



## ARTICLE

# Ireland: President Signs Bank Guarantee Law

(Oct. 8, 2008) The Irish banking system is highly concentrated, with six major domestic banks operating throughout the country. On September 29, 2008, the governor of the central bank warned the Minister of Finance that the Irish banking system was facing an “unprecedented shortage of liquidity in financial markets” and that the risks to financial stability were “becoming unacceptably high.” (*Irish Bank Guarantee Followed Central Bank Alert: Bank of Ireland*, AGENCE FRANCE PRESSE, Oct. 3, 2008, LEXIS/NEXIS, NEWS Library, AFP file.) These risks existed despite the fact that Irish banks have not had to write off significant losses on loans and investments.

The government immediately drafted emergency legislation to guarantee deposits in the six major Irish banks for up to €400 billion (about US\$556 billion). (Credit Institutions (Financial Support) Bill 2008, Bill No. 45, 2008, Houses of the Oireachtas [Ireland's legislature] website, <http://www.oireachtas.ie/documents/bills28/bills/2008/4508/b45a08d.pdf> (last visited Oct. 3, 2008).) The bill underwent first and second readings in the Dáil Éireann, the principle house of the parliament, on the same day the warning had been received, and it was considered and debated on September 30, 2008. After being considered in committee for over a day, the bill was returned to the Dáil Éireann and passed on October 1, 2008. The next day, the Irish President signed into law the new emergency law guaranteeing bank deposits. However, there are still outstanding issues about how the guarantee scheme will be administered.

Although the Credit Institutions (Financial Support) Bill 2008 was enacted extremely quickly, the proposal was not without its critics. Members of the opposition contended that the guarantee would cost every Irish taxpayer €250,000 (about US\$348,000) and that it should not be made without the appointment of officials to risk management committees on the banks and without any strings attached. A member of the Labour Party contended that a decade of corporate greed had come home to roost and questioned whether the government was jeopardizing the country's financial future with this one plan. (*Govt “Guarantee” Debated in Dáil*, RTE NEWS, Sept. 30, 2008, available at <http://www.rte.ie/news/2008/0930/economyreax.html>.)

The Credit Institutions (Financial Support) Bill has also been criticized by leaders and officials throughout Europe, particularly in the United Kingdom. Officials of two British banks operating in Ireland argued that it was unfair and possibly illegal for them to be excluded. Bank officials in many other countries, but again particularly in the United Kingdom, fear customers will transfer their assets to Irish banks. This fear is greatest among bankers in Northern Ireland. The bank officials and many of their governmental leaders would have preferred for the Irish government to wait for a European Union plan to address the continent-

**Skip to main content** However, the Irish Minister of Finance conceded that while Ireland might be accused of

resorting to economic nationalism, the government had to act quickly in the best interests of the Irish people. (*Irish Bank Guarantee Raises Concerns over Hopes of Pan-EU Response to Crisis*, FT.COM, Sept. 30, 2008, Open Source Center No. EUP20081001167014.)

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