

12 October 2008

OPERATIONAL DETAILS

New Zealand Deposit Guarantee Scheme

This document outlines the key characteristics of the deposit guarantee scheme announced by the Minister of Finance this afternoon. Draft contracts containing the full details of the guarantee will be available on the Reserve Bank's website later this evening.

The Offer

Under the terms of the Public Finance Act, the Crown will invite eligible institutions to enter a guarantee of their deposit liabilities. Eligible financial institutions, will be New Zealand registered banks and non bank deposit-taking financial institutions, who are fully compliant with the requirements of their trust deeds.

The decision to enter a guarantee with any specific institution, whether now or in the future, will be at the sole discretion of the Crown.

Which deposits will be covered?

For New Zealand incorporated registered banks deposits from both residents or non-residents, will be covered.

For non bank deposit takers and for the unincorporated branches of overseas entities only deposits of New Zealand citizens and New Zealand tax residents will be covered.

Deposit liabilities will be covered regardless of the currency in which they are denominated.

Deposits and other liabilities owed to financial institutions, whether in NZ or offshore, are explicitly excluded from this guarantee.

How long will the guarantee last?

The guarantee will be offered for a term of two years.

Fees

The government will charge a fee for any guarantee offered on amounts in excess of \$5 billion.

For covered liabilities in excess of \$5 billion a fee of 10 basis points per annum will be charged for the guarantee. The fee will be charged on the basis of the total covered liabilities, in excess of \$5 billion of the institution.

What will trigger the exercise of the guarantee?

The Crown will make payment in the event of the liquidation of a guaranteed financial institution, if its assets are shown to be insufficient to meet the liabilities covered by this guarantee.

Administration

These guarantees will be offered and administered by the Treasury.

Further Information

For institutions wanting further information on their eligibility for this guarantee please contact the Reserve Bank on: 021 682 757.