THE TREASURY
Kaitohutohu Kaupapa Rawa

Treasury Report: Advice on design, management and resolution options for the Retail Desposit Guarantee Scheme

Date:	29 June 2009	**Report No:**	T2009/1589

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	**Read** in advance of the financial system issues meeting.	3:30pm, Wednesday 1 July 2009

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Melody Guy	Senior Analyst	[Withheld – privacy]	[Withheld – privacy]	✓
Joanna Gordon	Manager, Financial Markets and Institutions	[Withheld – privacy]	[Withheld – privacy]	

Minister of Finance's Office Actions (if required)

SPS to give directly to Minister of Finance. Copy to Alex Harrington, Paul Dyer and Bryan Dunne.

Enclosure: **No**

29 June 2009

Treasury Report: Advice on design, management and resolution options for the Retail Desposit Guarantee Scheme

Executive Summary

At the Financial System Issues meeting on 17 June 2009 you asked for us to further develop two options for you to discuss with the Prime Minister: option 4 (recommended option - extend on tighter terms with more management and resolution tools) and option 3 (no extension, more management and resolution tools).

Matrix of broad strategy options

Additional Management Options / Extension of Scheme	*No*	*Yes*
Yes	3. To enable more orderly transition / payout.	4. To enable more orderly restructuring / transition / payout.
No	1. Status quo. Most uncertainty.	2. Maintain confidence & ability of NBDTs to attract deposits.

Extension of Scheme

<u>Recommended option: extend on tighter terms, with more management and resolution tools</u>

In designing option 4 we have focused on designing a scheme that will:

- continue to promote depositor confidence in the New Zealand financial system;
- minimise economic distortions;
- facilitate transition from the guarantee to "normal time" arrangements; and
- minimise potential fiscal costs.

The design features and impact analysis of this option are summarised in the body of the report. Treasury's recommended fee structure is focused on pricing risk to a greater extent, and providing eligible entities with a real choice about whether to opt in to the scheme or not. The RBNZ's recommended fee structure is less risk-based and simpler.

We recommend that any changes to management and resolution levers available under the guarantee do not undermine eligible depositors' (property) rights. We recommend additional management levers to prevent misuse of changes of ownership under the guarantee, and imprudent management strategies that increase the Crown's exposure. We have investigated a wide range of possible additional resolution levers. At this stage our default option is to payout and rely on standard corporate recovery processes. [Withheld – commercially disadvantage Crown] We would therefore recommend no additional resolution levers be passed along with the extension of the scheme, other than changing what constitutes a default event to allow a wider range of statutory management resolution options. [Withheld – under active consideration

]

Other option: no extension, more management and resolution tools

If the government decided not to extend the scheme, then you could introduce additional management levers, such as those described above. We would recommend relying on existing resolution levers to deal with any failures under the scheme. We would be concerned with any more interventionist changes that sought to remove eligible depositors' (property) rights under the guarantee.

Further analysis of management and resolution options under the two options is provided in Annex 1.

Recommended Action

We recommend that you:

a **agree** Treasury and RBNZ prepare discussion slides for your meeting with the Prime Minister outlining two alternative options for the future of the Retail Deposit Guarantee Scheme (DGS):

- Option 4: Transitional DGS with additional management tools
- Option 3: Exit from DGS in October 2010 with additional management tools

Design options for a transitional scheme (Option 4)

Fees

b **agree** Option 1: to a risk sensitive fee structure, that aims minimise economic distortions and begin transition from the DGS; and has differential fees for banks, Credit Unions and Building Societies based on their lower expected loss relative to finance companies (Treasury recommended);

	Finance Comps (bpts)	Banks & CUBS[1] (bpts)
AAA to AA-	7.5	7.5
A+	10	10
A	15	15
A-	20	20
BBB+	30	25
BBB	40	30
BBB-	50	35
BB+	150	45
BB	300	55

or

agree Option 2: a simpler and less risk sensitive fee structure, with a fee for all covered deposits of 7.5 bps to 50bps, with no variation based on institutional type (Reserve Bank recommended);

Credit rating	Fee (bps)
AAA	7.5
AA	10
A	15
BBB	25
BB	50

Treasury recommended/ Reserve Bank recommended/ Further advice

[1] Including PSIS

Eligibility criteria

c **agree** to eligibility criteria of a minimum credit rating of BB. Note that this means that institutions with deposits under $20 million who are exempt from needing a credit rating under the Reserve Bank Act will not be eligible for the guarantee without a credit rating;

Agree/ disagree/ further advice

d **note** we will shortly have data upon which to base a final recommendation for the depositor coverage cap for NBDTs but expect it will be $250,000;

e **agree** to a depositor coverage cap of $500,000 for banks and around $250,000 for non-bank deposit takers (NBDTs);

Agree/ disagree/ further advice

f **agree** to include all primarily deposit taking institutional types (banks, credit unions and building societies, finance companies) but exclude investment funds that are currently included (PIEs and Collective Investment Schemes);

Agree/ disagree/ further advice

g **note** that we expect that around $200 million of currently guaranteed deposits will be excluded by this eligibility criteria, with several hundred million more potentially excluded;

h **note**, however, that the requirement to have a credit rating should increase incentives - for consolidation and for Credit Unions to join the proposed cross-guarantee facility; and will reduce the number of institutions covered by the guarantee;

Length of extension

i **agree** the transitional scheme would run for one year only, with the clear expectation that it will be removed on a specified date (October 2011) to provide certainty to the market;

Agree/ disagree/ further advice

Management tools

j **agree** to introducing change of ownership and management strategy authorisation powers under the transitional scheme (option 4);

Agree/ disagree/ further advice

Resolution tools

k **agree** that in most cases (under option 3 or 4) payout (including a range of payout mechanisms) will remain the default response to a failing firm under the guarantee;

Agree/ disagree/ further advice

l **note** that there may be cases, subject to an impact assessment, where the failure of the firm(s) will have direct or wider impacts that warrant public intervention;

m [Withheld – under active consideration]

Agree/ disagree/ further advice

n **note** we recommend that there be no additional resolution powers introduced under the guarantee except for changing what is a default event [Withheld – under active consideration]

Legislation

o **agree** to legislation for the transitional scheme and, if needed, for legislation to include management and resolution tools in recommendations j to n;

Agree/ disagree/ further advice

Consultation

p [Withheld – under active consideration]

Agree/ disagree/ further advice

q **Note** that we would proactively release the papers leading to a decision about extension using Official Information Act criteria.

Joanna Gordon
Manager- Economic Performance Group
for Secretary to the Treasury

Hon Bill English
Minister of Finance

Treasury Report: Advice on design, management and resolution options for the Retail Desposit Guarantee Scheme

Purpose of Report

At the Financial Issues meeting on 17 June 2009 you asked for us to develop detailed proposals on two Retail Deposit Guarantee Scheme (DGS) options for discussion with the Prime Minister to make decisions on the future of the scheme: extension plus additional management tools; and no extension with additional management tools.

This note outlines the recommended:

I. Objectives for a transitional scheme and additional tools;
II. Design features for a transitional scheme to operate from October 2010 to October 2011;
III. Additional management levers, with a transitional scheme or without a transitional scheme; and
IV. Resolution options, with a transitional scheme or without a transitional scheme.

Analysis

<u>I. Objectives for transitional DGS and implied design features</u>

Recommended objectives for changes to the scheme have been outlined previously (see T2009/1049). This report discusses these objectives in more detail to help guide decision making.

Financial system stability through depositor confidence – depositor confidence in New Zealand's overall financial system is maintained through the extension period and transition, and confidence in specific institutions reflects underlying risk. Depositor confidence would be most severely undermined by loss of confidence in transactional institutions due to their necessity for economic transactions, but risk of loss of confidence in banks is very low. Two risks to financial stability have been identified, but both are remote:

- a large withdrawal of funds from banks forcing an increased reliance on wholesale funding (e.g. depositor flight to Australia); and
- contagion of loss of depositor confidence from weaker to stronger institutions due to a large number of failures over a short period leading up to the removal of the guarantee.

Economic growth in the short and long run

- Minimise economic distortions created by an implicit risk subsidy and life support for non-viable institutions by having the scheme as commercial as possible. This would include using commercial and risk based pricing wherever possible and seeking to replicate likely market pressures to ensure institutions are prepared for removal of the transitional scheme.
- Minimising economic distortions and fiscal distortions impacts may imply a smaller transitional scheme.
- Promote efficiency in the NBDT sector through a scheme that: replicates market pressure for companies to improve (consolidate, seek equity, improve management practices or business model); removes life support from unhealthy companies, and avoid jeopardising other deposit taking institutions.
- Maximise the efficiency of the NBDT sector and support better informed depositor investment decisions through consistency with Reserve Bank prudential regime for NBDTs. This means, for example, encouraging institutions to improve their credit rating as it will be a key metric for depositors to use to assess risk.

- Ensure financial services that support economic activity are maintained in the short-run: depositors have continuity of transactional services; and risks of undue disruption to credit markets are avoided.
- Avoid impeding the implementation of monetary policy through the Reserve Bank's ability to pass on rate reductions.
- [Withheld – commercially disadvantage Crown]

Manage fiscal loss – minimise the potential financial risk to the Crown through: limiting the extent of liability; avoiding triggering unnecessary failures with fiscal exposure for the Crown if possible; falling asset prices triggered by a large number of failures and assets being realised by receivers over a short period; and costly and ineffective intervention strategies.

II. Design features for transitional Deposit Guarantee Scheme

This section is an update of previous advice (T2009/1049 refers). The overall recommended design is consistent with previous advice. However, in some areas this has developed as more information has become available or arguments have become more nuanced. The following table sets out key recommended design features, and includes data where possible.

<table>
<tr><th>Feature</th><th>Rationale</th></tr>
<tr><td colspan="2">Fee option 1: Risk sensitive fee structure (Treasury recommended)</td></tr>
<tr><td>
- Fee applies to all eligible deposits[2]
- Differentiates by risk[3]
- Lower fee structure for Banks and Credit Unions and Building Societies (CUBS) and compared to Finance Companies – as for equivalent credit ratings finance companies generally have a much higher expected loss
<table>
<tr><th></th><th>Finance Comps (bpts)</th><th>Banks & CUBS[4] (bpts)</th></tr>
<tr><td>AAA to AA-</td><td>7.5</td><td>7.5</td></tr>
<tr><td>A+</td><td>10</td><td>10</td></tr>
<tr><td>A</td><td>15</td><td>15</td></tr>
<tr><td>A-</td><td>20</td><td>20</td></tr>
<tr><td>BBB+</td><td>30</td><td>25</td></tr>
<tr><td>BBB</td><td>40</td><td>30</td></tr>
<tr><td>BBB-</td><td>50</td><td>35</td></tr>
</table>
</td><td>
Objective: recommended fees are a move towards risk based pricing to reduce economic distortions and encourage some institutions to opt-out of the guarantee where they can offer an attractive risk/return option.

Less risk based pricing would effectively penalise lower risk institutions, would not provide such a strong incentive for institutions to consider carefully whether they join the extended scheme, and increase the likelihood of failure of non-eligible institutions who cannot compete with the cheap guarantee.

Pricing based on: finance company schedule is similar to historical credit rating default rates.[5] Fees purely based on default rates for CUBS and small banks relative to finance companies, as for the same credit rating they have a much lower expected loss.[6]

Implications
• Encourage institutions to take actions to improve their credit ratings; this should improve their chance of long-term survival.
• Institutions that fail based on this fee structure are considered unlikely to survive following exit from the scheme, as market conditions are unlikely to have significantly improved and it would indicate very low equity if it could be completely run down over the one year extension. Note that companies are currently being charged similar fees on
</td></tr>
</table>

[2] The current fee schedule is 10 bpts on eligible deposits of over $5b and fees on growth of above 10% of: AA+- 10 bpts; A+- 20 bpts; BBB+- 50 bpts; BB or BB+ 100; and unrated or BB- or below 300 bpts on any growth.

[3] Current credit ratings of banks: ANZ AA; ASB AA; BNZ AA; Westpac AA; Kiwibank AA-; Citibank A+, HSBC AA; Kookmin A; Rabobank AAA; TSB BBB+; Southland Building Society BBB.
Current credit ratings of CUBS (those rated): Nelson Building Society BB; PSIS BB+; Wairarapa Building Society BB+; Hastings Building Society BB.
Current credit ratings of finance companies (those rated): Equitable BB; Marac BBB-; Medical A-; South Canterbury BBB-; UDC AA.

[4] Including PSIS

[5] Note that by any market based measure, spreads below investment grade (BBB-) grow exponentially to reflect much higher risk.

[6] [Withheld – economically damaging]

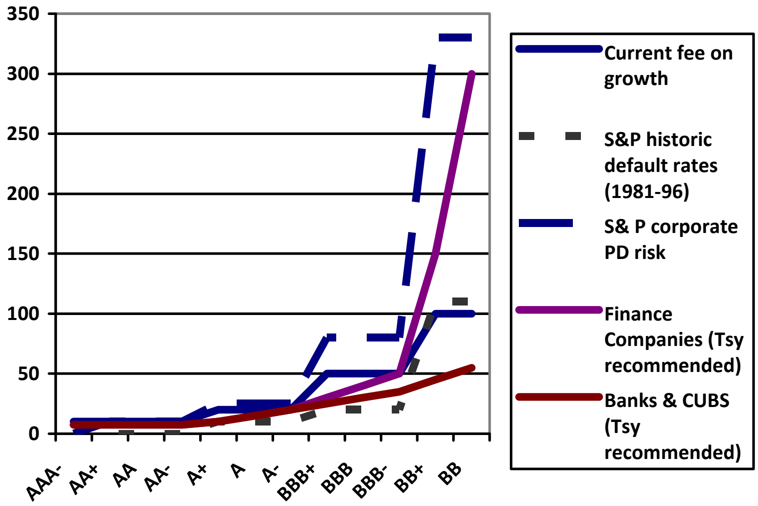
BB+	150	45
BB	300	55

growth above 10% and many finance companies have chosen to grow very significantly, indicating they are retaining a profit margin.[7]

- Will encourage some institutions to opt-out of the scheme and offer unguaranteed but higher return deposits.
- If fees are having undesirable impacts on the market, fees can be reduced but it would be much more difficult to raise fees at a later date.
- [Withheld – economically damaging

]

Chart: fee options



Estimate of impact (based on assumptions)
For banks, we have assessed the impact of these fees on net interest income[8] could be as follows (an indicator of the affordability of the fees):

[Withheld – economically damaging

]

Estimate of fees paid (note this was calculated based on all deposits

[7] Since the introduction of the guarantee finance companies have grown by 19% or $880 million.
[8] Net interest income is the margin between interest received and interest paid.

<table>
<tr><td></td><td>rather than eligible deposits so is likely to overstate fees, particularly for banks, and also assumes the largest finance companies will be downgraded to below investment grade):
[Withheld – protect commercial position
]
[Withheld – economically damaging
]</td></tr>
<tr><td colspan="2">Fee option 2: Balance of commercial and other objectives (Reserve Bank recommended)</td></tr>
<tr><td>- Flatter fee structure
- No differentiation on institutional type

<table><tr><th>Credit rating</th><th>Fee (bps)</th></tr><tr><td>AAA</td><td>7.5</td></tr><tr><td>AA</td><td>10</td></tr><tr><td>A</td><td>15</td></tr><tr><td>BBB</td><td>25</td></tr><tr><td>BB</td><td>50</td></tr></table></td><td>More commercially based than the existing scheme (pricing is based on all deposits covered).
Simplicity - the pricing categories are relatively few and generally correspond to those of the existing scheme. A more granular schedule could lead to inaccurate pricing.
Less onerous for a small domestic bank [Withheld – economically damaging] compared to the alternative option, in order to take account of relatively weak profitability at the current point in the economic cycle.
More affordable for most eligible non-bank entities (those above the eligibility threshold). This assumes that during a downturn, pricing should not impact significantly on the profits of those entities that are considered viable over the medium to long-term.
This option is not designed to manage growth in the banking book through price. Growth in very weak institutions would be excluded from the guarantee via the BB credit rating eligibility criteria. Growth in healthy institutions would be subject to the standard pricing schedule but would not be overly discouraged with additional growth fees, while growth in more marginal institutions would be managed through conditions in the Crown Deed rather than through pricing.
Estimate of impact (based on assumptions)
For banks, we have assessed the impact of these fees on net interest income could be as follows:

[Withheld – economically damaging
]

Estimate of fees paid[9]
[Withheld – protect commercial position
]</td></tr>
</table>

[9] Based on the same assumptions as for Option1: based on all deposits rather than eligible deposits so is likely to overstate fees, particularly for banks; and also assumes the largest finance companies will be downgraded to below investment grade.

	[Withheld – protect commercial position]
Eligibility criteria	
- Minimum credit rating of BB - **No exemption for small institutions** (those with deposits under $20 million are not required to get a credit rating under RB Act) - **No new entrants except for banks**	• Proposed eligibility criteria is simple and objective to provide market clarity and reduce the risk of litigation. The criteria links to the Reserve Bank's prudential regime, but sets a higher standard for institutions that will be guaranteed. Using credit rating criteria will not provide immediate certainty for smaller institutions (representing less than 5% of deposit takers) who are seeking a credit rating. • Criteria is set so that it is a real test, some institutions will have to lift their credit rating to qualify. This aims to help to improve the overall quality of the sector. • [Withheld – economically damaging] • Not providing a credit rating exemption for small institutions will restrict their ability to access the scheme due to the cost of acquiring a credit rating. This is recommended to improve transparency for depositors and consolidation. It will provide the impetus for Credit Unions to join the proposed cross-guarantee. • No new entrants as design aims to transition entities from a deposit guarantee to no guarantee. Covering additional institutions (assuming they are not banks or systemic) would not support this **Impact** - [Withheld – economically damaging / protect commercial position]
Cap	
$500,000 for banks, $250,000 for non-bank deposit takers (NBDTs)[10]	• Reduced cover signals transitional nature of the scheme. • [Withheld – commercially disadvantage Crown] • The lower cap for NBDTs is set at a level to not trigger failure, as this could increase fiscal risk and is not likely to replicate market pressure. But a moderate cap could help to reduce reliance on a few large depositors and have a small impact on fiscal risk.
Institutional coverage	
-Encourage banks to join through access to the Wholesale Guarantee -Do not cover investment funds (PIEs, Collective Investment Schemes), [Withheld – protect commercial position]	• Internationally depositor protection/financial stability measures include banks as the core of the financial system. • Very small fiscal risk from including banks [Withheld – commercially disadvantage Crown] • If covered only high risk institutions creates perverse incentive for depositor flight from low risk institutions. • [Withheld – under active consideration] • Opportunity to restrict coverage to pure deposit taking institutions. • If all banks can be 'encouraged' to join the scheme (access to wholesale scheme, competitive advantage, other levers) that may be preferred to compulsion.
Length of extension	
Announce extension for one year only, with the clear expectation that it will be removed at a specific date (October 2011).	• Alignment with Australia (but not a major concern) • [Withheld – under active consideration] • Balance of time for organisations to adjust yet not allow the market to become dependent on the guarantee

[10] This week we will receive deposit size data from guaranteed institutions to inform this.

Legislation	
Legislation for new powers and transitional scheme.	• [Withheld – free and frank] • Do not need to compromise policy • Parliamentary/bipartisan approval
Consultation	
[Withheld – under active consideration]	• [Withheld – under active consideration • Do not recommend consulting on temporary arrangements due to timeliness of decisions and likelihood of lobbying from interested parties. Do not think consultation would reveal useful information to guide decision making.
Management levers	
Additional levers to improve our ability to manage the risks to the Crown under the guarantee: - More active management of deposit book growth - Change of ownership authorisation requirement	• Current pricing on growth has not adequately deterred growth in higher risk institutions, with finance company growth to date of guaranteed deposits of $880 million or 19%, and much of that has been in higher risk institutions. • To manage the ability of firms to take advantage of the Scheme to grow excessively or take undue risks the Crown could be granted powers to require authorisation of credit growth strategies outside a 'normal' threshold. This would give the Crown powers to intervene to prevent continued growth, or require changes to management or management practices, or some other remedy such as require more capital or evidence of match funding. • Change of ownership authorisation would remove the risk of a buyer entering the market with the aim of using the guarantee to rapidly build a deposit books; increasing the Crown's exposure, and exploiting the guarantee.
Resolution levers	
No additional resolution levers are passed along with the extension except for that a default event be re-defined to allow for a wider range of statutory management resolution options. [Withheld – under active consideration]	• In most cases, our standard resolution levers are likely to be adequate, and in most cases, payout will remain the default response to a failing firm under the guarantee. • [Withheld – commercially disadvantage Crown] These are discussed further in annex 1. • We would be concerned with any more interventionist changes that sought to remove eligible depositors', or other persons' (property) rights under the guarantee. • We will investigate whether statutory management is to be a default event under any transition. Our sense is that it should not be a trigger of default.

Communications

Some elements of the proposed design are likely to attract comment. In particular, fees on all eligible deposits mean that all institutions will be paying higher fees. Given their lower credit rating small New Zealand banks and institutions [Withheld – economically damaging] would be paying a higher fee than the large Australasian banks. Tighter eligibility criteria and higher fees are also likely to be considered the trigger point for some defaults leading up to October 2010, and potentially beyond.

A very clear communications strategy will be needed to explain the objectives of the transitional scheme and how it bests meets the interests of New Zealanders. We will work with your Office on this once details of the transitional arrangement are finalised.

We would propose a proactive release of the papers leading to a decision on this using the Official Information Act as a guide.

Operating cost

Administration costs for extending the scheme for an extra year need to be identified as part of a Cabinet decision to extend. Current operating costs of the guarantee scheme for a year are $4.5 million, excluding payout costs.

ANNEX 1: MANAGEMENT & RESOLUTION LEVERS

Alongside the design of a transition scheme we have considered the additional levers we may wish to include to improve our ability to better manage the risks to the Crown under the DGS. The objectives of these levers would be to increase the controls the Crown could exert to limit exposure under the scheme, allow options to deliver more orderly resolution of potential failures and increase the incentives on firm management to act in a prudent manner and seek private sector solutions.

III. Management levers

In the main, the additional management levers which we could include within an extended scheme could be made part of any new deed of guarantee. Alternatively they could be provided for in legislation. Essentially, any firm opting into the guarantee would be doing so on the basis that they were also opting into the Crown having certain rights and the firm having certain obligations to remain in the guarantee. The management levers we would recommend including are:

Change of ownership

Where a firm is in wind-down under the guarantee, there is a risk of a buyer entering the market with the aim of using the guarantee to rapidly build a deposit book. An explicit power could be granted to authorise (or provide ‘no objection’ to) change of ownership under the guarantee, or else require re-application before change of ownership occurs. This could prevent firms being able to enter the market to exploit the guarantee.

Preventing imprudent management strategies which increase Crown exposure

The possibility of firms growing their deposit books imprudently is a concern in the scheme, and would remain such in any extension. The Crown could be granted powers to require authorisation of credit growth strategies outside a ‘normal’ threshold, and give the Crown powers to intervene to prevent continued growth, or require changes to management, or management practices, or some other remedy (e.g. more capital; provide evidence of match funding). This should limit the extent to which firms could take advantage of the Scheme to grow excessively or take undue risks. This should enable the Crown to act to prevent increased, high risk Crown exposure.

We may also want to consider enforcement of these powers. If they are provided for through the deed of guarantee only, then the only remedy for inaction on the part of the firm would be the threat of removing or modifying the guarantee. If provided for through legislation it could be made an offence to fail to act in relation to a direction from the Crown. Therefore legislative powers would provide a stronger lever.

Note that the more powers the Crown takes the more the Treasury becomes the de facto regulator. To make effective use of these powers will also require additional capacity in Treasury to undertake the necessary monitoring and supervision work to determine whether approaches are prudent, or whether mergers/takeovers are desirable, and what any responses should be.

Management levers under Option 3: no extension, more management and resolution tools

To the extent that these options do not affect depositor rights they can be introduced through an amended deed. Further powers that need to be introduced through legislation would over-ride depositor rights and are not recommended.

IV. Resolution

We have also considered the resolution options for firms under the guarantee, and what our recommended approach would be under a range of potential scenarios. This would likely remain the same 'default position' whether a firm were to fail under the current scheme, or any transitional scheme.

There will be two key judgements to make in relation to the firm which would guide our recommended response: is the firm solvent (or just illiquid); and would the failure of the firm have consequences that warrant government intervention?[11]

[Withheld – commercially disadvantage Crown

]

What does this mean for resolution?

1. Payout is often the default option. We need workable payout options for range of institutions and scenarios – not just the very small institutions we have dealt with so far. [Withheld – commercially disadvantage Crown

]

2. It seems generally unlikely that there will be a situation where a firm is illiquid (but where we can be confident of solvency) and there is no provision of private sector liquidity. [Withheld – commercially disadvantage Crown

]

3. [Withheld – commercially disadvantage Crown

]

[Withheld – commercially disadvantage Crown

]

[11] [Withheld – commercially disadvantage Crown]

[Withheld – commercially disadvantage Crown

]

Resolution options under Option 3: no extension, more management and resolution tools

All resolution options would be available without extending the scheme. However, it would not allow events that trigger default to be redefined so all institutions entering statutory management would be in default and depositors would need to be paid out.

Other powers / resolution options we have considered.

Transfer Powers: the Crown may want powers to arrange the transfer of a business (or part of a business) to another entity. Currently there is no mechanism to deliver this (by force) – and even any corporate or mutual merger would take a relatively long time to complete. Broad powers to step in to force mergers / transfers under the guarantee could provide an orderly resolution tool – either for individual firm problems, or problems in a number of firms at once, including transactional entities. Transfer could include putting the entity into Crown ownership/control. Such powers would require primary legislation.

It is not clear that these powers would be warranted as the same result could be delivered consensually (through commercial transactions), or potentially through statutory management. [Withheld – under active consideration]

New statutory management/receivership regime: this would provide for the same powers of statutory management, but at the discretion of the Crown (in the public interest) and directed by the Crown (to deliver Crown objectives under the guarantee). This would also require primary legislation. However, much of the powers already exist, and much of the outcomes should be achievable under CIMA statutory management.