

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 and was prolonged on 29 September 2010 and on 19 November 2010.

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.

Parts 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.

Extension of the ELG Scheme

The ELG Scheme has been prolonged to 31 December 2011 for all liabilities under the Scheme, subject to continuing EU Commission state aid approval at six-monthly intervals.

State aid approval was given by the European Commission on 10 November 2010 for an initial extension of the issuance window of the ELG Scheme to 30 June 2011, in accordance with the EU Commission practice of approving member state guarantee schemes for six month periods at a time. This date can be extended further to 31 December 2011 with EU state aid approval. An announcement regarding any further extension will be made well in advance of 30 June 2011. Further details are set out at Q2 below.

The FAQs below are now updated to reflect the extended issuance period for all eligible liabilities.

A. Background to the ELG Scheme

1. *What is the ELG Scheme?*

The ELG Scheme commenced on 9 December 2009.

The issuance period of the ELG Scheme was extended until 31 December 2011 (subject to continuing EU state aid approval) for all eligible liabilities under the Scheme by way of an amending statutory instrument on 19 November 2010¹.

¹ SI. No.546 of 2010

The ELG Scheme is a separate scheme to the blanket guarantee granted pursuant to the Credit Institutions (Financial Support) Scheme 2008 (the “**2008 CIFS Scheme**”). The 2008 CIFS Scheme expired on 29 September 2010.

EU state aid approval was given on 10 November 2010 for an initial extension of the issuance window of the ELG Scheme to 30 June 2011 in accordance with the EU Commission practice of approving Member State guarantee arrangements for six month periods at a time. The next review of the ELG Scheme will take place in advance of 30 June 2011. The result of any such review will not affect the status of guaranteed liabilities already in place at that date.

2. ***What does the ELG Scheme guarantee and what is the effect of the extension of the ELG Scheme?***

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 (see current list at Q3 below) during the issuance period from the date they joined the ELG Scheme up to 30 June 2011.

The guarantee under the ELG Scheme subsists to the maturity of the eligible liability issued during the relevant issuance period up to a maximum maturity of five years.

3. **Which banks or building societies are members of the ELG Scheme (“participating institutions”)?**

<u>Participating Institution</u>	<u>Date joined ELG Scheme</u>
Irish Life and Permanent plc	4/1/2010
Bank of Ireland	11/1/2010
The ICS Building Society	11/1/2010
Bank of Ireland Mortgage Bank	11/1/2010
Allied Irish Banks, p.l.c.	21/1/2010
Anglo Irish Bank Corporation Limited.	28/1/2010
EBS Building Society	01/02/2010
Irish Nationwide Building Society	03/02/2010

and

Irish Permanent (IOM) Limited	4/1/2010
Bank of Ireland (IOM) Limited	11/1/2010
Bank of Ireland (UK) plc	27/7/10
AIB Group (UK) p.l.c.	21/1/2010
AIB Bank (CI) Limited	21/1/2010

AIB Banks North America Inc.	21/1/2010
Anglo Irish Bank Corporation (International) plc.	28/1/2010
Irish Nationwide (I.O.M.) Limited	03/02/2010

B. Deposits

4. *What guarantee applies for deposits of up to €100,000?*

Most retail (consumer) 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 guarantee does not have an end-date.

The ELG Scheme (only guarantees the balance of retail deposits in the participating institutions (see Q3 above) 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.

5. *What guarantee applies for deposits in excess of €100,000?*

As noted above, the ELG Scheme only guarantees the balance of deposits over the €100,000 limit of the DGS (or deposits that do not qualify for DGS protection).

The balance in **on demand accounts** or **current accounts** in an ELG Scheme participating institution (see list above at Q3) in excess of €100,000 will be guaranteed until 30 June 2011 **regardless of the date the account was opened**.

The balance on **fixed term deposits** in excess of €100,000 opened with a participating institution during a period from the date the participating institution joined the ELG Scheme up to 30 June 2011 will be guaranteed for the full term of the deposit, up to a maximum deposit term of five years.

For example, a two year fixed term deposit of €150,000 opened with a participating institution on 1 May 2010 is guaranteed for the full two years of the term i.e. until 30 April 2012.

The balance on fixed term deposits in excess of €100,000 opened **before the date the participating institution joined the ELG Scheme** would have been guaranteed under the 2008 CIFS Scheme until 29 September 2010 but are no longer guaranteed.

The guarantee for **notice accounts** is similar to that for on demand accounts, except that the guarantee will also last for any notice period if notice of withdrawal is made before 30 June 2011.

As described in Q4 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.

6. **What guarantee applies for corporate deposits?**

The ELG Scheme applies to all corporate deposits (of any duration up to five years) in the same way as for other deposits until 30 June 2011.

7. ***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 in the same manner as on-demand accounts.

Once you give a notice of withdrawal to the participating institution and this notice is made before 30 June 2011, the ELG Scheme will continue to guarantee your deposit until the end of the notice period, even if this extends beyond 30 June 2011.

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

8. ***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.

9. ***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 date the relevant participating institution joined the ELG Scheme up to and including 30 June 2011;
- have a maturity of less than five (5) years;
- not contain an event of default (howsoever described or constituted) constituted by cross-default or cross-acceleration; and
- 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.

10. ***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 are published on the website of the NTMA.

It is also 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 allows 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.

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

No. The ELG Scheme applies only to debt securities issued during the issuance period of the ELG Scheme. If a debt security was guaranteed under the 2008 CIFS Scheme it was not possible for it to be also guaranteed under the ELG Scheme. Such a debt security will not be guaranteed under the ELG Scheme following the expiry of the 2008 CIFS Scheme (unless the debt security in question matured and rolled-over during the ELG Scheme issuance period).

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

It is 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.

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

No, as there is an exemption under the Prospectus Directive for government guaranteed debt securities. The Department of Finance has issued a direction to participating institutions in relation to the permitted contents of any other offering materials relating to debt securities guaranteed under the ELG Scheme.

14. ***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.

15. ***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.

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

No. It was possible for some dated subordinated debt and covered bonds (asset covered securities) to be guaranteed under the 2008 CIFS Scheme but the 2008 CIFS Scheme has now expired.

D. Miscellaneous

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

The 2008 CIFS Scheme expired on 29 September 2010. Liabilities can now only be guaranteed under the ELG Scheme in accordance with its terms.

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

See question 3 above. Any update to the names of the participating institutions will be published on the websites of the scheme operator (the NTMA) and the Department of Finance from time to time

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

The ELG Scheme is has been prolonged to 31 December 2011 for all liabilities under the Scheme, subject to continuing EU Commission State aid approval at six-monthly intervals. European State aid approval was given on 10 November 2010 for an initial extension of the issuance window of the ELG Scheme to 30 June 2011. As such, liabilities must currently be incurred during the period from the date the relevant participating institution joined the ELG Scheme to 30 June 2011.

However, such liabilities can have a maturity of up to five (5) years duration and therefore the guarantee could last until 30 June 2016.

The future of the ELG Scheme is subject to six-monthly review and approval by the EU Commission in accordance with EU State aid rules. The next review of the ELG Scheme will take place in advance of 30 June 2011. At that point, the European Commission may approve a further extension of the issuance window to 31 December as referenced above.

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

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

21. ***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. Furthermore, new additional pricing will apply for liabilities incurred from 1 July 2010 in line with the Commission staff working paper dated 30 April 2010 on the 'Application of State Aid Rules on Government Guarantee Schemes covering bank debt to be issued after 30 June 2010'.

Further fees apply to liabilities of less than three months issued after 29 September and these are set out at Appendix 7 of the Rules of the ELG Scheme.

Participating institutions are also 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.

22. ***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. Consumers may also find information regarding the guarantee on deposits on the itsyourmoney.ie website run by the National Consumer Agency.