



Jersey Financial
Services Commission

Banking Business (Jersey) Law 1991

Code of Practice for Deposit-taking Business

Financial Statements

Effective from: 23 February 2024

Glossary of Terms

Defined terms are indicated throughout this document as per the following table.

Appointment of Auditor Code	Banking Code: Appointment of Auditor
Banking Code: Main Body	The Code of Practice for Deposit-taking Business: Main Body
Banking Code	<p>The Code of Practice for Deposit-taking Business, comprising five parts, being:</p> <ul style="list-style-type: none"> › Banking Code Main Body › Financial Statements Code (this document) › Declaration of Compliance Code › Appointment of Auditor Code › Prudential Reporting Code
Banking Law	Banking Business (Jersey) Law 1991
BAO	Banking Business (Accounts, Auditors and Reports) (Jersey) Order 2023
Basel Committee	Basel Committee on Banking Supervision
Code requirement	Any requirement contained within the Banking Code
Declaration of Compliance Code	Banking Code: Declaration of Compliance
Financial Statements Code	Banking Code: Financial statements – this document
JFSC	Jersey Financial Services Commission
JIB	Jersey Incorporated Bank: a Registered Person incorporated in Jersey
JIB Auditor	Auditor appointed in relation to a JIB's business
OIB	Overseas Incorporated Bank: a Registered Person incorporated overseas
OIB Auditor	Auditor appointed in relation to an OIB's business
Prudential Reporting Code	Banking Code: Prudential reporting
Registered Person	A person registered under the Banking Law
We / us /our	Terms used to refer to the JFSC

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1 Introduction

Arrangement of the Financial Statements Code

- 1.1 The Jersey Financial Services Commission (JFSC) has issued a code of practice for deposit-taking business in five parts:
 - › the main body of the Code of Practice for Deposit-taking Business (Banking Code: Main Body); and
 - › Four code documents addressing specific matters:
 - Banking Code: Appointment of Auditor (Appointment of Auditor Code);
 - Banking Code: Financial statements (Financial Statements Code - this document);
 - Banking Code: Prudential reporting (Prudential Reporting Code); and
 - Banking Code: Declaration of Compliance (Declaration of Compliance Code).
- 1.2 The defined term Banking Code refers to the entirety (all five parts).
- 1.3 Each section of the Financial Statements Code is intended to be understood by reference to its full text, including any guidance.
- 1.4 A description is provided of relevant statutory requirements, being those established in the Banking Business (Accounts, Auditors and Reports) (Jersey) Order 2023 (BAO). Failure to follow a statutory requirement is a criminal offence and may attract a regulatory sanction. The text included here paraphrases provisions contained in the BAO and should always be read and understood in conjunction with the full text of the BAO, which is available from the Jersey Law website, at: <https://www.jerseylaw.je> .
- 1.5 The Introduction to the Banking Code: Main Body sets out the relevant considerations concerning:
 - › ‘Compliance with the Banking Code’, within the section with that title; and
 - › ‘Powers exercised and scope’, within the section with that title.
- 1.6 This document (the Financial Statements Code) sets out code requirements and provides guidance. Code requirements must be complied with, unless variances or exemptions have been applied for and granted by us.
- 1.7 Guidance is provided on ways of complying with certain requirements and must always be read in conjunction with these. A Registered Person may adopt other appropriate measures, so long as it can demonstrate that such measures also achieve compliance with the statutory requirements and Code requirements.
- 1.8 This allows a Registered Person discretion as to how to apply requirements in the particular circumstances of its business. The soundly reasoned application of the provisions contained within the guidance will provide a good indication that a Registered Person is in compliance with the statutory requirements and Code requirements.

Revision of this document

- 1.9 In accordance with Article 19A(1)(b) of the Banking Law, we may, after consultation with such persons or bodies as appear to be representative of the interests concerned, revise the Banking Code by revoking, varying, amending or adding to provisions.
- 1.10 In December 2020 we published Consultation Paper No. 13 2020, proposing that a draft of this document, the Financial Statements Code, be issued to establish Code requirements regarding financial statements.
- 1.11 In February 2024 we made a number of typographical corrections and removed transitional provisions that are no longer relevant. A tracked change version is available at:
<https://www.jerseyfsc.org/industry/codes-of-practice/codes-of-practice-tracked-changes/>

Effective date

- 1.12 This part of the Banking Code, the Financial Statements Code, is effective from 23 February 2024 for all Registered Persons.

2 Jersey Incorporated Banks (JIBs)

Statutory requirements

This is a summary of certain relevant matters. The full disclaimer can be found in 1.4.

- 2.1 Every Registered Person must prepare financial statements in respect of each financial year-end.
- 2.2 Every Registered Person must produce a directors' report and the BAO describes what the report must contain.
- 2.3 A JIB's financial statements must show a true and fair view of its state of affairs and profit or loss and must be prepared in accordance with either:
 - › subject to paragraph 2.4, the accounting standards issued by the (U.K.) Financial Reporting Council; or
 - › the accounting standards issued by the International Accounting Standards Board.
- 2.4 Regarding related party disclosures, Registered Persons must make full disclosures, ignoring provisions in accounting standards that allow for non-disclosure of transactions entered into between members of a group. (See **2.22** for guidance)
- 2.5 A JIB's financial statements must be signed by at least one director.
- 2.6 A JIB must provide its JIB Auditor with a copy of its financial statements and its directors' report.
- 2.7 The JIB Auditor must prepare reports on the JIB's financial statements and directors reports, after conducting an audit in accordance with either:
 - › the Auditing Standards issued by the Financial Reporting Council;
 - › the International Standards on Auditing issued by the International Federation of Accountants; or
 - › such other generally recognized auditing standard that is agreed between the JIB and us.
- 2.8 The JIB Auditor's report must be signed and a copy provided to the JIB.
- 2.9 The financial statements must be provided to us within 3 months of the end of the accounting period.
- 2.10 The financial statements provided to us must be accompanied by (1) the directors' report and (2) the JIB Auditor's reports in respect of the financial statements and the directors' report.
- 2.11 A JIB must, at the same time the financial statements are provided to us, provide any other report that:
 - › has been prepared during, or in relation to, the financial year by the JIB Auditor, any other person who conducts an audit for the JIB, an accountant or a consultant;
 - › addresses a relevant matter; and
 - › is available to the JIB.

- 2.12 A JIB, must also (unless they are the ultimate parent in their Group) provide:
- › the audited unconsolidated financial statements of each of its parents; and
 - › the audited consolidated financial statements of its ultimate parent, within 4 months of the end of the year to which the financial statements relate.
- 2.13 Article 17 'Exemptions and variation' of the BAO allows us, on the request of a JIB, to waive or vary requirements, provided that no customer or client is likely to be prejudiced if the exemption or variation is granted.

Code requirements

- 2.14 A JIB must have robust, documented processes for the production of its financial statements and its directors' report.
- 2.15 A JIB must, as part of those processes, establish responsibility for sign off and for oversight of the processes.
- 2.16 A JIB must ensure that documentation is produced to enable its JIB Auditor to carry out its audit.
- 2.17 A JIB must establish responsibility for addressing any issues arising from the JIB Auditor's reports or any other relevant reports received.
- 2.18 A JIB must maintain records relating to the above as business records.

Guidance

- 2.19 The guidelines published in March 2014 by the Basel Committee on Banking Supervision (**Basel Committee**) on 'External audits of banks' should be considered by JIBs. In particular, those set out in 'Section A – Supervisory guidelines with regard to a bank's audit committee and its relationship with the external auditor' within Part 1 'Supervisory guidelines with regard to a bank's audit committee in relation to external audit, and the engagement of supervisors with auditors and audit oversight authorities' should be considered to be guidance relevant to the Code and Statutory requirements.
- 2.20 The Basel Committee's document is available on its website at:
- <https://www.bis.org/press/p140331a.htm>
- 2.21 The guidelines in that document are predicated on a bank having an audit committee. Where this does not exist, the guidance should be considered as being applicable to the JIB's board instead.
- 2.22 Accounting standards require a JIB to disclose transactions with related parties but may exempt those with other members of its groups from this requirement. The BAO does not permit use of such exemptions, having the effect of requiring the disclosure of related party transactions to include those entered into with members of its group.

3 Overseas Incorporated Banks (OIBs)

Statutory requirements

This is a summary of certain relevant matters. Be aware of the full disclaimer in **1.4**.

- 3.1 Every OIB must prepare financial statements in respect of each financial year-end.
- 3.2 Every OIB must produce a directors' report and the BAO describes what the report must contain.
- 3.3 An OIB's financial statements must be signed by as many persons as are required, under the laws of the country or territory in which the overseas incorporated bank is incorporated or established, to sign financial statements, but in any case not less than one such person.
- 3.4 An OIB must provide its OIB Auditor with a copy of its financial statements and its directors' report.
- 3.5 The OIB Auditor must prepare reports on the OIB's financial statements and directors' reports, after conducting an audit in accordance with either:
 - › the Auditing Standards issued by the Financial Reporting Council;
 - › the International Standards on Auditing issued by the International Federation of Accountants; or
 - › such other generally recognized auditing standard that is agreed between the OIB and us.
- 3.6 The OIB Auditor's report must be signed and a copy provided to the OIB.
- 3.7 The financial statements must be provided to us within 4 months of the end of the accounting period.
- 3.8 The financial statements provided to us must be accompanied by (1) the directors' report and (2) the OIB Auditor's reports in respect of the financial statements and the directors' report.
- 3.9 An OIB must also (unless they are the ultimate parent in their Group) provide:
 - › the audited unconsolidated financial statements of each of its parents; and
 - › the audited consolidated financial statements of its ultimate parent,within 4 months of the end of the year to which the financial statements relate.
- 3.10 Article 17 'Exemptions and variation' of the BAO allows us, on the request of an OIB, to waive or vary requirements, provided that no customer or client is likely to be prejudiced if the exemption or variation is granted.