

Minister announces extension of the short term guarantee

The Minister for Finance, Mr Brian Lenihan, TD today announced that the Government guarantee for short term bank liabilities, including corporate and interbank deposits as well as debt securities would be extended from its current expiry date of 29 September to 31 December 2010.

A State guarantee will therefore be available for both short- and long-term liabilities up to the end of the year. This is an important support to the Irish banking system facilitating its access to both short- and longer-term funding to help maintain the overall stability of the banking sector and complements the broad Government Strategy to restore fully the banking system and maximise its contribution to overall economic recovery.

This modification to the Guarantee was recommended to the Minister by both the Governor of the Central Bank, the Financial Regulator and the NTMA. As is customary the Department will be liaising with the European Central Bank on this measure. An approval by the European Commission under the State aid rules needs to be secured before the guarantee can be extended.

Following the Minister's meeting with Commissioner Almunia yesterday he is satisfied that Commissioner Almunia is aware of the Irish situation. It is intended that some technical details relating to the implementation of this modification will be agreed with the European Commission in coming days.

The Minister said that:

"I am very grateful for the assistance of Commissioner Almunia and his officials in the European Commission for their open engagement and co-operation on this important issue for Ireland and I look forward to continued strong co-operation in resolving this and other significant issues for the Irish banking system in the coming weeks"

The Minister reiterated that this announcement does not affect retail deposits of up to €100,000 as these deposits continue to be guaranteed under the ordinary Deposit Guarantee Scheme and that Scheme is not time limited.

ENDS

7 September 2010