

**OUTLINE OF PROPOSED NEW GUARANTEE SCHEME**

**SUBJECT TO EU STATE AID AND OIREACHTAS APPROVAL UNDER SECTION 6(5) OF THE CREDIT INSTITUTIONS (FINANCIAL SUPPORT) ACT, 2008**

This is an outline of the draft Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the “**ELG Scheme**”), which is subject to the approval of the Oireachtas and EU State Aid approval.

This document is for information purposes only and has no legal effect.

***Key Points***

- The ELG Scheme is intended to facilitate the ability of credit institutions in Ireland to issue debt securities and take deposits with a maturity post-September 2010 on either a guaranteed or unguaranteed basis.
- The current State guarantee of deposits will now be provided under the ELG Scheme for participating institutions. Participating institutions may, however, apply for the guarantee of deposits to be scaled back over time, so that they may take deposits on an unguaranteed basis.
- All liabilities guaranteed under the Credit Institutions (Financial Support) Scheme 2008 (the “**CIFS Scheme**”) as at the commencement date of the ELG Scheme (and in respect of a participating institution, as at the date it avails of a guarantee for the first time under the ELG Scheme) will remain unconditionally and irrevocably guaranteed under and in accordance with the terms of the CIFS Scheme.
- Liabilities guaranteed under the ELG Scheme must have maturities of no more than five (5) years and must be incurred during the period from the commencement date of the ELG Scheme to 29 September 2010, subject to continuing State aid approval.
- The ECB pricing recommendations on government guarantees for bank debt dated 20 October 2008 will apply to liabilities guaranteed under the ELG Scheme.
- Participating institutions will continue to be subject to requirements in respect of conduct, transparency and reporting.
- Dated subordinated debt or asset covered securities issued on or after the commencement date of the ELG Scheme will not be guaranteed either under the ELG Scheme or under the CIFS Scheme. However, dated subordinated debt or asset covered securities already guaranteed under the CIFS Scheme will remain guaranteed under the CIFS Scheme.
- From the time that a participating institution avails of a guarantee for the first time under the ELG Scheme, only covered liabilities of that participating institution (as defined in the CIFS Scheme) in existence or contracted for prior to that time will continue to be guaranteed under the CIFS Scheme. All such covered liabilities will remain fully guaranteed until 29 September 2010 under the CIFS Scheme.
- From the time that a participating institution avails of a guarantee for the first time under the ELG Scheme, any liabilities incurred or contracted for thereafter by that participating institution can only be guaranteed under the ELG Scheme.

## Outline of the draft Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009

### *The Guarantee*

1. The guarantee will be given by the Minister for Finance (the “**Minister**”). However, the Minister will delegate day-to-day operation of the ELG Scheme to the National Treasury Management Agency.
2. The guarantee will be unconditional and irrevocable and provide for timely payment.
3. Credit institutions will be eligible to join the ELG Scheme if they are systemically important and solvent and have been specified or are already specified by the Minister under section 6(1) of the Credit Institutions (Financial Support) Act 2008.
4. Eligible liabilities will be any of the following liabilities:
  - (a) all deposits (to the extent not covered by deposit protection schemes in the State (other than the CIFS Scheme) or any other jurisdiction);
  - (b) senior unsecured certificates of deposit;
  - (c) senior unsecured commercial paper; and
  - (d) other senior unsecured bonds and notes.
5. A blanket guarantee will apply (subject to point 7 below) in respect of all deposits incurred or rolled-over by a participating institution from the time such participating institution avails of a guarantee for the first time under the ELG Scheme, regardless of their type, nature or the identity of the depositor. In respect of eligible liabilities other than deposits, participating institutions may apply to the Minister for such eligible liabilities to be guaranteed by the Minister and an eligible liability guarantee certificate will be given in respect of such eligible liabilities at the Minister’s discretion.
6. Eligible liabilities will have to satisfy certain eligibility criteria, such as:
  - (a) an eligible liability (including deposits) must not have a maturity in excess of five (5) years; and
  - (b) an eligible liability must be incurred during an “issuance window” from the commencement date of the ELG Scheme to 29 September 2010, subject to the approval of the EU Commission at six (6) monthly intervals that the issuance window can remain open.
7. In respect of deposits, the Minister may, at his or her discretion, and at the request of a relevant participating institution, limit the application of the guarantee given to that participating institution to certain types or categories of deposits. As such, it may be open for a participating institution to take deposits on an unguaranteed basis.
8. In respect of eligible liabilities other than deposits, an eligible liability guarantee certificate may be applied to stand-alone eligible liabilities or to eligible liabilities issued under programmes, in each case approved by the Minister at his sole discretion. In the case of programmes, participating institutions may apply for the eligible liability guarantee to apply to all such eligible liabilities issued under a particular programme. As such, it will be open for participating institutions to issue eligible liabilities on an unguaranteed basis.

9. The eligible liability guarantee will terminate at midnight on the date falling five (5) years after the end of the issuance period, unless extended at the discretion of the Minister, in compliance with EU State aid requirements.

#### *Fee*

10. The ECB pricing recommendations on government guarantees for bank debt dated 20 October 2008 will apply to liabilities guaranteed under the ELG Scheme.

#### *Commercial conduct*

11. The Minister, after consultation with the Governor of the Central Bank and the Financial Regulator, may issue directions to the participating institutions to comply with some or all of the provisions on conduct, transparency and reporting requirements applicable to covered institutions pursuant to paragraphs 24 to 52 of the CIFS Scheme.

#### *Interaction with CIFS Scheme*

12. Dated subordinated debt (Lower Tier 2) and asset covered securities (including other forms of covered bonds) issued by a covered institution before the commencement date of the ELG Scheme will continue to be guaranteed under the CIFS Scheme. However, dated subordinated debt (Lower Tier 2) or asset covered securities (including other forms of covered bonds) issued by a covered institution (as defined in the CIFS Scheme) on or after the commencement date will not be guaranteed either under the ELG Scheme or under the CIFS Scheme.
13. From the time that a participating institution avails of a guarantee for the first time under the ELG Scheme in respect of any eligible liability, only covered liabilities of that participating institution (as defined in the CIFS Scheme) in existence or contracted for prior to that time will continue to be guaranteed under the CIFS Scheme. All such covered liabilities will remain fully guaranteed until 29 September 2010 under and in accordance with the terms of the CIFS Scheme.
14. A participating institution will continue to pay fees under the CIFS Scheme in relation only to covered liabilities which were incurred or contracted for pursuant to the CIFS Scheme.
15. From the time that a participating institution avails of a guarantee for the first time under the ELG Scheme in respect of any eligible liability, any liabilities incurred or contracted for thereafter can only be guaranteed under and in accordance with the terms and conditions of the ELG Scheme.
16. Save as described above, the scope, duration and terms of the CIFS Scheme will be unchanged by the ELG Scheme.