

Jersey Bank Depositors Compensation Scheme Review: Terms of Reference

Context

Banks sit at the core of Jersey’s international finance centre. The ability for individuals and businesses to open and maintain bank accounts is fundamental to economic participation, commercial activity, and the functioning of the wider financial services ecosystem. It is therefore essential to ensure that Jersey continues to offer an attractive, competitive, and resilient environment from which banking services can be provided.

Like all well-regulated jurisdictions, Jersey mitigates the risk of bank failure through a comprehensive prudential and supervisory framework. Over the past 18 years this framework has undergone substantial modernisation – most notably with the creation of the Jersey Bank Depositors Compensation Scheme (JDCS), the strengthening of prudential and capital requirements, and, more recently, the introduction of a formal bank recovery and resolution regime, including the Jersey Resolution and Depositors Compensation Authority (JRDCA)¹.

The JDCS was established in 2009 under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009. Since then operational enhancements have been implemented to enable faster identification of eligible depositors and quicker payment of compensation. Legislative reforms have also been implemented through the Bank (Recovery and Resolution) (Jersey) Amendment Law 2025, which transferred responsibility for administering the JDCS to the JRDCA and provides the legal framework necessary to support the improved operating model.

However, the core parameters of the JDCS have remained broadly unchanged since its inception in 2009. The transfer of the JDCS to the JRDCA presents an appropriate opportunity to undertake a structured review of the JDCS’s design to help inform development of public-policy.

In recent years, the UK and other jurisdictions have reviewed their depositor protection frameworks, with some choosing to increase the level of protection provided.

Given domestic and international developments, it is timely that Jersey reviews the scope and limits of the scheme to determine whether adjustments to the existing safety net are appropriate, sustainable, and aligned with Jersey’s long-term strategic and fiscal interests. This review was formally initiated through a letter from the Minister for External Relations to the JRDCA, dated 27 August 2025.

¹ The Jersey Resolution Authority was introduced in January 2022 and became with Jersey Resolution and Depositors Compensation Authority on 1 April 2026 following legislative amendments transferring to it functions relating to the JDCS.

Scope and objectives

The objective of the review is to ensure that the JDCS is appropriately calibrated to meet the Island's needs, providing effective depositor protection, supporting financial stability, and aligning with international standards where appropriate. The review will balance depositor confidence, the Island's competitiveness, and the financial implications for both industry and the public purse.

The review will consider the following aspects of the JDCS and assess the benefits, viability, and potential impacts of amendments, including any implications for Jersey's competitiveness, JDCS funding arrangements, and consistency with evolving international standards:

- The compensation limit, assessing whether the current level remains appropriate and proportionate.
- The JDCS's funding mechanisms, including adequacy, structure, sustainability, and potential fiscal implications.
- The definition of "eligible deposits", including whether adjustments should be made to extend or refine scope in line with depositor needs, product evolution, and changing consumer behaviours.
- Alignment with the International Association of Deposit Insurers (IADI) Core Principles, and identification of any areas where further compliance or enhancement may be appropriate.

The review will be undertaken using up-to-date, Jersey-specific information to support the analysis and will involve proportionate stakeholder engagement, including engagement with the banking industry.

The following areas are not within the scope of the review:

- Consideration of compensation frameworks beyond deposits;
- Wider financial stability frameworks;
- Bank licensing policies; and
- Prudential regulatory requirements.

Reporting and Timing

The review will be undertaken by the JRDCA and reported to the Minister for External Relations.

The review will commence in Q2 2026, recognising that the work will require targeted data collection from the banking industry to support the analysis within the defined scope.

The JRDCA will need to balance the requirements of the review, including the collection and analysis of relevant data, alongside its broader responsibilities for resolution planning and maintaining the operational readiness of the JDCS.

The review will culminate in a report setting out findings and recommendations, including legal, policy, and operational options for consideration by Government as necessary. A final report will be submitted in the first half of 2027, with interim updates provided to relevant officials within the Department for the Economy. It is recognised that the final report may contain confidential or commercially sensitive information, limiting the extent to which it can be made public. An executive summary suitable for publication will therefore be prepared by the JRDCA.