

Financial Regulatory Brief

MAY 2009

FINANCIAL REGULATORY GROUP BRIEFING

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■ FINANCIAL SERVICES (DEPOSIT GUARANTEE SCHEME) BILL 2009

Background

On 29 April 2009 the Government approved the publication of the Financial Services (Deposit Guarantee Scheme) Bill 2009 (the “**Bill**”). The Bill, in combination with a statutory instrument that will be made on the enactment of the Bill, will give legislative effect to the amendments to the Irish deposit guarantee scheme announced by the Government on 20 September 2008 (the “**Deposit Guarantee Scheme**”). The main feature of the announcement on 20 September 2008 was an increase in the deposit protection limit from €20,000 to €100,000.

The statutory instrument to be made on the enactment of the Bill will also transpose EU Directive 2009/14/EC of 11 March 2009 amending Directive 94/19/EC on deposit-guarantee schemes. It is envisaged that the Bill and accompanying statutory instrument will be enacted into law by 30 June 2009 in order to meet the EU Directive’s transposition deadline.

It is important not to confuse the Deposit Guarantee Scheme with the Credit Institutions (Financial Support) Scheme 2008 (the “**CIFS Scheme**”). The CIFS Scheme operates to guarantee deposits and certain liabilities of “covered institutions” until 29 September 2010. Deposits are only guaranteed under the CIFS Scheme to the extent they are not already guaranteed under existing deposit protection schemes in the State or other jurisdictions. In terms of deposit protection in Ireland, the Deposit Guarantee Scheme therefore takes priority over the CIFS Scheme.

Main Provisions of the legislation

The Bill will:

- empower the Minister for Finance to make regulations prescribing the amount payable to an eligible depositor of a credit institution that fails;

- empower the Minister to prescribe by regulation the contribution to be made by credit institutions to the Central Bank of Ireland to fund the Deposit Guarantee Scheme; and
- incorporate certain provisions relating to the operation of a deposit protection account currently contained within SI 168 of 1995, which gave effect to Directive 94/19/EC on deposit-guarantee schemes.
- abolish the existing “co-insurance” requirement for the depositor to bear the first 10% of his/her loss;
- extend the Deposit Guarantee Scheme cover to credit union savers;
- reduce the minimum time period within which duly verified depositor claims must be made from three months to 20 working days;
- make various other, mainly technical, amendments.

The statutory instrument will:

- increase the statutory limit for the Deposit Guarantee Scheme from €20,000 to €100,000 per eligible depositor per institution with retrospective effect from 20 September 2008;

Further Details

Copies of the Bill and a Department of Finance Press Release can be found on the website of the Department of Finance at <http://www.finance.gov.ie>.

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