

Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009

Frequently Asked Questions

The purpose of this document is to provide answers to a number of questions (“FAQs”) about the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the “ELG Scheme”) which commenced on 9 December 2009.

This document is for reference and clarification purposes only, and should not be relied upon as constituting financial advice or legal advice. It has no legal effect and does not form part of the ELG Scheme. It does not alter the terms of the ELG Scheme or any other document relating to the ELG Scheme.

Part A of these FAQs provides general background to the ELG Scheme.

Part B is of particular relevance to depositors.

Part C is relevant to investors in debt securities issued by participating institutions.

Part D provides further miscellaneous information about the ELG Scheme.

A. Background to the ELG Scheme

1. ***What is the ELG Scheme?***

The ELG Scheme updates and revises the current bank guarantee under the Credit Institutions (Financial Support) Scheme 2008 (the “2008 Scheme”).

The ELG Scheme commenced on 9 December 2009 and will be subject to ongoing six (6) monthly approval by the European Commission. The ELG Scheme is therefore scheduled for review by the European Commission in June 2010 and the references to 29 September 2010 below must therefore be read in that context.

2. ***What does the ELG Scheme guarantee?***

Under the ELG Scheme the Minister for Finance of Ireland can guarantee:

- deposits (see section B below for more information); and
- debt securities (see section C below for more information),

incurred by participating institutions during the period from the date they joined the ELG Scheme up to 29 September 2010.

Liabilities guaranteed under the ELG Scheme can have a maturity which extends beyond 29 September 2010.

B. Deposits

3. ***Does the ELG Scheme cover all deposits?***

As is the case under the 2008 Scheme, most deposits will continue to be guaranteed under the existing statutory €100,000 Deposit Guarantee Scheme (the “DGS”) which covers 100% of retail deposits with all credit institutions authorised in Ireland

(including credit unions) up to a maximum of €100,000 per qualifying depositor per institution. The DGS does not have an end-date.

The ELG Scheme (and the 2008 Scheme) only guarantees retail deposits over the €100,000 limit of the DGS.

A private individual with a deposit of less than €100,000 is guaranteed solely under the DGS. If, however, the same individual has a deposit of over €100,000, the first €100,000 will be guaranteed under the DGS and the balance that exceeds €100,000 will be guaranteed under the ELG Scheme.

Whilst the DGS only covers specified types of deposit, the ELG Scheme covers deposits regardless of the nature of the depositor or the nature of the deposit.

4. ***I have a deposit account/current account with a “covered institution” that is guaranteed under the 2008 Scheme. Which guarantee scheme will my deposit be covered by now?***

If you have an on-demand deposit account or current account, your deposit will be guaranteed under the ELG Scheme once the covered institution becomes a participating institution under the ELG Scheme.

If you have a term deposit (i.e. a deposit with a fixed maturity), your deposit will remain guaranteed under the 2008 Scheme only until 29 September 2010 or its maturity, whichever is sooner.

Here are some examples, which assume that the participating institution in question joined the ELG Scheme on 1 January 2010:

- A two-year term deposit made on 1 February 2010 will be guaranteed under the ELG scheme until 31 January 2012.
- A one-year term deposit which was made on 1 November 2009 will be guaranteed under the 2008 Scheme until 29 September 2010.
- A three-month deposit placed with a participating institution on 1 November 2009, if rolled-over on 1 February 2010 will then be guaranteed under the ELG Scheme.
- An on-demand deposit will be guaranteed under the ELG Scheme until 29 September 2010.

As described in Q3 above, qualifying deposits of up to €100,000 will remain protected under the DGS and the ELG Scheme will only apply to deposit balances over €100,000 or in relation to deposits where the DGS does not apply at all.

5. ***I have a deposit in a notice account. How does the ELG Scheme apply to my deposit?***

If you have a notice account, your deposit will be guaranteed under the ELG Scheme if your bank or building society is a participating institution under the ELG Scheme.

Once you give a notice of withdrawal to the participating institution and this notice is made before 29 September 2010, the ELG Scheme will continue to guarantee your

deposit until the end of the notice period, even if this extends beyond 29 September 2010.

If a deposit is only partially withdrawn, the remaining amount will be guaranteed in accordance with the terms of the ELG Scheme. Any subsequent withdrawals will also be subject to the principle explained above.

C. Debt securities

6. *What sort of debt liabilities will be covered by the ELG Scheme?*

The ELG Scheme will cover the following types of debt securities:

- senior unsecured certificates of deposit;
- senior unsecured commercial paper;
- other senior unsecured bonds and notes; and
- other forms of senior unsecured debt which may be specified by the Minister, consistent with EU State aid rules and the EU Commission's Banking Communication (2008/C 270/02) and subject to prior consultation with the EU Commission,

7. *What are the eligibility criteria for a debt security under the ELG Scheme?*

In order to be an eligible liability, a debt security:

- must be incurred between the period from the commencement date of the ELG Scheme to and including 29 September 2010, subject to the approval of the EU Commission at six (6) monthly intervals;
- have a maturity of less than five (5) years;
- must not contain an event of default (howsoever described or constituted) constituted by cross-default or cross-acceleration; and
- must be single currency denominated in one of euro, sterling or US dollars or any other currency approved by the Minister for Finance. A liability issued under a programme may be issued in any currency permitted by the programme documentation.

8. *How will I know if a debt security is guaranteed under the ELG Scheme?*

An institution will have to apply for a guarantee certificate for each specific debt security that it issues and wishes to be guaranteed under the ELG Scheme. Details of stand-alone issues of debt securities that have been guaranteed under the ELG Scheme will be published on the website of the NTMA.

It will also be possible for participating institutions to obtain a guarantee certificate for entire programmes and details of these guaranteed programmes will also be published on the NTMA website. All debt securities issued under a guaranteed programme will be guaranteed. The amount of debt incurred under such programmes will be closely monitored and subject to control by the Minister and the NTMA (as scheme operator).

The ELG Scheme will allow participating institutions to issue unguaranteed liabilities, which will help reduce their reliance on State support over time as financial market conditions continue to improve. Therefore, if a participating institution issues a debt security without a guarantee certificate on either a standalone basis or off a programme which is not itself guaranteed, the debt security will not be guaranteed under the ELG Scheme.

9. ***I bought a debt security issued by a “covered institution” which is a “covered liability” under the 2008 Scheme. Will the debt security now be guaranteed under the ELG Scheme?***

No. The ELG Scheme applies only to newly-issued debt securities. If a debt security is guaranteed under the 2008 Scheme it cannot be guaranteed under the ELG Scheme. However, it will remain guaranteed under the terms of the 2008 Scheme until 29 September 2010.

10. ***Entire programmes can be guaranteed under the ELG Scheme. How does this work?***

It will be possible for participating institutions to obtain a guarantee certificate for an entire debt issuance programme, e.g. for EMTN, CD or CP programmes. Where an entire programme is guaranteed, each debt security issued under the programme will be guaranteed. Details of these programmes will be included on the website of the NTMA.

The Department of Finance and the NTMA will impose strict issuance limits on participating institutions and will monitor very closely the amount of debt issued under guaranteed programmes.

11. ***Will participating institutions prepare Prospectus Directive compliant prospectuses for guaranteed debt securities?***

No. Participating institutions have been instructed not to prepare Prospectus Directive compliant prospectuses. The Department of Finance has issued a direction to participating institutions in relation to the permitted contents of any offering materials relating to debt securities guaranteed under the ELG Scheme.

12. ***Will guaranteed debt securities be zero per cent. risk weighted for capital adequacy purposes?***

Yes. The Financial Regulator has confirmed that debt securities guaranteed under the ELG Scheme will be zero per cent. risk weighted for capital adequacy purposes.

13. ***If the Minister for Finance has to make a payment under the ELG Scheme, will withholding tax apply?***

No. There will not be an obligation on the Minister for Finance to deduct withholding tax in the event of payments being made under the ELG Scheme.

14. ***Are dated subordinated debt and covered bonds covered by the ELG Scheme?***

No. New dated subordinated debt and covered bonds entered into by a participating institution once it has joined the ELG Scheme will not be guaranteed. However, dated subordinated debt and covered bonds that are currently guaranteed under the 2008

Scheme will remain guaranteed under the 2008 Scheme until their maturity or 29 September 2010, whichever is sooner.

D. Miscellaneous

15. ***What has happened to the bank guarantee scheme announced in September 2008?***

The 2008 Scheme remains in place. However, only those “covered liabilities” that were incurred by participating institutions before they entered the ELG Scheme will continue to be guaranteed under the 2008 Scheme going forward.

16. ***Who are the participating institutions?***

The names of the participating institutions will be published on the website of the scheme operator from time to time

17. ***How long will the guarantee under the ELG Scheme last for?***

Liabilities must be incurred during the period from the commencement date of the ELG Scheme, i.e. 9 December 2009 to 29 September 2010 (subject to approval by the EU Commission at six (6) monthly intervals).

However, such liabilities can have a maturity of up to five (5) years duration and therefore the guarantee could last until 29 September 2015.

The ELG Scheme is subject to six-monthly review and approval by the EU Commission in accordance with EU State aid rules.

18. ***Who is going to run the ELG Scheme on a day-to-day basis?***

The National Treasury Management Agency (the “NTMA”) will run the ELG Scheme on a day-to-day basis on behalf of the Minister for Finance.

19. ***What will the institutions covered by the ELG Scheme pay to the State for the benefit of the guarantee?***

The participating institutions will pay a fee to the Minister for Finance in respect of each liability guaranteed under the ELG Scheme. The fees will be calculated by reference to the European Central Bank recommendations on government guarantees for bank debt dated 20 October 2008.

Participating institutions will also be required to indemnify the Minister for Finance for any costs and expenses incurred by the Minister and for any payments made by the Minister under the Scheme which relate to the participating institution’s guarantee under the ELG Scheme.

20. ***Where can I find out more information on the ELG Scheme?***

The ELG Scheme and accompanying rules are available on the website of the Department of Finance. Details of liabilities guaranteed under the ELG Scheme and other materials will also be available on the website of the NTMA.