

Journal of Financial Crises

Volume 2 | Issue 3

2020

The Dutch Credit Guarantee Scheme (Netherlands GFC)

Lily Engbith

Yale School of Management

Follow this and additional works at: <https://elischolar.library.yale.edu/journal-of-financial-crises>



Part of the [Economic Policy Commons](#), [Finance Commons](#), [International Economics Commons](#), [Macroeconomics Commons](#), [Public Affairs Commons](#), [Public Economics Commons](#), and the [Public Policy Commons](#)

Recommended Citation

Engbith, Lily (2020) "The Dutch Credit Guarantee Scheme (Netherlands GFC)," *Journal of Financial Crises*: Vol. 2 : Iss. 3, 809-825.

Available at: <https://elischolar.library.yale.edu/journal-of-financial-crises/vol2/iss3/42>

This Case Study is brought to you for free and open access by the Journal of Financial Crises and EliScholar – A Digital Platform for Scholarly Publishing at Yale. For more information, please contact journalfinancialcrises@yale.edu.

Dutch Credit Guarantee Scheme¹

*Lily S. Engbith*²

Yale Program on Financial Stability Case Study
January 16, 2019, Revised Date: October 10, 2020

Abstract

As fallout from the global financial crisis intensified in October 2008, governments around the world sought to implement stabilization measures in order to calm and protect their domestic markets. While not directly exposed to the subprime mortgage crisis, the Kingdom of the Netherlands announced the creation of the Dutch Credit Guarantee Scheme (the Guarantee Scheme) on October 13, 2008, to boost confidence in interbank lending markets and to ensure the flow of credit to Dutch households and companies. In establishing this program, the Dutch State Treasury Agency of the Ministry of Finance (DSTA) committed €200 billion to support the issuance of debt to be guaranteed by the government. Dutch financial institutions meeting liquidity and solvency requirements enforced by De Nederlandsche Bank, including foreign subsidiaries established in the Netherlands with substantial business in the country, were eligible to apply for coverage under the Guarantee Scheme. Initially, only newly issued “plain vanilla” commercial paper, certificates of deposit, and fixed- or floating-rate medium-term notes with maturities of between three months and three years could be guaranteed. Additionally, debt instruments would need to be denominated in euros, US dollars, or pounds sterling. Between October 23, 2008, and December 1, 2009, the Guarantee Scheme was utilized by six Dutch financial institutions for a total utilization of €54.2 billion. No guaranteed debt was issued after December 1, 2009. The issuance window, though originally set to expire December 31, 2009, was extended twice, to December 31, 2010. No institutions defaulted on any guaranteed debt.

Keywords: The Netherlands, short-term debt, medium-term debt, credit institutions, government guarantee

¹ This case study is part of the Yale Program on Financial Stability (YPFS) selection of New Bagehot Project modules considering the responses to the global financial crisis that pertain to bank debt guarantee programs.

Cases are available from the *Journal of Financial Crises* at <https://elischolar.library.yale.edu/journal-of-financial-crises/>.

² Lily S. Engbith – Research Associate, YPFS, Yale School of Management.

Dutch Credit Guarantee Scheme

At a Glance

As fallout from the global financial crisis intensified in October 2008, governments around the world sought to implement stabilization measures to both calm and protect their domestic economies. Financial institutions in the Netherlands, while not as exposed as those in other countries to disturbances in the US markets, suffered from liquidity shortages stemming from a sharp decrease in interbank lending. In response, the Dutch State Treasury Agency of the Ministry of Finance (DSTA), in cooperation with De Nederlandsche Bank, announced the creation of the Dutch Credit Guarantee Scheme (the 'Guarantee Scheme') on October 13, 2008, for the purpose of granting government guarantees to banks and financial institutions issuing medium-term debt.

The program was officially implemented on October 23, 2008, when the DSTA committed €200 billion to support the issuance of debt to be guaranteed by the government. Dutch financial institutions, including foreign subsidiaries with substantial business in the country, that met solvency and liquidity requirements were eligible to participate. Eligible debt initially included non-complex unsecured loans limited to plain-vanilla commercial paper, certificates of deposit, and fixed- or floating-rate medium-term notes. Debt instruments needed to have maturities of between three months and three years and be denominated in euros, US dollars (USD), or pounds sterling (GBP). These criteria were later modified on July 7, 2009, to include all senior unsecured debt instruments denominated in euros, USD, or GBP with maturities of greater than three months and up to five years. In accordance with European Central Bank (ECB) recommendations, participation fees were assessed based on an institution's creditworthiness and the maturity of the debt to be guaranteed.

Between October 23, 2008, and December 1, 2009, the Guarantee Scheme was utilized by six Dutch financial institutions for a total utilization of €54.2 billion. The issuance window was set to expire December 31, 2009; it was extended twice to close on December 31, 2010. No participating institution defaulted.

Summary Evaluation

There has not been much formal evaluation of the Guarantee Scheme. However, it has been viewed by one source as a successful lender of "last resort" facility for Dutch financial institutions looking to bolster their liquidity and interbank lending positions.

Summary of Key Terms

Purpose:	To ensure liquidity for Dutch financial institutions and, by extension, Dutch households and businesses, through the provision of State guarantees on non-subordinated, medium-term debt
Announcement Date	October 13, 2008
Operational Date	October 23, 2008
Date of First Guaranteed Loan Issuance	October 23, 2008, approx.
Issuance Window Expiration Date	Originally December 31, 2009; later extended twice, to December 31, 2010
Program Size	€200 billion
Usage	€54.2 billion by six Dutch financial institutions in total
Outcomes	No defaults
Notable Features	Up to one year after default for the guarantee to be realized upon

Dutch Credit Guarantee Scheme: The Netherlands Context	
GDP (SAAR, Nominal GDP in LCU converted to USD)	\$849.1 billion in 2007 \$952.2 billion in 2008 <i>Source: Bloomberg</i>
GDP per capita (SAAR, Nominal GDP in LCU converted to USD)	\$51,733 in 2007 \$57,644 in 2008 <i>Source: Bloomberg</i>
Sovereign credit rating (5-year senior debt)	As of Q4, 2007: Fitch: AAA Moody's: Aaau S&P: AAA As of Q4, 2008: Fitch: AAA Moody's: Aaau S&P: AAA <i>Source: Bloomberg</i>
Size of banking system	\$1.0 trillion in total assets in 2007 \$1.1 trillion In total assets in 2008 <i>Source: Bloomberg</i>
Size of banking system as a percentage of GDP	120.2% in 2007 120.3% in 2008 <i>Source: Bloomberg</i>
Size of banking system as a percentage of financial system	Data not available for 2007/2008 <i>Source: World Bank Global Financial Development Database</i>

<p>5-bank concentration of banking system</p>	<p>94.0% of total banking assets in 2007 93.0% of total banking assets in 2008</p> <p><i>Source: World Bank Global Financial Development Database</i></p>
<p>Foreign involvement in banking system</p>	<p>10.0% of total banking assets in 2007 2.0% of total banking assets in 2008</p> <p><i>Source: World Bank Global Financial Development Database</i></p>
<p>Government ownership of banking system</p>	<p>Data not available for 2007/2008</p> <p><i>Source: World Bank Group</i></p>
<p>Existence of deposit insurance</p>	<p>Data not available for 2007</p> <p>100% insurance on deposits up to \$57,000 in mid-September 2008</p> <p><i>Source: OECD</i></p>

I. Overview

Background

As fallout from the global financial crisis intensified in October 2008, governments worldwide acted swiftly to calm and protect their domestic markets. The Netherlands sought to address the liquidity problems that its “fundamentally sound and viable financial institutions” faced under the extraordinary circumstances (European Commission 2008). In implementing the Dutch Credit Guarantee Scheme, the government hoped to ensure the flow of credit to households and businesses at a time when interbank lending had become severely restricted. To support specific institutions in need of further assistance between late 2008 and 2013, Dutch authorities later enacted individual recapitalization and restructuring measures for banks. It was expected that the implementation of the Guarantee Scheme would not only encourage interbank lending at a time when the market for medium-term, non-guaranteed loans had “dried up,” but that the measure itself would help to stabilize the Dutch economy in the midst of the global financial crisis (European Commission 2008).

Program Description

The Dutch government authorized plans for the creation of the Guarantee Scheme—whose design was modeled after the United Kingdom’s Credit Guarantee Scheme—on October 13, 2008. A week later, on October 21, 2008, the Dutch Ministry of Finance notified the European Commission of its plans to implement the Guarantee Scheme in response to recent disruptions in the global credit markets. The program was officially implemented on October 23, 2008. Having found its features to be in accordance with State aid rules, the European Commission granted approval for the Guarantee Scheme on October 30, 2008.

The Dutch program was jointly administered by the Dutch State Treasury Agency of the Ministry of Finance and De Nederlandsche Bank, the Netherlands’ central bank. According to the original terms of the program, the DSTA committed €200 billion to support the issuance of debt guaranteed by the government. Participation in the voluntary, opt-in program was open to Dutch financial institutions meeting solvency and liquidity standards according to the Dutch Financial Markets Supervision Act of 2006, including foreign subsidiaries established in the Netherlands with “substantial business in the country” (European Commission 2008). Additionally, only one institution in a group was allowed to apply for the Guarantee Scheme. De Nederlandsche Bank bore responsibility for ensuring that these standards and requirements were met prior to participation in the Guarantee Scheme.

Initially, only debts with maturities of more than three months and less than three years were eligible for coverage under the Guarantee Scheme. Qualifying debt instruments included new, non-complex senior unsecured loans—limited to plain-vanilla commercial paper, certificates of deposit, and fixed- or floating-rate medium-term notes that could be redeemed in a single payment. The terms of the debt instruments could not include any provisions for cross-default, cross-acceleration of default, or call option on the principal (Ministry of Finance 2008). Though there were no minimum amounts specified for the

issuance of individual guarantees, debt instruments were required to be denominated in euros, US dollars, or pounds sterling.

Interested institutions meeting solvency and liquidity requirements applied through the DSTA to issue guaranteed debt. Both the government and the participant then signed a Guarantee Certificate, a contractual agreement specifying each party's obligations under the Guarantee Scheme. For instance, only one guarantee could be associated with a single debt issuance, and the Dutch government reserved the right to cancel coverage under the Guarantee Scheme if either the terms of the debt were amended in any way or if the debt were issued after the cut-off date specified in the Guarantee Certificate. Additionally, the participating bank was required to pay a termination fee to the DSTA if it failed to issue the guaranteed debt by the cut-off date agreed upon with the Dutch government.

Participation fees consisted of a flat fee of 50 basis points on an annual basis and a variable fee determined according to an individual bank's creditworthiness as well as the maturity of the debt to be guaranteed. The fee schedule was designed in accordance with the European Commission's "Recommendations on government guarantees on bank debt" of October 20, 2008.

The DSTA imposed restrictions on individual participation by limiting any bank's usage to the amount of existing debt maturing between October 23, 2008, and December 31, 2009. Participating banks also had to comply with a series of conditions designed to prevent abuse of the Guarantee Scheme, including limits on marketing the Guarantee Scheme as a commercial advantage, executive compensation, and severances packages. There was also a limit placed on growth in balance sheet volume, which was not to exceed the higher percentage of "1) the annual growth of nominal GDP in the Netherlands in the previous year, 2) the average historical growth of the balance sheets in the Netherlands for the period 1987–2007, or 3) the average growth in balance sheet volume of the EU banking sector in the previous six months (European Commission 2008).

Upon the first event of default, the Dutch government assumed responsibility for 100% of principal and interest and paid the lender within three months of the date of default. The DSTA was allowed to extend this payment date up to three times under extraordinary circumstances.

On July 7, 2009, the Ministry of Finance notified the European Commission of modifications to the original terms of the Guarantee Scheme. Under the amended conditions, eligibility was expanded to include all senior unsecured debt instruments with maturities of up to five years. Relatedly, the DSTA committed up to €66.6 billion (i.e., one third of the total budget) for debt instruments with maturities of greater than three years; individual caps for banks issuing guaranteed debt with maturities of greater than three years was further limited to €22.2 billion (i.e., a third of a third of the total budget).

The July 7, 2009, modifications also provided more detailed requirements for participation regarding corporate governance and compensation. Rather than unconditionally restricting executive bonuses and other incentives, participating banks would need to introduce and

maintain a sustainable remuneration policy, ensure that severance payments for members of the Board were limited to one year's fixed salary, and adhere to the provisions of the Dutch Corporate Governance Code when distributing bonus packages.

On December 17, 2009, the Ministry of Finance notified the European Commission of further modifications to the Guarantee Scheme. First, the issuance window was extended from December 31, 2009 to June 30, 2010. Second, the flat fee included in the participation fee increased from 50 basis points (bps) to 70 bps for all guaranteed debt instruments. For debt instruments with a maturity of over 12 months, the variable fee also increased as a result of the change in reference period used to calculate credit default swap (CDS) spreads.³

On June 29, 2010, the Ministry of Finance notified the European Commission of two additional modifications to the Guarantee Scheme prompted by the European Commission's April 30, 2010 guidelines for the phase-out of guarantee programs. First, the fixed participation fee increased for all credit rating categories according to a progressive scale, ranging from 75 bps for banks with triple-A ratings to 110 bps for banks with ratings lower than A minus. Additionally, the Ministry of Finance needed to undertake a viability review for each institution whose total outstanding guaranteed debt (as of July 1, 2010) exceeded both a ratio of 5% of total liabilities and a total of €500 million. The Ministry of Finance was then be required to submit such reports to the European Commission within three months of a new debt issuance or rollover by a participating bank (European Commission 2010a).

Outcomes

Although the Guarantee Scheme issuance window was originally set to expire on December 31, 2009, it was prolonged two times, in each case for a period of six months, closing on December 31, 2010.

Between October 23, 2008, and December 1, 2009, the Guarantee Scheme was utilized by six Dutch financial institutions.⁴ These were not exclusively the six largest banks in the Netherlands— although large banks SNS, ING, and Fortis accounted for well over half of utilization—but rather the ones facing the greatest liquidity pressures (Leal 2011). LeasePlan Corp. N.V., a fleet management company held mainly by Volkswagen Group, and Achmea Hypotheekbank N.V., a mortgage company, complied with the conditions set forth in the original terms of the Guarantee Scheme and were deemed eligible to issue guaranteed debt despite their non-bank status.

The following table (Figure 1) details the usage of the Guarantee Scheme up to December 1, 2009, after which no debt was issued under the program. This slowdown was due in part to the improving conditions in global markets and, consequently, the steady return of non-

³ The ECB's "Recommendations" previously referenced the period between January 1, 2007, to August 31, 2008, but the Netherlands updated the reference period to reflect CDS spreads calculated for the period between March 1, 2008, to November 1, 2009.

⁴ Achmea Hypotheekbank N.V., Fortis Bank Ned. (Holding) N.V., ING Bank N.V., LeasePlan Corp. N.V., NIBC Bank N.V., and SNS Bank N.V.

guaranteed debt issuance as well as the “revival of equity issuance aimed at market investors” (Levy and Schich 2010).

Figure 1: Operation of the Guarantee Scheme up to December 1, 2009

	Total assigned (€ billion)	Total issued (€ billion)	Total assigned (%)	Total issued (%)
Achmea Hypotheekbank	2.2	2.2	4.1	4.2
SNS	5.7	5.7	10.6	11.0
NIBC	6.8	6.4	12.6	12.3
LeasePlan	7.6	7.2	14.1	13.9
ING	12.8	12.4	23.7	23.9
Fortis	18.9	18.0	35.0	34.7
Total	54.0	51.9	100.0	100.0

Source: Dutch Ministry of Finance.

II. Key Design Decisions

1. The Guarantee Scheme was implemented by the Dutch government as one of many stabilization measures announced in response to the global financial crisis.

Other interventions, implemented independently throughout an extended period spanning from late 2008 through 2013, included individual capitalization, investment, and restructuring measures for major Dutch banks such as Aegon, ING, and SNS REAAL. A majority of the later actions were taken in response to deteriorating conditions exacerbated by the European sovereign debt crisis.

2. The program drew its legal basis from the Dutch Financial Markets Supervision Act of 2006.

Existing Dutch law thus provided the authority for the Guarantee Scheme.

3. In accordance with State aid rules, European Commission approval was required for the implementation of the Guarantee Scheme.

The European Commission authorized the Guarantee Scheme on October 30, 2008. As discussed in more detail below, the need to structure the Guarantee Scheme in such a way as to ensure EC approval significantly influenced the design of certain program features.

4. Up to €200 billion could be guaranteed under the program.

Program documents do not provide a specific rationale for this amount.

5. Eligibility for the Guarantee Scheme was restricted to Dutch banks that met liquidity and solvency requirements.

The Guarantee Scheme as announced provided for eligibility for all banks with substantial operations in the Netherlands. Banks would have to meet certain liquidity and solvency requirements as specified in the Dutch Financial Markets Supervision Act of 2006. Included among eligible institutions were foreign subsidiaries established in the Netherlands deemed by De Nederlandsche Bank to have met the substantial operations test (European Commission 2008a). Applicants to the program needed explicit approval from De Nederlandsche Bank before applying for coverage under the Guarantee Scheme.

As noted in the Outcomes section, LeasePlan Corp. N.V., a fleet management company held mainly by Volkswagen Group, and Achmea Hypotheekbank N.V., a mortgage company, complied with the conditions set forth in the original terms of the Guarantee Scheme and were deemed eligible to issue guaranteed debt despite their non-bank status.

6. Initially, new non-complex senior unsecured loans limited to plain-vanilla commercial paper, certificates of deposits, and fixed- or floating-rate bullet medium-term notes were eligible for coverage under the Guarantee Scheme.

On July 7, 2009, the European Commission approved a request by the Dutch Ministry of Finance to expand eligibility to include all senior unsecured debt instruments.

7. Initially, debt ranging in maturity from three months to three years could be issued under the Guarantee Scheme.

The July 7, 2009, modifications expanded eligibility to include debt with maturities up to five years. Relatedly, the Dutch government committed one third of the total budget (i.e., €66.6 billion) for the granting of guarantees for debt with maturities over three years. An individual limit of one third of this designated amount (i.e., €22.2 billion) was imposed on banks issuing guaranteed debt with maturities greater than three years.

8. Eligibility was restricted to debt denominated in euros, US dollars, and pounds sterling.

Program documents do not provide a specific rationale for limiting eligibility to these currencies.

9. The Ministry of Finance imposed individual caps according to the amount of debt already issued by each participating institution.

Participating institutions were not allowed to issue guaranteed debt in excess of the amount of existing debt maturing between October 23, 2008, and December 31, 2009.

10. The fee for issuing debt pursuant to the Guarantee Scheme varied based on the soundness of the issuing institution and the maturity of the debt guaranteed.

The guarantee fee was determined according to the guidelines presented in the European Central Bank's "Recommendations on government guarantees on bank debt" of October 20, 2008. Guarantees for debts with any length of maturity incurred a flat fee of 50 bps. In addition, variable charges for guaranteed debt with maturities over 12 months were calculated using the lower of either the median five-year CDS spread for that institution from January 1, 2007, to August 31, 2008, or the median five-year CDS spread based on a comparison with peer group members with a similar rating over the same period. For banks without representative CDS spreads but with a credit rating, fees were calculated in accordance with peer group members' ratings over the same period. Banks without either CDS spreads or credit ratings incurred fees based on De Nederlandsche Bank's regulatory assessment (European Commission 2008).

Participation fees were later increased with the December 17, 2009 (see Figure 2), modification and prolongation of the Guarantee Scheme. The flat fee for guaranteeing debt of any maturity increased from 50 bps to 70 bps. Additionally, the variable fees for guaranteeing debt instruments with maturities over 12 months increased due to a change in the period used to calculate CDS spreads, from January 1, 2007 to August 31, 2008 as referenced in the European Central Bank's "Recommendations on government guarantees on bank debt," to March 1, 2008–November 1, 2009 (European Commission 2009a).

Figure 2: Participation Fees as of December 17, 2009

Rating	Fixed fee	Variable fee (CDS spreads)	Total fee
AAA	70 bps	53 bps	123 bps
AA	70 bps	68 bps	138 bps
A	70 bps	73 bps	143 bps
Other	70 bps	93 bps	163 bps

Source: Dutch Ministry of Finance.

On June 29, 2010, the Dutch Ministry of Finance once again increased the fixed component of the participation fee for all credit rating categories according to a progressive scale (see Figure 3), ranging from 75 basis points for banks with triple-A ratings to 110 basis points for banks with ratings lower than A minues (European Commission 2010b). This followed new guidelines from the European Commission issued on April 30, 2010, that called for an increase in guarantee fees for programs still in operation, with the objectives of better matching market conditions and incentivizing firms to shift to non-guarantee issuance as soon as possible.

Figure 3: Participation Fees as of June 29, 2010

Rating	Fixed Fee	Variable Fee (CDS spreads)	Total fee
AAA	75 bps	53 bps	128 bps
AA	80 bps	63 bps	148 bps
A or A+	85 bps	73 bps	158 bps
A-	90 bps	73 bps	163 bps
Other	110 bps	93 bps	203 bps

Source: Dutch Ministry of Finance.

All fees were to be paid on annual basis within forty days of the issuance of guaranteed debt.

A bank that failed to issue debt that it had successfully applied to have covered under the Guarantee Scheme was subject to a termination fee. This termination fee was equal to the participation fee that was to have been charged for each debt issuance.

11. The Ministry of Finance imposed broad conditions for participation, including restrictions on growth in balance sheet volume, executive compensation, and severance packages and the marketing of the Guarantee Scheme.

Guidance issued by the European Commission in October 2008 on the creation of credit guarantee programs called for the inclusion in programs of a set of safeguards “to minimize . . . distortions and the potential abuse of the preferential situations of beneficiaries brought about by a State guarantee” and “to avoid moral hazard.” This guidance did not specify exactly what safeguards a program should include, but required “an adequate combination” of elements including restrictions on advertising based on the guarantee, balance sheet growth, share buybacks and executive compensation some of which the Dutch adopted. (European Commission 2008).

Growth in balance sheet volume while taking part in the Guarantee Scheme was not to exceed the higher of the following:

- 1) The annual growth in nominal GDP in the Netherlands in the previous year;
- 2) The average historical growth in balance sheets in the Dutch banking sector for the period 1987–2007;
- 3) The average percent growth in balance sheet volume of the European Union banking sector in the previous six months (European Commission 2009b).

Although executive compensation and severance package increases were initially restricted unconditionally, the July 7, 2009, modifications to the Guarantee Scheme outlined more specific requirements whereby participating banks would be required to:

- 1) Introduce and maintain a sustainable remuneration policy;
- 2) Ensure that the severance payments for members of the Board of Directors would be limited to one year's fixed salary;
- 3) Adhere to the guidelines set forth by the Dutch Corporate Governance Code when calculating bonuses (European Commission 2009b).

12. As of July 1, 2010, certain participating banks were required to undergo a comprehensive review of their activities under the Guarantee Scheme.

Based on guidelines issued by the European Commission for guarantee programs to be continued beyond June 30, 2010, the Dutch authorities instituted a mandatory viability review for each bank whose total outstanding guaranteed debt as of July 1, 2010 exceeded both a ratio of 5% of total liabilities and a total of €500 million. The Ministry of Finance was required to submit such reports to the European Commission within three months of a new debt issuance or rollover by a participating bank. This requirement was motivated by the European Commission's belief that market conditions had stabilized sufficiently by mid-2010 such that a "persistent failure to obtain a considerable proportion of the funding needed without government guarantees may indicate a lack of confidence in the viability of a bank's business model." Thus, continued heavy reliance on government guarantees necessitated an examination of the institution's business in the Commission's view (European Commission 2010a).

13. Upon the first event of default, the Dutch State Treasury Authority was required to fulfill its guarantee obligations to a participating institution within three months.

In the event that a participating institution defaulted on its guaranteed debts, the Dutch State Treasury Authority would assume responsibility for paying principal and interest through maturity and pay all obligations within three months of the date of default. The government reserved the right to extend its payment date up to three times under extraordinary circumstances (European Commission 2008).

Per the original terms of the Guarantee Scheme, the guaranteed debt would have to provide for the repayment of principal in a single amount. The terms of the debt instruments were not permitted to include any allowance for cross-default, cross-acceleration of default, or any call option on the principal (Ministry of Finance 2008).

14. The Guarantee Scheme issuance window was initially set to expire on December 31, 2009, before being extended to December 31, 2010.

Although the original terms specified an end date of December 31, 2009, the Guarantee Scheme issuance window was prolonged for two periods of six months each. The program's issuance window expired on December 31, 2010.

III. Evaluation

It has been hypothesized that Dutch banks considered the Guarantee Scheme to be a facility of “last resort,” and that, given peak utilization totaled only a quarter of the €200 billion budget, they were successful in finding alternative sources of emergency funding (Leal 2011). For instance, according to Leal, the diversity of beneficiaries suggests that large, multinational groups may have simultaneously accessed guarantee schemes in several countries via their foreign subsidiaries (Leal 2011). The fact that four of the six financial institutions issued less guaranteed debt than they had been assigned by the DSTA also indicates that institutions may have only applied to the Guarantee Scheme for supplementary aid (Leal 2011.).

All guaranteed debt was issued prior to November 2009, so it is unclear whether the lack of program utilization had to do with the fee increases specified in the December 2009 term modifications (Leal 2011).

Leal also found evidence for the positive effect of guaranteed debt issuance on the credit spreads of Dutch bonds, particularly for senior unsecured debt issues and subordinated debt issues (Leal 2011). However, Leal finds that this may have been accompanied by the crowding out of non-guaranteed issuances.

IV. References

European Commission. 2008. “Steenmaatregel N 524/2008 - Nederland; Garantierегeling ten behoeve van banken in Nederland.” Brussels. https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/228022_883613_26_2.pdf.

———. 2009a. “State Aid N 669/2009 – Netherlands; Prolongation of the Dutch Guarantee Scheme.” Brussels. https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/EC_State_Aid_Prolongation_Dec_2009.pdf.

———. 2009b. “Steenmaatregelen N 379/2009 en NN 16-2009 - Nederland; Garantierегeling ten behoeve van banken in Nederland.” Brussels. https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/232059_974370_22_2.pdf.

———. 2010a. “The Application of State Aid Rules to Government Guarantee Schemes Covering Bank Debt to Be Issued after 30 June 2010.” Brussels. https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/phase_out_bank_guarantees%2030%20April%202010.pdf.

———. 2010b. “State Aid N 238/2010 – The Netherlands; Extension of the Dutch Guarantee Scheme.” Brussels. https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/EC_State_Aid_Extension_June_2010.pdf.

Leal, J.A. Manrique. March 2011. "The Impact of Liability Guarantees on Dutch Credit Spreads."

https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Leal_Impact_Liability_Guarantees_Dutch_Credit_Spreads_March_2011.pdf.

Levy, Aviram, and Sebastian Schich. 2010. "The Design of Government Guarantees for Bank Bonds: Lessons from the Recent Financial Crisis," OECD Journal: Financial Market Trends. Issue 1: 1-32.

https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Levy_and_Schich_2010_0.pdf.

Ministry of Finance. 2008. "Rules of the 2008 Credit Guarantee Scheme of the State of the Netherlands." October 21, 2008.

https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Rules_2008_Credit_Guarantee_Scheme_Oct_2008.pdf.

V. Key Program Documents

Summary of Program

Rules of the 2008 Credit Guarantee Scheme of the State of the Netherlands (Ministry of Finance 2008) – *Official government document describing the original terms and conditions of the credit guarantee scheme.*

https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Rules_2008_Credit_Guarantee_Scheme_Oct_2008.pdf.

Stability Programme of the Netherlands: December 2008 Addendum (Ministry of Finance 2008) – *Official government document describing the terms and conditions of the addendum to the credit guarantee scheme.*

https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Ministry_of_Finance_Stability_Programme_of_the_Netherlands_Dec_2008.pdf.

Implementation Documents

Steunmaatregel N 524/2008 - Nederland; Garantieregeling ten behoeve van banken in Nederland (European Commission 2008) – *State Aid document summarizing the terms and conditions of the original credit guarantee scheme.*

https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/228022_883613_26_2.pdf.

Steunmaatregelen N 379/2009 en NN 16-2009 - Nederland; Garantieregeling ten behoeve van banken in Nederland (European Commission 2009) – *State Aid document describing the terms and conditions of the 2009 extensions of the credit guarantee scheme.*

https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/232059_974370_22_2.pdf.

State Aid N 669/2009 – Netherlands; Prolongation of the Dutch Guarantee Scheme (European Commission 2009) – *State Aid document describing the terms and conditions of the*

2009 prolongation of the credit guarantee scheme.
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/EC_State_Aid_Prolongation_Dec_2009.pdf.

State Aid N 238/2010 – The Netherlands; Extension of the Dutch Guarantee Scheme (European Commission 2010) – *State Aid document describing the terms and conditions of the 2010 extension of the credit guarantee scheme.*
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/EC_State_Aid_Extension_June_2010.pdf.

Legal/Regulatory Guidance

Act of 28 September 2006, on Rules Regarding the Financial Markets and Their Supervision (Kingdom of the Netherlands 2007) – *Unofficial translation of government regulation cited in the design of the 2008 credit guarantee scheme.*
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Translation_FSMA_Wet%20op%20het%20financieel%20toezicht_Nov_2007_0.pdf.

Recommendations of the Governing Council of the European Central Bank on government guarantees for bank debt (European Commission 2008) – *Guidelines issued by the ECB for all EU governments planning to design a credit guarantee scheme.*
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/recommendations_on_guarantees%20ecb.pdf.

The Application of State Aid Rules to Government Guarantee Schemes Covering Bank Debt to Be Issued after 30 June 2010 (European Commission 2010) – *State Aid document describing common rules for the implementation of credit guarantee schemes in the EU.*
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/phase_out_bank_guarantees%2030%20April%202010.pdf.

Press Releases/Announcements

Implementation of Dutch Credit Guarantee Scheme (10/21/2008) – *Press release published by the Dutch central bank regarding the initial launch of the credit guarantee scheme.*
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/De_Dederlandsche_Bank_Implementation_Dutch_Credit_Guarantee_Oct_2008.pdf.

Key Academic Papers

The Design of Government Guarantees for Bank Bonds: Lessons from the Recent Financial Crisis (Levy and Schich 2010) – *Report comparing the various credit guarantee schemes implemented by governments around the world in response to the GFC.*
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Levy_and_Schich_2010_0.pdf.

The Impact of Liability Guarantees on Dutch Credit Spreads (Leal 2011) – *Academic paper investigating the effect of the Dutch Credit Guarantee Scheme on the credit spreads of Dutch*

banks.

https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Leal_Impact_Liability_Guarantees_Dutch_Credit_Spreads_March_2011.pdf.

The Pricing of Government-Guaranteed Bank Bonds (Levy and Zaghini 2010) – *Academic paper describing the evolution and pattern of bond issuance across countries to assess the effects of credit guarantee schemes.*
https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Levy_Zaghini_Pricing_Govt_Guaranteed_Bank_Bonds_2010.pdf.

Reports/Assessments

BIS Papers – No. 48: An assessment of financial sector rescue programmes (Bank for International Settlements 2009) – *Report comparing the various government interventions implemented in response to the global financial crisis, including the Dutch credit guarantee scheme.*

<https://www.bis.org/publ/bppdf/bispap48.pdf>.

State Aid: Overview of decisions and on-going in-depth investigations of Financial Institutions in Difficulty (European Commission 2016) – *State Aid document assessing and comparing various government interventions enacted in the EU in response to the global financial crisis.*

https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/EC_State_Aid_Overview_Decisions_Financial_Institutions_2016.pdf.

Copyright 2015, 2016, 2020 © Yale University. All rights reserved. To order copies of this material or to receive permission to reprint any or all of this document, please contact the Yale Program for Financial Stability at ypfs@yale.edu.