



International Oil Pollution  
Compensation Funds

|                                      |                |   |
|--------------------------------------|----------------|---|
| <b>Agenda Item 5</b>                 | IOPC/NOV23/5/4 |   |
| <b>Date</b>                          | 30 August 2023 |   |
| <b>Original</b>                      | English        |   |
| <b>1992 Fund Assembly</b>            | 92A28          | ● |
| <b>1992 Fund Executive Committee</b> | 92EC81         |   |
| <b>Supplementary Fund Assembly</b>   | SA20           | ● |

## 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 2022 to 30 June 2023 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><br><br>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 2021 to 30 June 2022.
- 1.2 This report contains particulars of investments of the 1992 Fund and the Supplementary Fund for the period 1 July 2022 to 30 June 2023.
- 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) 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 2022 (1 January 2022 to 31 December 2022) and the period 1 January 2023 to 30 June 2023.

## 2 **Official rates**

2.1 The Bank of England (BoE) base rate for the period 1 January 2022 to 30 June 2023 was as follows:

|                                   | <b>BoE base rate</b> |
|-----------------------------------|----------------------|
| 1 January 2022—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—3 August 2022        | 1.25%                |
| 4 August 2022—21 September 2022   | 1.75%                |
| 22 September 2022—2 November 2022 | 2.25%                |
| 3 November 2022—14 December 2022  | 3.00%                |
| 15 December 2022—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—30 June 2023         | 5.00%                |

2.2 The European Central Bank (ECB) refi rate for the period 1 January 2022 to 30 June 2023 was as follows:

|                                  | <b>ECB refi rate</b> |
|----------------------------------|----------------------|
| 1 January 2022—26 July 2022      | -0.05%               |
| 27 July 2022—31 August 2022      | 0.00%                |
| 1 September 2022—1 November 2022 | 0.75%                |
| 2 November 2022—20 December 2022 | 1.50%                |
| 21 December 2022—7 February 2023 | 2.00%                |
| 8 February 2023—21 March 2023    | 2.50%                |
| 22 March 2023—9 May 2023         | 3.00%                |
| 10 May 2023—20 June 2023         | 3.25%                |
| 21 June 2023—30 June 2023        | 3.50%                |

2.3 The United States federal funds base rate for the period 1 January 2022 to 30 June 2023 was as follows:

|                                   | <b>US federal funds rate</b> |
|-----------------------------------|------------------------------|
| 1 January 2022—16 March 2022      | 0.25%                        |
| 17 March 2022—4 May 2022          | 0.50%                        |
| 5 May 2022—15 June 2022           | 1.00%                        |
| 16 June 2022—26 July 2022         | 1.75%                        |
| 27 July 2022—20 September 2022    | 2.50%                        |
| 21 September 2022—1 November 2022 | 3.25%                        |
| 2 November 2022—13 December 2022  | 4.00%                        |
| 14 December 2022—31 January 2023  | 4.50%                        |
| 1 February 2023—21 March 2023     | 4.75%                        |

|                          |       |
|--------------------------|-------|
| 22 March 2023—2 May 2023 | 5.00% |
| 3 May 2023—30 June 2023  | 5.25% |

### 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 2022 and the period 1 January 2023 to 30 June 2023, respectively, is set out below:

#### 3.1.1 1992 Fund

| Period   | GBP                 | USD                 | EUR                 | Total interest |
|--|---------------------|---------------------|---------------------|----------------|
|  | Fixed term deposits | Fixed term deposits | Fixed term deposits |                |
| 1 January—31 December 2022                                     | £371 118            | £148 440            | £55 440             | £574 998       |
| Average rate of interest earned in 2022 on fixed term deposits | 0.99%               | 2.00%               | 1.02%               | -              |
| 1 January—30 June 2023   | £262 303            | £169 724            | £192 585            | £624 612       |

#### 3.1.2 Supplementary Fund

| Period   | GBP<br>Fixed term deposits |
|--|----------------------------|
| 1 January—31 December 2022                                     | £16 506                    |
| Average rate of interest earned in 2022 on fixed term deposits | 1.27%                      |
| 1 January—30 June 2023   | £15 763                    |

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 23.7 million is being held by the 1992 Fund. As at 30 June 2023, EUR 0.8 million is being held in respect of the *Prestige* incident, EUR 21.0 million in respect of the *Agia Zoni II* incident and EUR 1.9 million by the General Fund.

4.2 Israeli shekels (ILS), amounting to ILS 13.0 million as at 30 June 2023, are held in respect of the Incident in Israel. This currency has been placed in ILS current accounts due to ILS cash deposits not being offered by UK banks. To comply with hedging guidelines, additional currency has been purchased. This has been done through a forward purchase, delivery of which has been delayed to reduce the impact of no interest being earned on this currency.

4.3 The 1992 Fund's working capital is being held in pounds sterling (GBP) and United States dollars (USD). As at 30 June 2023, the General Fund held some USD 10.3 million to mitigate currency risk.

4.4 Information on the spread of investments for the period 1 July 2022–30 June 2023 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: Supplementary Fund: fixed term investments in pounds sterling and balances.

Annex V: 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 V.

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, HSBC Bank plc and Lloyds Banking Group are designated as the main operational house banks.

## **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, no DCI investments 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.

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## ANNEX I

### 1992 FUND – MONTHLY BALANCES ON GBP INVESTMENT ACCOUNTS FROM 1 JULY 2022 TO 30 JUNE 2023

| Institution                         | 31.07.22          | 31.08.22          | 30.09.22          | 31.10.22          | 30.11.22          | 31.12.22          | 31.01.23          | 28.02.23          | 31.03.23          | 30.04.23          | 31.05.23          | 30.06.23          |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | £                 | £                 | £                 | £                 | £                 | £                 | £                 | £                 | £                 | £                 | £                 | £                 |
| DBS Bank Ltd                        | 10 000 000        | 10 000 000        | 10 000 000        | 10 000 000        | 10 000 000        | 10 000 000        | 10 000 000        | 10 000 000        | 10 000 000        | 10 000 000        | 10 000 000        | 10 000 000        |
| OCBC Bank                           | 0                 | 0                 | 0                 | 7 000 000         | 12 000 000        | 12 000 000        | 10 000 000        | 10 000 000        | 10 000 000        | 5 000 000         | 5 000 000         | 5 000 000         |
| BNP Paribas                         | 11 500 000        | 11 500 000        | 11 500 000        | 7 500 000         | 2 000 000         | 2 000 000         | 2 000 000         | 2 000 000         | 2 000 000         | 7 000 000         | 7 000 000         | 5 000 000         |
| Qatar National Bank                 | 7 500 000         | 7 500 000         | 5 000 000         | 5 000 000         | 5 000 000         | 5 000 000         | 7 000 000         | 5 000 000         | 5 000 000         | 5 000 000         | 5 000 000         | 6 000 000         |
| Sumitomo Mitsui Banking Corporation | 3 000 000         | 3 000 000         | 3 000 000         | 0                 | 0                 | 0                 | 0                 | 0                 | 3 000 000         | 3 000 000         | 3 000 000         | 3 000 000         |
| <b>Total</b>                        | <b>32 000 000</b> | <b>32 000 000</b> | <b>29 500 000</b> | <b>29 500 000</b> | <b>29 000 000</b> | <b>29 000 000</b> | <b>29 000 000</b> | <b>27 000 000</b> | <b>30 000 000</b> | <b>30 000 000</b> | <b>30 000 000</b> | <b>29 000 000</b> |

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**ANNEX II**

**1992 FUND – MONTHLY BALANCES ON UNITED STATES DOLLARS INVESTMENT ACCOUNTS FROM 1 JULY 2022 TO 30 JUNE 2023**

| <b>Institution</b>                  | <b>31.07.22</b>  | <b>31.08.22</b>  | <b>30.09.22</b>  | <b>31.10.22</b>  | <b>30.11.22</b>  | <b>31.12.22</b>  | <b>31.01.23</b>  | <b>28.02.23</b>  | <b>31.03.23</b>  | <b>30.04.23</b>  | <b>31.05.23</b>  | <b>30.06.23</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>       |
| Qatar National Bank                 | 7 000 000        | 7 000 000        | 7 032 317        | 7 061 837        | 7 061 837        | 7 028 216        | 7 028 216        | 7 028 216        | 7 200 000        | 7 200 000        | 7 200 000        | 6 200 000        |
| Standard Chartered Bank             | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 0                | 2 500 000        | 2 500 000        | 2 500 000        | 0                |
| Sumitomo Mitsui Banking Corporation | 0                | 0                | 2 500 000        | 2 506 625        | 2 506 625        | 2 521 786        | 2 521 786        | 2 521 786        | 0                | 0                | 0                | 0                |
| <b>Total</b>                        | <b>7 000 000</b> | <b>7 000 000</b> | <b>9 532 317</b> | <b>9 568 462</b> | <b>9 568 462</b> | <b>9 550 002</b> | <b>9 550 002</b> | <b>9 550 002</b> | <b>9 700 000</b> | <b>9 700 000</b> | <b>9 700 000</b> | <b>6 200 000</b> |

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**ANNEX III**

**1992 FUND – MONTHLY BALANCES ON EUROS INVESTMENT ACCOUNTS FROM 1 JULY 2022 TO 30 JUNE 2023**

| <b>Institution</b>                  | <b>31.07.22</b>  | <b>31.08.22</b>  | <b>30.09.22</b>   | <b>31.10.22</b>   | <b>30.11.22</b>   | <b>31.12.22</b>   | <b>31.01.23</b>   | <b>28.02.23</b>   | <b>31.03.23</b>   | <b>30.04.23</b>   | <b>31.05.23</b>   | <b>30.06.23</b>   |
|-------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | <b>EUR</b>       | <b>EUR</b>       | <b>EUR</b>        | <b>EUR</b>        | <b>EUR</b>        | <b>EUR</b>        | <b>EUR</b>        | <b>EUR</b>        | <b>EUR</b>        | <b>EUR</b>        | <b>EUR</b>        | <b>EUR</b>        |
| BNP Paribas                         | 0                | 0                | 4 900 000         | 4 902 321         | 4 902 321         | 4 912 411         | 10 912 411        | 10 912 411        | 10 912 411        | 4 912 411         | 4 912 411         | 4 975 244         |
| HSBC Bank                           | 0                | 0                | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 2 000 000         |
| Qatar National Bank                 | 0                | 0                | 0                 | 0                 | 0                 | 2 000 000         | 2 000 000         | 2 000 000         | 2 000 000         | 2 008 424         | 2 008 424         | 2 008 424         |
| Standard Chartered Bank             | 0                | 5 000 000        | 5 000 000         | 4 002 738         | 5 003 665         | 3 000 000         | 3 000 000         | 3 000 000         | 3 000 000         | 9 000 000         | 9 000 000         | 9 000 000         |
| Sumitomo Mitsui Banking Corporation | 4 000 000        | 4 000 000        | 4 000 000         | 5 000 000         | 9 007 356         | 9 007 356         | 9 007 356         | 7 000 000         | 7 000 000         | 7 000 000         | 7 000 000         | 5 000 000         |
| <b>Total</b>                        | <b>4 000 000</b> | <b>9 000 000</b> | <b>13 900 000</b> | <b>13 905 059</b> | <b>18 913 342</b> | <b>18 919 767</b> | <b>24 919 767</b> | <b>22 912 411</b> | <b>22 912 411</b> | <b>22 920 835</b> | <b>22 920 835</b> | <b>22 983 668</b> |

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**ANNEX IV**

**SUPPLEMENTARY FUND – MONTHLY BALANCES ON POUNDS STERLING INVESTMENT ACCOUNTS FROM 1 JULY 2022 TO 30 JUNE 2023**

| <b>Institution</b>                  | <b>31.07.22</b>  | <b>31.08.22</b>  | <b>30.09.22</b>  | <b>31.10.22</b>  | <b>30.11.22</b>  | <b>31.12.22</b>  | <b>31.01.23</b>  | <b>28.02.23</b>  | <b>31.03.23</b>  | <b>30.04.23</b>  | <b>31.05.23</b>  | <b>30.06.23</b>  |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                     | <b>£</b>         | <b>£</b>         | <b>£</b>         | <b>£</b>         | <b>£</b>         | <b>£</b>         | <b>£</b>         | <b>£</b>         | <b>£</b>         | <b>£</b>         | <b>£</b>         | <b>£</b>         |
| 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          |
| Barclays Bank Plc                   | 650 000          | 650 000          | 650 000          | 650 000          | 650 000          | 650 000          | 650 000          | 650 000          | 650 000          | 650 000          | 650 000          | 650 000          |
| <b>Total</b>                        | <b>1 300 000</b> | <b>1 300 000</b> | <b>1 300 000</b> | <b>1 300 000</b> | <b>1 300 000</b> | <b>1 300 000</b> | <b>1 300 000</b> | <b>1 300 000</b> | <b>1 300 000</b> | <b>1 300 000</b> | <b>1 300 000</b> | <b>1 300 000</b> |

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**ANNEX V**

**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 2022 TO 30 JUNE 2023**

| 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.   |                                    |                |                                |                            |