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Wholesale funding guarantee facility

Michael Cullen

Finance

Finance Minister Michael Cullen today announced that the Crown will offer a wholesale funding guarantee facility to investment-grade financial institutions in New Zealand.

"The decision will help to facilitate improved access to international funding markets for New Zealand banks, a key channel through which New Zealand's substantial external financing needs are met," Dr Cullen said.

"While the New Zealand banking system is very sound, we are in an environment where international investors remain risk-averse and where many other governments have guaranteed their banks' debt.

"In such an environment, the government believes that it is on balance in the public interest to offer a wholesale funding guarantee facility that can help maintain the economy's access to foreign credit," Dr Cullen said.

The facility is designed to encourage withdrawal from the guarantee once international markets return to normal.

The Treasury and Reserve Bank will release shortly full details of the facility, including scope and coverage, term and pricing.

Dr Cullen noted that the timing and scope of the facility had been designed carefully.

"We have taken a considered response to these issues. We have listened to concerns of the major banks and other industry players, and have carefully considered the approach taken in Australia and in other jurisdictions," Dr Cullen said.

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



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