



Isle of Man
Government

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Summary of Responses to Consultation

REVISED DEPOSITORS' COMPENSATION SCHEME POLICY PROPOSALS

The Treasury

1. Introduction

- 1.1 The consultation on the Revised Depositors' Compensation Scheme (DCS) policy proposals was issued by the Treasury on the 14th February 2017 with responses requested by 24th March 2017.
- 1.2 The proposals consulted upon considered what changes would be needed to the existing Depositors' Compensation Scheme Regulations 2010 (as amended), to comply more fully with the current underlying international principles on best practice for deposit insurers. The proposals also took account of other previous reviews in this area such as the Tynwald Select Committee on Kaupthing, Singer and Friedlander Third (Final) Report.
- 1.3 This was an initial consultation intended to gain the views of the public, the banking industry and other interested bodies on a number of key overarching policy proposals. These policies will subsequently establish a framework for the revised DCS.
- 1.4 The Treasury has continued to engage with stakeholders following the completion of the consultation which has led to a short delay in the publication of this summary of responses received.

2. Responses / Next Steps

- 2.1 The consultation document was issued to all Government Departments, Statutory Boards, Offices, Local Authorities, industry representatives and was published on the Government's website. The consultation attracted 12 responses which are listed in full at [Appendix A](#). A full list of respondents is also included at [Appendix B](#). For completion, the consultation document is also attached for reference at [Appendix C](#).
- 2.2 Most respondents recognised the need to amend the DCS for it to comply more fully with underlying international principles and were generally supportive of the proposals. A number of queries were also raised by respondents and it became evident that further clarification would be required in some areas.
- 2.3 Noting the feedback received, the Treasury will continue to develop policy which will lead not only to a revised bank DCS, but also to establish a more effective framework of governing primary legislation covering all areas of deposit insurance.
- 2.4 Part of this work will also consider the need to develop effective bank insolvency laws which include a special resolution regime for banks that is separate from the general corporate insolvency laws. The Treasury will continue to work closely with the IoM Financial Services Authority and other relevant stakeholders to look in detail at current and possible future options in this area.
- 2.5 This feedback document is therefore intended to act as an initial update and further information, draft legislative consultations and a timetable covering all areas under review will be issued over the coming months as work continues.

Appendix A Comments received on each proposal:

Proposal 1: Defining the Stated objectives of the DCS.	
<i>"The Depositors' Compensation Scheme ("DCS") aims to protect the depositors of Isle of Man licenced banks and help to safeguard the stability of the banking system."</i>	
Response from	Do you agree with proposal? / comments made
Appleby	Yes.
Barclays	Yes.
CNBTC	<p>The proposed policy objective is misleading. It states that it "...aims to protect the depositors of Isle of Man licenced banks".</p> <p>It does not: depositors in class 1(2) banks are not covered at all, and depositors of class 1(1) banks are protected to varying degrees. We recommend it should read instead as</p> <p>"...aims to protect eligible depositors of Isle of Man licenced banks..."</p>
Mr K. Grattan	Yes. Strongly agree. The island needs to instil confidence to depositors. The current limits are too low.
HSBC	Yes.
IoMBA	Some members believed that the proposed policy objective is somewhat overstated and misleading. In comparison, the equivalent UK scheme makes no claim to protect depositors rather it refers to compensating them up to certain levels. Furthermore those depositors in class 1(2) banks are not covered at all, and depositors of class 1(1) banks are protected to varying degrees. Members believed the objective should be reworded and some members suggested it should read as "aims to protect eligible depositors of Isle of Man licensed banks."
IoMFSA	<p>We agree with the concept of the stated policy objective but suggest the following wording might better reflect the fact that the scheme cannot offer full / unlimited protection to depositors:-</p> <p><i>"The Depositors' Compensation Scheme ("DCS") aims to provide appropriate protection for depositors of Isle of Man</i></p>

	<i>licensed class 1(1) banks and help to safeguard the stability of the banking system”.</i>
OFT	Yes. Consumer protection should be the priority.
Standard	Yes. However, the definition of depositors is key.
W. R. Tomlinson	Yes.
<p>Summary: All those who responded agreed with the concept of stating the objectives of the DCS; however a number also pointed out that the current suggested wording could be perceived as misleading.</p> <p>Comment: The Treasury intends to proceed with defining the scheme objectives within a revised DCS and will carefully consider the comments made when finalising these.</p>	
<p>Proposal 2: Governance of the DCS</p> <p><i>“The DCS will be managed on behalf of the Scheme Manager by a legally constituted internal Board comprising of representatives from Treasury, representatives from the IoMFSa and two independent Board members appointed by the Treasury (subject to Tynwald approval). The administrative costs of the Board will be met by levying scheme participants (covered banks) on an annual basis.”</i></p>	
Response from	Do you agree with proposal? / comments made
Appleby	Yes.
Barclays	Yes. How will the levy be applied? Is there an anticipated value of the levy? We would like to see one member of the board to have relevant banking experience.
CNBTC	<p>We understand Treasury's desire to have an “internal board”, but we believe better governance would be demonstrated by having a majority of independent members. This, we believe, would better meet the IADI standard.</p> <p>We would also like to understand what will be the annual cost of the board, and how it is intended such would be allocated between the few remaining banks.</p>
Mr K. Grattan	No. The independent board members should not be solely appointed by the Treasury. The Treasury can have a say in the choice of these individuals but they should be members of the legal profession with experience in dealings in

	financial matters.
HSBC	<p>Re: Para 3.12 If banks are to fund the running costs of the Internal Board and will be funding future recovery claims then there should be representation (such as president or VP of IOMBA) – there may be issues with sensitive information on individual banks being discussed in these board meetings, however there should be a way to work around that that ensures representation is there. Fundamentally there should be bank representation on this board.</p> <p>Re: Para 3.16 More detail required on how much these running costs will be, banks need to budget and there is a distinct lack of information here. Additionally will running costs annual levy be allocated equally or pro rata’s based on size of bank? Also as the banks will be funding this, it links into 3.12, should there not be representation on the Board as the banks are paying for it?</p>
IoMBA	<p>Re: Para 3.12 Members felt that, as it is proposed that banks will be funding future recovery claims and are to fund the running costs of the Internal Board, there should be material representation on such boards from the banking sector (such as president and VP of IOMBA). Members appreciate that there may be issues with sensitive information on individual banks being discussed in these board meetings, however they feel that a board could be structured in such a way that averts this and ensures appropriate representation. All members agreed it was essential that there should be bank representation on this board. Some members suggested one solution might to have in place an ‘ordinary’ board composition as proposed in this paragraph, but to provide in the event of a scheme invocation, that the board would immediately be augmented by two representatives of the current banking sector, perhaps whomever are the then current president and vice-president of IOMBA, subject of course to them not actually being connected with the relevant collapse. Some members queried whether further clarity could be given as to the “independence” of the independent board members. Would for example non-exec directors of class 1 licence-holders be considered independent. Some members asked for clarification in respect of the size of the Treasury representation on the board.</p> <p>Re: Para 3.14 Members sought clarification as to whether a public report as to the Board/Scheme manager’s activities would be produced and if so how frequently?</p> <p>Re Para 3.16 All members would like more detail in respect of an order of magnitude of anticipated running costs in order to enable adequate budgeting. Some members would like more information on the basis of calculation of the annual levy (will it, for example, be allocated equally or on a pro rata basis against the size of the bank?)</p>

	<p>Re Para 3.19 Some members expressed deep concern in respect of the appointment of the members to the board being subject to Tynwald approval. It was felt by many that it is advantageous to illustrate a clear separation of the board from political influence and control.</p> <p>Re Para 3.22 Those members that interpreted the consultation to mean that G-SIBs or D-SIBs would be excluded from the DCS arrangements, expressed concern that the number of banks remaining within the scheme would be too small for the scheme to be a practical arrangement. Some members asked has the impact of Banking Reform been considered? UK banks are unlikely to be able to support the offshore liabilities if issues arise.</p> <p>Re Para 3.24 Some members expressed the view that the Scheme should not preclude the provision of the lending from licence-holders themselves.</p>
IoMFSA	We agree with the principles as set out. We also suggest that the proposed board could include, at the appropriate time, a representative that covers bank resolution (depending on the progression and detail of that work-stream).
OFT	<p>Yes to the additional cost being passed on to scheme members as the additional protection offered to depositors is beneficial in attracting business to the Isle of Man.</p> <p>The constitution of the Board needs to be more diverse and include a representative from a consumer protection body. For example, a lay member of the Board of the Office of Fair Trading.</p>
Standard	No. The banks are being asked to pay for the board but have no representation and there is no detail of the costs so the banks have no idea of their potential liability.
W. R. Tomlinson	Yes.
<p>Summary: The majority of responses agreed with the requirements for a Board. However, comments sought more information about the costs of the Board and concerns were raised about the lack of independence and constitution of the Board as set out in the proposal.</p> <p>Comments: The Treasury intends to proceed with the principle of a new Board. A preferred model was set out but it is acknowledged</p>	

that further work and clarity is required on a number of issues. Consultation will continue with stakeholders to develop the structure and membership and in the process provide additional detail regarding potential cost.

Proposal 3: Funding – a) Liquidity

“Initial payments made under the DCS will be pre-funded by Treasury to ensure that the scheme has sufficient resources to respond promptly to a triggering event. Pre-funding will be capped at an appropriate amount and will be fully recoverable together with any associated costs.”

Response from	Do you agree with proposal? / comments made
Barclays	Yes. Barclays agrees with the proposal in the method of funding. Has a maximum levy been placed, what is the expectation on the maximum amounts to be paid by the larger banks?
Appleby	Yes.
CNBTC	<p>Re: Para 3.22 This observes that: "Funding mechanisms for the DCS are not intended to support claims that could arise if G-SIBs, or indeed those banks which are ...D-SIBs, were to fail or need to be resolved." If it is indeed the intention for G-SIBS or D-SIBs to fall outside the new DCS arrangement, which banks will be left in the pool? and how sustainable will the scheme be? Bear in mind that albeit unlikely, conceptually an IOM bank may be a D-SIB whereas its parent is not.</p> <p>Re: Para 3.25 This states that: "Government exposure will be capped at a level which guarantees prompt payment...". To us, this doesn't make sense. If the objective is to limit government exposure, a cap may be appropriate but such might not guarantee prompt, or indeed full, payment. However, an objective of guaranteeing prompt payment does not need a cap, and would undoubtedly benefit without one. Perhaps what is intended to be said is that there is a desire to have a limit in place in order to cap the exposure to the public purse, which is reasonable, but that such limit would be set at a level which will ensure prompt payment. If such be the case, we think this would read better were the word 'guarantees' be replaced by "still enables". Further, para 3.29 states that the policy of treasury pre-funding is "to ensure that the scheme has sufficient resources to respond promptly...". We do not believe that this is met by the proposed timelines as set out in para 3.46; see</p>

	below for our detailed response to that paragraph (reference to IoMBA response below).
Mr K. Grattan	Yes. The 'capping level' should be revised regularly to allow for inflation etc.
HSBC	<p>Yes. Agree that pre funding will be met by the Treasury. However:</p> <ul style="list-style-type: none"> • Clarity is required regarding interest charges that banks will have to pay on the pre funding. What rate of interest will be applied? • Additionally what does associated and appropriate costs mean is this not what the annual levy is for? • Will these charges be applied equally to each licence
IoMBA	<p>Re: Para 3.25 Members had difficulty in understanding this paragraph and all believed it would benefit from revision and further explanation. Some members stated that if the objective is to limit government exposure, a cap may be appropriate but such might not guarantee prompt, or indeed full, payment. They further suggested, an objective of guaranteeing prompt payment does not need a cap, and would probably benefit without one. The same members wondered if perhaps what the paragraph is trying to say is that the proposal is to have a limit in place in order to cap the exposure to the public purse, which is reasonable, but that such would be set at a level which will ensure prompt payment. This being the case, those members proposed, this would read better were the word 'guarantees' be replaced by "still enables".</p> <p>Re: Para 3.29 Some members questioned whether the policy of Treasury pre-funding ("to ensure that the scheme has sufficient resources to respond promptly...") is met by the proposed timelines as set out in paragraph 3.46.</p> <p>Additional comments were also received from members:</p> <ul style="list-style-type: none"> • Clarity is required regarding interest charges that banks will have to pay on the pre funding. What rate of interest will be applied? Banks may prefer to contribute towards Government's liquidity requirements by lending money themselves to Government, rather than being re-charged for loans obtained elsewhere. An appropriate mechanism for banks to provide liquidity to Government should be included within the regime. • Additionally, what does associated and appropriate costs mean? Is this not what the annual levy is for? • Will these charges be applied equally to each licence holder or will it be pro rata depending on bank size?
IoMFSA	We agree with the proposals.

OFT	Yes. Checks should be put in place by the FSA which ensure that the Banks have reserves ring fenced to enable payment into the DCS, if necessary, ensuring the tax payer is not left to foot the bill.
Standard	No. This is potentially unsustainable if the number of licensed banks keeps reducing. This could also trigger decisions by certain banks to exit the island otherwise they will be left with the liability. The government having no stake in a major industry which it licences in the event of a failure does not feel right and depositors may consider whether it is actually a workable scheme if the numbers of banks reduce.
W. R. Tomlinson	Yes.
<p>Summary: The majority of responses supported the proposal but concerns were raised about how it would work in practice and future sustainability.</p> <p>Comments: The Treasury can confirm that an intention to pre-Fund the DCS remains. The points raised regarding the capping of the amount, access to funding and the recovery process through levies are noted and will form the basis for further discussion with stakeholders. It should be noted that all class 1(1) licensed banks will continue to be included within a revised DCS.</p>	
<p>Proposal 3: Funding – b) Recovery</p> <p><i>“The Isle of Man Treasury is removed as a participant (equal funder) of the DCS. Should a default be triggered, the DCS will recover the costs of administering the default (including any interest costs on loan funding) from remaining scheme participants through a levy system. Further, if the proceeds from the recovery of the bank liquidation are not sufficient to repay the loan funding, the DCS will also recover such amounts from remaining scheme participants to fully repay that loan.”</i></p>	
Response from	Do you agree with proposal? / comments made
Appleby	Yes.
CNBTC	We are extremely concerned at the proposal set out in para 3.32 to shift the funding cost from treasury to the banks. From the strategic perspective of our group, we would need to understand the contingent risk to which we would be

	<p>exposed under the proposed new regime, and to compare this against the current perceived risk.</p> <p>We are not entirely happy with the proposal that the FSA should no longer be deemed participants. Their role is to monitor the island's banking operations for which they take a hefty fee. In our view they should also have "some skin in the game" and we wonder if the fact that they also stood to contribute in the failure of one of their subject licence holders might focus their reviews and prompt the development of ever more effective risk management.</p> <p>Given that the FSA audit and keep a watching eye over all scheme participants' banking activities, and benefit from their licence fees, perhaps they or the Treasury should be included as a "participant" and share in the costs. That would certainly provide an incentive to hone their reviews. They suggest that the preferred creditor regime will mitigate the demands on members and if correct would weigh correspondingly less as a financial risk on Treasury.</p> <p>We appreciate there might be commercial sensitivities, but we need to see the numbers and to assess as soon as possible our potential contingent risk to the new scheme. If the risk is perceived as being too high, the only actions a bank can take would be to retire from the IOM banking sector entirely, or to move to a class 1(2) licence. See our comments re para 3.36 - there has been a significant decline in the number of banks (and thus DCS participants) over recent years; we cannot afford any further drop in numbers, so it is essential that an appropriate balance between the stakeholders is achieved. These aspects reinforce the need for current banking sector representative to be represented on the proposed new board.</p> <p>Paragraph 3.33 states that "the other participant banks would be levied...for full repayment of the loan..." - does this imply that it is intended to abolish the ceilings - in terms of monetary amounts and rolling timeframe - within the existing arrangements? As indicated elsewhere, we need to understand as soon as practical our potential contingent risk under any new proposals.</p>
Mr K. Grattan	Yes.
HSBC	<p>No. Will costs for funding and residual losses be pro rata by size or equally split by bank? More detail is required here. Is this new approach consistent with Jersey and Guernsey? This is an important question, if Jersey and Guernsey do not have a similar scheme where banks ultimately fund recovery this could create issues for attracting new banks or retaining existing licence holders.</p>
IOMBA	<p>Re: Para 3.32</p> <p>Members are extremely concerned at the proposal to shift the entire funding cost from IOM Treasury to the banks. In particular members agree and strongly advocate that an illustration of the contingent risk to which members' would be exposed under the proposed new regime be prepared and communicated at an early stage and this risk compared against the current equivalent risk. Some members believe that it is not unreasonable that the IOM Government, given</p>

its unique position prior to any bank failure (including any actions or inactions of the Regulator), should have to bear a share of the burden of any financial loss. Members questioned whether this approach would be consistent across the CDs and if not, as stated above, expressed significant reservations for the reasons described earlier. Members feel this is an important question as if they do not have a similar scheme where the banks ultimately fund the recovery, then it will make it more difficult to retain or attract new Class 1(1) licence-holders. Additionally members reiterated their view that the total attribution of costs generated by the "internal board" (a board on which, under current proposals, members have no representation) to licence-holders was entirely inconsistent.

Re: Para 3.33

All members would like to know if this implies (and in particular the reference to the preferred creditor regime) that it is intended to abolish the ceilings, in terms of monetary amounts and rolling timeframe, within the existing arrangements. Clarification on this point was felt essential by members. Some members asked that the comparison with the other CDs in respect of this point be considered as illustrated below:

- Guernsey scheme capped to the lesser of £100m or the Total value at Risk over 5 years.
- Participants in the Guernsey DCS have their contributions in any calendar year capped at £1m or 50% of their average profits over the 3 years preceding that year.
- Jersey is also capped to £100m over 5 years.
- For participants in Jersey, the maximum they would be liable for in any one year would be £2m and £10m over the 5 year period.

Re: Para 3.36

Not unsurprisingly members expressed a variety of views on this point without achieving consensus and accordingly the IOMBA would suggest the responses from individual members be considered in respect of suggestions for the fair calculation of a levy.

Re: Para 3.37

Under the 2010 regulations, IOM Treasury and the Banking sector were required each to provide funding of up to £100m over a rolling ten year period.

If IOM Treasury contribution is now to be withdrawn, members sought clarification as soon as possible as to what, if any, cap is proposed on member contributions. As noted above, the equivalent scheme in Jersey and Guernsey are capped at £100m over a 5 year period. Limits are also known in these jurisdictions which enables the licence holders to understand their contingent risk.

IOMFSA

We agree with the proposals, noting that the rate of recovery in respect of branches will be different depending on the interaction, and ranking, of the IOM DCS versus preferred creditors in the home jurisdiction of the bank.

OFT	Yes. The levy should cover the full cost of administering a default as the DCS is a comfort to depositors and a tool for attracting deposits to the Isle of Man.
Standard	No. Again the banks have no cap as to their liability and have no control over the process so are relying on others to facilitate effectively in order to limit their liability. By the time this is triggered the number of banks may have reduced and the ones left could have a hefty amount to find.
W. R. Tomlinson	Yes.
<p>Summary: A number of responses raised concern about the Treasury being removed as a scheme participant of the DCS and clarification was requested on whether there would be a cap on member contributions and how any levies would be apportioned.</p> <p>Comments: The Treasury notes the comments received here and the need for additional clarity in some areas. This is an initial policy consultation with the intention of ascertaining views on a number of overarching proposals and these will now form the basis for further discussion with stakeholders. No final decision has been taken as to the recovery mechanism, but The Treasury is keenly aware of the need to balance adequate assurance for depositors within a scheme which is affordable and sustainable for both participants and the Isle of Man Government. Although capping was not explicitly covered in this consultation this, together with recognition of schemes in other jurisdictions, will be an integral part of further consultation as work progresses.</p>	
Proposal 3: Additional comments on Levy	
Response from	Do you agree with proposal? / comments made
Barclays	This hasn't specifically been addressed in your comments but a response is required on the form. What is the timeframe for defining the mechanism for levy calculation?
CNBTC	<p>As a smaller bank, we have long objected to the relatively low level of the annual contribution ceiling, which results in smaller institutions paying proportionately a lot more into the scheme than does a larger bank in the event of an invocation. Previously it had been argued in support of this bias that smaller institutions are more likely to default, (and thus, presumably, should pay a higher 'insurance premium') but the global financial crisis has disproved that theory.</p> <p>We suggest that the annual contribution ceiling should be abolished, and the level of annual contributions based simply on the size of eligible deposits held. This will mean that the cost is truly shared fairly between all participating institutions.</p>

	<p>We also believe it is essential that the contingent risk to participant banks is quantified, on a worst case/median case basis. Given that the number of banks within the IOM has fallen by 75% since the first DCS was introduced, we are close to a point where there are insufficient participants to enable the scheme to continue. The contingent risk on surviving banking sector members may no longer be sustainable.</p> <p>Under the 2010 regulations, Treasury and the Banking sector were required each to provide funding of up GBP100m over a rolling ten year period. If the Treasury contribution is now to be withdrawn, what will be the impact on the banking sector? Is it intended that the Banking cap will increase to GBP200m? If this be the proposal, we fear that our potential share of such a loss could result in a significant and potentially unsustainable hit against our capital.</p> <p>As stressed elsewhere, we need to understand what potential liability will fall on the few remaining class 1(1) institutions - as above, this is potentially a significant contingent risk.</p>
Mr K. Grattan	I would insist all regulated entities wanting to operate here deposit an amount of 10 million pounds sterling with the Treasury to be used in the event of any default and to speed up the process of reimbursements.
IoMFSA	We agree that options should be considered. One example we think may have merit is linking the levy to the proportion of eligible deposits held in a bank, rather than the current method of linking to total deposits, irrespective of type of customer and amounts fully protected.
Hon. J. Watterson SHK	Government has not followed the recommendation laid down in the KSF report that the annual levy from banks should be reconsidered, and increased. (KSF Final report, Recommendation 7)
<p>Summary: Not unexpectedly, there is a mixed response to the question of how levies should be apportioned across the scheme participants.</p> <p>Comments: Please refer to comments under 3) b - Recovery</p>	
<p>Proposal 4: Timeliness of Payment – Overall policy statement:</p> <p><i>"The DCS retains the objective to reimburse eligible depositors as soon as possible following a default triggering event and will provide</i></p>	

for an initial part payment within 28 working days and full reimbursement of most insured deposits within 12 months of the default. Further consideration will also be given to introducing immediate interim payments.”

Response from	Do you agree with proposal? / comments made
Appleby	Yes.
Barclays	We have no comments on the Policy statement.
CNBTC	The aspiration to make an emergency payment within 28 days is sustainable, and probably wise not to set expectations too high. That said, given the commitment of Government to provide sufficient loans to the scheme to cover the largest default, we do not believe that the aspiration to pay "most" DCS claimants "within 12 months" is at all realistic - payments should be made much faster than that, other, of course, than in instances where the amount due is in dispute or there are other queries. This latter aspect would likely, though, only apply in a relatively small percentage of claims.
Mr K. Grattan	No. If £10 million was held, the process could probably be dealt with swiftly. 12 months is too long. More thought needs to be given by Treasury you should make the rules, not the institutions.
HSBC	Yes.
IoMBA	<p>Some members expressed the belief that the aspiration to make an emergency payment within 28 days is sustainable, and that it was probably wise not to set expectations too high. However they questioned, given the commitment of Government to provide sufficient loans to the scheme to cover the largest default, whether the aspiration to pay 'most' DCS claimants 'within 12 months' is at all realistic. They suggested that payments should be made much faster than that, other, of course, than in instances where the amount due is in dispute or there are other queries.</p> <p>Other members commented that the ability of the scheme to set an aspirational timetable for repayments was probably misleading given the scheme's dependence on the resolution process which potentially would vary from case to case.</p> <p>Some members wished it to be noted that Guernsey DCS pays compensation within 3 months and Jersey allows for a payment of up to £5,000 within 7 working days with the remaining balance within 3 months of receiving a valid claim.</p>
IoMFSA	Generally we agree with the proposal for timeliness of payment, albeit noting that the DCS should always seek to provide compensation as early as practicable, especially for persons with access and short term notice accounts.

OFT	Yes. As long as it is clear that the SCV is only accessible in the event that DCS is triggered and there is no breach of data protection.
Standard	Yes. Fine in practice but again government is requiring the banks to fund in a shorter time frame.
W. R. Tomlinson	Yes.
<p>Summary: The majority of responses were in favour of the proposal, specifically in relation to an initial emergency payment, but comments also noted that the period of 12 months was unrealistic and payments would need to be resolved more quickly.</p> <p>Comment: The Treasury recognises that further work is required to facilitate reimbursement of eligible depositors in as quick a timeframe as possible. To do this various issues have to be resolved including access to data, securing funding and establishing legal assignment of the covered deposit. The policy aim remains to reimburse as quickly as possible in the advent of a triggering event and this will be at the forefront whilst work continues in developing solutions to these issues.</p>	
<p>Proposal 4: Single Customer View</p> <p><i>"Legal access to all bank records will be established for the Scheme Manager with appropriate delegation rights and scheme participants will be required to provide details of all accounts held by a customer in an appropriate single file format within agreed timescales."</i></p>	
Response from	Do you agree with proposal? / comments made
Appleby	Yes.
Barclays	We understand the need for Single Customer View; we do however envisage this to take at least 2 years to implement, and our preference would be that this is done across all Crown dependencies in order for us to reduce project costs.
CNBTC	We agree with the ability to access bank records speedily, as set out in para 3.49, but we think it should be made clearer that this legal right of access relates just in relation to the bank which is in default. That doesn't seem to be what is suggested in para 3.50.

	<p>In terms of the SCV, the devil is always in the detail - a simple SCV which gives a consolidated/net customer position but does not identify off balance sheet cross-liability aspects such as guarantees given to the bank to support borrowings of another customer might give rise to incorrect information. The SCV must be capable of capturing all liabilities of the customer, whether real or contingent and whether on or off balance sheet.</p> <p>We would like clarity on whether all banks are submitting the information proposed under para 3.55 on a regular basis, or whether it is just the defaulting institution at time of default.</p>
Mr K. Grattan	Yes. It shouldn't take long to establish what accounts a customer has (which can also be supplied by the customer).
HSBC	Yes. Agree with the proposal for a single customer view and 2 years seems like a reasonable timeframe.
IoMBA	<p>Members agree that there must be a legal right to access bank records as failure to do this would limit the effectiveness of the scheme. However, some members suggested that is legal right of access should only be extended to the bank which is in default and expressed concern that this not what appears to be suggested in para 3.50. Other members accepted that reporting of a similar nature was already in place for branches of UK entities. Some members believe it would be well served by having control through the industry rather than government. Other members sought to extend existing reporting methods and sought to avoid additional administrative overhead in having a different IOM reporting mechanism.</p> <p>Some members expressed the view that whilst the devil is always in the detail, a simple SCV which gives a consolidated/net customer position but does not identify off balance sheet cross-liability aspects such as guarantees given to the bank to support borrowings of another customer might give rise to incorrect information.</p> <p>Some members asked for additional clarification as to whether all banks would be required to submit this information on a regular basis, or whether it would just be the defaulting institution at time of default.</p>
IoMFSA	We suggest that Treasury should look into whether the concept of SCV needs to be mandated solely within the Scheme Regulations, or wholly or partly also covered by rules that would be set by the IoMFSA (for example in the Financial Services Rule Book). In this respect, the IoMFSA suggests that a review of how SCV operates in the UK should be explored in terms of the roles of the UK FSCS and the PRA or FCA, to inform an approach locally.
OFT	Yes. Most customers have just one bank therefore the SCV should provide an up to date record of the bank's customers which is readily accessible if the bank defaults to enable a timely distribution of funds to customers.

Standard	Yes. 48 hours is ambitious and possibly not achievable. Two years may be a challenge for those banks with legacy group systems.
W. R. Tomlinson	Yes.
<p>Summary: The majority of respondents agreed with the proposal however more clarity is required as to how it would work. Confirmation was requested that it would just be the defaulting institution that has to supply information at the time of default. There was a request that this work be done across all Crown Dependencies in order for institutions to reduce project costs. IoMFSA requested that the Treasury reviews how SCV operates in the UK in terms of the roles of the UK FSCS and the PRA or FCA to inform an approach locally.</p> <p>Comment: The Treasury accepts that this area requires significantly more research in order to arrive at a position where the necessary data is available on request and is not placing unwarranted demands on scheme participants in terms of cost and administration. Noting the comments made, The Treasury will work closely with stakeholders to further develop a pragmatic solution.</p>	
Proposal 4: Comments on how SCV files should be held and provided	
Response from	Do you agree with proposal? / comments made
Appleby	The nature of the default will determine whether a bank can lawfully comply or has staff to discharge the obligation. "Bank" may need to include "liquidator".
Mr K. Grattan	Most accounts can be viewed online nowadays. Customers could provide access information for Treasury which could also be confirmed by the institution ; Data Protection rules could be waived in these instances.
<p>Summary: A small number of responses to the question of how to hold and provide SCV files.</p> <p>Comment: See comments in previous section - Single Customer View.</p>	
Proposal 5: Coverage - Overall Policy Statement:	

"The level of deposit covered under the DCS for each type of depositor will remain unchanged, but this should be reviewed on an agreed periodic basis by the DCS Board."

Response from	Do you agree with proposal? / comments made
IoMBA	<p>Re: Para 3.56 Members expressed the view that the IOM DCS must reflect proposals in competitor jurisdictions.</p> <p>Re: Para 3.58 Members asked for conformation that there will be regular review and consultation by the DCS Board but the final decision rests with Tynwald only.</p> <p>Re: Para 3.64 Some members expressed a concern that the scheme is increasingly unsustainable given the decline in the number of banks over the past ten years (and still to come). Some members suggested that to continue with the present coverage would be inappropriate. Instead they suggested the following:</p> <ul style="list-style-type: none">a) individual claimants would continue at the same level as in the existing scheme;b) entity claimants in the existing scheme would no longer be eligible;c) instead, entity claims would continue at the current level but henceforth be restricted to:<ul style="list-style-type: none">(i) IOM incorporated and based trading SMEs (definition of SME to follow the usual criteria; it must be economically active on the IOM as a domestic business; definition of 'trading' perhaps based on whether they have declared to their bank as an active NFE for CRS purposes); and(ii) Isle of Man registered charities.• Another member expressed the view that, given the adoption of the preferred creditor scheme, and its material enhancement on the timely future potential recoverability of assets that it might be an appropriate point to consider the risks of alignment of the scheme coverage with those within the EU and UK.
CNBTC	<p>See our response to para 3.36 - we are concerned that the scheme is increasingly unsustainable given the decline in the number of banks over the past ten years (and still to come).</p> <p>We suggest that to continue with the present coverage would be inappropriate. We suggest instead the following:</p> <ul style="list-style-type: none">a) individual claimants would continue at the same level as in the existing scheme;

	<p>b) entity claimants in the existing scheme would no longer be eligible;</p> <p>c) instead, entity claims would continue at the current level but henceforth be restricted to:</p> <p>(i) IOM incorporated and based trading SMEs (definition of SME to follow the usual criteria; it must be economically active on the IOM as a domestic business; definition of 'trading' perhaps based on whether they have declared to their bank as an active NFE for CRS purposes); and</p> <p>(ii) Isle of Man registered charities.</p>
Appleby	Yes.
Barclays	We agree with the coverage policy statement.
Mr K. Grattan	Yes. As mentioned earlier.
HSBC	Yes. Agree existing DCS limits will continue.
IoMFSA	We note that the proposed board of the DCS would consider coverage within its remit, and support this principle.
OFT	Yes. Level of deposit covered should remain unchanged but be subject to regular reviews.
Standard	Yes. However, materiality is an issue for the banks.
W. R. Tomlinson	No. £85k for individuals as in UK. Increase Charity compensation to £85k
<p>Summary: Overall there was agreement that the levels of coverage should remain the same but be subject to regular review of some nature. Concerns were expressed regarding sustainability and suggestions were made to revise eligibility / limits in some categories. One respondent wished to see individual and charity compensation levels increased.</p> <p>Comment: The Treasury notes the comments and concerns which have been raised. These will be carefully considered in the context of the overall stated policy position that adequate assurance for depositors must be balanced within a scheme which is affordable and sustainable for both participants and the Isle of Man Government.</p>	
<p>Proposal 5: Cover for Life Events</p> <ul style="list-style-type: none"> • <i>Whether additional cover should be included for "life events" and in what form?</i> • <i>What life events could be specifically recognised under the new DCS?</i> 	

Response from	Comments made
Appleby	No. A "life event" can only be determined by reference to the net worth of the claimant. We foresee complex disclosure issues and the need for adjudication which would incur costs and delays.
Barclays	Yes. We welcome the additional cover for life events and recognise that this has a positive outcome for customers; we have concerns in the expectations on the industry on how these high balances will be monitored and what information is provided to customers in order to raise their awareness.
CNBTC	<p>We have urged above that the scheme be reined in, in order to ensure its survival given a much smaller base of banks and concomitant much higher concentration/contribution risks for each.</p> <p>Given these factors, we would not support the inclusion of 'life events' under scheme coverage at this time simply on cost and sustainability groups. However, we do see merits in this proposal, which we believe should be revisited in due course should the number of participants in the DCS increase from its current small base.</p>
Mr K. Grattan	Yes. None come to mind.
HSBC	<p>Yes. More clarification required on life changing situations? Who would decide for each case? How long would the funds need to have been held with the bank in failure to be included in this category?</p>
IoMBA	<p>Members would like significant thought to establish suitable criteria and controls regarding Life Events. Some members expressed the view that the inclusion or exclusion of Life Events gave rise to many additional considerations and accordingly required a material amount of additional scrutiny. Such members expressed the view that the regulations should remain unchanged in respect of Life Events and be included at a subsequent juncture.</p> <p>Some members urged that the scheme be reined in (see above), in order to ensure its survival given a much smaller base of banks and concomitant much higher concentration/contribution risks for each. Given these factors, some members indicated that they did not support the inclusion of 'Life Events' under scheme coverage simply on cost and sustainability groups. However, they expressed their understanding of the merits of this proposal, and suggested if there was a push for such arrangements, the potential impact of the additional likely claims on the scheme must be fully understood and shared with the banking sector.</p> <p>They suggested that if this proposal were to proceed, a starting point in defining such 'Life Events' would be the existing UK arrangements. However, they suggested the following modifications:</p> <p>(i) We consider that the six month period within the UK scheme is too long, and that the additional cover should extend only for three months from date of receipt into the bank account: that should be sufficient for suitable</p>

	<p>alternate arrangements to have been made.</p> <p>(ii) We also recommend some amendments to the UK coverage – proposed new words are underlined and proposed deletions shown as strike through wording below. Where appropriate, our rationale is also set out in bracketed and italicised comments.</p> <p>(iii) Further, if the UK arrangements were adopted, it should be clear that they would only apply to personal claimants, i.e. not corporate accounts.</p> <p>(iv) Finally, the interplay between 'ordinary deposits' and 'Life Events' must be clarified. If for example a depositor has £50k on long term deposit with the institution, and also has recently deposited a £300k pension communication payment, we suggest the eligible deposits for coverage (to the extent that the total exceeds the normal scheme compensation limits) should be £300k, i.e. representing the larger of the two elements, but not both.</p> <p><u>UK arrangements with comments:</u></p> <p>"sums paid to the depositor in respect of:</p> <ul style="list-style-type: none"> • Real estate transactions (property purchase, sale proceeds, equity release) relating to a depositor's main or only residence. • Benefits payable under any insurance policy. • Personal injury compensation (unlimited account) [<u>why are the words in brackets included?</u>] • Disability or incapacity (state benefits) [<u>wouldn't these fall within the current limits anyway?</u>] • Claim for compensation for wrongful conviction • Claim for compensation for unfair dismissal • Redundancy (voluntary or compulsory) • Marriage or civil partnership [<u>why? What aspects-dowries paid? Suggest removing</u>] • Divorce or dissolution of their civil partnership • [<u>lump sum</u>] benefits payable on retirement • Benefits payable on death • A claim for compensation in respect of a person's death • Inheritance • Proceeds of a deceased's estate held by their personal representative <p>Deposits over £75,000 <u>£50,000</u> are protected up to six <u>three</u> months from when the amount was first credited or from the moment a qualifying deposit became legally transferable, <u>subject to the entirety of such deposits being offset against any liabilities of the claimant to the bank.</u> Temporary means that the deposit must have been credited to the account (or become legally transferable if that is later) no more than six <u>three</u> months before the firm goes into default.</p>
IoMFSA	<p>We consider the proposed board of the DCS should consider further in due course, as lots of further research would be required. This would also need to capture how certain client accounts would be treated (for example if the proceeds of a house sale are held in an advocate's client account) as currently client accounts are not covered by the DCS.</p>

OFT	Yes. Life changing situations such as: a) Deposits from a property sale relating to the depositors main or only residence. b) Personal injury claims or proceeds of a deceased estate held by a personal representative.
Standard	Yes. But must be clearly defined and time bound.
W. R. Tomlinson	Yes.
<p>Summary: The majority of respondents were broadly in favour of including additional cover for closely defined “life events”. A number of concerns were also expressed together with calls for significant further clarification as to how this could be applied.</p> <p>Comment: Whilst also broadly supportive of the principle of extended cover for certain “life events”, The Treasury shares the concerns raised regarding governance and affordability. The comments and suggestions are welcomed and will be used to balance future discussions with stakeholders and thereafter final policy consideration.</p>	
<p>Proposal 5 – Excluding Plcs</p> <ul style="list-style-type: none"> <i>Whether the proposed exclusion from entitlement to compensation for Plcs is deemed appropriate and whether any further exclusions should be considered?</i> 	
Response from	Do you agree with proposal? / comments made
Appleby	Yes. This is a fairly arbitrary choice; a principle for exclusion must be identified rather than merely listing. Selection of PLCs is acceptable if one of a common class of excluded depositors.
Barclays	We would most likely have to manually exclude PLCs from our DCS reporting should this exclusion be introduced.
CNBTC	Yes. But please see our comments above - we propose a wider restructuring of corporate participants.
Mr K. Grattan	Yes. Private individuals should be given priority before companies (Private or Plc's).
HSBC	Yes.
IoMBA	Members agreed with the proposal that PLCs be excluded from the scheme. Some members questioned whether this be extended to cover larger SME's and if so questioned how these would be defined. Other members suggested that all SMEs should be included within the scheme (i.e. all large business should be excluded) in line with the UK FSCS (and

	EU regs) and the definition of SMEs be taken from relevant equivalent EU/UK regulations, noting again that the categorization and reporting of SMEs is already a requirement for IOM branches of UK entities.
IoMFSA	We do not have any specific concerns with this principle, as long as "Plc" is appropriately defined for this purpose.
OFT	Yes. PLCs should be excluded as to include them would be outside the spirit of the DCS.
Standard	Yes.
W. R. Tomlinson	Yes.
<p>Summary: The majority of responses were in favour of Plc removal but with more information required and in particular that specific definitions be proposed. The possibility of expanding to further exclusions was also proposed.</p> <p>Comments: Given support in principle, The Treasury is open to introducing exclusions in this area and as part of future discussions will propose specific categories and definitions for further comment.</p>	
<p>General/Additional Comments</p> <p>Comments or queries on policy areas not covered within the proposals outlined.</p>	
Response from	Comments made
Appleby	It is assumed that after a "default" (not defined in this paper) a bank will have the administrative competence to assist, notwithstanding that on the making of a winding up order, all staff are dismissed by operation of law. Attention should be paid to providing for default action competence in banks.
Barclays	<p>Consultation Document Paragraphs:</p> <ul style="list-style-type: none"> 1.4 (Levies) - Where it states participating is there a view that some Banks will not support the scheme? How will levies be applied? Will G-SIBS need to pay less in levies? <p>Response: All class 1 (1) licensed banks will be scheme participants. Levies are covered under proposal 3.</p> <ul style="list-style-type: none"> 1.9 (IADI Principles) - Where it states to comply with as many as possible will this be reviewed on an annual basis? Why would we not implement all the principles of IADI?

Response: Yes, current and future international standards will be reviewed on a regular basis. The Isle of Man is not a member of IADI and is therefore not required to comply with the principles, nor are they legally binding to those jurisdictions which are members. However, it is recognised that these principles are considered best practice for all reputable jurisdictions and that the Island should therefore seek to comply with as many of these principles as is possible, practical and proportionate.

- 1.12 (Further Consultation) - What time frames are you working towards?

Response: Proposed next steps are covered under the introduction to this document.

- 2.3 (Background) - Barclays fully backs the view on both review and amend scheme to enhance the customer experience.
- 2.13 (Background) - Will the other Crown dependencies be following suite as we have Branches in the other locations we are keen to conduct this activity once?

Response: The Treasury is working with other Crown dependencies where appropriate to ensure a joined up approach for banks who have branches and customers across these jurisdictions.

- 2.15 (SCV) - Barclays fully backs the view on common reporting formats.
- 3.1 (Policy Proposals) - What date will the treasury provide commentary by?

Response: This document sets out Treasury's intended approach.

- 3.39 (Depositor Reimbursement) - This may well cause confusion for both colleagues and customers in that what timeframe are they meant to consider, 7/28 days or 12 months. How is this meeting IADI Principle 15 which states 7days, will similar timing come into play across all OSI?

Response: Further detailed proposals will be issued which set out specific reimbursement expectations. As noted above under 1.9, IADI principles are considered in the context of what is possible, practical and proportionate for the Island.

- 3.54 (Payment Timelines) - The preference would be for a consistent approach for SCV files/storage to be adopted across the Crown Dependencies.

	<ul style="list-style-type: none"> • 3.57 (DCS Levels) - Our view is that consideration and alignment with the other crown dependencies should be at the core of every DCS level review. • 3.59 (Life Event Covers) - We agree the inclusion of life events and temporary cover for balance, is an enhancement to the existing scheme. Our questions relate more to expectations of informing customers and how we monitor accounts, for such events. • 4.2 (DCS Communications) - We agree that more should be done in order to increase customer awareness of the scheme, however through the draft scheme regulations we would like to understand the demands upon the industry and the potential changes that will be required • 4.3 DCS (Customer Disclosures) - We would like to further understand the potential impact on the industry, and the expectations on client communications, sales journey and wider changes that are being considered. We are keen for the approach to be aligned across all three Islands.
CNBTC	<p>Consultation Document Paragraphs:</p> <ul style="list-style-type: none"> • 1.6 - The consultation notes that: "the DCS is not designed to...bail out banks' IOM operations (for example banks identified as...G-SIBs)". Is that assertion correct, and is it now intended that such institutions will be excluded from the revised scheme? Given there are currently only 18 participants, likely to fall by three shortly, how will that work? The number of participants is increasingly unsustainable already, without any proposals to remove some of the larger contributions from the scheme. • 1.7 - The consultation further notes that: "Under the EU regulatory regime, G-SIBs are required to be resolved as a whole group upon the identification of a failing branch/ subsidiary". That might be so, but it is important to recognise that of the 18 current banks, 8 do not have ultimate ownership in the EU (being 2 IOM, 1 Swiss, 2 Cayman, 3 South Africa) [source: IOMFSA banking quarterly statistical bulletin Sept 2016], hence EU rules might not apply for the resolution of Group in respect of around 45% (by number) of the Island's class 1(1) institutions. <p>Response: All class 1 (1) licensed banks will be scheme participants regardless of their legal status. As noted within the introduction to this document, work on a revising DCS will be undertaken in tandem with consideration of the need to develop effective IoM bank insolvency laws which include a special resolution regime for banks that is separate from the general corporate insolvency laws.</p>
DED	The Department has considered the proposals and supports them.

Mr K. Grattan	<p>First of all, I do not agree that the Treasury should be funding the DCS from our Reserves. I still believe that each participating scheme members should be funding it themselves by way of a large deposit (£10m).</p> <p>This could be covered for example by way of a policy with a Captive Insurance Company who will make the Treasury its sole beneficiary in the event of any default.</p> <p>The institutions who provide mortgages here - Santander, Conister for example are the institutions with the greater risk of defaulting.</p> <p>The consultation states that the current level of £50,000 per depositor is adequate and I disagree. That figure is meaningless to a depositor who may have banked the sale of his home here - see this is mentioned under 'life changes' on the consultation. This instils no confidence in our scheme here.</p> <p>The sum of £10m is an indication - several institutions here already have monetary deposits of that limit (Santander for instance).</p> <p>If I wanted to go and live in Australia for example, I would have to deposit £500,000 in a bank account and be able to prove that I would not be a burden on their health services; so, the same should apply in this instance. If the institutions want to operate here they should be prepared to deposit the above amount and any shortfall then should be obtained from their parent by way of a 'Company Limited by Guarantee' incorporated in their jurisdiction and with our Treasury as beneficiary.</p> <p>Just think. If the Treasury here issued savings products (Bonds etc) to IOM residents then we wouldn't need to go elsewhere and the need for any DCS would be greatly diminished.</p>
IoMBA	<p>In relation to consultation doc paragraphs:</p> <ul style="list-style-type: none"> • 1.6 – all members sought clarification on the inference contained within this paragraph that G-SIBs (and indeed D-SIBs) might not be included within the scheme. Please can Treasury clarify this position? Those members who understand the paragraph to infer that G-SIBs were excluded asked “given there are currently only 18 participants, likely to fall by three shortly, how will that work? The number of participants is increasingly unsustainable already, without any proposals to remove some of the larger contributions from the scheme.” • 1.7 – those same members questioned the statement at this paragraph: “that might be so, but it is important to recognise that of the 18 current banks, 8 do not have ultimate ownership in the EU (being 2 IOM, 1 Swiss, 2 Cayman, 3 South Africa), hence EU rules might not apply for the resolution of Groups in respect of around 45% (by number) of the Island’s class 1(1) institutions.”

	<p>Response: All class 1 (1) licensed banks will be scheme participants regardless of their legal status and where they may ultimately be resolved.</p> <ul style="list-style-type: none"> • 2.12 – members agree that this is very important but comparison with the terms of the coverage of the scheme and structure of the Management Board are very different to the Jersey scheme. The latter is very industry focussed, with a board of four Industry specialists and one States representative. Members agreed that it is not in the interests of the Isle of Man if aspects of the IOM DCS scheme convey operational or reputational advantage to the other UKCDs. The Isle of Man already has fewer licensees than Jersey in particular, (even before the imminent surrender of a further three licenses) and it would not be helpful if a regulatory arbitrage position developed. Those banks with operations in all three CDs would also benefit from a consistency in approach. • 4.5 – refers to additional resources and structure being available to the DCS Board. Members expressed concern that this would all come at a cost to the Class 1(1) licence holders. <p>Response: The point regarding consistency of approach across the Crown dependencies is noted, but a new Board must first and foremost fit the needs of the Island. The Treasury remains open to how such a Board is structured and the scope of the demands placed upon it.</p>
IoMFSA	We note the other areas covered in the consultation. In relation paragraphs 4.3 (disclosure by banks to customers) and 4.5 (no immediate legislative provisions) we highlight that additional rules may be needed to set out clearly the disclosure requirements the DCS or IoMFSA may require.
Standard	The scheme should align with the other Crown dependencies so there is no arbitrage by customers or banks
Hon. J. Watterson SHK	<ul style="list-style-type: none"> • I am concerned that capping deposit protection for charities at £20,000 puts public money at risk. Whilst figures from the Registry indicate that not many charities would be affected should this level increase, the impact on those charities would be significant. I am thinking of charities like Hospice Isle of Man where losses could be considerable. £20,000 is a low amount for Treasurer's to have to think about diversifying their investment. • I remain concerned that there is no fund to be built up over time to provide a shock absorber to the scheme. (KSF Final report, Recommendation 5&6) • If Government are going to loan the money to the DCS, why not just take over the entire assets of a failed bank at the point of bankruptcy? • I am not aware that Government or the FSC has promoted easy to use financial literature on the DCS. (KSF Interim Report Recommendation 7)

Comment: A significant number of additional comments were received covering a range of specific issues. Where questions have been raised they have been addressed individually to provide additional clarity. General comments will be considered within the scope of further more detailed proposals.

Comments on Admin & Governance

Response from	Do you agree with proposal? / comments made
OFT	There needs to be more clarity for consumers as to which organisations are covered. The Financial Services Ombudsman Scheme receives regular enquiries where customers think their deposits, held within an insurance wrapper or similar product sold by an insurance company, are covered by the DCS.
OFT	Using the experience of the KSF collapse, communication needs to be better after the default has happened. Regular updates need to be issued even if it is to say there has been no change.
Appleby	Consider reduction of rights of setoff in respect of parties excluded from DCS claims.

Comment: The Treasury will consider these additional comments within the scope of the revised scheme.

Appendix B Respondents to the Consultation:

Feedback was received on behalf of the following organisations:

- **Appleby**
- **Barclays Bank**
- **Cayman National Bank and Trust Company (CNBTC)**
- **Department of Economic Development (DED)**
- **HSBC**
- **IoM Bankers Association (IoMBA)**
- **IoM Financial Supervision Authority (IoMFSA)**
- **The Office of Fair Trading (OFT)**
- **Standard Bank**

Individual submissions were also received from the following:

- **Mr K. Grattan**
- **W. R. Tomlinson**
- **Hon. J. Watterson SHK**

Bodies Directly Consulted:

Tynwald Members
Departments, Boards and Offices
Attorney General
Chamber of Commerce
Law Society
Local Authorities
Industry Representatives

1. INTRODUCTION

- 1.1. The Isle of Man has a deposit guarantee scheme which provides compensation to certain depositors in the event of a deposit taker defaulting. The scheme is known as the Depositors' Compensation Scheme ("DCS" or "scheme").
- 1.2. The DCS covers Isle of Man (IoM) offices of Class 1(1) licensed deposit takers ("covered banks") in the IoM.
- 1.3. The current Regulations governing the DCS are the [Depositors' Compensation Scheme Regulations 2010](#), as amended, made under section 25 of the [Financial Services Act 2008](#). Further guidance on the DCS can be found on the IoM Financial Services Authority (IoMFSA) website [here](#).
- 1.4. In the event of a default being triggered, the scheme is post funded to the amount required by levies from the participating covered banks together with funding provided by the Treasury. The scheme also provides the power to borrow money, including from Treasury. It is intended to provide effective protection for eligible depositors¹ whilst safeguarding the stability of the banking system.
- 1.5. It is not a standing fund and cannot act as a lender of last resort in any resolution or recovery scenario.
- 1.6. The DCS is not designed to act as an unlimited provider of funds in the event of a systemic crisis or to bail out banks' IoM operations (for example banks identified as Global Systemically Important Banks or "G-SIBs").²
- 1.7. Under the EU regulatory regime, G-SIBs are required to be resolved as a whole group upon the identification of a failing branch / subsidiary.
- 1.8. In November 2014 the International Association of Deposit Insurers (IADI) developed [16 principles](#) for assessment of a deposit guarantee scheme; these principles are now considered to be the common standards for a deposit guarantee scheme internationally.
- 1.9. The Isle of Man is not a member of IADI and is therefore not required to comply with the principles, nor are they legally binding to those jurisdictions which are members.
- 1.10. However, it is recognised that these principles are considered best practice for all reputable jurisdictions and that the Island should therefore seek to comply with as many of these principles as is possible, practical and proportionate.
- 1.11. The proposed policies within this document consider what changes would be needed to the existing DCS for it to comply more fully with the underlying principles of IADI.

¹ Eligible depositors are defined as individuals and other entities such as companies, trusts, partnerships and charities, unless they are specifically excluded from the right to compensation under DCS Regulations. The DCS does not cover deposits made with Class1(2) deposit takers. A full list of deposits / depositors which are excluded from entitlement to compensation can be found within the Regulations or is summarised on the IoMFSA website at number 18 of the Guide for Consumers Questions.

² The UK Financial Stability Board ("FSB") defines G-SIBs as banks "of such size, market importance, and global interconnectedness that their distress or failure would cause significant dislocation in the global financial system and adverse economic consequences across a range of countries."

- 1.12. The proposals also take account of Treasury's ongoing consideration of the Select Committee on Kaupthing, Singer and Friedlander Third (Final) Report and recommendations where approved by Tynwald.
- 1.13. Within this context, Treasury must also ensure that the DCS is affordable and sustainable for both scheme participants³ and the Isle of Man Government.
- 1.14. This initial consultation is intended to gain the views of the public, the banking industry and other interested bodies on a number of key overarching policy proposals which will establish a framework for the revised DCS. Further consultation will then be undertaken on the revised draft scheme regulations that follow. Comments are invited on the proposed policies set out in [section 3](#).

2. CURRENT ISLE OF MAN DEPOSITORS' COMPENSATION SCHEME AND RELATED ISSUES

Background

- 1.15. The first Isle of Man DCS was introduced in 1991 and subsequently reviewed and amended in 2008 and 2010, when the last substantive amendments were proposed and approved by Tynwald.
- 1.16. Treasury believes that the current 2010 DCS Regulations already provide a robust mechanism which largely meets key recognised international principles such as ensuring depositor confidence through safeguarding appropriate scheme liquidity and clear guaranteed payment for qualifying deposits, and providing a scheme which is affordable and sustainable for scheme participants.
- 1.17. International, EU and national developments do however mean that it is appropriate to undertake regular reviews and make amendments to the scheme.
- 1.18. This consultation provides an opportunity to consider where changes are appropriate against such developments and also where improvements can be made to the current framework in areas such as the overall governance and public awareness of the scheme.

Preferred Creditor

- 1.19. Treasury has recently introduced preferred creditor status for "eligible protected deposits"⁴ in respect of the amount that does not exceed the compensation payable under the DCS. These changes were introduced through amendments made to the [Preferential Payments Act 1908](#) (by the Preferential Payments (Amendment) Act 2016).
- 1.20. The amendments made to the [Preferential Payments Act 1908](#) were introduced to help ensure that more timely payments (recoveries) can be made to the DCS for claims of compensation that it has settled (funded) and to depositors who, whilst eligible under the scheme, have not made a claim for compensation. In the case of Isle of Man incorporated

³ Defined as Isle of Man (IoM) offices of Class 1(1) licensed deposit takers ("covered banks") in the IoM.

⁴ As currently defined in the 2010 DCS Regulations, regulation 9.

bank insolvencies only, all debts⁵ now rank behind any debts owed to the DCS (where the depositor has claimed on, and has subrogated their rights to, the DCS).

- 1.21. These changes will substantially reduce exposure to absolute loss by funders of the DCS in the event that an Isle of Man incorporated covered bank was to fail.
- 1.22. Changes made in this regard form a key part of Treasury's overall assessment and proposals for a revised DCS.

Resolution and Recovery

- 1.23. Further to the deposit guarantee scheme, IADI principles also state that "effective bank insolvency laws should include a special resolution regime for banks that is separate from the general corporate insolvency laws".
- 1.24. In response to this, a separate review is currently being considered by the IoMFSA / Government which will look in detail at current and possible future options.
- 1.25. The Treasury does not consider that work on revising the DCS at this time is contingent on the wider resolution and recovery review, but will continue to liaise closely with the IoMFSA as this work progresses.

Schemes in other jurisdictions

- 1.26. Treasury has considered the application of depositor compensation schemes in other jurisdictions as part of this policy review.
- 1.27. In particular, discussions continue with the other Crown Dependencies in areas of commonality such as deposit preference and coverage.
- 1.28. For example, recent proposals by Jersey outline the intention to rank eligible deposits placed in overseas branches of Jersey subsidiaries in equal priority to those covered within the Jersey DCS. This position reflects both previous discussions between the Islands and the wider movement internationally regarding deposit priority. Treasury intends to add similar provisions in the draft regulations which will be brought forward following this consultation.
- 1.29. As noted under proposal 4, 3.47 – single customer view, Treasury is also willing to work with participant banks to consider areas where common formats of reporting can be adopted across jurisdictions thus reducing costs where possible.

3. POLICY PROPOSALS

- 1.30. This consultation is based around a number of policy proposals which will define the framework for the revised DCS. Following review of the consultation responses, Treasury will publish and comment on them, where appropriate, before drafting a new scheme. Further consultation will be undertaken on the draft scheme regulations before they are finalised and brought to Tynwald for approval. It is intended that policy areas of the current scheme not covered under these new proposals will remain materially unchanged.

⁵ Including any debts owed to the Crown, rates due and payable within the previous 12 months, National Insurance Contributions and debts due to depositors that exceed the compensation levels or are not covered by the DCS at all.

1.31. The policy proposal areas contained within this section are:

- [Proposal 1](#) - ***Stated Objectives***
- [Proposal 2](#) - ***Governance***
- [Proposal 3](#) - ***Funding***
- [Proposal 4](#) - ***Timeliness of payment***
- [Proposal 5](#) - ***Coverage***

Proposal 1 – Stated Objectives of the DCS

1.32. Treasury recognises it is important that the overall policy aims of the DCS should be clearly stated in the public domain both within the draft scheme regulations and to form part of all communications regarding the scheme going forward. It is therefore proposed that policy objectives are now agreed which are in keeping with IADI principles, are consistent with other jurisdictions where appropriate, and which form an integral part of the revised DCS.

1.33. The proposed policy objectives of the DCS are:

"The Depositors' Compensation Scheme ("DCS") aims to protect the depositors of Isle of Man licenced banks and help to safeguard the stability of the banking system".

Do you agree with Proposal 1 – Objectives of the DCS? (Y/N)
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Proposal 2 – Governance of the DCS

1.34. Under initial DCS Regulations, the Scheme Manager was the Financial Supervision Commission (now IoMFSa).

1.35. This position was changed under the 2010 DCS Regulations, as amended, which under Regulation 4, provides that the scheme manager of the DCS is the Treasury or alternatively "The Treasury may appoint a person or persons to manage the operations of the Scheme...".

1.36. The provision was deliberately intended to provide Treasury with both flexibility and control to decide upon the best solution if a default occurred.

1.37. However, IADI principles now recommend that deposit guarantee schemes should be run by an independent board.

1.38. Treasury recognises the argument for independence within the operation of the scheme to ensure greater transparency and accountability and notes that other jurisdictions have adopted systems that provide for differing independent bodies to manage their deposit guarantee schemes.

- 1.39. Following review of such other arrangements and with a view to providing closer alignment with this IADI core principle, Treasury has concluded that it would be beneficial to amend the governance around DCS management.
- 1.40. The new structure will have to provide a balance between meeting the need for further independence and providing a further administrative resource, and the need to retain efficient and effective accountability and reporting, accompanying additional running costs and the possible addition of unnecessary bureaucracy.
- 1.41. In achieving this balance, Treasury's preferred model is for the Department to retain the role of DCS Scheme Manager, but with the addition of an internal Board. It is proposed that this Board would comprise of Government representation from the Department and from the IoMFSA, together with two independent members who would be appointed by Treasury (subject to Tynwald approval).
- 1.42. Treasury is willing to consider the inclusion of further Board members should a compelling case be made, but is cognisant of the need to keep running costs under close scrutiny.
- 1.43. Formalising the appointment of an internal Board with specific legal powers would provide an additional tangible and transparent resource to be available immediately in the event of a future default. This would also enable more detailed consideration of the administration (including for example, stress testing and disaster recovery) and communication strategies for the scheme on an ongoing basis.
- 1.44. Clear reporting structures will be set to enable the Board to function as designated under the new scheme and detailed terms of reference will enable regular review regarding the discharge of its duties.
- 1.45. The costs attached to initiating and running the Board will be carefully monitored and it is proposed that these will be met by the introduction of a small annual levy for all scheme participants.
- 1.46. The size of the levy will need to be considered further as details regarding the structure of the Board and its role are agreed (it is anticipated that the levy would change annually based on the number of scheme participants). However, it is anticipated that the sum and method of application will be similar to that introduced in other jurisdictions.
- 1.47. In summary:
- Treasury will introduce appropriate legal vires for the Board and its operational responsibilities will be outlined within the revised DCS Regulations;
 - the operation of the Board will subsequently be governed in accordance with an agreed "Terms of Reference"⁶;
 - the Board will be funded by the introduction of a separate annual levy for all scheme participants (covered banks);
 - The running costs of the Board will be carefully monitored by the Treasury to ensure that the administration levy is kept at an appropriate level;

⁶ Draft terms of reference are currently being prepared and will form part of future consultation.

- the Board will be responsible for monitoring that the DCS is affordable and that it meets the IADI principles and any further guiding international standards, where appropriate and proportionate to the Isle of Man;
- the Board will be responsible for advising the Scheme Manager (Treasury) that the DCS should be triggered based upon the reporting that it receives from the IoMFSA;

Do you agree with Proposal 2 – Governance of the DCS? (Y/N)

- the Board will be responsible for overseeing the operation of the DCS, on behalf of the Scheme Manager, should a default be triggered;
- the Board will be responsible for communicating on a regular basis with all DCS stakeholders (including the general public / depositors); and
- in addition to formal reporting lines, the operation of the DCS will be subject to IoM Government internal audit procedures to ensure that the Board is operating within the role and remit set out in the Terms of Reference.

1.48. The proposed policy for governance of the DCS is:

The DCS will be managed on behalf of the Scheme Manager by a legally constituted internal Board comprising of representatives from Treasury, representatives from the IoMFSA and two independent Board members appointed by the Treasury (subject to Tynwald approval). The administrative costs of the Board will be met by levying scheme participants (covered banks) on an annual basis.

Proposal 3 - Funding

1.49. This section is separated into two parts; covering proposals for providing scheme liquidity and also the subsequent recovery of funds from covered banks (also described as scheme participants).

1.50. The proposals sit alongside the work already undertaken in terms of [preferred creditor](#) and the further work planned by the IoMFSA / Government regarding [resolution and recovery](#).

Liquidity

1.51. Funding mechanisms for the DCS are not intended to support claims that could arise if G-SIBs, or indeed those banks which are Domestically Systemically Important ("D-SIBs")⁷, were to fail or need to be resolved. International standards dictate that these institutions will normally need to be specially resolved using separate mechanisms by the home state in conjunction with host jurisdictions such as the Isle of Man. In the Isle of Man, the local operations that are part of G-SIBs or D-SIBs may be incorporated in the Island, but could also be branches.

⁷ In addition to G-SIBs, there are various national lists of systemically important banks, referred to by regulators as "domestic systemically important banks" (D-SIBs) - also known in Europe as *national SIFIs* "systemically important financial institutions".

- 1.52. Within this context, Treasury has carefully considered the options regarding liquidity funding for a revised DCS. Options reviewed include seeking insurance cover, bond issues, lines of credit and pre-funding by the scheme participants (excluding the Treasury). Each option provides differing advantages and disadvantages in a number of areas such as depositor protection, timeliness of payment and affordability and sustainability both to the Isle of Man Government and the scheme participants.
- 1.53. Taking into account all the information available, it is proposed that the most effective, affordable and sustainable option is to call upon Government reserves to pre-fund the scheme (in the form of a loan to the scheme), in the event of a triggering event.
- 1.54. Government exposure will be capped at a level which guarantees prompt payment for eligible deposits and regular financial modelling will be carried out to ensure that sufficient reserves are identified, retained and are available to meet the scheme objective. Further details with regard to accessing reserves and how such an amount will be capped will be outlined in detail during the consultation on the draft scheme.
- 1.55. It is vital however, that taxpayers should not bear the costs of a bank failure and that losses and costs should ultimately be borne by uninsured creditors of the bank and the banking sector. Costs in this regard also apply in respect of interest charges to the DCS on any pre-funded "loan" from Government reserves.
- 1.56. Within this context, the following section outlines proposals with regard to recovery of Government pre-funding and any associated and appropriate costs.
- 1.57. [Proposal 4](#) covering the timeliness of payment and [proposal 5](#) regarding scheme coverage are also relevant in terms of liquidity funding.
- 1.58. The proposed policy in relation to liquidity is that:

Initial payments made under the DCS will be pre-funded by Treasury to ensure that the scheme has sufficient resources to respond promptly to a triggering event. Pre-funding will be capped at an appropriate amount and will be fully recoverable together with any associated costs.

Recovery

- 1.59. Membership of the DCS is compulsory for all banks with class 1(1) deposit licences unless listed as exempt under the schedule of the Depositors' Compensation Scheme Regulations 2010. No additional rules are therefore required to determine which entities are within the scope of the scheme.
- 1.60. There are costs incurred in setting up and administering the DCS (which are now partly covered under the proposals within paragraph 3.19), along with the interest cost of financing the liquidity required under the DCS. Under existing regulations, these latter costs are funded at 50% from the scheme participants and 50% from Treasury.
- 1.61. Given the commitment from the Treasury to provide initial liquidity funding, it is now proposed that the scheme participants (covered banks) carry the full final costs of funding (administration costs in respect of the default, interest on loan funding, and any other expenses) together with any residual loss.

- 1.62. In the unlikely event that the final recovery from a bank liquidation was not sufficient to repay the Treasury loan, the other participant banks would be levied accordingly for full repayment of the loan to be made. The impact of this proposal is now broadly mitigated, in respect of the failure of an Isle of Man incorporated bank, with the introduction of the preferred creditor regime as outlined in 2.5.
- 1.63. It is also anticipated that further proposals to speed up the processing of claims and assessing the ability to re-assign debts following recovery of Treasury pre-funding, will lead to reduced administration and interest costs.
- 1.64. Under the new governance structure, any levy imposed would be calculated and administered by the new Board to ensure that it remains fair and appropriate based upon the number of remaining participants.
- 1.65. At this time, Treasury is not proposing any specific mechanism for the calculation of a levy and would welcome comments which would assist further consideration in this regard. All proposals and options will be considered including splitting the levy between administration costs and capital loan funding should the latter be required.
- 1.66. The proposed policy in relation to recovery is:

The Isle of Man Treasury is removed as a participant (equal funder) of the DCS. Should a default be triggered, the DCS will recover the costs of administering the default (including any interest costs on loan funding) from remaining scheme participants through a levy system. Further, if the proceeds from the recovery of the bank liquidation are not sufficient to repay the loan funding, the DCS will also recover such amounts from remaining scheme participants to fully repay that loan.

Do you agree with Proposal 3 - Funding?

- Liquidity (Y/N)

- Recovery (Y/N)

Additional comments on calculation of levy:

Proposal 4 - Timeliness of payment

Overall Policy statement

- 1.67. Following internal reviews and consideration of the [recommendations](#) from the Select Committee on Kaupthing, Singer and Friedlander, it is clear that the current administration process for the DCS has a number of constraining factors which adversely affect the prompt payment of funds.
- 1.68. IADI core principle 15 recommends reimbursement of most eligible depositors within 7 working days of a triggering event. Treasury does not believe that this timeframe can be realistically met within the current scheme framework. The proposals put forward in this section therefore focus on the changes which it is believed will facilitate faster payment and support the stated policy objectives of the DCS as outlined in proposal 1.
- 1.69. At present the proposals do, however, remain reliant on resolving a number of legal and administrative issues which are outlined below in further detail.

- 1.70. The overall position that Treasury is proposing retains the objective of reimbursing depositors as promptly as possible, and provides for an initial part payment within 28 working days of a default trigger. In addition, a further obligation will be considered that will provide for full reimbursement of most insured deposits within 12 months from the date of default.
- 1.71. No guarantee can cover all insured deposits as there will always be practical difficulties in verifying claims or more complex situations which prevent payment, for example frozen or dormant accounts.
- 1.72. Treasury recognises that some depositors may experience immediate hardship in the event of a bank defaulting. Consideration will therefore also be given to introducing a provision within the revised scheme that will allow immediate part payment of eligible deposits in certain circumstances without the full qualifying criteria being met. However, the legal implications of this are complicated and have yet to be fully explored. Proposals must also be balanced against the possibility of making incorrect or fraudulent payments which will either require repayment or incur irrecoverable costs. All options will be considered in this regard before a revised scheme is proposed.
- 1.73. A further area requiring consideration is the legal right of the Scheme Manager over deposits where a depositor wishes to make a claim under the DCS. The current method requires depositors to assign over all of their rights (including for amounts in excess of compensation) in the liquidation to the DCS. This framework was in place before depositor preference and helped the DCS recover funds more quickly compared to only partial assignment (up to the maximum compensation level). However, the current method for full assignment is also complex, time consuming and means the DCS carries on running until the full bank liquidation is completed. This process will require amendment if the speed of payments is to be improved.
- 1.74. Further detailed research is underway with a proposed solution to be outlined in the revised scheme. This will include consideration of the method of how depositor's rights are assigned to the DCS, the level of assignment (partial or full) and how this might differ between Isle of Man incorporated banks and branches.

1.75. The overarching policy statement on timeliness is:

The DCS retains the objective to reimburse eligible depositors as soon as possible following a default triggering event and will provide for an initial part payment within 28 working days and full reimbursement of most insured deposits within 12 months of the default. Further consideration will also be given to introducing immediate interim payments.

Single Customer View

1.76. A major delaying factor in making payments under the DCS can be the lack of clarity regarding customer details. The requirement for banks to be able to present details of their customers in what is commonly referred to as a single customer view (SCV), has been

mandatory for UK banks since 2010. This provides details of all accounts held by a customer in a single file.

- 1.77. Such a SCV is invaluable in identifying possible duplicate claims where depositors have multiple accounts, some individual, some joint, and some with names appearing in different formats.
- 1.78. Of equal importance to timeliness is establishing a legal right for the Scheme Manager to access bank records in the event of a default. Currently, no such direct access is possible and details required to validate claims would need to be verified by the appointed liquidator. Past experience has shown that this is a time consuming and complex process which greatly affects the ability to make timely payments.
- 1.79. The revised scheme will therefore look to both establish a legal right for the Scheme Manager and its appointed Board to have direct access to bank records, and require every scheme participant to report details of their customers in a SCV format upon request which allows easy identification of exposure of the bank to eligible protected deposits.
- 1.80. The revised scheme will also require the bank in default to provide a SCV file within 48 hours of a default. Guidelines will be produced on the technical specification of the file format.
- 1.81. Further provisions will provide protection to the DCS if it were to make a payment out to a depositor in good faith based upon the information in the SCV file, which later turns out to be wrong.
- 1.82. Treasury recognises that some participant banks will require significant investment in their systems to be in a position to aggregate together accounts for the same depositor. A reasonable lead time will therefore be required before SCV can be fully implemented and this is to be set at 2 years from introduction as recommended by IADI principles.
- 1.83. At this stage, Treasury has no firm position on how SCV files should be held or provided as long as the required information is available, can be provided within the required timescale and can be interpreted easily and consistently. The opportunity is therefore available to suggest alternatives that lead to the same outcome before a SCV is formally mandated within the revised scheme.
- 1.84. The proposed policy in relation to SCV is:

Legal access to all bank records will be established for the Scheme Manager with appropriate delegation rights and scheme participants will be required to provide details of all accounts held by a customer in an appropriate single file format within agreed timescales.

Do you agree with Proposal 4 – Timeliness?

a) Overall policy statement? (Y/N)

b) Single Customer View? (Y/N)

Additional comment on how SCV files should be held and provided:

Proposal 5 - Coverage

- 1.85. The amount of deposit currently covered under the DCS is dependent upon the type of depositor. For an individual, deposits of up to £50,000 are covered. For other depositors (including companies, trusts and charities), deposits of up to £20,000 are covered.
- 1.86. Treasury regularly reviews levels of compensation covered under the DCS and, as part of this fundamental update, has again considered the current position against the framework of the newly outlined [scheme objectives and](#) other jurisdictions. The conclusion reached is that the current levels remain appropriate and should be retained in the revised DCS without amendment.
- 1.87. It is, however, important that this policy position continues to be reviewed on a regular basis and it is proposed that this will be included within the duties of the new DCS Board. Any proposals brought forward by the Board to amend the level or type of depositor covered will be subject to full public consultation by Treasury and would only be introduced through an Order subject to Tynwald approval.
- 1.88. Outside the cover outlined within 3.56, [IADI principle 8](#) also recommends that deposit guarantee schemes should provide additional cover for deposits which arise due to life changing situations within a predetermined period prior to the date of default. For example, these could include deposits from a property sale relating to the depositor's main or only residence, personal injury claims or proceeds of a deceased estate held by a personal representative.
- 1.89. This is not a part of the current DCS and although has obvious merits for those depositors affected, would also have additional cost implications which would be difficult to quantify.
- 1.90. In considering this, factors to take into account would therefore include what definition of deposit would qualify, the level of additional cover to be offered (which could differ for different deposits) and at what stage cover would apply.
- 1.91. Treasury has also considered whether some types of depositor can be taken outside of the scope of the DCS. For example, companies on listed stock markets could be omitted with limited complication.
- 1.92. In this regard, it has been concluded that there is merit in simplifying the new DCS and it is therefore proposed that Public Limited Companies (Plc)⁸ be excluded from entitlement to compensation.
- 1.93. The proposed policy in relation to coverage is:

The level of deposit covered under the DCS for each type of depositor will remain unchanged, but this should be reviewed on an agreed periodic basis by the DCS Board.

1.94. Comments are also welcomed on:

- Whether additional cover should be included for "life events" and in what form?
- What life events could be specifically recognised under the new DCS?

⁸ Plc defined through listing on a stock market

- Whether the proposed exclusion from entitlement to compensation for Plcs is deemed appropriate and whether any further exclusions should be considered?

Do you agree with policy Proposal 5 – Coverage?

a) Overall policy statement? (Y/N)

b) Additional cover for life events? (Y/N)

c) Excluding Plcs? (Y/N)

4. OTHER AREAS FOR CONSIDERATION

- 4.1 There are a number of administrative areas regarding the DCS that Treasury believes require further review.
- 4.2 For example, communication regarding the DCS is presently through the website of the IoMFSA (including a guide for consumers). Although this does provide current relevant information, it is considered that more could be done to raise public awareness of the DCS, and present information could be relayed more clearly, perhaps on a dedicated website.
- 4.3 Current rules and guidance on what scheme participants are required to disclose to customers in relation to the DCS may also benefit from updating to ensure they refer to the DCS in a consistent and standard way.
- 4.4 The failure of a bank often comes with little or no warning and the need to respond quickly is required. Further preparatory work would undoubtedly be beneficial in ensuring operational readiness and more in-depth consideration of computer systems, communications strategies, rapid deployment of staffing and premises would strengthen resilience.
- 4.5 It is intended that the additional resources and structure proposed around the internal Board will enable these areas to be further considered and enhanced and no immediate additional legislative provisions are considered necessary in the areas noted above.
- 4.6 Identification of any further issues of concern regarding scheme administration and governance would however be welcomed and will be considered for inclusion within the revised scheme if appropriate, or retained as part of the ongoing programme of review and improvement under the Board's tutelage.
- 4.7** Comments or queries on policy areas not covered within the proposals outlined are also welcomed and Treasury will consider and comment on these as part of the overall consultation response.

Any further comments:

a) Administration and Governance

b) Other policy areas not covered?

c) Any further general comments?



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