

United Kingdom
**Debt
Management
Office**

MARKET NOTICE: EUROPEAN COMMISSION STATE AID APPROVAL FOR EXTENSION OF THE DRAWDOWN WINDOW AND RULES AMENDMENTS FOR THE UK GOVERNMENT'S 2008 CREDIT GUARANTEE SCHEME (CGS)

Following the Chancellor's announcement in the Pre-Budget Report on 9 December 2009 to extend the drawdown window of the CGS to 28 February 2010, the European Commission has granted state aid approval of the extension on 17 December 2009. A link to the Commission's press notice can be found at:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEX/09/1217&format=HTML&aged=0&language=EN&guiLanguage=en>

Further, the Government proposes updating the rules of the Scheme (the **Rules**). The updated Rules are published on the website of the DMO at:

<http://www.dmo.gov.uk/documentview.aspx?docname=cgs/press/cgsrules.pdf&page=>

A black lined copy highlighting the changes can be found on the DMO website at:

<http://www.dmo.gov.uk/documentview.aspx?docname=cgs/press/cgsrulesamended.pdf&page=>

A summary of clarifications is set out below.

Eligibility Certificates

The factors HM Treasury will take into account when exercising its discretion to issue an Eligibility Certificate will include the following:

- (i) whether an institution is adequately capitalised and funded or has a realistic plan for accessing adequate capital and funding;
- (ii) whether an institution has a sustainable business model and delivery plan;
- (iii) whether an institution's funding profile, sources and mix are broad-based and sustainable; and
- (iv) whether an institution's senior management team is credible, with demonstrable ability to deliver its business model and delivery plan.

Rollovers

After the closure of the drawdown window on 31 December 2009 (or such other date as may be announced), Eligible Institutions can continue rolling over any outstanding guaranteed

debt until (and including) 9 April 2014, subject to complying with the reduced post-9 April 2012 limits as set out below.

Any issuance under Rule 4.5 to rollover any outstanding guaranteed debt must occur within seven calendar days of the relevant outstanding guaranteed debt's final maturity date. Each application for an Eligibility Certificate must include the details of the outstanding guaranteed debt which is being rolled over.

Post 9 April 2012 Limits

From (and including) 10 April 2012 to (and including) 9 April 2014 the proportion of the guaranteed liabilities that can be rolled over shall not exceed one third of the overall guaranteed liabilities of the Scheme total of £250bn. Therefore each Eligible Institution may have guaranteed debt outstanding totaling an amount equal to one-third of its initial allocation at any time (**post-9 April 2012 limit**) except if an additional limit exceeding one third is formally agreed with HM Treasury on a case-by-case basis.

Interim Notifications

Before an Eligible Institution can apply for an Eligibility Certificate it must have applied for and received an interim notification (**Interim Notification**). An Interim Notification will be valid for 30 calendar days and will set out the total amount of guaranteed debt an Eligible Institution may issue during that time, both pre-9 April 2012 and, where applicable, post-9 April 2012. A pro-forma application form for an Interim Notification is available from the DMO or can be found in Annex one of the Rules. An Interim Notification will cover the generic details of possible trades and therefore an application for an Eligibility Certificate will only need to specify the relevant trade information.

17 December 2009