid to key management personnel for services provided to the Scheme was £85,000 (2023: £95,055). At 31 December 2024, £21,250 (2023: £21,250) was outstanding and is included within accruals.

8. Controlling party

The Scheme is established under the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008 and is under the direction of the Board. The Board members are appointed by the States of Guernsey Committee for Economic Development. There is no ultimate controlling party.

9. Events after the reporting date

There were no events after the reporting date of the financial statements that would require a change to the financial statements.

Guernsey Banking Deposit Compensation Scheme

Unaudited Detailed Profit and Loss Account

For the Year Ended

31 December 2024

**THE FOLLOWING PAGE DOES NOT FORM A PART
OF THE AUDITED FINANCIAL STATEMENTS OF THE
SCHEME AND IS PRESENTED FOR INFORMATION
PURPOSES ONLY**

Guernsey Banking Deposit Compensation Scheme

Unaudited detailed profit and loss account For the Year Ended 31 December 2024

	2024 £	2023 £
Income	401,375	371,112
Administration expenses	(262,976)	(233,952)
Operating profit	138,399	137,160
Interest income	18,563	8,463
Profit for the year	156,962	145,623
Income		
Income - fees	401,375	371,112
Administration expenses		
Board members' fees	85,000	95,055
Consultancy fees	1,500	(25,000)
Management fees	119,949	112,840
Sundry expenses	2,508	6,282
D & O expenses	1,919	-
EFDI Annual fee	3,401	3,625
Audit fees	13,500	12,400
Travel and meeting expenses	9,663	9,263
Website design and maintenance	8,027	3,435
Facility fees	15,000	15,000
Bank charges	2,509	1,052
	262,976	233,952