Treasury and Exchequer
Ministers Decision Report

APPROVAL OF THE FINANCIAL RETURN OF THE CURRENCY FUND

1. Purpose of Report

To approve the withdrawal of £6,300,000 from the Currency Fund.

2. Background

The value of currency in circulation recognised as a liability of the Currency Fund equals £90.9 million as of the 30 November 2024.

The value of assets backing that currency in circulation at that date had risen to £107.1 million during the course of 2024, leaving a surplus of £16.2m million.

The Fund holds a surplus of assets over the value of the currency in circulation liability as a buffer to allow the Fund to hold an allocation of return seeking assets. The buffer is sized to provide comfort that in the event of a significant market event the assets will not fall below the value of currency in circulation and to allow risk assets to continue to be held in the portfolio to recovery. This controlled exposure allows the Fund to earn a superior yield over the long term, within tightly controlled risk boundaries.

3. Recommendation

The Minister is recommended to approve the withdrawal of £6.3m from the Currency Fund, being satisfied that there remains sufficient assets in the fund after making provision for the repayment of currency in issue. The withdrawal will form the 2024 financial return to the Consolidated Fund.

4. Reason for Decision

Under article 7A(3b) of the Currency Notes and Currency Fund (Jersey) Law 1959, the Minister for Treasury and Resources is empowered to transfer all or any part of a surplus in the Currency Fund as determined by the Minister after making provision for the repayment of currency in issue.

Retention of a buffer of £9.9m is proposed to ensure sufficient assets are retained in the Fund to ensure repayment of the currency can be met on demand. Valuation of the buffer is based on projections run by Aon, the States Investment Advisor, and reviewed by the Treasury Advisory Panel in setting the Fund investment Strategy. These projections included modelling of the maximum losses for the portfolio with a 99% confidence rate. Given the conservative nature of the portfolio and the objective of ensuring that the value of Jersey currency must be fully backed, the buffer retained is materially in excess of the projected maximum loss value to ensure in the event of a major market correction, risk assets can continue to be held to recovery.

The Minister, having taken advice from Officers of Treasury and Exchequer is satisfied that following a withdrawal from the Fund of £6.3m, the value of £9.9m million of assets in excess of the liability for Currency in Circulation, is sufficient to provide for the repayment of currency in issue.

After the drawdown, the Currency Fund will hold £107m of assets and have an offsetting liability for currency in circulation estimated at £97.1m. Netted together the net asset value of the Fund will therefore be £9.9m. The asset position is based on the most recent valuations as of 30th November.

5. Resource Implications

There are no costs associated with the transfer as the cash is readily available. The above decision will be actioned by the existing staff in Treasury and Investment Management.

Report author: Head of T&I	Document date: 17/12/2024
Quality Assurance / Review: Head of Financial Governance	File name and path:
TD sponsor:	