DeNederlandscheBank
EUROSYSTEEM

Implementation of Dutch Credit Guarantee Scheme

Press release
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The Ministry of Finance and De Nederlandsche Bank announce the following.

As of Thursday 23 October 2008, the State of the Netherlands will implement the proposed 200 bln Euro guarantee scheme for the issuance of medium term bank debt. The rules can be found as of today on the website of the DSTA (www.dsta.nl). The program is scheduled to run through December 31, 2009.

Imperfections on the medium term market can cause liquidity problems for financial institutions, affecting even fundamentally sound institutions. The Government expects the scheme will restore the funding of financial institutions, thereby safeguarding corporate and household loans. The scheme should be seen in connection with earlier measures to protect the financial sector.

The guarantee scheme targets non-complex senior unsecured loans; ‘plain vanilla’ commercial paper, certificates of deposit, and medium term notes, with maturities ranging from 3 to 36 months. Fees will depend on creditworthiness of the banks involved and will be based on historical credit default swap spreads (or an approximation if necessary), with an addition of 50 basis points. Maturities of less than a year will have a fixed fee of 50 basis points. The scheme will include loans denominated in US Dollars and British

Pounds. Both principal and interest will be covered. The Dutch State Treasury Agency will execute the scheme.

All Dutch banks meeting the criteria of the guarantee scheme will be eligible. The Dutch Central Bank will be consulted to determine the banks' solvency on application and their liquidity profiles in relation to the loans. State recapitalization, as earlier announced, can be invoked if necessary. Participating banks agree to additional requirements on corporate governance with respect to bonuses and resignation premiums. The guarantee scheme reflects similar plans in other EU Member State and proposals of the European System of Central Banks.

Links

- Mvf: Implementation of Dutch Credit Guarantee Scheme