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Wholesale Guarantee Scheme fees Reduced

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Media statement

Wholesale Guarantee Scheme fees reduced

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Treasury Secretary John Whitehead today announced a drop in fees for the Wholesale Funding Guarantee Scheme, effective from today.

The fee for terms of one year and less has dropped by 15 basis points, and those for terms of more than one year by 50 basis points.

The Wholesale Funding Guarantee Scheme exists to enable New Zealand financial institutions to access international markets in a risk averse global environment where many other governments have offered guarantees on their banks' wholesale debt.

The downwards revision is part of a regular review to take into account the changing market environment. The pricing schedule had been unchanged since the scheme was first announced in November.

In making the change, Mr Whitehead noted that no issues had yet been made under the wholesale guarantee scheme, and that banks had been able to raise short-term funding abroad without using the guarantee. However, raising term funding – supported by the guarantee if required – was important to ensure adequate availability of credit to firms and households this year.

“The cost (the margin above comparable government issued debt) of raising term funds by banks in other countries, operating under their guarantees, had proved much higher than anyone had expected. It is

appropriate to reduce the guarantee fee, and for the cut to be focused on the terms beyond one year," Mr Whitehead said.

The revised fee structure is similar to the United States and Australia, and lower than the United Kingdom and Canada.

The new pricing schedule, along with other operational guidelines for the scheme, is available on the Treasury website at www.treasury.govt.nz/economy/guarantee/wholesale/operationalguidelines (<http://www.treasury.govt.nz/economy/guarantee/wholesale/operationalguidelines>)

| Previous and revised wholesale guarantee scheme fees. | | | | |
|--|--|------------------|--|------------------|
| Credit rating of issuer [2] (/index.htm#note2) | Previous Schedule | | Revised Schedule | |
| | Fee (bps per annum) Term at time of issue | | Fee (bps per annum) Term at time of issue | |
| | 1 year or less | More than 1 year | 1 year or less | More than 1 year |
| AA- and above | 85 | 140 | 70 | 90 |
| A- to A+ | 145 | 200 | 130 | 150 |
| BBB- to BBB+ | 195 | 250 | 180 | 200 |

ENDS

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