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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, established 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 <http://www.treasury.govt.nz/economy/guarantee/retailextension/eligibility>.

Discretion

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

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

- 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:
 - o reflect the standards expected of a prudent, proper and efficient business; and
 - o otherwise meet reasonable standards;
- g The track record of the entity with respect to such matters as whether it has:
 - o 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;
 - o complied (or has not complied) with:
 - the terms of Debt Securities issued by the entity;
 - the entity's trust deed (where relevant);
 - o met its payments as they fell due and maintained solvency; and
 - o 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:
 - o its own operations; or
 - o New Zealand's financial system; and
- i 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.

Explanation of Terms

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.