Market Notice: Review of the Government's 2008 Credit Guarantee Scheme

Following a review of the operation of the UK Government's 2008 Credit Guarantee Scheme ("the Scheme"), the Government proposes to enhance the Scheme as set out below.

The proposals announced today are intended to maximise the impact of the Scheme on financial sector and economic stability while ensuring it does not crowd out market-based lending now or when better market conditions return.

Fee

The fee payable to HM Treasury on guaranteed liabilities will be based on a per annum rate of 50 basis points plus 100% of the institutions' median five-year Credit Default Swap (CDS) spread during July 2007-July 2008 as determined by HM Treasury. This fee will apply to all guaranteed issues under the Scheme since its launch on 13 October 2008.

Term of the Scheme

The term of instruments guaranteed under the Scheme will remain no longer than three years. However rollovers may be agreed up to a Scheme end date of 9 April 2014.

Currency of instruments

The Scheme has until now permitted the issue of senior unsecured debt instruments of varying terms of up to 36 months, in any of sterling, US dollars or Euros. The Government proposes also to permit the issue of instruments in Yen, Australian dollars, Canadian dollars and Swiss francs.

These proposals vary the Scheme as approved by the European Commission on 13 October 2008 and are subject to the Commission's approval under the state aid rules. The Government has informed the European Commission of these proposals and will bring forward changes to the rules of the Scheme to implement these proposals once it has obtained the Commission's approval.

Further details will be available in the CGS section of the DMO website
at www.dmo.gsi.dov.uk