



International Oil Pollution
Compensation Funds

Agenda Item 5	IOPC/NOV24/5/4	
Date	27 August 2024	
Original	English	
1992 Fund Assembly	92A29	●
1992 Fund Executive Committee	92EC83	
Supplementary Fund Assembly	SA21	●

REPORT ON INVESTMENTS

Note by the Secretariat

Summary:	The Director has prepared particulars of the investments of the 1992 Fund and the Supplementary Fund for the period 1 July 2023 to 30 June 2024 and any changes which have taken place since his previous report.
Action to be taken:	<u>1992 Fund Assembly and Supplementary Fund Assembly</u> Information to be noted.

1 Introduction

- 1.1 Financial Regulation 10.2 provides that the Director shall submit, to each regular session of the governing bodies, particulars of the current investments of the respective Fund and inform them of any changes which have taken place since his previous report. The Director's previous report covered the period 1 July 2022 to 30 June 2023.
- 1.2 This report contains particulars of investments of the 1992 Fund and the Supplementary Fund for the period 1 July 2023 to 30 June 2024.
- 1.3 A listing of all the fixed term deposits placed with the various financial institutions during that period was provided to the joint Investment Advisory Body (IAB) and reviewed at each of its quarterly meetings to ensure that placements meet the requirements of the Internal Investment Guidelines.
- 1.4 Pursuant to Financial Regulation 10.6, for purposes of investment, all monies in the General Fund, (Major) Claims Funds, Contributors' Accounts and any special accounts may be merged. Any resulting income shall accrue to the respective fund or account pro rata, provided, however, that interest on the Contributors' Accounts shall be calculated as set out in the Internal Regulations of each of the Funds.
- 1.5 At its April 2017 session, the 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, decided to amend Financial Regulation 10.4(a) to mitigate the currency risk of holding the 1992 Fund's working capital exclusively in pounds sterling. Financial Regulation 10.4(a) provides that the 1992 Fund's assets shall be held in pounds sterling or, if the Director considers it appropriate, in other currencies required to meet claims and claims-related expenses (document [IOPC/APR17/9/1](#), paragraph 6.2.4).
- 1.6 Information is provided both with respect to the investment income earned in the financial year 2023 (1 January 2023 to 31 December 2023) and the period 1 January 2024 to 30 June 2024.

2 Official rates

2.1 The Bank of England (BoE) base rate for the period 1 January 2023 to 30 June 2024 was as follows:

	BoE base rate
1 January 2023 —1 February 2023	3.50%
2 February 2023—22 March 2023	4.00%
23 March 2023—10 May 2023	4.25%
11 May 2023—21 June 2023	4.50%
22 June 2023—2 August 2023	5.00%
3 August 2023—30 June 2024	5.25%

2.2 The European Central Bank (ECB) interest rate on main refinancing operations for the period 1 January 2023 to 30 June 2024 was as follows:

	ECB refi rate
1 January 2023—7 February 2023	2.50%
8 February 2023—21 March 2023	3.00%
22 March 2023—9 May 2023	3.50%
10 May 2023—20 June 2023	3.75%
21 June 2023—1 August 2023	4.00%
2 August 2023—19 September 2023	4.25%
20 September 2023—11 June 2024	4.50%
12 June 2024—30 June 2024	4.25%

2.3 The United States Federal Reserve Discount rate for the period 1 January 2023 to 30 June 2024 was as follows:

	US Discount rate
1 January 2023—1 February 2023	4.50%
2 February 2023—22 March 2023	4.75%
23 March 2023—3 May 2023	5.00%
4 May 2023—26 July 2023	5.25%
27 July 2023—30 June 2024	5.50%

2.4 The Bank of Israel (BOI) nominal interest rate for the period 1 January 2023 to 30 June 2024 was as follows:

	BOI interest rate
1 January 2023—4 January 2023	3.25%
5 January 2023—22 February 2023	3.75%
23 February 2023—6 April 2023	4.25%
7 April 2023—24 May 2023	4.50%
25 May 2023—3 January 2024	4.75%
4 January 2024—30 June 2024	4.50%

3 Interest earned on investments

3.1 The interest income (which is shown on an accrual basis, i.e. when it is earned by the respective Fund) on investments in the calendar year 2023 and the period 1 January 2024 to 30 June 2024, respectively, is set out below:

3.2 1992 Fund

Period	GBP	USD	EUR	ILS	Total interest
	Fixed term deposits	Fixed term deposits	Fixed term deposits	Fixed term deposits	
1 January–31 December 2023	£1 013 127	£390 495	£661 079	£21 143	£2 085 844
Average rate of interest earned in 2023 on fixed term deposits	3.74%	5.65%	3.30%	0.83%	-
1 January–30 June 2024	£949 148	£212 594	£467 280	£71 239	£1 734 351

3.3 Supplementary Fund

Period	GBP Fixed term deposits
1 January–31 December 2023	£59 709
Average rate of interest earned in 2023 on fixed term deposits	4.59%
1 January–30 June 2024	£34 054

3.4 The credit markets remained stable over the reporting period, which meant no change was required to the lending limits in the Internal Investment Guidelines. Lending to Group 1 banks has a maximum maturity of 12 months, and lending to Group 2 banks has a maximum maturity of six months. A counterparty list is published by the IAB at its quarterly meetings, and the IAB advises changes to the list between meetings, should the need arise.

4 Current investment situation

4.1 Pursuant to Financial Regulation 10.4 of the 1992 Fund, an amount of some EUR 33.7 million is being held by the 1992 Fund. As at 30 June 2024, EUR 0.8 million was being held in respect of the *Prestige* incident, EUR 21.0 million in respect of the *Agia Zoni II* incident, EUR 10.1 million in respect of the *Bow Jubail* incident and EUR 1.8 million by the General Fund.

4.2 Israeli shekels (ILS), amounting to ILS 20.8 million as at 30 June 2024, were held in respect of the Incident in Israel. This currency was held in ILS current accounts and on deposit with HSBC Bank. To comply with hedging guidelines, purchases of ILS were made in September and December 2023.

4.3 The 1992 Fund's working capital is being held in pounds sterling (GBP) and United States dollars (USD). As at 30 June 2024, the General Fund held some USD 12.4 million to mitigate currency risk.

4.4 Information on the spread of investments for the period 1 July 2023–30 June 2024 is set out at the Annexes to this document, as follows:

Annex I: 1992 Fund: fixed term investments in pounds sterling (GBP)

Annex II: 1992 Fund: fixed term investments in United States dollars (USD)

- Annex III: 1992 Fund: fixed term investments in Euros (EUR)
- Annex IV: 1992 Fund: fixed term investments in Israeli shekels (ILS)
- Annex V: Supplementary Fund: fixed term investments in pounds sterling (GBP)
- Annex VI: Investments made in excess of normal limits laid down in the Funds' Financial Regulations

5 Limits for investments in any one financial institution

- 5.1 Pursuant to Financial Regulations 10.4(c) and 10.4(d), the maximum investment in any bank or building society of the 1992 Fund's and the Supplementary Fund's combined assets shall not normally exceed 25% of these assets or £10 million, whichever is the higher. The maximum investment in any bank or building society by the Funds shall not together normally exceed £15 million or £20 million in respect of the Funds' house bank(s) or not normally exceed £25 million when the two Funds' combined assets exceed £300 million.
- 5.2 Pursuant to Financial Regulation 10.4(e), the Director is required to report to the governing bodies, at its next regular session, any investments in excess of the normal limits pursuant to Financial Regulation 10.4(c) and 10.4 (d).
- 5.3 Details of investments plus amounts held in interest-bearing accounts in excess of the normal limit with any one financial institution are given in Annex VI.
- 5.4 The limits apply to banking groups rather than individual financial institutions. Since the normal counterparty limit is set in pounds sterling, any volatility in the exchange rate affects the conversion of foreign currency deposits to pounds sterling, and the effect of these changes to the limits are considered at the time of deposits being placed.
- 5.5 During the reporting period, the maximum limit of £15 million or £20 million was exceeded on two occasions with SMBC bank, pursuant to Financial Regulation 10.4(d).
- 5.6 Barclays Bank plc, HSBC Bank plc and Lloyds Banking Group are designated as the main operational house banks.

6 Financial instruments used

6.1 Dual currency deposits/dual currency investments

- 6.1.1 Since 2002, the 1992 Fund has occasionally invested pounds sterling in the form of dual currency deposits (DCDs), now referred to as dual currency investments (DCIs), in line with the recommendation of the IAB. A DCI is a type of deposit where an amount is placed in pounds sterling (the base currency) with a financial institution that meets the 1992 Fund's investment criteria for prudent investment at an enhanced rate of interest.
- 6.1.2 During the reporting period, no DCIs were placed.

7 Action to be taken

1992 Fund Assembly and Supplementary Fund Assembly

The 1992 Fund Assembly and Supplementary Fund Assembly are invited to take note of the information contained in this document.

ANNEX I

1992 FUND – MONTHLY BALANCES ON POUNDS STERLING INVESTMENT ACCOUNTS FROM 1 JULY 2023 TO 30 JUNE 2024

Institution	31.07.23	31.08.23	30.09.23	31.10.23	30.11.23	31.12.23	31.01.24	28.02.24	31.03.24	30.04.24	31.05.24	30.06.24
	£	£	£	£	£	£	£	£	£	£	£	£
BNP Paribas	5 000 000	5 000 000	5 000 000					4 000 000	4 000 000	4 000 000	8 000 000	8 000 000
DBS Bank Ltd	8 000 000	8 000 000	4 500 000				4 000 000	10 500 000	14 500 000	14 500 000	10 500 000	10 500 000
HSBC Bank								5 000 000				
OCBC Bank	5 000 000	5 000 000	5 000 000	11 000 000	12 000 000	10 500 000	10 500 000	10 500 000	14 000 000	14 000 000	11 000 000	11 000 000
Qatar National Bank	6 000 000	10 000 000	13 000 000	13 000 000	13 000 000	13 000 000	13 000 000	13 000 000	10 000 000	10 000 000	10 000 000	8 500 000
Standard Chartered Bank									6 000 000	6 000 000	6 000 000	6 000 000
Sumitomo Mitsui Banking Corporation	3 000 000											
Total	27 000 000	28 000 000	27 500 000	24 000 000	25 000 000	23 500 000	27 500 000	43 000 000	48 500 000	48 500 000	45 500 000	44 000 000

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ANNEX II

1992 FUND – MONTHLY BALANCES ON UNITED STATES DOLLARS INVESTMENT ACCOUNTS FROM 1 JULY 2023 TO 30 JUNE 2024

Institution	31.07.23	31.08.23	30.09.23	31.10.23	30.11.23	31.12.23	31.01.24	28.02.24	31.03.24	30.04.24	31.05.24	30.06.24
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
BNP Paribas					3 000 000	3 000 000	3 000 000	3 000 000	3 000 000	3 000 000		
OCBC Bank			3 000 000	3 000 000								
Qatar National Bank	5 700 000	3 700 000		2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	4 000 000	4 000 000	4 000 000	4 000 000
Sumitomo Mitsui Banking Corporation		6 000 000	6 000 000	3 000 000	3 000 000	3 800 000	3 800 000	3 800 000	2 800 000	2 800 000	5 800 000	5 650 000
Total	5 700 000	9 700 000	9 000 000	8 000 000	8 000 000	8 800 000	8 800 000	8 800 000	9 800 000	9 800 000	9 800 000	9 650 000

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ANNEX III

1992 FUND – MONTHLY BALANCES ON EUROS INVESTMENT ACCOUNTS FROM 1 JULY 2023 TO 30 JUNE 2024

Institution	31.07.23	31.08.23	30.09.23	31.10.23	30.11.23	31.12.23	31.01.24	28.02.24	31.03.24	30.04.24	31.05.24	30.06.24
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
BNP Paribas	4 975 244	4 975 244		9 000 000	11 000 000	11 000 000	11 000 000	8 000 000	8 000 000	8 000 000	6 000 000	6 000 000
Barclays Bank									7 000 000	7 000 000	7 000 000	7 000 000
HSBC Bank	2 000 000								3 000 000	3 000 000	3 000 000	3 000 000
Qatar National Bank	2 008 424	2 008 424	2 008 424									
Standard Chartered Bank	9 000 000	11 000 000	11 000 000	2 000 000				5 000 000	5 000 000	5 000 000	5 000 000	5 000 000
Sumitomo Mitsui Banking Corporation	5 000 000	5 000 000	10 000 000	12 000 000	12 000 000	12 000 000	11 500 000	9 500 000	9 500 000	9 500 000	11 500 000	11 500 000
Total	22 983 668	22 983 668	23 008 424	23 000 000	23 000 000	23 000 000	22 500 000	22 500 000	32 500 000	32 500 000	32 500 000	32 500 000

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ANNEX IV

1992 FUND – MONTHLY BALANCES ON ISRAELI SHEKELS INVESTMENT ACCOUNTS FROM 1 JULY 2023 TO 30 JUNE 2024

Institution	31.07.23	31.08.23	30.09.23	31.10.23	30.11.23	31.12.23	31.01.24	28.02.24	31.03.24	30.04.24	31.05.24	30.06.24
	ILS	ILS	ILS	ILS	ILS	ILS	ILS	ILS	ILS	ILS	ILS	ILS
HSBC Bank	-	-	8 000 000	13 000 000	13 000 000	13 000 000	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000
Total	-	-	8 000 000	13 000 000	13 000 000	13 000 000	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000

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ANNEX V

SUPPLEMENTARY FUND – MONTHLY BALANCES ON POUNDS STERLING INVESTMENT ACCOUNTS FROM 1 JULY 2023 TO 30 JUNE 2024

Institution	31.07.23	31.08.23	30.09.23	31.10.23	30.11.23	31.12.23	31.01.24	28.02.24	31.03.24	30.04.24	31.05.24	30.06.24
	£	£	£	£	£	£	£	£	£	£	£	£
Barclays Bank Plc	650 000	650 000	650 000	650 000		650 000	650 000	650 000	650 000	650 000	650 000	
HSBC Bank												650 000
Sumitomo Mitsui Banking Corporation	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000
Total	1 300 000	1 300 000	1 300 000	1 300 000	650 000	1 300 000	1 300 000	1 300 000	1 300 000	1 300 000	1 300 000	1 300 000

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Institution	Period during which limit exceeded	Number of days	Amount by which limit exceeded	Reason for exceeding limit
<i>Investments (pounds sterling, US dollars and euros) in excess of £15 million (£20 million in respect of house banks)</i>				
SMBC Brussels	06/10/23-10/10/23	4	£976 520	A trade executed on 6 Oct, for value 10 Oct, triggered a breach of the SMBC exposure limit for 2 working days.
SMBC Brussels	21/05/24-30/05/24	10	£45 276	Breach due to shift in exchange rates for both EUR and USD. Counterparty exposure was 0.3% above the limit of £15 000 000 for 10 days.