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United Kingdom: Bank Recapitalisation Scheme

Alec Buchholtz

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Abstract

Following the collapse of Lehman Brothers and the ensuing global credit crunch in late 2008, Her Majesty's Treasury (HMT) announced a large economic package to provide supports funds the UK banking sector. As part of the package, banks committed themselves to raising their total Tier 1 capital by £25 billion through either private fund raising or government assistance. Thus, the economic package featured a new recapitalisation scheme to invest up to £50 billion in capital into UK banking and credit institutions that couldn't raise their assets in the private sector. Government capital could have been invested into either ordinary or preference shares of the participating institution. As an additional requirement of participating in the Scheme, institutions would have to commit themselves to three years of competitive lending towards homeowners and small businesses, allow HMT to appoint new non-executive directors, and withhold all 2008 executive and board member bonuses. In 2009 alone, HMT invested approximately £37 billion into Lloyds Banking Group (LBG) and the Royal Bank of Scotland (RBS), where all invested interest was held by the government subsidiaries of UK Financial Investments, and later UK Government Investments. While the government remains a majority shareholder in RBS, it has sold off all invested interests in LBG.

Keywords: recapitalisation, capital injection, ordinary shares, preference shares, Tier 1 capital, European Commission, United Kingdom

[1] Research Associate, New Bagehot Project. Yale Program on Financial Stability. alec.buchholtz@yale.edu

UK: Bank Recapitalisation Scheme

At a Glance

Summary of Key Terms	
Purpose: "...to shield the economic capital of the banking system and to ensure that banks were sufficiently strongly capitalized to meet potential stress."	
Announcement Date	October 8, 2008
Approval Date	October 13, 2008 (European Commission)
Operational Date	October 13, 2009
Expiration Date	Original: April 13, 2009 Extended: June 30, 2013
Program Size	£50 billion in two tranches of £25 billion
Usage	£37.8 billion loaned to three domestic financial institutions
Outcomes	HUF 690 billion was repaid, plus ____ in fees and other expenses

In late 2007, following a leak that Northern Rock had reached out to the Bank of England (BOE) for liquidity support, a run on bank deposits ensued, leading to an emergency loan by the BOE. Over the subsequent months, Northern Rock and Her Majesty's Treasury (HMT) sought to find a private sector solution, but ultimately ended with the nationalization of the company in February 2008. Throughout the spring, HMT began examining the health of all financial institutions and found that a larger systemic problem was imminent. Following Lehman Brothers' bankruptcy and the resulting global credit crunch in September, share prices of major UK banks, such as the Royal Bank of Scotland (RBS) and Halifax Bank of Scotland (HBOS), significantly dropped and many institutions found themselves having to pay out massive sums to investors and depositors. It became clear to the BOE, HMT, and the Financial Services Authority that a major recapitalization of the banking sector was required.

Prior to the scheme's operation, the UK government received commitments from the eight largest banks to increase the total Tier 1 capital across the banking system by £25 billion. If a bank could not raise capital in the private sector, it would be able to request capital assistance under the scheme. The £50 billion scheme was split into two tranches of £25 billion, the first tranche intended for the largest banks to draw upon and the second tranche for smaller banks, if needed. HMT would inject capital into fundamentally sound institutions in return for either ordinary or preference shares. Only ordinary shares would grant voting rights to the government, while preference shares paid out a 12% annual interest rate until 2013, and payout 7%, plus 3-Month LIBOR thereafter. Additional obligations of participation in the scheme required the withholding of 2008 executive bonuses, a three-year commitment to support competitive lending to small businesses and homeowners, and that the government would determine dividend policies.

On October 13, 2008, the European Commission approved the state aid package for HMT to recapitalize banks. The recapitalisation scheme expired six months late in April 2009, with no extensions requested by the UK government. Three institutions – Lloyds and HBOS (whom merged to form Lloyds Banking Group) and RBS – received capital from the scheme. The shares received were placed under the management of UK Financial Investments (UKFI) for the benefit of HMT and taxpayers. In March 2018, UKFI transferred all government interests it held into UK Government Investments (UKGI). Since the capital injections, UKFI and UKGI has sold off all shareholder interest in LBG, but remains a majority shareholder in RBS.

Summary Evaluation

While the Recapitalisation Scheme was critical in revitalizing Lloyds-HBOS and RBS, the UK government did not require all major banks to participate, thus creating a stigma against any bank that received a government capital injection. The scheme did not account for further drops in company share prices, leaving the value of the government shares it received as a fraction of the original price. Moreover, the creation of UKFI to manage the government's investments and its respective goals may have been contradictory to some of the scheme's goals that would have authorized the government to have a say over a participating institution's remuneration, dividend policies, and membership of the board of directors.

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I. Overview

Background

In late 2007, Northern Rock reached out to UK authorities – the Bank of England (BOE), Her Majesty's Treasury (HMT), and Financial Services Authority (FSA) – otherwise known as the Tripartite authorities, for liquidity support. (HMT PR, 09/14/2007) This information leak led to a massive run on the retail deposit business where £4.6 billion was withdrawn, and prompting HMT to extend an emergency loan to the bank. With no luck in finding a buyer, Northern Rock was nationalized by HMT in February 2008 under the Banking (Special Provisions) Act of 2008 which granted the government the temporary ability to nationalize banks. (HMT Review)

In lieu of Northern Rock's nationalization, the Tripartite authorities undertook a massive examination of the UK banking system, finding in the summer of 2008 that "broader systemic problems" were on the horizon, mostly due to solvency issues in large banks and building societies. (Ibid.) On September 15, 2008, the US investment banking arm of Lehman Brothers filed for bankruptcy, leading to a massive deterioration of the global banking system. As global credit markets had tightened as banks adjusted their balance sheets and contractions in the UK economy led to a freeze in the overall lending market. (Ibid.) According to the BOE's October 2008 Financial Stability Report, banks felt significant "funding pressure" following the failures of Washington Mutual and Lehman Brothers, where banks sought to deleverage their balance sheets rapidly, resulting in concerns over the capitalization and solvency of UK banks. (FSR October 2008) Share prices of Halifax Bank of Scotland (HBOS) and the Royal Bank of Scotland (RBS) fell significantly in the following weeks, while other companies sought to disband or merge certain business units with other banks. (HMT Review)

Seeking to reignite lending and to provide a backstop against further losses in the banking sector, HMT announced an economic package on October 8, 2008, aimed at combating the systemic problems across the lending market and mortgage market. (HMT PR, 10/08/2008) The £500 billion bailout package included a series of system-wide programs intent on recapitalizing banks, guaranteeing bank loans and other debt, and providing extra liquidity to credit institutions. At the time, the BOE's Monetary Policy Committee (MPC) believed that while the announcement would boost confidence in the UK's banking sector, the impact of Recapitalisation Scheme's "scale and timing" were still unclear. (MPC Minutes October 2008)

Program Description

On October 12, the UK notified the European Commission of the new government Recapitalisation Scheme, which the EC promptly approved a day later under the authority of Article 87(3)(b) of the EC Treaty. (EC N507/2008) The overall bank support package required the largest UK banks and credit institutions to commit themselves to boosting their total Tier 1 capital by £25 billion, either by raising funds in the private sector or by requesting assistance from the government under the Recapitalisation Scheme. (Ibid.)

The scheme's objective was to "shield the economic capital of the banking system and to ensure that banks are sufficiently strongly capitalized to meet potential stress." The scheme, a cash facility backed by a £50 billion fund, was split into two tranches of £25 billion, with the first tranche intended for injecting capital to the largest UK banks and the second tranche intended for systemically important smaller banks, if capital necessary. (Ibid.)

To be considered eligible to participate in the scheme, an institution would have to have been deemed solvent and fundamentally sound by the Financial Services Authority (FSA). (Ibid.) The type of institution eligible to participate could have been a domestic bank, a UK-subsidiary of foreign institutions, or a building society. (Ibid.)Capital injections under the scheme were in exchange for either ordinary or preference shares in the participating institution, with the ultimate goal of ensuring taxpayers would be adequately compensated and that banks would be motivated to repurchase those shares once their capital positions are strengthened. Building societies that participated would issue permanent interest bearing shares (PIBS) in return. (Ibid.) If the institution issued ordinary shares in exchange for the capital injection, the UK government would seek the maximum discount rate of 10% on the share price.

All preference shares issued to the UK government would pay out an annual dividend of 12% for the first five years. Thereafter, if the UK government held any preference shares, the dividend payout would become 7% annually, plus the 3-Month London Interbank Offering Rate (LIBOR). As long as preference shares existed, no dividends could be paid out to ordinary shares. (Ibid.) In terms of voting power, ordinary shares allowed the UK government could be vote at any annual shareholder's meeting of the company if dividends were not declared or paid in full. Preference shares did not provide shareholder voting rights. (Ibid.)

Any participating institution had to abide by special requirements under the Recapitalisation Scheme (Ibid.):

1. Institutions could not payout 2008 bonus compensation for executives and directors.
2. The UK government could dismiss a board member if there is a loss of confidence by the rest of the Board of Directors.
3. The UK government would work with the institution to appoint new independent non-executive directors; the number of directors based on the extent of the financial assistance.
4. Banks would have to commit themselves to support lending to small businesses and homeowners via competitively priced loans for three years.
5. The UK Government could review and determine the dividend policy and bonus or additional compensation packages of employees.

Finally, if an institution continued to benefit from the support under the Recapitalisation Scheme, six months after the initial capital injection, it would have to provide a liquidation or restructuring plan to the EC. However, an institution could redeem any shares issued to the UK government five years after the issuance of the shares or on a quarterly dividend payment date, with at least one-month prior notice to the FSA for redemptions on preference shares. (Ibid.) The Recapitalisation Scheme was to expire in six months, on April 13, 2009. (Ibid.)

Outcomes

Eight major banks – Abbey National, Barclays, Bank of Scotland (HBOS), HSBC Bank, Lloyds TSB, Nationwide Building Society, Royal Bank of Scotland (RBS), and Standard Chartered – committed themselves towards increasing their total Tier 1 capital by £25 billion. (EC N650/2008) Following approval from the EC on October 13, the UK government announced capital injections in the Royal Bank of Scotland (RBS), Lloyds TSB, and HBOS; Lloyds and HBOS were in the process of merging at the time. (Darling October 2008) In November 2008, the UK government created UK Financial Investments (UKFI), a subsidiary of the UK government, to manage the UK government's interests in any invested institutions, for the benefit of HMT and taxpayers; including the interest received under the Recapitalisation Scheme. (HMT PR, 11/03/2008)

RBS received £20 billion in total under the scheme, issuing £15 billion in ordinary shares and £5.5 billion in preference shares, resulting in a 58% stake in RBS by the UK government. That stake increased to 68% once the UK Government converted the preference shares to ordinary shares in January 2009 in order to remove the high dividend rate that RBS had to pay annually. In November, due to further losses incurred and write-downs by RBS, the government had to once again step in to inject an additional £25.5 billion, in the form of B shares, which increased its stake in RBS to about 83%. The government also set aside £8 billion under a Contingent Capital Commitment if RBS' Tier 1 capital ratio further worsened. (HMT Annual Report 2011)

While the UK government invested in Lloyds and HBOS individually in October 2008, by January the government held £13 billion in ordinary shares and £4 billion in preference shares, equal to a 43.4% stake in LBG, once the merger to form Lloyds Banking Group (LBG) was complete. The preference shares were converted to ordinary shares in March, with no change in the government's stake. (Ibid.)

In December 2008, the UK altered the requirement that banks had to file a restructuring or liquidation plan, and instead had to submit a report that showed "that they remain fundamentally sound and how they plan to repay state capital. (EC N650/2008) The UK government sought multiple six-month extensions of the Recapitalisation Scheme, as well as the Guarantee Scheme, from the EC, until it the Recapitalisation Scheme was finally allowed to expire on February 20, 2010.

By the end of 2010, the price of holding stakes in both RBS and LBG became £2.8 billion annually for UKFI since the share price of each company had not recovered since the original recapitalizations. It wasn't until September 2013 that UKFI began to gradually selloff the government's stake in LBG. Following two accelerated book builds and two separate trading plans, UKFI sold off the entire government stake in LBG by May 2017. Although the UK government has received net proceeds of £4.6 billion thus far from sales of its stake in RBS, which started in June 2015, it still remains a majority shareholder (~62.4%) in RBS, as of June 30, 2018. (HMT PR, 06/05/2018) Overall, the share prices in both RBS and LBG never rebounded from the crisis, resulting in a permanent reduction in the share value for the government.

On March 29, 2018, UKFI transferred any remaining interests it held to UK Government Investments (UKGI), a limited wholly owned company of HMT, which for the purposes of the

Recapitalisation Scheme only included what remained of the UK government's stake in RBS.[2] (UKGI PR, 03/29/2018)

II. Key Design Decisions

1. **The UK Government announced a £500 billion bailout package, which included a Bank Recapitalisation Scheme.**

According to the Governor of the BOE, Mervyn King, the Recapitalisation Scheme in conjunction with the other two programs under the bank support package – the Guarantee Scheme and the Special Liquidity Scheme – would greatly resolve many of the UK's problems in the crisis at the time. King said, "A major recapitalisation of the UK banking system of at least £50 billion is a necessary condition for regenerating confidence in the financial system." (HMT PR, 10/08/2008)

During a House of Commons debate, Chancellor of the Exchequer, Alistair Darling, made it clear that through the Recapitalisation Scheme, it is not the government's goal to "run Britain's banks – [it] want[s] to rebuild them." (Darling October 2008) Moreover, he said in order to stabilize and rebuild the banking sector, the government would "maintain [its] stake for as long as it takes to do that," with the "aim to sell the public share in the participating banks as soon as feasibly possible." (Ibid.)

2. **There is no legislation on recapitalization or on the government acquiring shareholder interests in a company.**

It does not appear that the UK has any specific legislation in regards to HMT's ability to recapitalize banks and receive shareholder interest in companies.

3. **The EC approved Article 87(3)(b) of the TFEC on State Aid, authorizing the UK the ability to inject capital into credit institutions.**

Given that the financial crisis led to a contracted credit market, access to liquidity became difficult for many financial institutions and "eroded the confidence in the creditworthiness of counterparties." (EC N507/2008) Because of the role financial institutions played in lending to the real economy, the EC was particularly concerned that liquidity worries in the banking sector would spill over into the rest of the British economy as well. (Ibid.) Under Article 87(3)(b) of the Treaty, the EC approved the Recapitalisation Scheme since it concerned the entire UK banking industry and the EC considered it as aid "necessary to remedy a serious disturbance in the British economy." (Ibid.)

The EC also took the scale of the measure, the timeliness of the measure, and the extent of the measure into consideration. The EC stated that the objective of the scheme and its scope

[2] Other investments included UK Asset Resolution, the holding company that held the remainder of Bradford & Bingley's mortgage business and Northern Rock Asset Management's business. The two businesses were run-offs from the two nationalized banks.

to only capitalize solvent companies were adequate to revitalize the lending market. (Ibid.) Its position was that capital invested in preference shares that paid high annual dividends incentivized insti tutions to redeem shares as soon as possible. (Ibid.)

Finally, the EC noted that while a Special Liquidity Scheme had already been in place in the UK and the sole implementation of a guarantee scheme has been sufficient to resolve credit market problems in other countries like Denmark, liquidity shortages and write-downs may not be completely covered by a guarantee scheme in other situations, such as what was occurring in the UK. (Ibid.) Thus the implementation of the Recapitalisation Scheme as an additional measure would likely boost confidence in the UK banking system when working in tandem with the other programs submitted under the banking package. (Ibid.)

4. **Participating institutions were required to boost their total Tier 1 capital by £25 billion. The UK Government held a £50 billion fund under the Bank Recapitalisation Scheme to provide capital into institutions seeking government assistance.**

Once HMT had announced that three banks would participate in the Recapitalisation Scheme, £37 billion was raised through sales of gilts and other Treasury bills, according to the UK Debt Management Office (DMO). (UK DMO PR, 10/13/2008)

5. **To be eligible to participate in the Bank Recapitalisation Scheme, a bank or credit institution must sufficiently capitalized and have substantial business in the UK.**

A bank must be "sufficiently capitalized" and a UK incorporated bank, which included UK subsidiaries of foreign banking institutions, that has substantial business in the UK and building societies. (EC N507/2008) "Substantial business" in the UK means that the bank is eligible to sign up for the BOE's Standing Facilities according to the Framework for the BOE Operations in the Sterling Money Markets, which means banks with liabilities in excess of £500 million. (Ibid.) These liabilities include "non-interest bearing deposits and the interest earned from the deposits is used by the Bank towards funding its operations." (Winters 2012)

6. **To be eligible to participate in the Bank Recapitalisation Scheme, a bank or credit institution must have been deemed solvent and fundamentally sound by the FSA.**

In a statement to the UK Parliament's House of Commons, Chancellor Darling clarified that an institution would have to meet certain requirements prior to being allowed to access capital under the Recapitalisation Scheme. The institution would have to be deemed solvent by the FSA; "have a substantial business model and delivery plan;" "clear, broad-based, and sustainable" funding and sources; and have a "senior management team must be credible" to carry out any presented business plan." (Darling Statement, 11/18/2008)

7. **The UK Government would inject capital by investing in either ordinary or preference shares of the participating institutions.**

According to the EC decision, if an institution chose to raise funds via ordinary shares, an institution would first undertake a placing and open offer, whereby it would offer additional shares to existing shareholders for purchase. The UK government would act as the underwriter on any of these offers. (EC N507/2008) Any shares that were not purchased by those existing shareholders, were to be invested in by the UK government under the Recapitalisation Scheme, where the government would seek the "maximum permitted discount of 10% to the share price." (Ibid.)

The FSA was responsible for determining how much capital should have been injected into a participating institution. The FSA calculated the capital assistance by using a variety of bank-specific stress tests, aimed at substantiating that any amount built outside confidence in the bank and that the bank would have enough capital to absorb losses in the case of a recession, tightened banking conditions, or to continue normal lending practices. (FSA PR, 11/14/2008) Moreover, the FSA aimed to ensure banks had a ratio of "capital to risk-weighted assets of total Tier 1 Capital of at least 8% or greater and Core Tier 1 capital… of at least 4% after the stressed scenario. (Ibid.)

8. **Only ordinary shares would grant the UK Government shareholder voting rights.**

TBD

9. **The preference shares paid an annual dividend. No dividends would be paid out to ordinary shareholders until the preference shares were repaid in full.**

TBD

10. **The participating institution could have redeemed shares once the bank was stabilized with a strengthened capital position.**

TBD

11. **Under the initial terms, if the UK Government held any shares in a participating institution six months after the capital injection, the institution was required to submit a restructuring or liquidation plan to the European Commission. This requirement was later modified.**

TBD

12. **All participating institutions had to abide to a range of special requirements.**

TBD

13. All of the UK Government's equity interests in credit institutions were placed under the management of UKFI. All UKFI interests were later transferred to UKGI.

In November 2008, the UK government created UK Financial Investments (UKFI) to manage all UK government interest in individual banks or credit institutions. The overarching objective of UKFI was "to protect and create value for the taxpayer as shareholder, with due regard to financial stability and acting in a way that promotes competition." (HMT PR, 11/03/2008) UKFI's board would be comprised of a mix of non-executive private sector members, two senior government officials from HMT and the Shareholder Executive, who would manage all interests with a long-term perspective and independently from government supervision. (Ibid.)

However, in April 2016, UK Government Investments (UKGI) was created as another government subsidiary, that aimed to bring together the investments, which included remaining shares under the Recapitalisation Scheme, and the functions of UKFI and the Shareholder Executive. All remaining interests were transferred to UKGI in May 2018 following UKFI's integration into the organization. (UKGI PR, 03/29/2018)

14. Initially, the Recapitalisation Scheme was to expire on April 13, 2009. The EC approved multiple extensions of the scheme.

TBD

15. When the UK government made a second capital injection into RBS, the investment was made in the form of B shares.

TBD

III. Evaluation

While the UK Recapitalisation Scheme arguably saved a few banking institutions from collapsing, the scheme did not come without some shortcomings. In a *Washington Post* interview with Cornelia Woll, a political science professor at Sciences-Po in Paris, Woll pointed out that the terms of the UK Recapitalisation Scheme signaled to participating banks that if they require assistance, they must pay a high interest rate in exchange for capital injections, which could either deter an institution from utilizing taxpayer money, not take risks in the future, and if the scheme was utilized, taxpayers would be provided an adequate return on its investment. (Washington Post NA, 06/24/2014) However, Woll points out that in the UK, there was a stigma to participating in the Recapitalisation Scheme, since only the most worse-off banks would actually require government assistance after failing to recover through private sector arrangements. (Ibid.)

This point about stigma is critical to an analysis of the Recapitalisation Scheme used in the UK in comparison to the schemes created in other jurisdictions. In their analysis of capital injection programs in the U.S. and UK, Culpepper & Reinke noted that the UK allowed for voluntary participation under the scheme, while the U.S. required all major banks, whether healthy or not, to participate. In the UK, the only banks that would volunteer are those with weak capital positions and the inability to find private-sector assistance. (Culpepper & Reinke 2014) A second difference they found between the U.S. and UK programs was that the UK had little to no power to make regulatory or judicial threats to its largest bank since the largest banks' proportion of their UK revenue to their total revenue was comparatively lower than the those in the U.S. On the other hand, revenue for the largest U.S. banks depended largely on U.S. business, thus the government could make credible threats to those who did not participate under its own capital injection program. (Ibid.) They also pointed out that this may have been a reason why in the U.S., the CEOs of the largest banks met with Secretary of the Treasury, Hank Paulson, when discussing recapitalizations, whereas in the U.K., banks would just send their 'UK man' rather than the CEO or chairman; this showed a lack of dependence by UK banks to cooperate with government authorities. (Ibid.) Finally, Culpepper & Reinke believed that fees attached to recapitalization were more of a drawback to participation, rather than beneficial to taxpayers. (Ibid.)

At the time of their paper's publishing, they estimated that the U.K. had lost £12 billion ($14 billion) and a book loss of £32 billion. (Ibid.) For a summary of Culpepper & Reinke's comparison, please see Table 1 below.

Table 1: U.S. vs. the UK in Capital Injection Program Designs (pp. 436)

Design Features of the American and British Bailout Plans.			
		United States	United Kingdom
Participation in state recapitalizations: Self-selection or not?	Design	Required participation of major banks	Voluntary participation of major banks
	Effect	All nine major banks (including healthy banks Wells Fargo, JPMorgan)	Self-selection of sickest banks only (RBS, Lloyds-HBOS)
Funding of recapitalizations and guarantees: Government subsidy or cross-subsidy from banks?	Design	Low, flat upfront fees paired with long-term warrants	Steep upfront fees without warrants; risk-based fees for guarantees
	Effect	Generous help for sick banks; tough terms for healthy and lucky banks	High nominal charges for rescued, mostly state-owned banks
	Gains vs. Losses	$8-10 billion gain from TARP's bank part (excl. auto bailout & mortgage relief) of which $4 billion came from sales of warrants from JPMorgan, Wells Fargo, and Goldman Sachs	£12 billion ($14 billion) currently estimated losses; current book loss of £32 billion ($51 billion) from RBS, Lloyds-HBOS

Source: Pepper D. Culpepper & Raphael Reinke. "Structural Power and Bank Bailouts in the United Kingdom and the United States." Politics & Society, Vol. 42(4), pp. 436. 2014. (Culpepper & Reinke 2014)

Dalvinder Singh, a professor at the University of Iowa College of Law, pointed out that one condition of recapitalisation was that it was to allow the government to make decisions on retaining or inputting new members on a participating institution's board of directors and install new non-executive directors. (Singh 2011) However, the placement of government shares into the UKFI was counteractive to that condition since UKFI's powers did not include "intervening in day-to-day management decisions of the Investee Companies." Thus, Singh argues that recapitalized banks legally maintained much more independence than the scheme dictated, where decisions of directors and executives would lie with the board and shareholders, and could only be affected by UKFI through persuasion, rather than force. (Ibid.)

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V. Key Program Documents

Summary of Program

- Financial Support Measures to the Banking Industry in the UK (European Commission – 11/13/2008) – *state aid decision by the European Commission announcing the approval of the UK's £500 billion economic package to aid the UK banking sector. The package includes a guarantee scheme, a recapitalisation scheme, and a special liquidity scheme.* http://ec.europa.eu/competition/state_aid/cases/227824/227824_881394_17_2.pdf

Implementation Documents

- Financial Support Measures to the Banking Industry in the UK (European Commission – 11/13/2008) – *state aid decision by the European Commission announcing the approval of the UK's £500 billion economic package to aid the UK banking sector. The package includes a guarantee scheme, a recapitalisation scheme, and a special liquidity scheme.* http://ec.europa.eu/competition/state_aid/cases/227824/227824_881394_17_2.pdf
- Modifications to the Financial Support Measures to the Banking Industry in the UK (European Commission – 12/22/2008) – *state aid decision by the European Commission announcing modifications to the October 2008 measures taken by the UK to stabilize the financial system.* http://ec.europa.eu/competition/state_aid/cases/228924/228924_928084_11_2.pdf

Legal/Regulatory Guidance

- Reinforcement of the Stability of the Financial Intermediary System Act of 2008 (Financial Stability Act) – *a financial stability act passed by the Hungarian Parliament on December 15, 2008, effective on December 23, 2008, that authorized the Hungarian government to inject capital and provide guarantees on interbank loans to systemically important financial institutions to promote stability in the Hungarian financial system, provide liquidity support, and stimulate lending operations between institutions and markets.* https://net.jogtar.hu/jogszabaly?docid=A0800104.TV

Press Releases/Announcements

- Treasury statement on financial support to the banking industry (Her Majesty's Treasury – 10/13/2008) – *press release by Her Majesty's Treasury announcing extension of an economic package to the UK banking sector and specifically a £50 billion recapitalisation scheme to strengthen the capital position of reeling banks.* http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/press_105_08.htm
- State aid: Commission approves UK support scheme for financial institutions (European Commission – 10/13/2008) – *an announcement by the European Commission announcing the approval of the UK's £500 billion economic package to aid the UK banking sector.*
  http://europa.eu/rapid/press-release_IP-08-1496_en.htm
- Statement by the Chancellor on the Bank Recapitalisation Scheme (Her Majesty's Treasury – 11/18/2008) – *a statement by Chancellor of the Exchequer, Alistair Darling, on the Recapitalisation Scheme and the terms and conditions of participation within the scheme.*
  http://webarchive.nationalarchives.gov.uk/20090903185615/http://www.hm-treasury.gov.uk/statement_chx_181108.htm
- Bank intervention and recapitalisation (Her Majesty's Treasury – 2011) – *Her Majesty's Treasury provides an overview of the economic package and its three programs announced in October 2008.* http://webarchive.nationalarchives.gov.uk/20110406080828/http://www.hm-treasury.gov.uk/fin_stability_recapitalisation.htm

Media Stories

- Treasury's official announcement on the banks (The Guardian – 10/08/2008) – *news story summarizing HM Treasury's bailout support package for the UK economy and banking sector.* https://www.theguardian.com/business/2008/oct/08/creditcrunch.banking1
- UK government unveils £50 billion bank recapitalisation plan. (Risk.com – 10/08/2008) – *news story summarizing the £50 billion bank recapitalisation scheme created by HM Treasury to provide capital injections into bank and credit institutions.* https://www.risk.net/derivatives/structured-products/indexes/1501249/uk-government-unveils-ps50-billion-bank

Key Academic Papers

- Structural power and Bank Bailouts in the United Kingdom and the United States (Culpepper & Reinke – 09/24/2014) – http://journals.sagepub.com/doi/abs/10.1177/0032329214547342
- U.K. Approach to Financial Crisis Management (Singh – 2011) – https://heinonline.org/HOL/Page?handle=hein.journals/tlcp19&id=1&collection=journals&index=

Reports/Assessments

- Maintaining financial stability across the United Kingdom's banking system (National Audit Office – 12/04/2009) – *a report by the UK's National Audit Office on how the UK has thus far responded to the financial crisis in the banking sector and what the cost on taxpayers is.* https://www.nao.org.uk/report/maintaining-financial-stability-across-the-united-kingdoms-banking-system/
- Interview: Bailing out banks is not a lucrative business (Washington Post – 06/24/2014) – *an interview with a political science professor on her new book about the different approaches countries take while bailing banks out during financial crisis. The interviewee specifically makes comparisons between the capital injection programs created in the U.S. and UK.* https://www.washingtonpost.com/news/monkey-cage/wp/2014/06/24/bailing-out-banks-is-not-a-lucrative-business/?utm_term=.c6b71bd9e41b
- Review of the Bank of England's Framework for Providing Liquidity to the Banking System (Court of the Bank of England – 10/2012) – *one of three independent reviews requested by the Court of the Bank of England in 2012, specifically highlighting the institutional framework for providing liquidity to banks by the Bank of England* https://www.bankofengland.co.uk/-/media/boe/files/news/2012/november/the-banks-framework-for-providing-liquidity-to-the-banking.pdf?la=en&hash=E1FB0EBE65F13E2A4E224B737C8244E039AD7502