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Ireland: Credit Institution (Financial Support) Scheme, 2008[1]

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Abstract

The Global Financial Crisis exposed fragilities in the Irish banking system and led to widespread runs on Irish banks. Irish authorities attempted to address the runs on September 22, 2008, by increasing the country's deposit guarantee limit from EUR 20,000 to EUR 100,000 (USD 28,800 to USD 140,000) and raising the coverage of deposits from 90% to 100%. When the runs continued, the Irish minister for finance announced a blanket guarantee of bank liabilities on September 30 without consulting European Union authorities. The announcement specified the blanket guarantee would be effective immediately and remain in effect for two years. The blanket guarantee would cover all deposits, covered bonds, senior debt, and dated subordinated debt for six systemically important banks. The minister for finance later confirmed that the guarantee would also cover five subsidiaries of foreign banks with a significant domestic presence. The government's recapitalization, nationalization, and restructuring of guaranteed banks ultimately cost Irish taxpayers EUR 41.7 billion. Ireland borrowed EUR 85 billion from the International Monetary Fund in November 2010 to support the Irish banking system. The guarantee was very controversial, both inside Ireland and abroad, and many commentators have criticized Irish authorities for underestimating the size of the problem they faced early in the crisis.

Keywords: blanket guarantee, Global Financial Crisis, Ireland

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[1] This case study is part of the Yale Program on Financial Stability (YPFS) selection of New Bagehot Project modules considering blanket guarantee programs. Cases are available from the *Journal of Financial Crises* at https://elischolar.library.yale.edu/journal-of-financial-crises/.

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Overview

Before 2008, Ireland's economy had become increasingly reliant on property-related lending funded by short-term international wholesale funding. The September 2007 run on Northern Rock in the United Kingdom and the sell-off in Irish banks' shares in March 2008 created funding pressures for Irish banks (Baudino, Murphy, and Svoronos 2020).

In September 2008, following the failure of Lehman Brothers, a US investment bank, all the main Irish banks experienced depositor runs and Anglo Irish Bank began to lose access to wholesale funding markets as well. On September 22, 2008, the Irish government increased the country's deposit guarantee limit from EUR 20,000 to EUR 100,000 (USD 28,800 to USD 140,000),[3] in line with European Union (EU) guidance, and increased coverage from 90% to 100%. These measures reassured some ordinary depositors but did not sufficiently ease Irish banks' liquidity pressures. The United States Congress's initial rejection of the Troubled Assets Relief Program and further announcements of bank failures in the UK and Europe on September 29, 2008, led to increasing runs and put further pressure on Ireland's government to act. Irish authorities learned that Anglo Irish had lost EUR 2 billion in deposits that day and expected the runs to continue throughout the week (Baudino, Murphy, and Svoronos 2020; EC 2008; Houses of the Oireachtas 2015).

On September 30,[4] the Irish minister for finance announced a blanket guarantee for the six systemically important financial institutions, to take immediate effect. The

Key Terms

Purpose: "To remove any uncertainty on the part of counterparties and customers of the six credit institutions" (Dept. of Finance 2008)

Launch Date(s)	Announcement: Sept. 30, 2008; Authorization: Oct. 2008; Operation: Sept. 29, 2008
End Date(s)	Sept. 28, 2010
Eligible Institutions	Six systemically important banks and five foreign subsidiaries with a "significant and broad based footprint in the domestic economy"
Eligible Accounts	All deposits (retail, commercial, institutional, and interbank), covered bonds, senior debt, and dated subordinated debt
Fees	Calculated quarterly by the minister based on risk profile and the total estimated cost of the guarantee to the government
Coverage	Approx. EUR 400 billion
Outcomes	Bailouts of guaranteed banks cost the Irish government EUR 41.7 billion
Notable Features	The guarantee was initially limited to six domestic banks; the authorities added five foreign banks the following week; The guarantee was voluntary; all six domestic banks applied, but only one of the five eligible foreign banks did

[3] Per Yahoo Finance, EUR 1.00 = USD 1.45 on September 30, 2008.

[4] The process of authorization from the European Commission and the Irish Government took place throughout October.

minister's statement said that the government took the measure "[t]o remove any uncertainty on the part of counterparties and customers of the six credit institutions" (Dept. of Finance 2008). More broadly, it said the purpose of the guarantee was "to safeguard the Irish financial system and to remedy a serious disturbance in the economy caused by the recent turmoil in the international financial markets."

The announcement specified that the guarantee would cover all deposits—retail, commercial, institutional, and interbank—and select debt instruments—covered bonds, senior debt, and dated subordinated debt—for six banks: Allied Irish Bank, Bank of Ireland, Anglo Irish Bank, Irish Life and Permanent, Irish Nationwide Building Society, and the Educational Building Society (Dept. of Finance 2008).[5] On October 9, the minister confirmed with the European Commission (EC) that the guarantee would also cover five subsidiaries of foreign banks with a significant domestic presence: Ulster Bank, First Active, Halifax Bank of Scotland, IIB Bank, and Postbank. The existing deposit insurance continued to cover deposits up to EUR 100,000 (EC 2008). The guarantee covered approximately EUR 400 billion,[6] more than twice the size of Ireland's economy, which news sources reported on the day of the announcement (Baudino, Murphy, and Svoronos 2020, 14; Pop 2013; Reuters Staff 2008). The guarantee was scheduled to end on September 28, 2010.

The Irish government did not consult the European Central Bank (ECB) or the European Commission before announcing the blanket guarantee. After the announcement, the Irish government was in communication with the ECB and the European Commission (ECB 2008a; EC 2008). On October 2, 2008, the Irish Parliament adopted the Credit Institutions (Financial Support) Act 2008 (CIFS Act), which authorized the minister for finance to develop a scheme for guaranteeing bank liabilities. In its October 13, 2008, opinion on the CIFS Act, the ECB criticized Ireland's unilateral response to the crisis. On that same date, the Irish government obtained approval from the European Commission for the Credit Institution (Financial Support) Scheme, 2008 (CIFS Scheme), which the minister had developed pursuant to the CIFS Act. The CIFS Scheme then came into effect on October 20, 2008 (EC 2009; Petrovic and Tutsch 2009). The CIFS Scheme provided a framework for the blanket guarantee announced by the minister and established the procedure for entering the CIFS Scheme, how the fee would be determined, and the division of responsibilities among the minister, central bank governor, and the Irish Financial Services Regulatory Authority (Regulatory Authority) (ECB 2008b).

The year before the CIFS Scheme ended, the government introduced a new, more limited guarantee on newly issued debt, the Eligible Liabilities Guarantee (ELG) Scheme. Dated subordinated debt and covered bonds issued after the start of the ELG Scheme were not covered by either scheme, and once banks joined the ELG Scheme, all newly issued debt was covered by the ELG Scheme instead of the CIFS Scheme. All institutions eligible for the CIFS Scheme were eligible for ELG and had a 60-day window in which to apply. To incentivize switching to the ELG Scheme, Irish authorities planned to raise fees for the CIFS Scheme 60

[5] The Irish banking system was highly concentrated at the time (US Library of Congress 2008).

[6] The coverage of the guarantee is reported differently by different sources, ranging from about EUR 375 billion to EUR 440 billion (Baudino, Murphy, and Svoronos 2020, 14; Pop 2013; Reuters Staff 2008).

days after the commencement of ELG to match the ELG fees. Documents did not make it clear whether or not this happened. At the time it was launched, the ELG guaranteed EUR 74.6 billion in liabilities at four firms. Deposits up to EUR 100,000 continued to be covered by the original deposit insurance (EC 2008). However, the government had changed the liabilities eligible for the guarantee under the ELG and CIFS schemes (OCAG n.d.). The two schemes no longer guaranteed subordinated debt or covered bonds issued after the ELG began on December 9, 2009 (EC 2009).[7] The two schemes ran in parallel until the end of the CIFS Scheme on September 28, 2010. The ELG Scheme ran until March 2013 (Dept. of Finance 2015).

As the end of the CIFS Scheme approached, Irish banks remained troubled, leading the government to approach the EU and International Monetary Fund (IMF) for support (CBFSAI 2010; Woll 2014). On November 28, 2010, the EU, IMF, and Irish government agreed on a EUR 85 billion rescue package.[8] The package set aside EUR 50 billion as funding for the Irish government; it devoted the rest for the banking system, providing additional capital, credit enhancements of risky loans, and a safety cushion if the banks needed more help.

Before the end of the CIFS Scheme, the government nationalized Anglo Irish Bank, in January 2009. In 2011, Anglo Irish took over the National Building Society and changed its name to the Irish Bank Resolution Corporation (IBRC) (Reuters Staff 2011). By 2013, IBRC was the only bank to make claims under the ELG Scheme and ultimately failed, leading to liquidation by the Irish government (OCAG n.d.).

The government collected EUR 4.4 billion in CIFS and ELG schemes fees, with an additional EUR 5.8 million recouped for administrative costs from participating institutions. Of this total, fees specific to the CIFS Scheme totaled EUR 758.4 million and ELG-specific fees totaled EUR 3.6 billion (Dept. of Finance 2015).[9] The net cost to the Irish government of its financial crisis policies was EUR 41.7 billion. Major portions of this were investments in banks totaling EUR 66.8 billion and the cost of servicing debt associated with these investments, totaling EUR 22 billion. The high cost of investment in banks primarily came from the liquidation of the Anglo Irish Bank, with a net cost of EUR 36.4 billion as of 2018 and no expectation of recouping any further funds (OCAG n.d.).

Summary Evaluation

The CIFS Scheme is considered "one of the most debated and controversial topics of the Irish crisis" (Baudino, Murphy, and Svoronos 2020, 10). The ECB, in its first response to the

[7] However, subordinated debt or covered bonds previously covered by the CIFS were covered until its expiration in September 2010.

[8] The agreement specified that capital injections should go toward increasing Tier 1 capital ratios to 12%; banks had to transfer their risky loans to the National Asset Management Agency (NAMA), which then sold them to private investors; banks were encouraged to downsize through the sale of affiliates and noncore assets; and no longer viable banks, Anglo Irish and Irish Nationwide Building Society, were unwound (Woll 2014, 147).

[9] As of June 2015, about EUR 1.1 billion had been paid out under government guarantee schemes, although none of these payments were through the CIFS Scheme (OCAG n.d., 33). These payments were primarily related to the failure and liquidation of the Anglo Irish Bank (Dept. of Finance 2015, 18).

proposal on October 3, 1998, noted the risks to the Irish government's budget at a time when its finances were deteriorating (ECB 2008a). As it turned out, the overall cost of the Irish response to its banking crisis totaled about 40% of GDP, the second costliest in advanced economies since the Great Depression. A major issue was a lack of confidence that the government would be able to cover the growing costs of the guarantee (IMF 2012).

European Union institutions and scholars have leveled several other critiques of specific elements of this policy, among them the inclusion of dated subordinated debt, the unilateral action of the Irish government, and a lack of necessary information in making the decision to announce the guarantee.

In terms of the decision-making process, some sources consider the government's decision to implement the guarantee as designed was made based on insufficient information. The Irish authorities believed banks faced a liquidity issue but were not at risk of insolvency, which turned out not to be the case. Analysts told the government that Irish banks were solvent based on the capital and accounting standards at the time, but in retrospect, those standards were not forward-looking (Baudino, Murphy, and Svoronos 2020; ECB 2008a; Whelan 2013).

Both the ECB and scholars have criticized Ireland's unilateral move and how the Irish blanket guarantee put pressure on other EU countries to put in place similar guarantees (Baudino, Murphy, and Svoronos 2020; ECB 2008a; Whelan 2013). The ECB's October 3 opinion on the CIFS Act proposal highlighted this issue, noting that since there were many countries in distress "it would have been advisable to properly consult other EU authorities" (ECB 2008a, 3).

The ECB's opinion also expressed the concern that publicly identifying the banks covered by the guarantee could give them "preferential treatment" (ECB 2008a, 3). Between the announcements of the guarantee for domestic banks and the guarantee for foreign banks, many criticized the guarantee as being "discriminatory" (Chee 2008). Even after that the inclusion of foreign subsidiaries, the coverage remained limited to 11 institutions and excluded many banks operating in Ireland. Danske Bank reported massive withdrawals of Irish deposits from its subsidiary, National Irish Bank, which the guarantee did not cover (Woll 2014).

One economist criticizes the government for covering both existing and new debt and emphasized problems with including dated subordinated debt, which is supposed to absorb losses. Most European countries in October 2008 put in place credit guarantees that guaranteed only newly issued debt. Covering the entire stock of debt ultimately made the bailout of the biggest Irish banks more costly, he argues (Whelan 2013).

Despite these critiques, reports from the Irish central bank and the IMF have acknowledged the initial success of the guarantee in stemming an outflow of market funding and, in combination with capital injections, aiding banks subject to the guarantee in obtaining new market funding (CBFSAI 2009; IMF 2009).

The CIFS Scheme was never explicitly exercised, in that the government didn't directly pay depositors and other bank creditors. Still, bailing out the guaranteed banks ultimately cost taxpayers billions. Some critique the inclusion of Anglo Irish Bank in the initial guarantee, despite the bank having experienced significant distress before the September 30, 2008, announcement. One economist argues that the government should have shut down Anglo Irish Bank, transferred depositors and good assets to another bank, and put troubled assets in a bad bank with unguaranteed creditors (Whelan 2013). The nationalization of Anglo Irish Bank followed by its failure in 2013 and subsequent liquidation was the most costly element of Irish policy (Whelan 2013; Woll 2014).

Context: Ireland 2008–2009		
GDP (SAAR, nominal GDP in LCU converted to USD)		$275.4 billion in 2008
		$236.4 billion in 2009
GDP per capita (SAAR, nominal GDP in LCU converted to USD)		$61,353 in 2008
		$52,133 in 2009
Sovereign credit rating (five-year senior debt)	2008	Moody's: Aaa
		S&P: AAA
		Fitch: AAA
	2009	Moody's: Aa1
		S&P: AA
		Fitch: AA-
Size of banking system		$463.2 billion in 2008
		$413.5 billion in 2009
Size of banking system as a % of GDP		168.2% in 2008
		174.9% in 2009
Size of banking system as a % of financial system		Data not available in 2008
		Data not available in 2009
Five-bank concentration of banking system		90.7% in 2008
		90.8% in 2009
Foreign involvement in banking system		36% in 2008
		35% in 2009
Existence of deposit insurance		Yes in 2008
		Yes in 2009
Sources: Bloomberg; World Bank Global Financial Development Database; World Bank Deposit Insurance Dataset.		

Key Design Decisions

1. **Purpose: Irish authorities introduced the blanket guarantee "[t]o remove any uncertainty on the part of counterparties and customers of the six credit institutions."**

The government said the blanket guarantee would "remove any uncertainty on the part of counterparties and customers of the six credit institutions" (Dept. of Finance 2008). Its objectives were "to maintain financial stability for the benefit of depositors and businesses" and "to safeguard the Irish financial system and to remedy a serious disturbance in the economy caused by the recent turmoil in the international financial markets" (Dept. of Finance 2008). The announcement came amidst significant depositor runs from Irish banks (Baudino, Murphy, and Svoronos 2020; EC 2008; Woll 2014).

The government made its decision to announce the blanket guarantee on September 29, 2008, focusing on the need to prevent Anglo Irish from failing. Anglo Irish had lost EUR 2 billion in deposit runs that day. An official in attendance at internal meetings on September 29 said there was a consensus that letting Anglo Irish fail was not an option. The same official reported that only one other option was considered, besides the blanket guarantee: nationalizing Anglo Irish and guaranteeing the other banks (Houses of the Oireachtas 2015).

2. **Part of a Package: The CIFS Scheme was followed by other crisis policies, including recapitalizations and asset management efforts, and was ultimately replaced by a limited guarantee scheme.**

The minister for finance announced the blanket guarantee independently of other policies. However, the Irish government introduced subsequent policies in reliance on the CIFS Act and with the aim of supporting the banks guaranteed by the CIFS Scheme (EC 2008; Whelan 2013). Additional policies adopted by Irish authorities in late 2008 and throughout 2009 included recapitalizations, the purchase of distressed assets on banks' balance sheets, nationalization of Anglo Irish Bank, and recapitalization through investments from the National Pensions Reserve Fund; Ireland also received a support package from the EU and IMF in 2010 (Baudino, Murphy, and Svoronos 2020; CBFSAI 2008; Petrovic and Tutsch 2009).[10]

The government introduced the Eligible Liabilities Guarantee Scheme as a new, more limited guarantee on newly issued debt in the year before the CIFS Scheme was set to expire. The two schemes ran in parallel from December 9, 2009, until the CIFS Scheme expired on September 28, 2010 (Dept. of Finance 2015; EC 2009). All institutions eligible for the CIFS Scheme were eligible for the ELG Scheme. They had a 60-day window in which to apply for participation. The coverage under the ELG Scheme was more limited than under the CIFS

[10] See the New Bagehot Project website for case studies on Ireland 2009 Recapitalization Program for Financial Institutions (Kelly 2021), National Asset Management Agency (NAMA) (Nye 2021), and Credit Institutions (Eligible Liabilities Guarantee) Scheme (Simon n.d.).

Scheme, and once ELG started, neither new subordinated debt nor covered bonds were eligible under either scheme. To incentivize banks to switch to ELG, the government planned to raise the CIFS Scheme fees 60 days after the ELG Scheme began so the fees under both schemes would be the same. The ELG Scheme ran until March 2013 (Baudino, Murphy, and Svoronos 2020). Deposits up to EUR 100,000 were covered by the original deposit insurance during both the ELG and CIFS schemes and continued to be covered by this deposit insurance after both schemes ended (EC 2008).

3. **Legal Authority: The legal process for establishing the blanket guarantee progressed quickly after the guarantee was announced, with the necessary approval from the European Commission and European Central Bank obtained only after the announcement.**

The Irish blanket guarantee was announced on September 30, 2008, by the minister for finance following consultation with the governor of the central bank and representatives of the Regulatory Authority. This announcement was made without consulting the ECB or receiving approval from the European Commission, which was required under European Commission regulations (Baudino, Murphy, and Svoronos 2020). The same day, following the minister's announcement, the European Commission requested information from the Irish authorities. The next day, the European Commission followed up with a list of questions, and the Irish minister reached out to the ECB requesting an opinion on the draft CIFS Act, the legislation intended to give the minister the authority to adopt a guarantee scheme (ECB 2008a; EC 2008).

The CIFS Act was passed by the Irish Parliament and entered into force on October 2; Irish authorities received the ECB's opinion on the act the following day. The CIFS Act established a process for creating a guarantee scheme; namely, the minister would prepare a draft scheme that he would lay before each house of the Irish Parliament for approval before the minister could officially adopt the scheme (CIFS Scheme 2008b). On October 10, the minister requested an opinion from the ECB on the draft CIFS Scheme. The European Commission approved the CIFS Scheme on October 13, and the ECB returned its opinion to the minister on October 15[11] (ECB 2008a; ECB 2008b; EC 2008). The CIFS Scheme came into effect on October 20, 2008 (Petrovic and Tutsch 2009).

The CIFS Act also provided the legal authority for the National Pensions Reserve Fund Miscellaneous Provisions Act 2009, the establishment of a National Asset Management Agency, and the ELG Scheme (EC 2009; Petrovic and Tutsch 2009).

[11] In its opinion, the ECB highlighted the importance of State Aid rules and that the Irish government should have sought approval from the European Commission before announcing its guarantee because of these rules (ECB 2008a, 2).

4. Administration: The minister for finance, central bank governor, and Regulatory Authority were responsible for decision-making regarding the operation of the CIFS Scheme.

The CIFS Act made the minister responsible for deciding whether financial support was needed. When making this decision, the minister had to evaluate the potential threat to the credit system, the stability of the financial system, and potential economic disturbance. The minister was also responsible for determining the quarterly fee, creating the process for joining the scheme, and other actions as deemed "necessary to achieve the goals" of the CIFS Act (EC 2008). Other actions included regulating the commercial conduct and competitive behavior of the credit institutions (ECB 2008a; EC 2008).

The governor and the Regulatory Authority were also responsible for monitoring the operations of the scheme and reporting to the minister. The governor and the Regulatory Authority had the power to set regulatory requirements of participating institutions and instruct their behavior to decrease risk to the state.

5. Governance: The minister, governor, and Regulatory Authority monitored each other's administrative tasks.

The CIFS Act empowered the minister to create the CIFS Scheme by creating a draft scheme that then needed to be passed by each House of Oireachtas. The minister was also required to report to each House of Oireachtas on any financial support given, starting at the end of 2009 and continuing each subsequent year (CIFS Act 2008a).

In running the CIFS Scheme, the minister was required to consult the governor and the Regulatory Authority when making decisions. The minister, governor, and Regulatory Authority each had administrative tasks relevant to the operation of the CIFS Scheme and monitoring tasks overseeing the others' administrative tasks (ECB 2008a).

In correspondence with the European Commission before the Commission's approval of the CIFS Scheme, the Irish government committed to biannually reporting to the Commission on the functioning of the scheme (EC 2008).

6. Communication: The announcement of the guarantee on September 30, 2008, expressed the purpose of removing uncertainty from the counterparties and customers of the specified banks.

The primary communication from the Irish government was the minister's announcement of the guarantee on September 30, 2008 (Dept. of Finance 2008). The Central Bank and Financial Services Authority of Ireland's Annual Report from 2009 addresses the government's policy regarding the financial crisis and categorizes the blanket guarantee as a "fundamental change to the regulation of financial service providers" (CBFSAI 2010, 8).

7. Source(s) and Size of Funding: The CIFS Scheme covered about EUR 400 billion, and the guarantee was funded through fees from participating institutions.

The initial announcement of the blanket guarantee on September 30, 2008, established the use of fees in funding (Dept. of Finance 2008). The CIFS Scheme further specified that it would be funded from fees collected from covered institutions, and any charge to the Ministry for Finance as a result of exercising the guarantee would be recouped from participating institutions.

To determine the quarterly fee, the minister estimated the aggregate cost borne by the state combined with the risk profiles of covered institutions. The fact that the cost would eventually be recouped by the government was important in gaining approval from the European Commission (EC 2008, 13).

The guarantee covered about EUR 400 billion of banks' liabilities, more than 200% of Ireland's GDP (Baudino, Murphy, and Svoronos 2020; IMF 2009; Pop 2013).

8. Eligible Institutions: Initially, six systemically important banks were eligible. In the week after the announcement of the CIFS Scheme, Irish authorities added five foreign subsidiaries to the eligible list.

The government included a list of eligible institutions in its initial announcement on September 30, 2008: Allied Irish Bank, Bank of Ireland, Anglo Irish Bank, Irish Life and Permanent, Irish Nationwide Building Society, and the Educational Building Society (Dept. of Finance 2008).

Following communication with the European Commission in early October 2008, the minister specified that the scheme would exclude intragroup borrowing and debt due to the ECB. It also extended the guarantee to subsidiaries of foreign banks with a "significant and broad based footprint in the domestic economy:" Ulster Bank, First Active, Halifax Bank of Scotland, IIB Bank, and Postbank (EC 2008).

Any of the institutions the minister identified in the two announcements could join the scheme by executing a guarantee acceptance deed (ECB 2008b). All six initially identified banks and one foreign subsidiary (Postbank) participated in the CIFS Scheme (Dept. of Finance 2015).

Upon the commencement of the ELG Scheme, any institution eligible to participate in the CIFS Scheme was also eligible to participate in the ELG Scheme. If a firm elected not to switch schemes, it continued to be covered by the CIFS Scheme until that facility's expiration on September 28, 2010 (EC 2009).

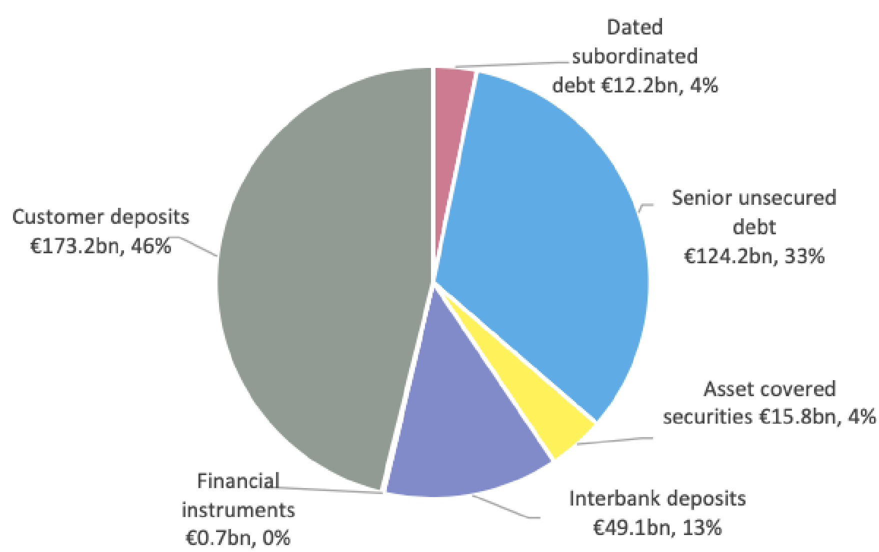
9. Eligible Liabilities: The guarantee initially covered all bank liabilities except perpetually subordinated debt; in late 2009, the minister also excluded dated subordinated debt and covered bonds, while introducing the ELG Scheme.

Initially, the September 22, 2008, announcement increased the existing deposit insurance from EUR 20,000 to EUR 100,000 and eliminated coinsurance by covering 100% of insured deposits instead of the previous 90% (EC 2008; Keena 2008; Laeven 2014; Logue 2008).

Then, the September 30, 2008, announcement listed "all deposits (retail, commercial, institutional and interbank), covered bonds, senior debt and dated subordinated debt" as the eligible liabilities covered at the eligible institutions (Dept. of Finance 2008). Only perpetually subordinated debt was not covered by this original statement (Baudino, Murphy, and Svoronos 2020).

Lastly, after the announcement and introduction of the ELG Scheme, dated subordinated debt and covered bonds issued after the start of the ELG Scheme were not covered by either scheme. Once banks joined the ELG Scheme, their newly issued debt was covered by the ELG Scheme instead of the CIFS Scheme (EC 2009). See Figure 1 for the breakdown of liabilities guaranteed by the Irish Government as of September 30, 2008.

Figure 1: Liabilities Guaranteed by the Irish Government, as of September 30, 2008



Source: Baudino, Murphy, and Svoronos 2020, 11.

10. Fees: The guarantee was entirely funded by fees based on an institution's risk profile before late 2009, when the minister raised the fee to match that of the ELG Scheme.

In the original announcement of a blanket guarantee on September 30, 2008, the government announced that participating institutions would pay a fee. Institutions paid a quarterly fee, determined by each institution's risk profile, which was recalculated each quarter (ECB 2008b; EC 2008). Documents reviewed did not provide details about the levels of CIFS fees.

To incentivize switching to the ELG Scheme, Irish authorities planned to raise the fees for institutions that chose to stay in the CIFS Scheme to match the ELG fees, after a 60-day window.

The plan for the ELG Scheme included different fees based on the maturity of guaranteed liabilities, following ECB recommendations. For liabilities with maturities greater than one year, the fee was 50 basis points (bps) of the insured amount plus a relevant credit default swap spread, reflecting the market's view of the risk of the insured institution. For liabilities with maturities of a year or less, the fee was a flat 50 bps (EC 2009).

However, the Irish authorities received EC approval to include a three-month transition period for newly issued securities and deposits with maturities of one month or less. For the first three months of the ELG Scheme, the fee was set at 25 bps of the insured amount; after that, it was set at a flat 50 basis points, following ECB recommendations. The ECB agreed with Irish authorities that this transition period "will provide a phase-in phase where the lower fee will prevent a destabilizing impact on funding conditions and improve the stability of the institutions concerned . . . [G]iven that instruments with maturities up to three months constitute a substantial amount of all guaranteed debt under the CIFS Scheme, a transitional period is necessary to keep the ELG Scheme meaningful" (EC 2009, 12).

11. Process for Exercising Guarantee: To exercise the guarantee, a participating institution's creditors made a claim to the minister.

In the event of a default by an institution covered by the CIFS Scheme, the institution's creditors were to make a claim with the minister. Any such institution was then required to develop a restructuring plan within six months (EC 2008).

If an institution activated the guarantee and the government payment was not fully recouped from that institution, the burden passed to other covered institutions that, over time, paid back the government in full. Despite this intent, the government's banking policy did end up costing taxpayers (OCAG n.d.).

12. Other Restrictions: The CIFS Scheme and Act gave the minister, governor, and Regulatory Authority powers to set targets and restrictions for participating institutions.

The CIFS Scheme and Act gave the minister, Regulatory Authority, and the central bank governor the ability to set targets on assets and liabilities, impose restrictions on subordinated debt, and limit exposure to certain sectors or customers. In communications with the European Commission following the announcement of a blanket guarantee and before passage and approval of the official legislation of the CIFS Scheme and Act, the minister expressed the intent to impose more specific restrictions on subordinated debt coverage, although this did not happen (EC 2008). Banks covered by the guarantee were also subject to heightened supervision (CBFSAI 2010).

The Regulatory Authority was responsible for monitoring the growth of participating institutions to ensure their annual growth in balance sheet volume did not exceed the highest of: (i) "the annual rate of growth of Irish nominal GDP in the preceding year, (ii) the average annual historic growth in the balance sheets of Irish credit institutions during the period 1987–2007, or (iii) the average growth of the balance sheet volumes in the credit institution sector in the EU in the preceding six months" (EC 2008).

13. Duration: The coverage of the blanket guarantee began on September 29, 2008, and lasted through September 28, 2010.

A blanket guarantee was announced on September 30, 2008, to last two years, ending September 28, 2010. The CIFS Act and then Scheme were passed and came into effect in the following month. The government announced the ELG Scheme in the year before the scheduled end of the CIFS Scheme. Once the ELG Scheme started in early December 2009, dated subordinated debt and covered bonds issued after the start of the ELG Scheme were not covered by either scheme, and once banks joined the ELG Scheme, their newly issued debt was covered by the ELG Scheme (EC 2009). Although the two schemes ran in parallel until the CIFS Scheme's scheduled end on September 28, 2010, once banks joined ELG, coverage under the CIFS Scheme dropped sharply at the beginning of 2010 before ending that September (Dept. of Finance 2015). The ELG Scheme ran until 2013 (Baudino, Murphy, and Svoronos 2020). Deposits up to EUR 100,000 were covered by the original deposit insurance during both the ELG and CIFS Scheme and continued to be covered by this deposit insurance after both schemes ended (EC 2008).

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