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Agreed Guidelines Reached on Deposit Guarantees

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Agreed Guidelines Reached on Deposit Guarantees

Significant progress has been made towards solving the differences on the interpretation of legal obligations with respect to deposit guarantees in the European Economic Area. The issue stemmed from difficulties following the collapse of former privately-owned Icelandic banks, in particular the Landsbanki in the United Kingdom and the Netherlands and the issue of the so-called Icesave accounts. Talks between Iceland and several EU member states, initiated by the French EU Presidency, led to a common understanding that will form the basis for further negotiations.

According to the agreed guidelines, the government of Iceland will cover deposits of insured depositors in the Icesave accounts in accordance with EEA law. They also entail that the EU, under the French Presidency, will continue to participate in finding arrangements that will allow Iceland to restore its financial system and economy.

Furthermore, it was agreed to facilitate financial assistance to Iceland, including agreeing on a stabilisation package from the IMF. Iceland's request for financial assistance from the IMF will be discussed at its Executive Board meeting on Wednesday 19 November.

Agreed Guidelines

1. The Government of Iceland has held consultations with the EU Institutions and the Member States concerned regarding the obligations of Iceland under the EEA with respect to the Deposit Guarantee Directive 94/19/EC. All parties concluded that the Deposit Guarantee Directive has been incorporated in the EEA legislation in accordance with the EEA Agreement, and is therefore applicable in Iceland in the same way as it is applicable in the EU Member States.
2. The acceptance by all parties of this legal situation will allow for the expeditious finalization of negotiations underway concerning financial assistance for Iceland, including the IMF. These negotiations shall be conducted in a coordinated and consistent

way, and shall take into account the unprecedented difficult situation of Iceland and therefore the necessity of finding arrangements that allow Iceland to restore its financial system and its economy.

3. The EU and the EEA Institutions will continue to be involved and consulted on this process.

Reykjavik 16 November 2008

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