



Jersey Financial  
Services Commission

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# Banking Business (Jersey) Law 1991

Code of Practice ~~f~~For Deposit-taking Business  
Prudential Reporting

Effective from: ~~1 August 2023~~23 February 2024

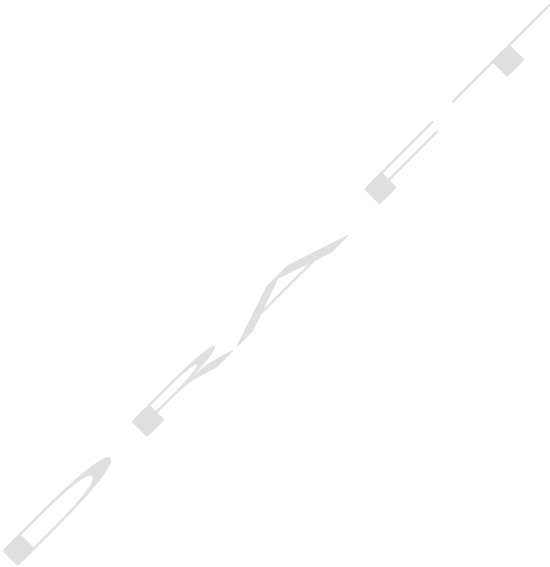
## Glossary of Terms

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	The Code of Practice for Deposit-taking Business, comprising five parts, being: <ul style="list-style-type: none"><li>› Banking Code: Main Body</li><li>› Appointment of Auditor Code</li><li>› Declaration of Compliance Code</li><li>› Financial Statements Code</li><li>› Prudential Reporting Code (this document)</li></ul>
Banking Law	Banking Business (Jersey) Law 1991
<u>BAO</u>	<u>Banking Business (Accounts, Auditors and Reports) (Jersey) Order 2023</u>
Basel Committee	Basel Committee on Banking Supervision
Branch Auditor	Auditor appointed in relation to an OIB's Jersey business
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
ISAE 3000	International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information
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
<del>BAO</del>	<del>Banking Business (Accounts, Auditors and Reports) Order</del>
OIB	Overseas Incorporated Bank: a Registered Person incorporated overseas
Prudential Reporting Code	Banking Code: Prudential Reporting – this document
Prudential Return	Return submitted by a Registered Person to the JFSC in accordance with Article 16 'Prudential returns' of the BAO
Registered Person	A person registered under the Banking Law

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We / us /our	Terms used to refer to the JFSC
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# 1 Introduction

## Arrangement of the Prudential Reporting 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 Auditors (Appointment of Auditor Code);
    - Banking Code: Financial statements (Financial Statements Code);
    - Banking Code: Prudential reporting (Prudential Reporting Code – this document);
    - 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 Prudential Reporting Code is intended to be understood by reference to its full text, including any guidance.
- 1.4 A description is provided herein of relevant statutory requirements, being those established in the Banking Business (Accounts, Auditors and Reports) (Jersey) 2023 Order (BAO). Failure to follow a statutory requirement is a criminal offence and may also attract a regulatory sanction. The text included herein 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 Prudential Reporting 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.

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## 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 ~~at this draft of~~ this document, the Prudential Reporting Code, be issued to establish Code requirements regarding prudential reporting.

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:

~~1.10~~ <https://www.jerseyfsc.org/industry/codes-of-practice/codes-of-practice-tracked-changes/>

## Effective Date

~~1.11.12~~ 1.12 This part of the Banking Code, the Prudential Reporting Code, is effective from ~~1 August 2023~~ 23 February 2024 for all Registered Persons.

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## 2 Jersey Incorporated Banks (JIBs)

### Statutory requirements

- 2.1 A JIB must complete:—
- › Quarterly Prudential Returns in the form required by the Prudential Reporting Code (i.e. as set out below) with respect to each of the following dates in each year:
    - 31st March;—
    - 30th June;—
    - 30th September;—and
    - 31st December; and
  - › A year-end Prudential Return in the form required by the Prudential Reporting Code (i.e. as set out below).
- 2.2 The Prudential Returns must be provided to us in the manner required by the Prudential Reporting Code within 20 working days of the date with respect to which the return was prepared.
- 2.3 A JIB must provide its JIB Auditor with a copy of year-end Prudential Return.
- 2.4 The JIB Auditor is required to prepare reports on the JIB's Prudential Return.
- 2.5 The JIB Auditor's report in respect of the Prudential Return must be prepared having regard to whether the return reflects the accounting records and transactions to which the records relate taking into account:
- › the accounting practices of the Registered Person; and
  - › any advice given by us.
- 2.6 The JIB Auditor's report must include a statement that, in preparing the report:
- › the JIB Auditor became aware of nothing that could be taken to indicate that any statement in the Prudential Return was incorrect or misleading; or
  - › JIB Auditor became aware of a matter that could be taken to indicate that a statement in the Prudential Return was incorrect or misleading and why the JIB Auditor is of that opinion.
- 2.7 Each JIB Auditor's report must be signed and a copy provided to the Registered Person.
- 2.8 The JIB Auditor's report on the Prudential Return must be provided to us, together with financial statements, directors' report and the JIB auditor's reports in respect of the financial statements and the directors' report.
- 2.9 Contravention of the above requirements would be an offence and the guilty party would be liable to a fine, excepting the requirement for the JIB Auditor to produce the JIB Auditor's report.
- 2.10 The Banking Law (Article 22) makes it an offence to knowingly or recklessly provide information which is false or misleading in purported compliance with these statutory requirements.
- 2.11 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 is granted.

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### Code requirements: quarterly Prudential Return

- 2.12 A JIB must produce its Prudential Return in accordance with the “JIB Reporting Guide”. This establishes general requirements, with guidance on the completion of specific sections being set out in the relevant prudential guides, all of which are available at:
- › <https://www.jerseyfsc.org/industry/sectors/banking/prudential-reporting/jersey-incorporated-banks/>
- 2.13 If a JIB becomes aware that it is likely to fail to meet the deadline, it must notify us immediately. We may agree to an extension, dependent on circumstances, in accordance with Article 17 of the BAO.
- 2.14 A JIB must:
- › have robust, documented processes for the production of its Prudential Return; and
  - › as part of those processes, establish responsibility for sign off and for oversight of the processes.
- 2.15 Prudential Returns are to be prepared using accounting standards that are based on accounting principles and rules that are widely accepted internationally.
- 2.16 Where a JIB wishes to include interim profits in Tier 1 capital, the Prudential Return must be accompanied by an interim audit report from the JIB auditor.
- 2.17 The adequacy of the JIB’s capital and liquidity must be monitored daily and Prudential Returns provided every quarter on an individual company basis. Investments in subsidiaries will result in deductions from regulatory capital.
- 2.18 An additional consolidated return will normally only be required where the JIB has a material subsidiary that is itself a:
- › JIB or registered bank in any other jurisdiction; or
  - › financial services business (as defined by Article 2 of the Financial Services (Jersey) Law 1998) that is not incorporated in Jersey.
- 2.19 In such circumstances, both the solo and consolidated position should be monitored internally and a consolidated return should be provided together with the solo return that coincides with the reporting bank’s financial year-end. If the reporting bank is uncertain as to whether it is required to complete an additional consolidated return then it should contact us and as to which subsidiaries of the JIB should be consolidated in the consolidated return.
- 2.20 Internal monitoring of capital and liquidity must be consistent with the prudential guides, all of which are available at:
- › <https://www.jerseyfsc.org/industry/sectors/banking/prudential-reporting/jersey-incorporated-banks/>
- 2.21 The relevant guidance for calculating capital ratios is set out in:
- › Capital Ratios Guide;
  - › Standardised Approach to Credit Risk Guide;
  - › Standardised Approach to Operational Risk Guide;
  - › Standardised Approach to Market Risk Guide; and
  - › Any guides or guidance specified by us in connection to an approval, such as in relation to a Trading Book or Advanced Approaches.

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2.22 The relevant guidance for calculating liquidity ratios is the Liquidity Ratios Guide.

2.23 A JIB must maintain records relating to the above as business records.

#### Code requirements: year-end Prudential Return

2.24 A JIB must produce its year-end Prudential Return in accordance with the “JIB Reporting Guide”. This establishes general requirements, with guidance on the completion of specific sections being set out in the relevant prudential guides, all of which are available at:

- › <https://www.jerseyfsc.org/industry/sectors/banking/prudential-reporting/jersey-incorporated-banks/>

2.25 Where the year-end date falls on a quarterly reporting date, the year-end Prudential Return should be the quarterly Prudential Return submitted for that reporting date.

2.26 A JIB must ensure that in respect of the year-end Prudential Return, full documentation is produced to enable its JIB Auditor to carry out the work necessary to produce its audit report, which should include:

- › working papers showing how the Prudential Return was extracted from the Registered Person’s books and records;
- › copies of relevant procedures for the production and sign-off of the Prudential Return
- › changes made since the last year-end;
- › changes made to our prudential guidance since the last year-end;
- › any issues identified during the year concerning the Prudential Return process or in the prior year-end audit report, together with a description of how these have been addressed; and
- › a copy of its financial statements.

2.27 A JIB’s instructions to its JIB Auditor, in respect of the audit of its year-end Prudential Return, must be documented in an engagement letter that outlines the nature of the work sought. This must address the following matters:

- › review of the adequacy and maintenance of the control framework relating to the production process for the Prudential Return in order to prevent material misstatement and ensure adherence to our relevant guidance;
- › consideration of the adequacy of knowledge and experience of staff involved in the production process, the submission process and the approval process, including of any training provided;
- › description of, and comment on any identified shortcomings of, IT applications involved in the production process, for example manual workarounds and areas identified for future development, with expected timeframes;
- › overview, and sign off of the Report on the Prudential Return, to include completeness, accuracy and accessibility of key documentation which supports the process;
- › backups and contingencies – both systems and key person reliance in relation to the prudential reporting;
- › details of any audit, compliance monitoring and action plans that may have been produced following the changes detailed in the background section above;
- › the scope should include daily liquidity calculations; and
- › the report must include a reconciliation of reporting within the Prudential Return to relevant material in financial statements, including the balance sheet and profit and loss.

2.28 The JIB must provide us with a copy of its engagement letter along with its submission of the JIB Auditor’s report.

2.29 A JIB must establish responsibility for addressing any issues arising from relevant prior reports.

2.30 A JIB must maintain records relating to the above as business records.

**Guidance: Year-end Prudential Return**

2.31 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.

2.32 The Basel Committee document is available on its website at:

- › <https://www.bis.org/press/p140331a.htm>

2.33 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.

2.34 Regarding the nature of the engagement sought, limited assurance, as per ISAE 3000, is considered to be an approach that would normally be sufficient but this does not preclude the JIB determining otherwise.

2.35 With regard to the power to vary the requirement (see [02.11](#)), this could include alternative arrangements for the audit (such as changing the prudential return audited from the year-end to another quarter-end or utilising internal audit assurance). Any such requests should be made in writing.

**Transitional provisions**

~~2.36 A JIB is requested to submit any requests for variances regarding the year-end return at least three months ahead of the next year end, which we will respond to within one month.~~

### 3 Overseas Incorporated Banks (OIBs)

#### Statutory requirements

- 3.1 An OIB must complete:—
- › Quarterly Prudential Returns in the form required by the Prudential Reporting Code (i.e. as set out below) with respect to each of the following dates in each year:
    - 31st March;<sup>17</sup>
    - 30th June;<sup>17</sup>
    - 30th September;<sup>17</sup> ~~and~~
    - 31st December; and
  - › A year-end Prudential Return in the form required by the Prudential Reporting Code (i.e. as set out below).<sup>17</sup>
- 3.2 The Prudential Returns ~~must~~ be provided to us in the manner required by the Prudential Reporting Code within 20 working days of the date with respect to which the return was prepared.
- 3.3 An OIB must provide its Branch Auditor with a copy of year-end Prudential Return. The Branch Auditor is required to prepare reports on the OIB's prudential return.
- 3.4 The Branch Auditor's report in respect of the Prudential Return ~~must~~ be prepared having regard to whether the return reflects the accounting records and transactions to which the records relate taking into account:
- › the accounting practices of the Registered Person; ~~and~~
  - › any advice given by us.
- 3.5 The Branch Auditor's report must include a statement that, in preparing the report:
- › the Branch Auditor became aware of nothing that could be taken to indicate that any statement in the prudential return was incorrect or misleading; or
  - › the Branch Auditor became aware of a matter that could be taken to indicate that a statement in the prudential return was incorrect or misleading and why the Branch auditor is of that opinion.
- 3.6 Each Branch Auditor's report must be signed and a copy provided to the Registered Person.
- 3.7 The Branch Auditor's report on the Prudential Return must be provided to us, together with financial statements, directors' report and the OIB auditor's reports in respect of the financial statements and the directors' report.
- 3.8 Contravention of the above requirements would be an offence and the guilty party would be liable to a fine, excepting the requirement for the Branch Auditor to produce the Branch Auditor's report.
- 3.9 The Banking Law (Article 22) makes it an offence to knowingly or recklessly provide information that is false or misleading in purported compliance with these statutory requirements.
- 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 is granted.

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### Code requirements: quarterly prudential return

3.11 An OIB must produce its Prudential Return in accordance with the “OIB Reporting Guide”. This establishes general requirements, with guidance on the completion of specific sections being set out in the relevant prudential guides, all of which are available at:

- › <https://www.jerseyfsc.org/industry/sectors/banking/prudential-reporting/overseas-incorporated-banks/>

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3.12 If an OIB becomes aware that it is likely to fail to meet the deadline, it must notify us immediately. We may agree to an extension, dependent on circumstances, in accordance with Article 17 of the BAO.

3.13 An OIB must:

- › have robust, documented processes for the production of its Prudential Return; and
- › as part of those processes, establish responsibility for sign off and for oversight of the processes.

3.14 Prudential Returns are to be prepared using accounting standards that are based on accounting principles and rules that are widely accepted internationally.

3.15 An OIB must maintain records relating to the above as business records.

### Code Requirements: Year-end Prudential Return

3.16 An OIB must produce its year-end Prudential Return in accordance with the “OIB Reporting Guide”. This establishes general requirements, with guidance on the completion of specific sections being set out in the relevant prudential guides, all of which are available at:

~~3.17~~ <https://www.jerseyfsc.org/industry/sectors/banking/prudential-reporting/overseas-incorporated-banks/> <https://www.jerseyfsc.org/industry/sectors/banking/prudential-reporting/jersey-incorporated-banks/>

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~~3.18~~ ~~3.17~~ Where the year-end date falls on a quarterly reporting date, the year-end Prudential Return should be the quarterly Prudential Return submitted for that reporting date.

~~3.19~~ ~~3.18~~ An OIB must ensure that in respect of the year-end Prudential Return, full documentation is produced to enable its Branch Auditor to carry out the work necessary to produce its audit report; which should include:

- › working papers showing how the Prudential Return was extracted from the Registered Person’s books and records;
- › copies of relevant procedures for the production and sign-off of the Prudential Return;
- › changes made since the last year-end;
- › changes made to our prudential guidance since the last year-end; and
- › any issues identified during the year concerning the Prudential Return process or in the prior year-end audit report, together with a description of how these have been addressed.

~~3.20~~ ~~3.19~~ An OIB’s instructions to its Branch Auditor, in respect of the audit of its year-end Prudential Return, must be documented in an engagement letter that outlines the nature of the work sought. This must address the following matters:

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- › review of the adequacy and maintenance of the control framework relating to the production process for the Prudential Return in order to prevent material mis-statement and ensure adherence to our relevant guidance;
- › consideration of the adequacy of knowledge and experience of staff involved in the production process, the submission process and the approval process, including of any training provided;
- › description of, and comment on any identified shortcomings of, IT applications involved in the production process, for example manual workarounds and areas identified for future development, with expected timeframes;
- › overview, and sign off of the Report on the Prudential Return, to include completeness, accuracy and accessibility of key documentation which supports the process;
- › backups and contingencies – both systems and key person reliance in relation to the prudential reporting; and
- › details of any audit, compliance monitoring and action plans that may have been produced following the changes detailed in the background section above.

3.213.20 The OIB must provide us with a copy of its engagement letter along with its submission of the Branch Auditor's report.

3.223.21 An OIB must establish responsibility for addressing any issues arising from relevant prior reports.

3.233.22 A OIB must maintain records relating to the above as business records.

#### Guidance: year-end Prudential Return

3.243.23 Regarding the nature of the engagement sought, limited assurance, as per ISAE 3000, is considered to be an approach that would normally be sufficient but this does not preclude the OIB determining otherwise.

3.253.24 With regard to the power to vary the requirement (see 3.10), this could include alternative arrangements for the audit (such as changing the prudential return audited from the year-end to another quarter-end or utilising internal audit assurance). Any such requests should be made in writing.

#### ~~Transitional provisions~~

~~3.26—An OIB is requested to submit any requests for variances regarding the year-end return at least three months ahead of the next year end, which we will respond to within one month.~~