



International Oil Pollution  
Compensation Funds

<b>Agenda Item 5</b>	IOPC/OCT22/5/3	
<b>Date</b>	8 August 2022	
<b>Original</b>	English	
<b>1992 Fund Assembly</b>	92A27	●
<b>1992 Fund Executive Committee</b>	92EC79	
<b>Supplementary Fund Assembly</b>	SA19	●

## REPORT ON INVESTMENTS

### Note by the Secretariat

<b>Summary:</b>	The Director has prepared particulars of the investments of the 1992 Fund and the Supplementary Fund for the period 1 July 2021 to 30 June 2022 and any changes which have taken place since his previous report.
<b>Action to be taken:</b>	<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 2020 to 30 June 2021.
- 1.2 This report contains particulars of investments of the 1992 Fund and the Supplementary Fund for the period 1 July 2021 to 30 June 2022.
- 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 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) now 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 2021 (1 January 2021 to 31 December 2021) and the period 1 January 2022 to 30 June 2022.

## 2 Official rates

2.1 The Bank of England (BoE) base rate for the period 1 January 2021 to 30 June 2022 was as follows:

	<b>BoE base rate</b>
1 January 2021–15 December 2021	0.10%
16 December 2021–2 February 2022	0.25%
3 February 2022–16 March 2022	0.50%
17 March 2022–4 May 2022	0.75%
5 May 2022–15 June 2022	1.00%
16 June 2022–30 June 2022	1.25%

2.2 The European Central Bank (ECB) refi rate for the period 1 January 2021 to 30 June 2022 was as follows:

	<b>ECB refi rate</b>
1 January 2021–30 June 2022	0.00%

2.3 The Bank of Israel (BOI) base rate for the period from 1 January 2021 to 30 June 2022 was as follows:

	<b>BOI base rate</b>
1 January 2021–13 April 2022	0.10%
14 April 2022–25 May 2022	0.35%
26 May 2022–30 June 2022	0.75%

2.4 The United States federal funds base rate for the period 1 January 2021 to 30 June 2022 was as follows:

	<b>US federal funds rate</b>
1 January 2021–15 March 2022	0.25%
16 March 2022–3 May 2022	0.50%
4 May 2022–14 June 2022	1.00%
15 June 2022–30 June 2022	1.75%

## 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 2021 and the period 1 January 2022 to 30 June 2022, respectively, is set out below.

3.1.1 1992 Fund

Period	Pounds sterling	United States dollars	Total interest
	Fixed term deposits & call accounts	Fixed term deposits	
1 January–1 December 2021	£59 922	£8 601	£68 523
Average rate of interest earned in 2021 on fixed term deposits	0.19%	0.14%	-
1 January–30 June 2022	£21 766	£16 540	£38 306

3.1.2 Supplementary Fund

Period	Fixed term deposits & Call/Notice Accounts
1 January–31 December 2021	£1 735
Average rate of interest earned in 2021 on fixed term deposits	0.12%
1 January–30 June 2022	£992

3.2 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 25.6 million is being held by the 1992 Fund. As at 30 June 2022, EUR 0.8 million is being held in respect of the *Prestige* incident, EUR 22.6 million in respect of the *Agia Zoni II* incident and EUR 2.2 million by the General Fund.

4.2 Cash deposits in euros yielded a negative interest rate during the reporting period so euros were held in current accounts. Two operational house banks charged negative interest rates on current accounts, and four other banks limited the volume of euros which could be held without incurring a negative interest charge.

4.3 The 1992 Fund's working capital is being held in pounds sterling (GBP) and United States dollars (USD). As at 30 June 2022, the General Fund held some USD 10.17 million to mitigate currency risk.

4.4 The incident in Israel hedging strategy was reviewed at the IAB meeting in May 2022, following which two purchases of Israeli shekels (ILS) were made with Barclays Bank, for value date 16 June and 16 September. At the time of writing, ILS cash deposits were not being offered by UK banks and the currency was being held in a current account with Barclays Bank.

4.5 Information on the spread of investments for the period 1 July 2021–30 June 2022 is set out at the Annexes to this document, as follows:

Annex I: 1992 Fund: fixed term investments in pounds sterling (GBP) as at 30 June 2022.

- Annex II: 1992 Fund: fixed term investments in United States dollars (USD) as at 30 June 2022.
- Annex III: Supplementary Fund: fixed term investments in pounds sterling and balances as at 30 June 2022.
- Annex IV: 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 respective Funds' 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 IV.
- 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 not exceeded pursuant to Financial Regulation 10.4(d).
- 5.6 Barclays Bank plc and HSBC Bank plc are designated as the main operational house banks, and Lloyds Bank plc, BNP Paribas and Santander UK Ltd are designated as temporary house banks since they are used to hold euros for the *Agia Zoni II* incident.

## **6 Financial instruments used**

### *Dual currency deposits/dual currency investments*

- 6.1 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.
- 6.2 In return for this enhanced yield, there is a possibility that the principal sum will be repaid in a second currency if, at expiry of the deposit, the exchange rate between pounds sterling and the second currency is below a certain rate (i.e. a predetermined conversion rate chosen at the time the deposit is placed).
- 6.3 The duration of each deposit, as well as the second currency, is selected to satisfy the 1992 Fund's cash flow requirements. The possibility that the principal amount will be converted to the second currency at the predetermined conversion rate, known as the 'strike rate', is acceptable to the

1992 Fund as it has an ongoing requirement for the second currency to meet its claims liability arising from the incident(s).

6.4 During the reporting period, one GBP/EUR DCI was entered into, maturing in December 2021, as there was an ongoing requirement for euros in respect of the *Agia Zoni II* incident.

**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.

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## ANNEX I

### 1992 FUND – MONTHLY BALANCES ON GBP INVESTMENT ACCOUNTS FROM 1 JULY 2021 TO 30 JUNE 2022

Institution	31.07.21	31.08.21	30.09.21	31.10.21	30.11.21	31.12.21	31.01.22	28.02.22	31.03.22	30.04.22	31.05.22	30.06.22
	£	£	£	£	£	£	£	£	£	£	£	£
DBS Bank Ltd	6 000 000	6 000 000	6 100 000	6 100 000	6 100 000	6 100 000	6 600 000	9 500 000	10 000 000	10 000 000	10 000 000	10 000 000
HSBC Bank plc	5 500 000	5 500 000	5 500 000	5 500 000	5 500 000	0	0	0	0	0	0	0
BNP Paribas	0	0	0	0	0	0	0	0	4 000 000	6 000 000	10 000 000	10 000 000
Qatar National Bank	7 500 000	7 500 000	7 500 000	7 500 000	7 500 000	7 500 000	7 500 000	7 500 000	7 500 000	7 500 000	7 500 000	7 500 000
Santander UK plc	1 600 000	1 600 000	1 600 000	1 600 000	0	0	0	0	0	0	0	0
Sumitomo Mitsui Banking Corporation	4 000 000	4 000 000	4 000 000	4 000 000	4 000 000	4 000 000	4 000 000	3 000 000	7 000 000	7 000 000	3 000 000	3 000 000
<b>Total</b>	<b>24 600 000</b>	<b>24 600 000</b>	<b>24 700 000</b>	<b>24 700 000</b>	<b>23 100 000</b>	<b>17 600 000</b>	<b>18 100 000</b>	<b>20 000 000</b>	<b>28 500 000</b>	<b>30 500 000</b>	<b>30 500 000</b>	<b>30 500 000</b>

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**ANNEX II**

**1992 FUND – MONTHLY BALANCES ON UNITED STATES DOLLARS INVESTMENT ACCOUNTS FROM 1 JULY 2021 TO 30 JUNE 2022**

<b>Institution</b>	<b>31.07.21</b>	<b>31.08.21</b>	<b>30.09.21</b>	<b>31.10.21</b>	<b>30.11.21</b>	<b>31.12.21</b>	<b>31.01.22</b>	<b>28.02.22</b>	<b>31.03.22</b>	<b>30.04.22</b>	<b>31.05.22</b>	<b>30.06.22</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Barclays Bank Plc	-	-	-	-	-	-	-	-	2 000 000	2 000 000	2 000 000	2 000 000
Qatar National Bank	3 500 729	3 501 556	3 502 334	5 000 000	5 001 100	5 001 100	5 003 601	5 003 601	5 006 225	5 006 225	5 006 225	5 000 000
Sumitomo Mitsui Banking Corporation	4 000 333	4 000 722	4 001 078	2 500 000	2 500 206	2 500 415	2 500 665	2 500 665	2 500 000	2 500 000	2 502 625	2 504 608
<b>Total</b>	<b>7 501 062</b>	<b>7 502 278</b>	<b>7 503 412</b>	<b>7 500 000</b>	<b>7 501 306</b>	<b>7 501 515</b>	<b>7 504 266</b>	<b>7 504 266</b>	<b>9 506 225</b>	<b>9 506 225</b>	<b>9 508 850</b>	<b>9 504 608</b>

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ANNEX III

SUPPLEMENTARY FUND – MONTHLY BALANCES ON POUNDS STERLING INVESTMENT ACCOUNTS FROM 1 JULY 2021 TO 30 JUNE 2022

Institution	31.07.21	31.08.21	30.09.21	31.10.21	30.11.21	31.12.21	31.01.22	28.02.22	31.03.22	30.04.22	31.05.22	30.06.22
	£	£	£	£	£	£	£	£	£	£	£	£
Sumitomo Mitsui Banking Corporation	0	0	0	0	0	0	0	0	0	0	650 000	650 000
Barclays Bank Plc	0	0	0	0	0	0	0	0	0	0	650 000	650 000
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 300 000</b>	<b>1 300 000</b>

Note: some £1.3 million was held in notice accounts during the period 1 July 2021 and 30 April 2022 due to higher interest rates being available on notice accounts in that period.

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ANNEX IV

**1992 FUND AND SUPPLEMENTARY FUND INVESTMENTS MADE  
IN EXCESS OF THE NORMAL LIMITS LAID DOWN IN THE FUNDS'  
FINANCIAL REGULATION 10.4(d) FROM 1 JULY 2021 TO 30 JUNE 2022**

Institution	Period during which limit exceeded	Number of days	Amount by which limit exceeded	Reason for exceeding limit
<i>Investments (pounds sterling, dollars and euros) in excess of £15 million (£20 million in respect of house banks)</i>				
No limits were exceeded during the reporting period.				