



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

Lught-Reill Shirveishyn Argidoil Ellan Vannin

Consultation Response
Depositors' Compensation Scheme - Review

CR24-01

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Glossary

In this document the following terms have the meanings indicated below	
Term	Meaning
Authority	Isle of Man Financial Services Authority
Bank	Participant in the DCS
Banking Industry	Participants in the DCS
Crown Dependencies	Together, the Isle of Man and the jurisdictions of Guernsey and Jersey
DCS	Depositors’ Compensation Scheme, as prescribed in the Depositors’ Compensation Scheme Regulations 2010 ¹
Depositor	A person who holds an eligible protected deposit with a participant bank
IoM	Isle of Man
SCV	Single Customer View
Treasury	The Treasury of the Isle of Man Government

¹ https://legislation.gov.im/cms/images/LEGISLATION/SUBORDINATE/2010/2010-0683/DepositorsCompensationSchemeRegulations2010_10.pdf

1. Background

This Consultation Response is issued by the Isle of Man Financial Services Authority following Consultation Paper CP23-03 on the Depositors' Compensation Scheme - Review from 24th November 2023 to 21st January 2024: [Depositors' Compensation Scheme Review](#)².

The Authority, Treasury and the Banking Industry undertook a review of whether the DCS legislation aligns with the International Association of Deposit Insurers ('IADI') Core Principles as far as possible, practical and proportionate. Key aspects considered were the timeliness of payments; levels of payments to certain depositors; and public awareness.

The purpose of the consultation was to obtain views from affected parties on proposed changes to the DCS framework.

2. Summary of responses

2.1 Overview

The Authority received 10 separate responses to the Consultation Paper, of which three were from banks that are regulated by the Authority and one from a business registered with the Authority as a Designated Business. Six responses were from individuals.

2.2 Responses relating to the Consultation Paper Proposals

2.2.1 Level of coverage for individual eligible depositors

All six of the individual responses requested that consideration be given to increasing the individual coverage of £50,000 (or £100,000 for joint account holders) to £85,000 (or £170,000 for joint account holders) to align with the UK's scheme. It was suggested that maintaining this coverage at current levels would adversely affect the Island's competitiveness and that continuing cover at £50,000 is a reduction in real terms of cover, due to inflation.

Authority's response

The Authority, Treasury and the Banking Industry carefully considered this request. However, it has been decided to keep the coverage at current levels, so it remains in line with other Crown Dependencies. We will be keeping a watching brief on any developments relating to DCS coverage across the Crown Dependencies, but it is not considered that depositor compensation is a matter on which there should be regulatory arbitrage between the three Crown Dependencies.

The banking landscape has changed considerably in recent years, during which time the Authority, Treasury and the Banking Industry have been working together to deliver better outcomes for depositors including the introduction of the Bank (Recovery and Resolution)

² https://consult.gov.im/financial-services-authority/depositors-compensation-scheme-review/consult_view/

Act 2020³. The IoM's Resolution framework applies to all banks holding Class 1(1) and Class 1(2) permissions⁴ in the IoM.

2.2.2 Level of coverage for Isle of Man Registered Companies and Trusts

There was no real consensus of opinion, either from the Banking Industry or from individuals, on whether to increase the coverage from £20,000 to £50,000 for IoM companies and trusts.

Authority's response

In the circumstances, the Authority proposes to keep the coverage at current levels of £20,000.

2.2.3 Level of Coverage for Isle of Man Registered Charities

Although responses to the consultation only commented briefly on this topic, the overall tone supported the proposed changes in coverage from £20,000 to £50,000. Additionally, both the Treasury and the Banking Industry expressed their support for increasing this coverage.

Authority's response

When the DCS legislation is amended, the level of coverage for IoM charities will be increased from £20,000 to £50,000, subject to Tynwald's approval.

2.2.4 Single Customer View

SCV is a mechanism used in various jurisdictions (including Jersey and Guernsey) in which bespoke software collates data about depositors' account balances with banks. All the consultation responses relating to SCV came from banks and acknowledged that using SCV would result in faster payout to depositors if a bank fails and the DCS is activated.

However, the banks requested that the design of SCV files and reports should replicate as close as possible the format already in place in Jersey and Guernsey and also sought clarity regarding how the proposed costs of SCV would be allocated to them. Additionally, the banks asked for full transparency regarding the selection of the third party provider and noted that no timeline for implementation was included in the consultation document.

Authority's response

The SCV system will be devised and implemented by a third party provider, following a suitable procurement process. Once these development costs are known, the Authority will confirm the proposals for the fee structure. It is proposed that there will be three levels of charging, based on the number of eligible customer accounts held at the banks.

³ https://legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/2020/2020-0015/2020-0015_1.pdf

⁴ As described in the Regulated Activities Order 2011 (as amended):

https://legislation.gov.im/cms/images/LEGISLATION/SUBORDINATE/2011/2011-0884/2011-0884_8.pdf

The same specification details will be used for the design of SCV files in IoM as in the Channel Islands. Therefore, the design of the SCV files and reports will replicate as close as possible the format already in place in Jersey and Guernsey - the only differences being where the IoM's DCS differs from those in the other Crown Dependencies.

The Treasury's Procurement team is facilitating the appointment of the third party provider. The decision about the appointee will be made by a panel comprising representatives from the Treasury, the Authority and the IoM Bankers Association. Once the third party provider has been appointed, meetings will take place with the Banking Industry to discuss a high level timeline for implementation.

2.2.5 The 'netting off' of loans

One of the banks requested further information to understand the 'netting off' of loans against eligible deposits, which is part of the IoM's current DCS legislation. The bank mentioned that this part of the IoM's legislation differs from that in Jersey and Guernsey.

Authority's response

The Authority intends to seek a revision to this aspect of the DCS legislation so that it more closely aligns to DCS legislation in Jersey and Guernsey, together with the design of the SCV system and the process of payout.

2.2.6 Other comments

No comments were received on the draft *Financial Services (Deposit Data) (Amendment) Rule Book 2024*.

3. Changes to the Proposals

Possible changes to the 'netting off' provisions and to the level of coverage for IoM charities will be reviewed and consulted on in due course.

4. Next Steps

The Authority is grateful to all those parties who provided a response to this consultation.

The first stage of implementing the proposals is now under way, with the draft *Financial Services (Deposit Data) (Amendment) Rule Book 2024* due to be laid before Tynwald for approval in April 2024 and to come into operation on 1 May. This will enable the Authority to gather the data in order for the SCV design work to commence.

The draft *Financial Services (Deposit Data) (Fees) Order*, which will allocate to the banks the costs of the SCV system, will be subject to separate consultation and will be progressed to Tynwald for approval when costs of the SCV system are known.

Any changes to the DCS Regulations, such as to vary the amount payable to charities, will also be subject to separate consultation and progressed to Tynwald subsequently.

In case of any query, please contact —

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Appendix – List of Groups to which this Consultation Response has been sent

- Isle of Man Bankers Association
- Jersey Financial Services Commission
- Guernsey Financial Services Commission
- Gibraltar Financial Services Commission
- Members of the Affiliation of Micro European States (AMES)