

## Treasury Report: Extended RDGS: Eligibility Criteria, Delegation Letter and Policy Guidelines

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<b>Date:</b>	4 September 2009	<b>Report No:</b>	T2009/2071
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### Action Sought

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	Action Sought	Deadline
Minister of Finance (Hon Bill English)	<p><b>Indicate</b> if you are comfortable with the draft eligibility criteria, delegation letter and policy guidelines.</p> <p><b>Note</b> final documents will be provided for your signature once the Act comes into force (est. 15 September 2009).</p> <p><b>Note</b> the provisions to be included in the new deeds for the extension period and the revised deeds for the existing guarantee period.</p>	9 September 2009

### Contact for Telephone Discussion (if required)

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Name	Position	Telephone		1st Contact
Brian McCulloch	Director	[Withheld – privacy]	[Withheld – privacy]	✓
Stephen Revill	Senior Solicitor	[Withheld – privacy]	[Withheld – privacy]	

### Minister of Finance's Office Actions (if required)

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None.
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**Enclosure:**      **Yes**

## **Treasury Report: Extended RDGS: Eligibility Criteria, Delegation Letter and Policy Guidelines**

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### **Purpose of Report**

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1. We previously advised you of the documents required to implement the extended retail deposit guarantee scheme (RDGS) in addition to the legislation (T2009/1973 refers). In summary, the main documents are:
  - eligibility criteria;
  - letter to Secretary to the Treasury delegating authority to enter into guarantee deeds; and
  - policy guidelines to inform the exercise of that delegation.
2. The policy guidelines for the existing guarantee period have also been revised so they are consistent with those for the extension period. These guidelines will only apply to new applicants to the existing scheme (i.e. before 12 October 2010).
3. These documents are attached for your consideration and will be provided to you for your signature when the *Crown Retail Deposit Guarantee Scheme Act* comes into force (est. 15 September 2009). This report asks you to indicate if you are comfortable with these draft documents.
4. This report also provides you with a summary of the provisions we expect to include in the new deeds for the extension period [ Withheld – under active consideration ]

### **Analysis**

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#### **Eligibility criteria**

5. The Crown Retail Deposit Guarantee Scheme Bill states that the Minister of Finance may specify eligibility criteria for the extended RDGS. Cabinet agreed that the extended scheme will only be open to institutions that are members of the RDGS (with the exception of newly registered banks and merged entities at the Crown's discretion); that have a credit rating of BB or above. Cabinet also agreed that the extended scheme will not be open to Collective Investment Schemes (CISs) (CAB Min (09) 29/2 refers). The eligibility criteria reflect these decisions (see Annex 1).
6. We will provide you with final eligibility criteria for approval immediately after the Act comes into force to ensure a smooth and timely application process. Eligibility criteria will be: published on the Treasury website when the application process begins; notified in the Gazette; and tabled in Parliament.

#### **Delegation letter**

7. The Bill allows you to give guarantees to eligible entities if it appears to you to be necessary or expedient in the public interest to do so. As you have previously agreed a draft letter of delegation to the Secretary to the Treasury has been prepared that authorises the Secretary to enter into and determine the form of the guarantee deeds for the extension period (see Annex 2) (T2009/1973 refers).

8. We will provide you with a final delegation letter for your signature once the Act comes into force.

## Policy guidelines

9. As you have previously agreed draft policy guidelines for the extended RDGS have been prepared to inform the exercise of the Secretary's delegation (see Annex 3) (T2009/1973 refers). Table 1 summarises the key changes that we have made to the policy guidelines for the extension period.

**Table 1: Summary of changes to draft policy guidelines for extended RDGS**

Section	Summary of key changes
Discretion	<ul style="list-style-type: none"><li>• Unchanged.</li></ul>
Overarching principles	<ul style="list-style-type: none"><li>• Unchanged.</li></ul>
Entities eligible to apply for the Crown guarantee	<ul style="list-style-type: none"><li>• Section removed since this section will be covered in the separate eligibility criteria (described above).</li></ul>
Relevant criteria	<ul style="list-style-type: none"><li>• Section removed since entities in the existing scheme will have already met these criteria.</li></ul>
Other factors that may be considered	<ul style="list-style-type: none"><li>• Based on our experience implementing and managing the RDGS we have removed factors that have not proved to be relevant<sup>1</sup> and have added or refined factors which will assist with the Crown in exercising its discretion<sup>2</sup>.</li></ul>

10. Policy guidelines for the existing guarantee period have also been revised so they are consistent with those for the extension period (see Annex 4). These guidelines will only apply to new applicants to the existing RDGS (i.e. until 12 October 2010) from the date the guidelines are published.
11. Cabinet agreed that newly merged entities be eligible for the extended RDGS at the Crown's discretion (CAB Min (09) 29/2 refers). This exception was introduced because there is scope for consolidation in the non-bank sector, and we do not want the guarantee to act as a barrier to consolidation.
12. We recommend that the policy guidelines for the existing scheme be changed so that where a new entity is created as a vehicle for achieving a merger of at least one existing guaranteed entity and where the merged entity obtains a rating of at least BB that the newly merged entity be eligible for the existing scheme. Currently new entities established after 12 October 2008 are required to have a BBB- rating or better in order to be eligible for the existing scheme. This could have the effect of prohibiting mergers which are beneficial for the entities and that reduce Crown risk.
13. We will provide you with final policy guidelines for your signature once the Act comes into force. Both sets of policy guidelines will be published on the Treasury website when the application process begins.

<sup>1</sup> The following other factors have been removed: size of entity; number of depositors; that the entity has audited accounts; that the entity is bank-like in nature; the time the entity has been in business; and the importance of the entity to the New Zealand financial system.

<sup>2</sup> The following other factors have been added/expanded: characteristics of individuals who control the entity; business practices of the entity; track record of the entity (with respect to RBNZ prudential supervision, directions or notices; compliance with terms of debt securities issued and the entity's trust deed (where relevant); whether it has met payments as they fall due and maintained solvency; whether the entity has been in moratorium or subject to insolvency administration); and the conduct of the affairs of the entity.

## Guarantee deeds

14. Unlike the four documents above, you are not required to sign the guarantee deeds. The following section outlines the important scheme management and resolution changes to the deeds for your information.
15. The RDGS Cabinet paper outlined some changes that could be made to RDGS management and resolution options to better manage the Crown's exposure (CBC (09) 88 refers). Annex 5 summarises the substantive changes we expect to make to scheme management and resolution options in the extension deeds. Different types of entities have different types of deeds and so changes will be made where they are applicable.
16. [ Withheld – under active consideration  
  
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17. [ Withheld – under active consideration  
  
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18. [ Withheld – under active consideration  
  
 ]
19. Specimen deeds will be made available on the Treasury website soon after the Bill is passed through the House to allow industry an opportunity to provide feedback on the deeds.

## Consultation

20. Crown Law and the Reserve Bank of New Zealand have been consulted on the contents of this report. External legal advice (Chapman Tripp) has been sought on the changes to the guarantee deeds.

## Recommended Action

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We recommend that you:

### Eligibility criteria, delegation letter and policy guidelines

- a **indicate** whether you are comfortable with the draft eligibility criteria, delegation letter and policy guidelines attached;  
  
*yes/ no/ to discuss*
- b **note** that we will provide you with final documentation for your signature immediately after the *Crown Retail Deposit Guarantee Scheme Act* comes into force to ensure a smooth and timely application process (est. 15 September 2009);

- c **note** the eligibility criteria and policy guidelines will be published on the Treasury website when the application process begins, and the eligibility criteria will be notified in the Gazette and tabled in Parliament;

**Guarantee deeds**

- d **note** deeds for the extension period will be prepared by Treasury;

- e [ Withheld – under active consideration ]

- f [ Withheld – under active consideration ]

Brian McCulloch  
**Director**  
**for Secretary to the Treasury**

Hon Bill English  
**Minister of Finance**

## ANNEX 1

### CROWN RETAIL DEPOSIT GUARANTEE SCHEME – ELIGIBILITY FOR EXTENDED SCHEME

I, Simon William English, Minister of Finance **give notice** under section 5 of the Crown Retail Deposit Guarantee Scheme Act 2009 of:

- a the types of entity in respect of which guarantees may be given under section 6 of that Act; and
- b the criteria for entities to satisfy before such guarantees may be given, to take effect as from the date of this notice.

#### Types of Entity in respect of which Crown Guarantees may be given

The types of entity in respect of which Crown Guarantees may be given under section 6 of the Crown Retail Deposit Guarantee Scheme Act 2009 are:

- a Banks registered under the Reserve Bank of New Zealand Act 1989;
- b Building Societies as defined in the Building Societies Act 1965;
- c Credit Unions as defined in the Friendly Societies and Credit Unions Act 1982;
- d Other deposit taking institutions such as finance companies.

#### Criteria for Entities to satisfy

Entities must satisfy the following criteria before they can be considered for entry into the extended scheme.

##### **For existing entities**

- a An entity that as at the date of its application for a Crown Guarantee under the extended scheme, is an Approved Institution under the existing scheme:
  - o whose Crown Guarantee has not been withdrawn as at that date; and
  - o that has not been subject to a default event (as that term is defined in the Crown Guarantee); and
  - o that holds a credit rating from Standard and Poor's or Fitch of BB or above or holds a credit rating from Moody's of Ba2 or above

##### **For new banks**

- b An entity that as at the date of its application for a Crown Guarantee under the extended scheme is an Approved Institution under the existing Crown retail guarantee deposit scheme, that has met the eligibility criteria set out in paragraph a. above and that has gained registration as a bank under the Reserve Bank Act 1989.
- c Any other entity that as at the date of its application for a Crown Guarantee under the extended scheme, has gained registration as a bank under the Reserve Bank Act 1989, and that:
  - o holds a credit rating from Standard and Poor's or Fitch of BB or above; or
  - o holds a credit rating from Moody's of Ba2 or above.

## Merged Entities

- d An entity that is a Merged Entity that has been constituted as such, after the date of this notice.

## For existing entities, new Banks and Merged Entities

In addition, any entity, applying for the Crown Guarantee under the extended scheme must also meet all of the following further eligibility criteria:

- a have Debt Securities on issue;
- b be in the business of borrowing and lending, or providing financial services, or both;
- c carry out a substantial portion of their business in New Zealand; and
- d do not primarily provide financial services or lend to related parties and/or group members.

## Explanation of Terms

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**Approved Institution** means an entity that is identified as an “approved institution” for the existing scheme on the webpage

<http://www.treasury.govt.nz/economy/guarantee/retail/approved>

or any successor Treasury web page on which “approved institutions” for the existing scheme are listed.

**existing scheme** means the Crown retail guarantee deposit scheme that was announced by the Minister of Finance, on or about 12 October 2008, and which is due to expire on October 12, 2010.

**extended scheme** means is the scheme that was announced on or about 25 August 2009 by the Minister of Finance, which was enacted under the Crown Retail Deposit Guarantee Scheme Act 2009, and which must expire no later than 31 December 2011.

A **Merged Entity** means:

- a An entity that is comprised by one or more (but not all) of the entities that are party to a merger, one or more of which is:
  - o an Approved Institution under the existing Crown retail guarantee deposit scheme, that has met the eligibility criteria set out in paragraph a. of Eligibility Criteria; and
  - o party to the Crown guarantee for the extension deed
- b An entity that at law is a successor to all the property, rights, powers and privileges, liabilities and obligations of the entities that are party to a merger, one or more of which is:
  - o an Approved Institution under the existing Crown retail guarantee deposit scheme, that has met the eligibility criteria set out in paragraph a. of Eligibility Criteria; and

- party to the Crown guarantee for the extension deed.
- c Any other entity or association of entities that the Crown deems to be a merged entity in its sole and unfettered discretion.

A merger means:

- a In relation to an entity that is a company incorporated under the Companies Act 1993:
  - an amalgamation under part 13 of the Companies Act 1993;
  - an amalgamation or an arrangement approved by the court approved under part 15 of the Companies Act 1993;
- b In relation to a building society registered under the Building Societies Act 1965:
  - A transfer of engagements under section 33 of the Building Societies Act 1965;
  - A union of building societies under section 32 of the Building Societies Act 1965;
- c In relation to a credit union registered as such under the Friendly Societies and Credit Unions Act 1982, an amalgamation or transfer of engagements under section 83 of that Act



## ANNEX 2

### DELEGATION BY THE MINISTER OF FINANCE – EXTENSION OF CROWN GUARANTEE OF RETAIL DEPOSITS

**Date:**

**From:** Minister of Finance

**To:** Secretary to the Treasury

#### **1. CROWN GUARANTEES**

##### **1.1 Delegation**

Pursuant to section 28 of the State Sector Act 1988 and section 6 of the Crown Retail Deposit Guarantee Scheme Act 2009, I, the Honourable Simon William English, **MINISTER OF FINANCE**, delegate to the **SECRETARY TO THE TREASURY** (and any person acting in such role from time to time) the authority to give in writing guarantees as part of the management and administration of the Crown's Retail Deposit Guarantee Scheme, such guarantees to be in such form as the Secretary to the Treasury may from time to time determine.

Pursuant to section 28 of the State Sector Act 1988 and section 6(3) of the Crown Retail Deposit Guarantee Scheme Act 2009, I, the Honourable Simon William English, **MINISTER OF FINANCE**, also delegate to the **SECRETARY TO THE TREASURY** (and any person acting in such role from time to time) the authority to:

- (a) publish in the *Gazette* statements in a form determined by the Secretary to the Treasury for all guarantees given as part of the management and administration of the Crown's Retail Deposit Guarantee Scheme; and
- (b) forward to the Office of the Clerk (Bills Office) such statements for presentation to the House of Representatives on my behalf.

This delegation shall come into effect on the date of its execution and shall continue in force until revoked.

##### **1.2 Consent to sub-delegation**

Pursuant to section 41 of the State Sector Act 1988, I, the Honourable Simon William English, **MINISTER OF FINANCE**, consent to the sub-delegation of all or any of the authority and powers delegated by me in this instrument, jointly or severally to:

- (a) Treasury Deputy Secretaries;
- (b) Treasury Assistant Secretaries; and
- (c) other senior Treasury staff with appropriate expertise and acumen.

### 1.3 Secretary to Provide details of Guarantees

The Secretary to the Treasury shall provide me with details of all guarantees entered into in accordance with this delegation.

**SIGNED** by the **MINISTER OF FINANCE**,  
the Honourable Simon William English

\_\_\_\_\_  
Signature

In the presence of:

\_\_\_\_\_  
Signature of witness

Name of witness: \_\_\_\_\_

Occupation: \_\_\_\_\_

Address: \_\_\_\_\_

## ANNEX 3

[DATE]

### CROWN RETAIL DEPOSIT GUARANTEE SCHEME - POLICY GUIDELINES FOR THE EXTENDED SCHEME

These are the guidelines that cover the exercise of discretion under the delegated authority granted to the Secretary to the Treasury by the Minister of Finance regarding the management and administration of the Crown's Retail Deposit Guarantee Scheme, enacted under the Crown Retail Deposit Guarantee Act 2009 (the **extended scheme**).

The eligibility criteria for entities wishing to apply for a Crown Guarantee under the extended scheme may be found at *[insert the relevant web page at which the eligibility criteria for the extended scheme may be found]*

#### Discretion

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The decision to enter into a Crown Guarantee with any specific entity under the extended scheme is at the sole discretion of the Crown.

#### Overarching Principles

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The grant of a Crown Guarantee to an entity under the extended scheme must be "necessary or expedient in the public interest."

The key "public interest" factors when considering the provision of a Crown Guarantee are:

- a the maintenance of public confidence in New Zealand's financial system; and
- b maintaining the confidence of general public depositors in New Zealand financial institutions.

Factors that may be considered in exercising discretion to offer or refuse to offer, the Crown Guarantee under the extended scheme

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- a The credit worthiness of the entity, including any rating agency reports on the Entity;
- b The related party exposure of the entity;
- c The quality of the information provided by the entity;
- d That the individuals with control of the entity are of good character;
- e That the individuals with control of the entity have the necessary business experience and acumen required for the prudent, proper, efficient and business-like operation of the entity;

- f That the business practices of the entity:
  - reflect the standards expected of a prudent, proper and efficient business; and
  - otherwise meet reasonable standards;
- g The track record of the entity with respect to such matters as whether it has:
  - complied (or has not complied) with any requirement of the Reserve Bank of New Zealand Act 1989 including (without limitation) any prudential supervision, direction or notice of the Reserve Bank;
  - complied (or has not complied) with:
    - the terms of Debt Securities issued by the entity;
    - the entity's trust deed (where relevant);
  - met its payments as they fell due and maintained solvency; and
  - ever been in moratorium or have been the subject of any insolvency administration;
- h That the affairs of the entity are otherwise are being conducted (and have been conducted) in a manner that is not prejudicial to the soundness of:
  - its own operations; or
  - New Zealand's financial system; and
- i Any other factors relevant to the :
  - the maintenance of public confidence in New Zealand's financial system; and
  - maintaining the confidence of general public depositors in New Zealand financial institutions.

## Explanation of Terms

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**Debt Securities** mean any interest in or any right to be paid money that is , or is to be, deposited with or lent to any person (whether or not the interest or right is secured by a charge over any property); and includes –

- a Debenture, debenture stock, bond, note, certificate of deposit, and convertible note; and

- b Any interest or right that is declared by regulations to be a debt security for the purposes of the Securities Act 1978; and
- c A renewal or variation of the terms and conditions of any such interest or right or of a security referred to in paragraph (a) or paragraph (b) of this definition; -

but does not include –

- d An interest in a contributory mortgage where the interest is offered by a contributory mortgage broker; or
- e Any such interest or right or a security referred to in paragraph (a) or paragraph (b) of this definition that is declared by regulations not to be a debt security for the purposes of the Securities Act 1978.

## ANNEX 4

[DATE]

### **CROWN RETAIL DEPOSIT GUARANTEE SCHEME - POLICY GUIDELINES FOR THE EXISTING SCHEME**

These are the guidelines that cover the exercise of discretion under the delegated authority granted to the Secretary to the Treasury by the Minister of Finance regarding the management and administration of the Crown's existing Retail Deposit Guarantee Scheme (the **existing scheme**).

The existing scheme is the scheme that was announced on or about 12 October 2008, and which is due to expire on October 12, 2010.

#### **Discretion**

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The decision to enter into a Crown Guarantee with any specific entity is at the sole discretion of the Crown.

#### **Overarching Principles**

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The grant of a Crown Guarantee to an entity must be "necessary or expedient in the public interest."

The key "public interest" factors when considering the provision of a Crown Guarantee are:

- a the maintenance of public confidence in New Zealand's financial system; and
- b maintaining the confidence of general public depositors in New Zealand financial institutions.

#### **Entities Eligible to Apply for the Crown Guarantee**

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The entities eligible to apply for the Crown Guarantee are:

- c Banks registered under the Reserve Bank of New Zealand Act 1989;
- d Building Societies as defined in the Building Societies Act 1965;
- e Credit Unions as defined in the Friendly Societies and Credit Unions Act 1982;
- f Other bank like entities (such as finance companies), existing on 12 October 2008, which issue Debt Securities.
- g Other bank like entities (such as finance companies), established after 12 October 2008 which issue Debt Securities and have a BBB- rating or higher;
- h Other bank like entities (such as finance companies), which issue Debt Securities established after 12 October 2008:
  - o that have assumed control over two or more Approved Institutions; and
  - o that have a BB rating or higher;

- i Other bank like entities (such as finance companies), established after 12 October 2008 which issue Debt Securities and that are Merged Entities, holding a BB rating or higher;
- j Qualifying Collective Investment Schemes.

## Explanation of Terms

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**Approved Institution** means an entity that is identified as an “approved institution” for the existing scheme on the webpage

<http://www.treasury.govt.nz/economy/guarantee/retail/approved>

or any successor Treasury web page on which “approved institutions” for the existing scheme are listed.

**control** means the exercise by one person (“B”) over another person (“A”) of direct and effective control in relation to A, as a result of ownership or control of securities or other interests in or issued by A;

**Debt Securities** mean any interest in or right to be paid money that is, or is to be, deposited with or lent to any person (whether or not the interest or right is secured by a charge over any property); and includes—

- a Debenture, debenture stock, bond, note, certificate of deposit, and convertible note; and
- b An interest or right that is declared by regulations to be a debt security for the purposes of the Securities Act 1978; and
- c A renewal or variation of the terms or conditions of any such interest or right or of a security referred to in paragraph (a) or paragraph (b) of this definition;—

but does not include—

- d An interest in a contributory mortgage where the interest is offered by a contributory mortgage broker; or
- e Any such interest or right or a security referred to in paragraph (a) or paragraph (c) of this definition that is declared by regulations not to be a debt security for the purposes of the Securities Act 1978.

**A Merged Entity** means:

- d An entity that is comprised by one or more (but not all) of the entities that are party to a merger, one or more of which is:
  - o an Approved Institution under the existing scheme, that satisfies the “relevant criteria” set out below; and
  - o a party to the Crown guarantee for the existing scheme.
- e An entity that at law is a successor to all the property, rights, powers and privileges, liabilities and obligations of the entities that are party to a merger, one or more of which is:
  - o an Approved Institution under the existing scheme, that satisfies the “relevant criteria” set out below; and
  - o a party to the Crown guarantee for the existing scheme.
- f Any other entity or association of entities that the Crown deems to be a merged entity in its sole and unfettered discretion.

**A Qualifying Collective Investment Scheme** means:

- a an arrangement or scheme to which a participatory security (within the meaning of section 2(1) of the Securities Act 1978) relates;
- b a superannuation scheme (within the meaning of section 2A(1) of the Superannuation Schemes Act 1989); or
- c a unit trust (within the meaning of section 2(1) of the Unit Trusts Act 1960),  
that invests exclusively in:
  - d New Zealand government securities; or
  - e Debt Securities issued by an entity that is covered by the Crown Deposit Guarantee Scheme.

## Relevant Criteria

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Entities applying for the Crown Guarantee should meet all of the following criteria:

- e have Debt Securities on issue or be a Qualifying Collective Investment Scheme;
- f be in the business of borrowing and lending, or providing financial services, or both;
- g carry out a substantial portion of their business in New Zealand; and
- h do not primarily provide financial services or lend to related parties and/or group members.

Other factors that may be considered in exercising discretion to offer or refuse



## to offer, the Crown Guarantee

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- j The credit worthiness of the entity, including any rating agency reports on the Entity;
- k The related party exposure of the entity;
- l The quality of the information provided by the entity;
- m That the individuals with control of the entity are of good character
- n That the individuals with control of the entity have the necessary business experience and acumen required for the prudent, proper, efficient and business-like operation of the entity;
- o That the business practices of the entity:
  - reflect the standards expected of a prudent, proper and efficient business; and
  - otherwise meet reasonable standards;
- p In relation to bank like entities (such as finance companies), established after 12 October 2008 that have assumed control over two or more Approved Institutions, the purpose and intent of that assumption of control, which purpose and intent must be supported by (among other things) evidence satisfactory to the Crown of an obligation on the part of the applicant to absorb the businesses of those Approved Institutions within a time deemed reasonable by the Crown.
- q The track record of the entity with respect to such matters as whether it has:
  - complied (or has not complied) with any requirement of the Reserve Bank of New Zealand Act 1989 including (without limitation) any prudential supervision, direction or notice of the Reserve Bank;
  - complied (or has not complied) with:
    - the terms of Debt Securities issued by the entity;
    - the entity's trust deed (where relevant);
  - met its payments as they fell due and maintained solvency; or
  - ever been in moratorium or has been the subject of any insolvency administration;

r That the affairs of the entity are otherwise are being conducted (and have been conducted) in a manner that is not prejudicial to the soundness of:

- o its own operations; or
- o New Zealand's financial system; and

s Any other factors relevant to the :

- o the maintenance of public confidence in New Zealand's financial system; and
- o maintaining the confidence of general public depositors in New Zealand financial institutions.

## ANNEX 5

### Summary of changes to guarantee deeds<sup>3</sup>

Change	When change applies	
	[Column withheld – under active consideration]	Extended scheme
<b><i>Scheme management</i></b>		
Greater ability to obtain information about entities in the guarantee scheme and (in the extension deed only) their related companies.		X
Clarification of the type of distributions that require prior written consent of the Crown.		X
Treasury will be able to share information with the Securities Commission (not part of the core Crown).		X
The guarantee withdrawal process will be streamlined.		X
A requirement for entities to inform the Crown if the control of the entity is to be changed (so Treasury can consider whether further action, including withdrawal action, is required).		X
A requirement for prior Crown consent for financial assistance relating to share issuances and related party transactions over a certain size (so Treasury can assess whether further action is required).		X
Clarification of what constitutes “arms length” terms (in the case of related party transactions).		X
Additional grounds for withdrawing the guarantee (for future indebtedness) will be introduced <sup>4</sup> .		X
Ability to have the guarantee withdrawn (for new indebtedness) on request or by agreement (NBDT deeds only)		X
<b><i>Resolution options</i></b>		
Clarifications of: <ul style="list-style-type: none"> <li>• definition of a default event;</li> <li>• the treatment of joint account holders, trustee claims and debt securities issued after a default event; and</li> <li>• that no debt security guaranteed under the wholesale guarantee being covered under the retail guarantee.</li> </ul>		X
A requirement will be introduced for entities to assist the Crown in administering the scheme (including assisting in making payments to creditors after a default event).		X
A requirement will be introduced that where another guarantee covers a payment to a depositor, the depositor must make a claim under that guarantee before making a claim under the Crown's guarantee.		X
Depositors will be eligible to claim interest only up until the date of default (subject to the caps on the maximum payout per depositor per institution) (currently the interest depositors are able to claim depends on the entities trust deed).		X
There will be a cut off date of 180 days after the guarantee is triggered for claims to be made except in exceptional circumstances (currently there is no cut off date for claims).		X

<sup>3</sup> Different types of entities have different types of guarantee deeds. [ Withheld – under active consideration] Changes to deeds for the extension period will be made where applicable depending on institutional type.

<sup>4</sup> Changes include expanding the current grounds to withdrawal to include activities of the entities' subsidiaries; where the entity is insolvent; or there is a material deterioration in the guaranteed entities' net asset position such that the Crown's exposure is likely to be materially increased and there is no reasonable prospect that the Crown's net liability position under the guarantee will be improved during the remainder of the guarantee period.

Change	When change applies	
	[Column withheld – under active consideration 1]	Extended scheme
Where a statutory manager has been appointed to a credit union or building society there will be a deferral of the payout obligation of the Crown for 7 days after default. If the failed CUBS can reopen for business within 7 days the Crown obligation to pay under the guarantee will be suspended. If the CUBS cannot reopen for business within 7 days, then the Crown will be required to payout.		X

DRAFT