



# **TREASURY**

## **CONSULTATION**

---

### **REVISED DEPOSITORS' COMPENSATION SCHEME**

#### **POLICY PROPOSALS**

---

The Treasury  
Government Office  
Bucks Road  
Douglas, Isle of Man  
IM1 3PN

# Depositors' Compensation Scheme – Policy Proposals

## Contents

1. INTRODUCTION.....	2
2. CURRENT ISLE OF MAN DEPOSITORS' COMPENSATION SCHEME AND RELATED ISSUES .....	3
3. POLICY PROPOSALS .....	5
Proposal 1 – Stated Objectives of the DCS .....	5
Proposal 2 – Governance of the DCS .....	6
Proposal 3 - Funding.....	8
Proposal 4 - Timeliness of payment.....	10
Proposal 5 - Coverage.....	12
4. OTHER AREAS FOR CONSIDERATION .....	14
5. CONSULTATION PROCESS .....	15

## **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 depositors<sup>1</sup> 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.

---

<sup>1</sup> 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.

- 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").<sup>2</sup>
- 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. 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.
- 1.10. 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. 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.
- 1.11. Within this context, Treasury must also ensure that the DCS is affordable and sustainable for both scheme participants<sup>3</sup> and the Isle of Man Government.
- 1.12. 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*

- 2.1. 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.
- 2.2. 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.

<sup>2</sup> 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."

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

- 2.3. International, EU and national developments do however mean that it is appropriate to undertake regular reviews and make amendments to the scheme.
- 2.4. 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*

- 2.5. Treasury has recently introduced preferred creditor status for “eligible protected deposits<sup>4</sup>” 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).
- 2.6. 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 bank insolvencies only, all debts<sup>5</sup> now rank behind any debts owed to the DCS (where the depositor has claimed on, and has subrogated their rights to, the DCS).
- 2.7. 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.
- 2.8. Changes made in this regard form a key part of Treasury’s overall assessment and proposals for a revised DCS.

#### *Resolution and Recovery*

- 2.9. 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”.
- 2.10. 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.
- 2.11. 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*

- 2.12. Treasury has considered the application of depositor compensation schemes in other jurisdictions as part of this policy review.
- 2.13. In particular, discussions continue with the other Crown Dependencies in areas of commonality such as deposit preference and coverage.

---

<sup>4</sup> As currently defined in the 2010 DCS Regulations, regulation 9.

<sup>5</sup> 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.

- 2.14. 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.
- 2.15. 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**

3.1. 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.

3.2. 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**

3.3. 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.

3.4. 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)**

**Comments:**

**Proposal 2 – Governance of the DCS**

- 3.5. Under initial DCS Regulations, the Scheme Manager was the Financial Supervision Commission (now IoMFSa).
- 3.6. 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...”.
- 3.7. The provision was deliberately intended to provide Treasury with both flexibility and control to decide upon the best solution if a default occurred.
- 3.8. However, IADI principles now recommend that deposit guarantee schemes should be run by an independent board.
- 3.9. 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.
- 3.10. 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.
- 3.11. 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.
- 3.12. 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).
- 3.13. 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.
- 3.14. 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.

3.15. 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.

3.16. 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.

3.17. 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.

3.18. 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"<sup>6</sup>;
- 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;
- 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 IoMFSAs;
- 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.

3.19. 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 IoMFSAs 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.*

---

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

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

Comments:

### Proposal 3 - Funding

- 3.20. 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).
- 3.21. 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*

- 3.22. 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")<sup>7</sup>, 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.
- 3.23. 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.
- 3.24. 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.
- 3.25. 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.

---

<sup>7</sup> 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".



- 3.26. 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.
- 3.27. Within this context, the following section outlines proposals with regard to recovery of Government pre-funding and any associated and appropriate costs.
- 3.28. [Proposal 4](#) covering the timeliness of payment and [proposal 5](#) regarding scheme coverage are also relevant in terms of liquidity funding.
- 3.29. 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*

- 3.30. 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.
- 3.31. 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.
- 3.32. 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.
- 3.33. 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.
- 3.34. 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.
- 3.35. 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.
- 3.36. 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.

3.37. 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)**

**Comments:**

**- Recovery (Y/N)**

**Comments:**

***Additional comments on calculation of levy:***

**Proposal 4 - Timeliness of payment**

*Overall Policy statement*

- 3.38. 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.
- 3.39. 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.
- 3.40. At present the proposals do, however, remain reliant on resolving a number of legal and administrative issues which are outlined below in further detail.
- 3.41. 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.
- 3.42. 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.

- 3.43. 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.
- 3.44. 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.
- 3.45. 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.

3.46. 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

- 3.47. 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.
- 3.48. 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.
- 3.49. 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.

- 3.50. 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.
- 3.51. 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.
- 3.52. 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.
- 3.53. 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.
- 3.54. 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.
- 3.55. 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)**

**Comments:**

**b) Single Customer View? (Y/N)**

**Comments:**

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

**Proposal 5 - Coverage**

- 3.56. 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.

- 3.57. 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.
- 3.58. 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.
- 3.59. 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.
- 3.60. 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.
- 3.61. 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.
- 3.62. 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.
- 3.63. 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)<sup>8</sup> be excluded from entitlement to compensation.

3.64. 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.*

3.65. 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?
- Whether the proposed exclusion from entitlement to compensation for Plcs is deemed appropriate and whether any further exclusions should be considered?

---

<sup>8</sup> Plc defined through listing on a stock market

**Do you agree with policy Proposal 5 – Coverage? :**

**a) Overall policy statement? (Y/N)**

**Comments:**

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

**Comments:**

**c) Excluding Plcs? (Y/N)**

**Comments:**

**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**

**Comments:**

**b) Other policy areas not covered?**

**Comments:**

**c) Any further general comments?**

**Comments:**

## **5. CONSULTATION PROCESS**

The Treasury would welcome your views on the policy proposals. The closing date for the receipt of comments is 24<sup>th</sup> March 2017.

The consultation documents have been uploaded to the Government's Consultation website and can be accessed [here](#). An accompanying electronic feedback form has been prepared to allow you to provide your comments. This feedback form can be completed, saved and returned to [treasuryconsultations@gov.im](mailto:treasuryconsultations@gov.im). There is a 'submit' function on the form to assist this process.

If you do not wish to use the form, respondents can use this document to send their comments by email to the same email address, [treasuryconsultations@gov.im](mailto:treasuryconsultations@gov.im)

If you do not have access to email or the internet, responses can also be submitted to:

C Cowley  
Senior Policy Advisor  
Corporate Strategy Division  
Treasury  
Government Office  
Bucks Road  
Douglas IM1 3PG

Unless specifically requested otherwise (see below), responses received may be published either in part or in their entirety, together with the name of the person or body submitting the response. If you are responding on behalf of a group it would be helpful to make your position clear. To ensure that the process is open and honest, responses can only be accepted if you provide your full name with your response.

The purpose of consultation is not to be a referendum. It is an information, views and evidence gathering exercise from which to take an informed decision on the content of proposed legislation

or policy. As with any consultation exercise, the responses received do not guarantee changes will be made.

The Treasury will aim to publish a summary of the responses within 3 months of the closing date for this consultation.

### **Confidentiality**

In line with the Treasury's policy of openness, at the end of the consultation period copies of the responses we receive may be published in a summary of the responses to this consultation. If you do not consent to this, you must clearly request that your response be treated as confidential. Any confidentiality disclaimer generated by your IT system in email responses will not be treated as such a request.

Respondents should also be aware that there may be circumstances in which the Treasury will be required to communicate information to third parties on request, in order to comply with any future obligations under the Freedom of Information Act 2015.