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Government Assistance to the Financial Sector: an Overview of the Global Response

Governments across the world have taken, and continue to take, a variety of extraordinary measures to protect the financial sector and prevent a recession.

The measures fall into the following categories:

- guarantees of bank liabilities;
- retail deposit guarantees;
- central bank assistance measures;
- bank recapitalization through equity investments by private investors and governments; and
- open-market or negotiated acquisitions of illiquid or otherwise undesirable assets from weakened financial institutions.

The purpose of this publication is to provide an overview of the principal measures that have been taken in the major financial jurisdictions to support the financial system.

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		The Central Bank of Argentina set forth new conditions to grant direct financial assistance to financial entities. In the event of non-compliance with these conditions, requests for financial assistance are subject to the analysis and approval of the board of directors of the Central Bank. To obtain direct financial assistance from the Central Bank, financial entities must have a liquidity ratio under 25%. The value of the assistance granted shall be the requested amount, the amount necessary to raise the liquidity ratio to a maximum of 35%, the amount of the decrease of funding sources in the previous month, 20% of the total projected assistance to the financial system described in the monetary program, or the amount arising from the difference between the net worth of the entity and the debt resulting from operations completed through the Central Bank program to assist financial entities (whichever of these is the lowest). The Central Bank assistance will be granted for 180 days, renewable for the same period, with an interest rate of 1.35 BADLAR rate (and 1.70 BADLAR rate in renewal cases). Financial entities must make	Effective November 1, 2008 the Central Bank reduced by 10% the minimum cash reserve requirement for checking account deposits in foreign currency and by 5% the minimum cash reserve requirement for demand and time deposits made upon a court order with funds arising from cases pending before the court (*amparos*). In addition, the following are the minimum cash reserve requirements for time deposits in foreign currency and holding of securities in foreign currency, as per the remaining terms: (i) up to 29 days: 20%; (ii) from 30 to 59 days: 15%; (iii) from 60 to 89 days: 10%; (iv) from 90 to 179 days: 5%; (v) from 180 to 365 days: 2%; (vi) more than 365 days: 0%. Finally, the Central Bank reduced, effective November 1, 2008, 20% of the minimum cash reserve requirement for deposits, whatever their nature, as assets of a mutual fund, in foreign currency.		The Argentine Government has proposed a bill to reform the private pension system and to nationalize the pension assets managed by the country's private pension fund managers (AFJPs). The Government said the project was aimed at protecting Argentineans' pension savings from the global financial crisis. Argentine regulators have resolved to require the AFJPs to sell approximately 1.8 billion pesos (US$ 545 million) in Brazilian assets in order to provide liquidity to the Argentine market.

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
		prepayments depending on their liquidity ratio at the time.			

AUSTRALIA
(Announced on October 12, 2008)

GUARANTEES OF BANK DEBT[1]	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
On November 2, 2008, the Australian Government executed an Interim Deed of Guarantee ("Interim Guarantee") for certain specified wholesale borrowing and deposits of eligible Authorized Deposit-Taking Institutions ("ADIs"). Eligible ADIs will include ▪ Australian owned banks; ▪ Australian ADI subsidiaries of foreign banks; ▪ Australian branches of foreign ADIs; and ▪ credit unions and building societies. There are certain restrictions on the types of liability that will be guaranteed, including: ▪ senior unsecured debt; ▪ liabilities arising from a payment obligation in a debenture, certificate of deposit, bank bill, commercial paper, bond or note issued, drawn or made by the ADI that is not 'complex' and has a term of 60 months or less; ▪ liabilities not due and payable on account of the operation of any cross-default clause; and ▪ liabilities not due and payable on account of the operation of a clause entitling the	The Government has passed legislation to give effect to its proposal with respect to all deposits of Australian banks, building societies and credit unions and Australian subsidiaries of foreign-owned banks for a period of three years. The proposal takes effect through a "Financial Claims Scheme" ("FCS"). Under the FCS, the Australian Prudential Regulation Authority ("APRA") (as administrator of the FCS) must apply for the winding-up of an ADI and a declaration must be made by the responsible Government minister in order for the FCS to apply to that ADI (an "eligible ADI"). Under the scheme, holders of protected accounts[4] with net credit balances are entitled to payment from APRA of the balance plus accrued interest (subject to certain adjustments and compliance with the provisions of the FCS). Also, the APRA is assigned the relevant account holder's right to claim this amount from the ADI. All deposits are currently covered by the FCS. However, from November 28, 2008 the amount of any deposit over A$1 million will only be covered by the FCS if a fee has been	Australia's central bank (the Reserve Bank of Australia) intervened to support the Australian dollar on October 24, 2008, and then again on October 27, 2008.	No publicly announced measures at this stage.[3]	The Government doubled (to A$8 billion) its planned Residential Mortgage Backed Securities ("RMBS") purchases which will apply to new (rather than existing) issuances. The initial A$4 billion is available for the Government to act as a cornerstone investor for both bank and non-bank RMBS issuances. The additional A$4 billion is available for non-bank issuances only. The first two mandates for the application of these funds have been awarded.	

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beneficiary to require prepayment before the scheduled maturity of the payment obligation, other than as a result of the ADI being placed under external administration. Additional conditions apply to the liabilities of the Australian branches of foreign ADIs. (See also the application of the Interim Guarantee to certain deposits held in the Australian branches of foreign ADIs as set out in the next column.) The Interim Guarantee will expire on November 27, 2008. However, it is intended that a separate facility for the guarantee of certain specified wholesale borrowing and deposits will be put in place prior to that date to take effect from November 28, 2008. No fees apply in respect to the Interim Guarantee. However, the Government has foreshadowed a fee structure for the future guarantee, the quantum of which will be set by reference to the relevant issuer's credit rating and will be the same regardless of the tenure of the debt securities.[2]	paid by the eligible ADI (in line with that proposed for the wholesale funding guarantee). The A$1 million threshold applies per depositor per institution. The Government has indicated that the FCS will be administered so that it applies to all deposits held in eligible ADIs by all types of legal entities, regardless of where the depositor resides. It will also apply to deposits held in any currency. The FCS will not apply to financial products that are not deposit products, such as market-linked investment products. The Interim Guarantee (referred to in the previous column) of wholesale funding includes a guarantee of liabilities of a foreign ADI to a person treated as an Australian resident in respect of a deposit in Australia (unless such a liability arose as a result of a transfer from a non-Australian resident to an Australian resident on or after October 24, 2008). This aspect of the Interim Guarantee is subject to the same expiry date of November 27, 2008. However, it is expected that similar arrangements will be part of the new facility to be put in place and applying from November 28, 2008. The Government has announced that, from this date, a fee (in line with the wholesale funding				

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	guarantee proposal) will apply to any guarantee of deposits with the Australian branches of foreign ADIs.				

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1 The guarantee scheme is not restricted to "inter-bank" debt but extends to all term funding.

2 The current proposals are for a fee of 70bps for AA rated firms, 100 bps for A rated firms and 150bps for BBB and unrated firms. The fee will be levied by the Reserve Bank of Australia on the eligible ADI on a periodic basis depending on the quantum of the liability.

3 The Australian Government has indicated that its "Four Pillars" banking policy which restricts mergers between the four largest domestic ADIs will continue in force.

4 A "protected account" is either:

- an account where the eligible ADI is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account; or
- another account or financial product prescribed by declaration. No such declaration has yet been made, and the Government has not announced whether, and if so when, such a declaration will be made.

BELGIUM
(Initial announcement made on September 29, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS OR INSTITUTIONS	OTHER MEASURES
The Belgian Government has offered to guarantee the wholesale funding of Belgian credit institutions. This is subject to a satisfactory assessment of the Belgian credit institution's solvency and payment of remuneration. The guarantee applies to any form of wholesale funding as long as the transaction is entered into or rolled over between October 8, 2008, and October 31, 2009, and its maturity is not beyond October 31, 2011. The Government has also announced plans to guarantee all new bank loans of "systemic" Belgian banks, i.e., inter-bank deposits, bonds and institutional investments. Banks will have to pay a fee for the guarantee.	The Belgian Government has announced that it will guarantee bank deposits of up to €100,000 – an increase of €80,000. This measure is applicable for one year, but may be renewed.			Rescue of Fortis: The Belgian State bought the remaining 50% + one share of Fortis Bank from Fortis Group for a total consideration of €4.7 billion in cash. A portfolio of structured products with fair value of €10.4 billion was transferred by Fortis Bank to a separately managed entity jointly owned by the Fortis Group (66%), the Belgian State (24%) and BNP Paribas (10%). The Belgian Government reached an agreement with BNP Paribas on the subsequent transfer of 75% of Fortis Bank SA/NV in exchange for new shares to be issued by BNP Paribas[1] for a value of €8.25 billion; the Belgian State will continue to own the remaining 25% of the company. BNP Paribas will acquire 100% of Fortis Insurance Belgium for a total consideration of €5.73 billion in cash, subject to final closing adjustment. The Government of the Netherlands acquired Fortis Bank Nederland (Holding) N.V., including Fortis's interest in ABN AMRO and other operations, for a total consideration of €16.8 billion. Dexia S.A.: The Belgian, French and	On October 27, 2008, the Belgian Government announced that it will invest €3.5 billion into KBC Groep in the form of Tier 1 capital securities.

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				Luxembourg Governments and other investors invested a total of €6.4 billion in Dexia,[2] a specialist in lending to local governments in Europe. Dexia announced on October 20 2008 that it would seek regulatory approval to create a balance sheet for its holding company and merge its three national balance sheets into one, indicating that it is intent on avoiding a break-up along national lines.	

1 On October 13, 2008, the Belgian State declared that a special fund will be established to which the Belgian State will allocate a part of the possible increase in value and of the profits from its participation in BNP Paribas between the issuance of these new shares and the general assembly date of the BNP Paribas group which will decide on the 2013 dividend distribution. Natural persons which were Fortis shareholders on July 1, 2008 will have the possibility to receive shares in such fund subject to specific conditions and procedures.

2 Of these €6.4 billion, the Belgian Federal Government, the 3 Regions and the 3 institutional shareholders have agreed together to jointly invest €3 billion each for the following amounts: (i) the Belgian federal Government invests €1 billion, (ii) the 3 Regions invest €1 billion and (iii) the current institutional shareholders invest €1 billion.

CANADA
(Announced October 23, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
The Canadian Lenders Assurance Facility, announced on October 23, 2008, that it will insure certain categories of senior unsecured wholesale debt with a term to maturity of at least three months issued by Canadian banks, other federally-regulated deposit-taking institutions, and the Caisse centrale Desjardins.[1] This insurance will cover principal and interest payments on eligible debt instruments for up to three years from the date of issue. The facility will charge premiums that are intended to approximate commercial terms. Insurance will be available beginning in early November and will be issued until April 30, 2009. The Ministry of Finance has indicated that the facility was introduced in order to ensure that Canadian institutions are not disadvantaged in global capital markets relative to banks in other jurisdictions which have access to a government guarantee.	No changes have been announced to existing deposit guarantee programs, and public statements by the Minister of Finance suggest that no changes are presently contemplated. The Canada Deposit Insurance Corporation ("CDIC"), a federal Crown corporation, insures deposits at member institutions, which include most Canadian chartered banks, as well as various other deposit-taking institutions. The CDIC protects funds in savings and checking accounts, and term deposits with a term of less than five years, for as much as C$100,000 ($91,470).	In coordination with other major central banks, Canada's central bank, the Bank of Canada, lowered its key lending rate by 0.5% on October 8, 2008. This was followed by a further 0.25% drop on October 21, 2008 that left the rate at 2.25%. The Bank of Canada has increased the amount of liquidity it makes available to financial institutions, has expanded the scope of institutions eligible to participate in its liquidity facilities and has expanded the types of collateral it accepts. However, Canada's central bank has had to take fewer extraordinary measures to enhance liquidity than other countries, and has not held special auctions of the U.S. dollars that the Federal Reserve supplied to Canada and other countries in mid-September.		On October 10, 2008, the Ministry of Finance announced a program to provide additional liquidity to Canadian financial institutions through the purchase of up to $25 billion of mortgage-backed securities. Since the underlying mortgages already carry guarantees backed by the Canadian government, there is no incremental risk to the federal government in the purchase of these securities. The purchases are being undertaken through a series of competitive auctions. The first, on October 12, 2008, saw C$5 billion in purchases, followed by C$7 billion on October 23, 2008. Further auctions are planned for November 12 and 21, 2008.	

[1] A financial institution regulated by the Province of Québec.

DENMARK

(Duration of Support: from October 6, 2008, to September 30, 2010)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
In order to be eligible for participation in the guarantee scheme, banks must have a banking license and be a member of Det Private Beredskab ("DPB"), a Danish Banking Association. The Danish Government will set up a new liquidation company that benefits from a State guarantee which will take on defaulted obligations of a participating bank. DPB will contribute DKK 7.5 billion (c.€1 billion) per annum (payable monthly) as the fee for the guarantee. DPB will initially provide DKK10 billion to the liquidation company and is also subject to a further DKK10 billion to meet losses, providing a maximum DKK35 billion loss to the DPB over the two-year term. Any losses in excess of the funds provided by DPB will be met by the State. The guarantee will cover creditors of the participating banks including holders of senior unsecured debt. Legislation, which has now been passed, has confirmed that both subordinated debt (Tier 1 and Tier 2) and covered bonds are excluded from the guarantee scheme.	Denmark has guaranteed all bank deposits so that all claims by "depositors and other ordinary creditors" are covered. A special liquidation company will be set up by the Danish State, to which banks will contribute up to DKK 35 billion.	On October 24, 2008, Denmark's central bank unexpectedly raised the benchmark lending rate by half a percentage point to an eight-year high of 5.5%, showing that policymakers will defend the krone even as the economy risks entering a recession. The Central Bank is issuing up to DKK 60 billion in Danish treasury bonds with a 4.5%. coupon aimed at a balanced, low risk investment for Danish pension funds.		The social pension fund (Den Sociale Pensionsfond) has been given a mandate to purchase up to DKK 22 billion one year property mortgage bonds at the December 2008 auction.	

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Banks participating in the guarantee scheme may not for the duration of scheme (until December 31, 2010 with a possibility of prolongation) a) pay dividends, b) set up new share buy-back programs or c) establish new share option programs or extend or renew existing share option programs. For this reason some Danish branches of foreign banks have elected not to participate. All members of the DPB will be covered by the scheme; the amount of contributions made by each bank will vary according to the institution's capital base. Up until October 13, current DPB members could elect not to be part of the scheme and other banks including Danish branches of foreign banks could join DPB and thus the guarantee scheme. Almost all Danish banks are participating including Danske, Nordea, Jyske, and Sydbank (the 4 largest banks by market capitalisation in Denmark). Foreign branches of Danish banks may be covered if local banks are subject to a similar scheme.					

ESTONIA

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
	The Government more than doubled its bank deposit guarantee to €50,000 ($68,000), in line with other European Union member states.				

FRANCE

(Announced on October 13, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
On October 16, 2008, a new law was enacted aiming at "restoring confidence in the financial banking system and ensuring adequate financing of the French economy". Under this new law, a new government-backed entity (*Société de refinancement des Activités des Etablissements de Crédit* or "*SRAEC*") has been created. The French State owns 34% of its share capital, and the remaining 66% is owned by financial institutions. The *SRAEC* will issue debt securities guaranteed by the French State and then lend funds to financial institutions. Any financial institution operating in France may borrow funds through the *SRAEC*, provided it furnishes sufficient and adequate collateral and signs an agreement with the French State (regarding *inter alia* commitment to use the funds made available to finance individuals, companies and local public entities and regarding good corporate governance practices). This system does not provide a guarantee of inter-bank debts *per se* but allows the *SRAEC* to inject liquidity into the inter-bank debt market and financial institutions to refinance	Article L. 312-4 of the French Financial and Monetary Code and regulation n° 99-05 of the Banking Commission (*Commission Bancaire*) provides that deposits are guaranteed by a "deposit guarantee fund" up to €70,000 per depositary, per financial institution. If necessary, the French government is willing to extend the existing deposit guarantee fund.		The Ministry of Finance will use an *ad hoc* investment vehicle, the *Société de prises de participations de l'Etat (the* "*SPPE*") for recapitalization purposes. The French State will guarantee securities issued by the *SPPE*. The *SPPE* will then subscribe to securities issued by financial institutions to strengthen their capital ratios. According to the French Ministry of Finance, €40 billion out of the €360 billion made available as guarantees under the new law should benefit the *SPPE*. On October 20, 2008, the French Government announced that France's six largest banks (BNP Paribas, Société Générale, Crédit Agricole, Crédit Mutuel, Caisses d'Epargne, and Banques Populaires) would get a total of €10.5 billion from the *SPPE* in exchange for issuing deeply subordinated debt securities to the government, without voting rights. The Prime Minister also announced on November 3, 2008 that the French State is not excluding the option of directly subscribing to the capital of French banks.		Commercial Paper & CDs: As of October 15, 2008, trading in short-term commercial paper and certificates of deposit maturing in one year or less has been authorized on Euronext Paris. Banks whose commercial paper is listed on a regulated market are thus eligible for short-term refinancing operations. Fair valuation financial instruments: On October 15, 2008, the National Accounting Board (*Conseil National de la Comptabilité*), the French Financial Market Authority (*Autorité des Marchés Financiers*), the Banking Commission (*Commission Bancaire*) and the Insurance and Mutual Funds Supervisory Authority (*Autorité de Contrôle des Assurances et des Mutuelles*) issued a joint recommendation on the fair valuation of certain financial instruments due to financial market turbulence. Short selling: According to a press release issued by the French Financial Market Authority (*Autorité des Marchés Financiers*), on September 19, 2008, restrictions apply to a naked short selling of stocks of "credit institutions or insurance companies" whose shares are

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themselves. Moreover, on an exceptional basis and in particular in emergency cases, the French State may directly guarantee securities issued by financial institutions, provided that the French State is assured sufficient collateral. The State guarantee will be made available at commercial rates for debt securities issued by the *SRAEC* or, in emergency cases, by financial institutions in distress, before December 31, 2009, and with maturities up to five years. All the guarantees made available by the new law (including the recapitalization measures and the Dexia Group guarantee program) shall not exceed €360 billion. According to the French Ministry of Finance, €320 billion will benefit the *SRAEC* and Dexia. On October 23, 2008 and on October 30, 2008, the French government guaranteed the securities issued or those to be issued by the *SRAEC* for a maximum amount of €5 billion and €25 billion, respectively.					admitted to trading on a regulated market in France.

GERMANY[1]

(Announced on October 13, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	ASSISTANCE TO INDIVIDUAL INSTITUTIONS	OTHER MEASURES
On October 17, the German parliament overwhelmingly approved a €500 billion financial rescue package (the "Stabilization Fund").[2] The Stabilization Fund includes a guarantee fund of up to €400 billion for notional bonds and inter-bank lending for up to three years to new instruments issued by December 31, 2009, where appropriate. Stabilization Fund: Via the Stabilization Fund three main types of measures may be granted on an application by a German financial sector company (including banks and insurers):[3] ▪ recapitalization of companies in the financial sector; ▪ the guarantee of bonds, debentures and deposits, each with a maturity of up to 36 months to provide companies in the financial sector access to liquidity and facilitate the refinancing in the capital markets; and ▪ the purchase by the Stabilization Fund of selected assets. The Stabilization Fund may guarantee bonds, debentures and deposits, each with a maturity of	On October 5, 2008, the German Government announced that it will ensure the repayment of bank deposits with German banks. Such guarantee is understood to be a "political guarantee" in addition to the statutory and industry deposit insurance schemes. There will be no additional legislation to support such "political guarantee".		A €70 billion fund (which can be increased by another €10 billion) will be created in order to recapitalize banks where necessary in the form of equity, UT2 instruments or silent participations (similar to preferred or preference shares). In return for recapitalization, the German State will take an equity or quasi-equity stake in the relevant bank, and further conditions may be imposed.	BayernLB: On October 21, 2008, BayernLB requested recapitalization measures of €5.4 billion ($6.9 billion) from the SoFFin. In addition, the owners of BayernLB (the Free State of Bavaria and the Association of Bavarian Savings Banks) announced an increase in their capital stake by an aggregate amount of €1 billion. These capital measures are intended to replace the originally planned guarantees of €2.4 billion each from the Association of Bavarian Savings banks and the Free State of Bavaria. WestLB: In spring 2008, the owners of WestLB made an announcement to provide a risk shield, including a guarantee by the owners of WestLB of up to €5 billion. On October 22, 2008, WestLB made clear it was likely to use measures from the SoFFin. WestLB intends to ask for SoFFin guarantees to cover the issuance of WestLB's debt instruments in the years 2008 and 2009. In addition, WestLB announced that they are to examine the possibilities for strengthening their capital resources by the use of recapitalization measures from SoFFin. HSH Nordbank: On November 3, 2008, HSH	Hypo Real Estate: On September 29, 2008 and October 5/6, 2008, an agreement was reached among the German Federal Government, the German Central Bank, the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungs-aufsicht, "BaFin") and a consortium of the financial services industry (selected banks and insurers) on the granting to Hypo Real Estate of a €35 billion credit facility, later increased by an additional €15 billion credit facility, by the financial sector, backed by a €35 billion state guarantee. On October 30, 2008, the SoFFin granted to Hypo Real Estate Group a guarantee to cover a bank bond which Hypo Real Estate Group can pledge to draw on a special €15 billion liquidity support facility from Deutsche Bundesbank to cover Hypo Real Estate Group's short-term liquidity requirements. It is planned to refinance the liquidity provided hereunder with the liquidity facility described above. Furthermore, on October 29, 2008 Hypo Real Estate announced that it will submit an application to SoFFin for additional comprehensive support, including potential

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up to 36 months, issued by financial sector companies after October 17, 2008 and before December 31, 2009. Guarantees shall expire no later than December 31, 2012. Guarantees shall generally be issued in the form of guarantees on first demand (*Garantie auf erstes Anfordern*) and shall generally only be granted if the concerned financial sector company is equipped with adequate funds (*angemessene Eigenmittelausstattung*). The Stabilization Fund shall receive adequate consideration for the granting of guarantees, which will generally consist of a certain percentage of the maximum guarantee amount reflecting the default risk plus a margin. The scheme does not give German banks a broad guarantee but rather permits the Fund to be activated on a case-by-case basis for institutions deemed to be integral to the financial system.				Nordbank announced that it will apply to the SoFFin for a guarantee facility totalling €30 billion. Around half of this amount shall be drawn down with a view to supporting the Bank's successful business model and the second half shall be used as a precautionary measure in the event the turbulences on the financial markets make the coverage of further risks necessary. Commerzbank: On November 3, 2008, Commerzbank announced that it had entered into an agreement with SoFFin according to which SoFFin will provide Commerzbank with silent participation instruments (Tier 1 eligible) of €8.2 billion and increasing Commerzbank's core capital ratio (Tier 1) to 11.2% and guarantees for the issuance of debt instruments of up to €15 billion.	recapitalization measures. Banks: The Government has also passed legislation to allow banks to issue (i) up to 50% of their share capital to the Fund without shareholder ratification and (ii) non-cumulative (i.e., Tier 1 eligible) preference shares. Ban on Short Selling: On September 19, 2008, the Federal Financial Supervisory Authority temporarily prohibited naked short selling of eleven companies from the financial sector. The ban took effect on September 20, 2008, and is expected to apply until December 31, 2008.

1 According to Finance Agency head Carl Heinz Daube in an interview on October 29, 2008, Germany plans to finance part of its €500 billion bank rescue package by issuing bonds to banks in exchange for new preferred stock. The banks will not be allowed to sell the injected government bonds. Daube also said that there had not been a huge demand for any rescue measures, but this might change in the coming weeks.

2 On October 17, 2008, the German Financial Markets Stabilization Act (the "Stabilization Act") was published in the Federal Law Gazette (*Bundesgesetzblatt*) (BGBl. I, p. 1981). The main purpose of the Stabilization Act is to restore and sustain confidence and liquidity in the German financial market. Under the Stabilization Act, a financial markets stabilization fund (*Finanzmarktstabilisierungsfonds*; the "Stabilization Fund" or "SoFFin") has been set up by the German federal state (*Bund*). The Stabilization Fund is set up as a special fund (*Sondervermögen*) of the German Federal State without its own legal personality (*nicht rechtsfähig*). The liabilities of the Stabilization Fund will be guaranteed by the German Federal State. It is administered by the Financial Markets Stabilization Agency (*Finanzmarktstabilisierungsanstalt*).

The Ministry of Finance will be given a broad spectrum of powers to determine the eligibility of institutions (who should be deemed to be integral to the financial system) to participate in the scheme. Specific requirements and conditions which may be set include: minimum capital ratios, management of the institution and provision of credit to SMEs, executive remuneration and dividend policy.

3 The details and terms of conditions of such stabilization measures are set out in the Regulation regarding the Implementation of the Financial Markets Stabilization Fund Act (*inanzmarktstabilisierungsfonds-Verordnung*; "Stabilization Fund Regulation"), which was released by the Federal Government under the Stabilization Act on October 20, 2008, and which came into force as of the same date.

The fund has an aggregate volume of €480 billion. Up to €80 billion is available for recapitalization measures and/or the purchase of troubled assets. An aggregate amount of €400 billion is available for guarantees of bonds, debentures and deposits, each with a maturity of up to 36 months, and issued by financial sector companies after October 17, 2008 and before December 31, 2009. Access to the stabilization measures shall be subject to certain conditions to be fulfilled by the financial sector company applying for the stabilization measure, including sound business policies, and, depending on the nature of the measure, the supply of loans to small and medium sized enterprises, adequate compensation for the management (a compensation of more than €500,000 is deemed to be inadequate), and restrictions to the payment of the coming week dividends.

GREECE

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
Issuance Guarantee: A new draft law provides that, in return for appropriate fees and collateral (to be specified by the central Bank of Greece), the Greek Government will guarantee up to a maximum of €15 billion of newly issued short and medium term debt (with a maturity of three months to five years). The extended guarantee is set to expire on December 31, 2011. The Government will have the right to appoint a representative to the board of directors of the participating banks. However, in this instance, the representative shall not be vested with veto rights.	The draft law provides that the Greek Government will increase the protection given to savings from €20,000 to €100,000.	Securities lending facility: The draft law provides that Greek State Bonds of up to €8 billion may be issued and lent to banks in return for appropriate fees and collateral (to be specified by the central Bank of Greece and the Minister of Finance). Prior to their expiration, the Bonds must be returned to the Greek Government and cancelled. The banks that participate in this scheme must use the funds from the disposal of the Bonds to provide competitive housing and SME loans.	Preference Shares: The draft law provides that the Greek Government will underwrite up to €5 billion of preference shares, which will count as Tier 1 capital for the eligible banks electing to participate. Eligible banks are banks licensed by the Bank of Greece, including cooperative banks, regardless of whether they are listed or not. The general assemblies of the participating banks must resolve the share capital increase by February 1, 2009, and the Greek Government will subscribe for the new shares by December 31, 2009. The preference shares carry a 10% fixed rate of interest and may be bought back or converted no later than five years (but no sooner than July 1, 2009) by decision of the general assembly of the bank and approval of the Bank of Greece and the Minister of Finance. The Greek Government will have the right to appoint a representative to the board of directors and to the general assembly of the participating banks, and shall have veto rights on the distribution of profits or the granting of any kind of benefits to members of the board or senior executives.		

HONG KONG[1]

(Announced October 14, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
	On October 14, 2008, following a run on the Bank of East Asia, the first bank run in more than a decade, Hong Kong announced it will fully guarantee all bank deposits until the end of 2010 and set up a fund to provide capital to local lenders to restore confidence in the banking system.[2]	Hong Kong joined the growing number of countries easing their monetary policy, when on October 9 and 30, 2008, the Hong Kong Monetary Authority cut its base rate, which now stands at 1.5%.	The financial secretary pledged that Hong Kong would set up a fund which may be used to recapitalize Hong Kong incorporated licensed banks, if necessary.		

1 Hong Kong, according to press reports, has about US$ 161 billion of foreign reserves as of the end of September 2008.

2 Previously, Hong Kong depositors had stood to receive compensation limited to HK$100,000 ($12,800).

HUNGARY

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
	On October 15, 2008, there was an increase in the insured limit of the National Deposit Insurance Fund (OBA) from 6 to 13 million forints and the 10% own-risk component was removed. (The funds constituting the OBA are collected from the banks.) On October 15, 2008, an unlimited governmental guarantee entered into force in respect of bank deposits.	The Hungarian central bank, Magyar Nemzeti Bank, has announced the provisions of collateralized lending facilities in order to maintain confidence among domestic banks and ensure that their liquidity management is functioning smoothly. On October 22, 2008, Hungary raised its base interest rate by 300 basis points to 11.5% in an attempt to support the currency and stabilize financial markets.			On October 29, 2008, Hungary secured a €20 billion loan from the IMF, the EU and the World Bank to shore up its economy. Hungarian assets were battered as foreign-currency borrowing by local companies and consumers, along with slower growth, a wider budget deficit and higher government debt than elsewhere in east Europe, raised concern that the country may have difficulties in securing funding. The IMF will lend €12.5 billion, the EU will provide €6.5 billion and the World Bank will add €1 billion. Hungary has also secured a €5 billion lifeline from the ECB.

ICELAND

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
	The Government of Iceland has repeatedly (in press releases and Ministerial statements) declared that all bank deposits in domestic commercial banks, savings banks and their branches in Iceland are fully guaranteed. The statement, which does not have the force of law, only extends to domestic deposits and not to deposits with Icelandic banks held overseas.[1] On October 6, 2008, the Act on Authority for Treasury Disbursements due to Unusual Financial Market Circumstances, etc. was passed with immediate force by the Icelandic Parliament.[5] According to the Act, all deposits shall take priority over all general and unprioritized claims against the financial undertaking. The Icelandic Financial Supervisory Authority (the "FSA") has decided to transfer a part of Landsbanki, Glitnir and Kaupthing operations to new banks that have been formed and are fully owned by the Icelandic State. The decision means, *inter alia*, that the new entities take over all of the "old" entities' deposits in Iceland. Furthermore, the decision states that the new entities will take over the obligations of the branches of the "old" entities, in Iceland due to deposits from financial undertakings, the	On October 28, 2008, as a condition of the loan from the IMF, Iceland's central bank raised interest rates by a massive 6% to 18%. Iceland's central bank also said it had applied to the United States Federal Reserve and the ECB for extra funding. Iceland has already said it needs another $4 billion in loans on top of the $2 billion it is seeking from the IMF, which it is securing from some Nordic and other central banks.		Glitnir: On October 14, 2008, the FSA decided to transfer a part of Glitnir's operations to a new bank that has been formed and is fully owned by the Icelandic State, the New Glitnir. The decision means, *inter alia*, that the New Glitnir takes over all of Glitnir's deposits in Iceland, and also the bulk of the bank's assets that relate to its Icelandic operations, such as loans and other claims. An independent evaluation of the value of assets and liabilities, together with a final settlement will be made within 90 days of the transfer date. The new bank's equity will, according to information on the FSA's webpage, be ISK 110 billion and the size of the balance sheet will be around ISK 1,200 billion. Landsbanki: On October 9, 2008, the FSA decided to transfer a part of Landsbanki's operations to a new bank that has been formed and is fully owned by the Icelandic State, the New Landsbanki. The decision means, *inter alia*, that the New Landsbanki takes over all of Landsbanki's deposits in Iceland, and also the bulk of the bank's assets that relate to its Icelandic operations, such as loans and other claims. An independent evaluation of the value of assets and liabilities, together with a final settlement will be made within 30 days from	On October 24, 2008, the Icelandic Government reached an agreement *ad referendum* with a mission from the IMF on an economic stabilization program that could be supported by a stand-by arrangement with the fund. It is stated that the economic program will be supported by an SDR 1.4 billion (US$ 2 billion) loan under a two-year Stand-By-Arrangement. Iceland would be able to draw SDR 560 million (US$ 830 million) immediately after the Board approval. It is also expected that an agreement with the IMF will encourage lending from other sources.

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
	Icelandic Central Bank and other customers. Icesave: It was reported on October 22, 2008 that the UK and Iceland are hoping to agree on a loan of up to £3 billion to cover British depositors in Icesave, the online banking unit of Landsbanki, the collapsed Icelandic bank.[3] It was reported on October 11, 2008, that the Dutch and Icelandic Governments have agreed on a solution regarding the Dutch depositors of Landsbanki IceSave savings accounts. The agreement states that the Icelandic government will compensate each Dutch depositor up to a maximum of €20,887. The Dutch Government will provide a loan to Iceland to enable this restitution and the Dutch Central Bank is to settle the depositors' claims.			the transfer date. The new bank's equity will, according to information on the FSA's webpage, be ISK 200 billion and the size of the balance sheet will be around ISK 2,300 billion. Kaupthing: On October 21, 2008, the FSA decided to transfer a part of Kaupthing's operations to a new bank that has been formed and is fully owned by the Icelandic State, the New Kaupthing. The decision means, *inter alia*, that the New Kaupthing takes over all of Kaupthing's deposits in Iceland, and also the bulk of the bank's assets that relate to its Icelandic operations, such as loans and other claims. An independent evaluation of the value of assets and liabilities, together with a final settlement will be made within the next 90 days from the transfer date. The new bank's equity will, according to information on the FSA's webpage, be ISK 75 billion. and the size of the balance sheet will be around ISK 700 billion. Kaupthing's U.K. subsidiary, Kaupthing, Singer & Friedlander Ltd., has been placed in administration. Certain other subsidiaries of the Icelandic banks have either been sold or placed in administration by local authorities.	

[1] It should be noted that a significant volume of banking business by Iceland's banks is conducted overseas.

[2] Icesave, the online British arm of Landsbanki, announced that its customers can no longer withdraw or deposit money. More than 300,000 British customers had around £4 billion deposited in Icesave accounts and now face the prospect of making a claim under the U.K. government deposit guarantee scheme. Depositors with more than £50,000 and non-retail depositors are not protected by this scheme.

[3] The decisions of the Icelandic Financial Supervisory Authority due to unusual circumstances are posted on the following website (in English translation): http://www.fme.is/?PageID=867.

INDIA[1]

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
	Deposits in Indian banks are already insured up to a maximum of Rs.100,000.	The Reserve Bank of India ("RBI") has come up with various assistance measures in order to infuse liquidity into the system, some of which are: Banks (i) On November 1, 2008, it was decided to provide refinance facilities to all banks from RBI up to 1% of each bank's net demand and time liabilities as on October 24, 2008 at the repo rate up to a maximum period of 90 days. (ii) Further, banks have also been allowed to borrow up to 1.5% in cash from the RBI to on-lend it to Non-Banking Financial Companies and Mutual Funds to meet their funding requirements. (iii) Consequently, on November 3, 2008, a 14-day window of Rs. 600 billion has been opened to enable such funding by banks. Foreign Institutional Investors ("FIIs") (i) On October 6, 2008, restrictions on the issue of Offshore Derivative Instruments by FIIs were removed. (ii) On October 16, 2008, limits for FII investments in corporate bonds were enhanced			Cash Reserve Ratio ("CRR"): CRR is the minimum average daily balance that a bank is required to maintain with the RBI. In October 2008, the CRR of 9% was reduced by 250 basis points to 6.5%. On November 1, 2008, it was decided to further reduce the CRR by 1% in two phases. The CRR will stand at 6% retrospectively with effect from October 25, 2008 and at 5.5% with effect from November 8, 2008. This step is expected to release Rs. 400 billion into the system. Repo Rate: Repo rate is the rate at which the banks borrow money from the RBI. On October 20, 2008, the repo rate was reduced by 100 basis points from 9% to 8%. On November 1, 2008, it was decided to reduce the repo rate further by 50 basis points to 7.5% effective November 3, 2008 Statutory Liquidity Ratio ("SLR") SLR is the amount of liquid assets in the form of cash, gold or approved securities that a bank is required to maintain in its reserves. On November 1, 3008, the RBI reduced the SLR rates by 100 basis points to 24%

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
		substantially to a cumulative level of US$ 6 billion. (iii) On October 23, 2008 restrictions requiring FIIs to purchase shares of stock exchanges and security market infrastructure companies only from the secondary market have been lifted and FIIs are now allowed to buy them even before they are listed. Non Banking Financial Companies ("NBFCs") The Government of India has opened up various fund raising options for NBFCs. (i) On October 29, 2008, systematically important non-deposit taking NBFCs (i.e., non-deposit taking Non-Banking Financial Companies having an asset size of Rs. 1 billion or more) were allowed to augment their capital funds by issue of Perpetual Debt Instruments ("PDI") in the form of bonds and debentures with a minimum investment of Rs. 500,000 per issue by an investor. (ii) On November 1, 2008, systematically important non-deposit taking NBFCs were further allowed to raise short-term foreign currency borrowings under the approval route up to 50% of the net owned funds or US$ 10 million, whichever is higher.			with effect from November 8, 2008. As a result, the banks have an option of selling Rs 400 billion of government securities which until now formed part of their statutory investments. Banks are allowed access to special refinance at 7.5% for 90 days and are allowed to borrow against government securities to on-lend to finance companies.

1 Information as at November 5, 2008.

IRELAND

(Duration of support from September 30, 2008 to September 29, 2010)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
On October 20, 2008, the Minister for Finance made The Credit Institutions (Financial Support) Scheme 2008 (the "Scheme"). The Scheme gives effect to the State guarantee announced by the Irish Government on September 30, 2008. Under the Scheme, the Minister for Finance has guaranteed certain "covered liabilities" of "covered institutions" from September 30, 2008, to September 29, 2010, inclusive. The EU Commission has approved the Scheme as being compatible with EC Treaty state aid rules. The Scheme is only open to systemically important credit institutions and certain named subsidiaries of such credit institutions. Institutions covered by the guarantee scheme are listed on the website of the Department of Finance (the first group of covered institutions was announced on October 24, 2008). Liabilities covered by the Scheme are known as "covered liabilities". They comprise all retail and corporate deposits (to the extent not covered by existing deposit protection schemes in Ireland or any other jurisdiction); inter-bank deposits; senior unsecured debt; covered	The protection limit for Ireland's existing deposit protection scheme was extended on September 20, 2008, to €100,000 per depositor per institution, from its previous limit of €20,000. Note also that the Scheme described in the first column covers all retail, corporate and inter-bank deposits (to the extent not covered by the existing depositor protection scheme).				The Credit Institutions (Financial Support) Act 2008 provides the Minister for Finance with broad powers to provide financial support in respect of the borrowings, liabilities and obligations of any credit institution or subsidiary specified by order. The Act also amends Irish merger control rules. Financial support under the Act cannot be provided for any period beyond September 29, 2010. Financial support is defined as including loans, guarantees, exchange of assets and any other kind of financial accommodation or support. The Minister for Finance has power to provide support on "such commercial or other terms and conditions as the Minister thinks fit". The Scheme described in the first column was made pursuant to the Minister for Finance's powers under the Act.

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
bonds (including asset covered securities) and dated subordinated debt (Lower Tier 2) (subject to certain restrictions), but excluding any intra-group borrowing and any debt due to the ECB arising from Eurosystem monetary operations. Under the Scheme, the Irish Financial Services Regulator, in consultation with the Minister for Finance, will impose conditions that regulate the commercial conduct and competitive behavior of covered institutions. The conditions are described in detail in the Scheme.					

ITALY[1]

(Announced on October 9, 2008 and October 13, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
The Government recently issued two measures for the stabilization of the credit system and the improvement of the capital adequacy of Italian banks. On October 9, 2008, the Italian Government issued Law Decree No. 155 ("Law Decree 155/2008")[2] and on October 13, 2008, Law Decree No. 157 ("Law Decree 157/2008").[3] Law Decree 157/2008 authorizes the Ministry of the Economy and Finance (the "Ministry of the Economy") to guarantee, on market terms, transactions carried out by Italian banks to obtain securities eligible for use in refinancing transactions with the Eurosystem.	Law Decree 155/2008 authorizes the Ministry of the Economy to guarantee Italian banks' depositors for a 36-month period. This guarantee is in addition to the existing deposit guarantee introduced by Legislative Decree No. 659 of December 4, 1996, which provides for a guarantee equal to a maximum of €103,291.38 per depositor. Law Decree 155/2008 does not specify the maximum amount of the guarantee.	Law Decree 155/2008 provides that in the event of severe liquidity crises, the Ministry of the Economy is authorized to guarantee loans granted by the Bank of Italy to Italian banks or the Italian branches of foreign banks. On October 13, 2008, the Bank of Italy, through a press release, announced: (i) the reduction, with immediate effect, of the minimum threshold for loans to be issued for refinancing transactions, from €1,000,000 to €500,000; and (ii) the implementation of a temporary exchange program between government securities held by the Bank of Italy and assets held by Italian banks. The temporary exchange program is capped at €40 billion.	Law Decree 155/2008 authorizes the Ministry of the Economy to subscribe for or guarantee capital increases of Italian banks that the Bank of Italy determines to be inadequately capitalized. In order to benefit from these measures, (i) the recapitalization must not have been completed prior to October 9, 2008, and (ii) the bank must adopt or have adopted a more comprehensive stabilization and financial strengthening plan covering at least the subsequent 36 months. The Bank of Italy is required to evaluate the existence of the above mentioned conditions, the adequacy of the plans and policy on dividends approved by the applicant bank. In addition to the Law Decrees No. 155/2008 and 157/2008, a press release issued on October 30, 2008, anticipated that the government is expected to establish a special fund (with €15-20 billion available) to subscribe for subordinated convertible securities issued by Italian banks. Such securities would have the benefit of being included for the purposes of capital adequacy requirements as Tier 1 capital, without entailing an immediate direct State participation in the share capital. The press article also		Law Decree 157/2008 authorizes the Ministry of the Economy to guarantee, on market terms, newly issued bank liabilities having a maturity of up to five years. Law Decree 157/2008 empowers the Ministry of the Economy to effect temporary exchanges between government securities and assets held by banks or liabilities of Italian banks having a maturity of up to five years and issued after October 13, 2008 (see also the temporary exchange program implemented by the Bank of Italy and discussed under "Special Central Bank Assistance Measures").

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
			indicated that conversion rights would be granted only to the issuing bank. As of the date of this client publication, no concrete action has been taken in this respect.		

1 Please note that the main measures that the Italian government recently adopted consist of two law decrees which require further ministerial decrees to be implemented. The law decrees provide for a 30 day term for the issuance of the ministerial decrees running, respectively, from October 9 and October 13; in the absence of the ministerial decrees no concrete action can be taken under the program. Thus far, the only measure that has already been used is the Bank of Italy's temporary exchange program between government securities held by the Bank of Italy and assets held by Italian banks (in the first round three Italian banks exchanged assets for approximately €1.9 billion of government securities).

2 Law Decree 155/2008 provides that the Bank of Italy may grant loans secured by pledge or assignment of receivables to Italian banks to satisfy their liquidity requirements. The pledges or assignments of receivables issued in accordance with such provision are enforceable vis-à-vis any debtor and third parties and they become effective on the date of execution of the security agreement. The secured loans granted by the Bank of Italy under this provision are not subject to clawback under Italian insolvency rules.

3 Law Decree 155/2008 and Law Decree 157/2008 are effective from October 9, 2008, and October 13, 2008, respectively. Both these decrees expressly require the adoption of Ministerial decrees setting forth the criteria, terms and conditions for their implementation. Such Ministerial decrees have to be issued within 30 days from the effective date.

JAPAN

(Announced October 14, 2008, unless otherwise noted)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
		The Bank of Japan (the "BoJ") will seek to improve corporate financing by increasing the frequency and size of Commercial Paper repo operations. The BoJ will accept, until April 2009, asset-backed commercial paper which is guaranteed by a BoJ financial counterparty as collateral, unless the BoJ deems it necessary to review the creditworthiness of specific assets or encounters other issues that would endanger the soundness of its assets.			The BoJ has announced a series of measures to increase liquidity to the market, including lowering the target for the overnight call rate by 20 basis points on October 31, 2008, and encouraging it to remain around 0.3%. On October 31, 2008, the BoJ lowered the basic loan rate applicable under the complementary lending facility by 25 basis points to 0.5% and introduced the Complementary Deposit Facility, a temporary measure to pay interest on excess reserve balances in order to further facilitate the provisioning of sufficient liquidity toward the year-end. The Complementary Deposit Facility will be effective from the November 2008 reserve maintenance period to the March 2009 reserve maintenance period, and the interest rate applied will be 0.1%. Other measures include the widening of repo eligible assets to floating rate Japanese government bonds ("JGBs"), inflation-indexed JGBs and 30-year government bonds, the lowering of the minimum secured lending facility fee to 0.5% from 1% and the extension of the period of relaxation in conditions for conducting the

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
					secured lending facility. These measures are temporary in nature until January 16, 2009. In addition, the BoJ will introduce U.S. dollar funds-supplying operations whereby unlimited funds are provided at a fixed rate set for each operation against eligible pooled collateral. The BoJ will also start providing "sufficient" funds over the year-end earlier than usual.

LUXEMBOURG

(Announced October 17, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
Following the recapitalization of the Dexia group (see the Recapitalization Measures column), a Grand-Ducal Regulation was enacted on October 10, 2008 authorizing the Luxembourg Government to grant a financial guarantee to the Dexia group (the "Regulation"). This Regulation further aims at implementing an intergovernmental agreement between the Luxembourg, Belgian and French governments which, pursuant to the common press release of these governments[1], aims to assure depositors that the Dexia group will have sufficient liquidity. Pursuant to the Regulation, the Government is authorized to guarantee, for the account of the Luxembourg State, funding obtained by the Dexia group[2] with credit institutions and institutional depositories as well as bonds and debt instruments issued by the Dexia group to institutional investors. In order to be eligible for the guarantee, this funding and the bonds and debt instruments must have been issued between October 9, 2008 and October 31, 2009 and must mature before October 31, 2011.	The Luxembourg Government has announced that it will raise the level of the protection of the deposit guarantee in Luxembourg from €20,000 to €100,000.[3] This measure should be implemented as of January 1, 2009.		Fortis: the Luxembourg Government has announced, on the basis of an agreement of September 28, 2008 with the Dutch and Belgian Governments, that as a first step it would invest €2.5 billion in Fortis Banque Luxembourg S.A. ("Fortis") in the form of a convertible loan.[4] The Luxembourg Government would thus take 49% in the capital of Fortis. On October 6, 2008, the Luxembourg Government announced that it had sold 16% of Fortis to the BNP Paribas group. Under the agreement BNP Paribas will hold 67% in Fortis,[5] while the Luxembourg State will hold 33% in Fortis and will acquire 1.1% of the share capital of BNP Paribas. Dexia: the Luxembourg, Belgian and French governments and the shareholders of Dexia agreed to recapitalize the Dexia group on September 30, 2008. Pursuant to this agreement, the Luxembourg Government announced that it would subscribe to the issuance by Dexia B.I.L. S.A. of convertible bonds/loan of €376 million[6] which if converted would represent roughly 20% in Dexia B.I.L. S.A.		In a statement made to the Luxembourg Parliament on the financial crisis on October 15, 2008, Prime Minister Jean-Claude Juncker declared that "... the Luxembourg Government and the Luxembourg Central Bank will take all necessary steps to secure the liquidity of money market funds established under Luxembourg law."

The guarantee of the Luxembourg State cannot exceed €4.5 billion. It is granted jointly but not severally with Belgium and France.					

1 Communiqué, Communication conjointe des gouvernements français, belge et luxembourgeois relative à Dexia, October 9, 2008, available at www.gouvernement.lu.

2 i.e., Dexia S.A. and Dexia Banque Belgique S.A., Dexia Banque Internationale à Luxembourg S.A., Dexia Credit Local de France S.A. as well as their issuing vehicles.

3 Article d'actualité, Luc Frieden: "Le Luxembourg augmente la garantie des dépôts bancaires à 100.000 euros", October 17, 2008.

4 Article d'actualité, Les gouvernements belge, luxembourgeois et néerlandais investissent 11,2 milliards d'euros dans Fortis, September 29, 2008, available at www.gouvernement.lu.

5 Article d'actualité, Fortis Banque Luxembourg devient BGL-BNP Paribas, 06-10-2008, available at www.gouvernement.lu.

6 Article d'actualité, *Les gouvernements belges, français et luxembourgeois ainsi que les actionnaires investissent 6,4 milliards d'euros dans Dexia*, September 30, 2008, avalaible at www.gouvernement.lu

NEW ZEALAND

(Retail deposit guarantee scheme announced October 12, 2008 / Wholesale guarantee facility announced November 1, 2008)

GUARANTEES OF BANK DEBT (WHOLESALE FACILITY)	DEPOSIT GUARANTEES (RETAIL SCHEME)	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
A Wholesale Funding Guarantee Facility was (the "Wholesale Facility") established to facilitate access to global financial markets by registered banks. The Wholesale Facility is available to financial institutions that have a rating of BBB- or better and have substantial New Zealand borrowing and lending operations. It is not available to institutions which are primarily financing a parent or related company, non-financial issuers (e.g., corporate or local authority issuers) or collective investment schemes. All newly issued senior unsecured negotiable or transferable debt securities by eligible financial institutions in all major currencies are eligible for coverage. The Wholesale Facility covers any paper issued until the earlier of its maturity or for up to five years. Eligible institutions are required to "opt-in" and must apply for an eligible instrument to be covered. A fee of between 85 bps p.a. and 250 bps p.a. will be charged on each issue differentiated upon the "riskiness" of the issue and the term of the security. Deposit-taking institutions that wish to participate will be	The New Zealand Government originally promised to guarantee all retail deposits in banks and other financial institutions which opt into a new scheme. However, on October 22, 2008, the New Zealand Government amended its promise of a blanket guarantee for retail deposits amid fears of market distortion. The Retail Scheme has since been limited to NZ$1 million per depositor per guaranteed institution.[1] Institutions with total deposits at more than NZ$5 billion will be charged a 10 bps p.a. fee for guaranteed deposits in excess of NZ$5 billion. A further fee will be charged on the growth of deposits held by guaranteed institutions that have a total deposit value of less than NZ$5 billion.[1] The Retail Scheme extends beyond registered banks to non-bank deposit takers (finance companies, building societies and credit unions) and to collective investment schemes (such as unit trusts).[2] The opt-in scheme takes the form of a bilateral contractual agreement between the government and the individual institutions which take up the	On October 23, 2008, spurred by fears of a recession, the Reserve Bank of New Zealand cut its benchmark interest rate by a record full percentage point to 6.5%, warning that financial market turmoil will further constrain the economy.	None as of November 5, 2008.	None as of November 5, 2008.	Additional liquidity facilities have been provided by the Reserve Bank of New Zealand to registered banks.

GUARANTEES OF BANK DEBT (WHOLESALE FACILITY)	DEPOSIT GUARANTEES (RETAIL SCHEME)	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
expected to have opted-in to the Retail Scheme. Any institution which joins the Wholesale Facility will be required to agree that the securities eligible for a wholesale guarantee (whether actually guaranteed or not) are not covered by the Retail Scheme.	guarantee. The Treasury has discretion to decline applications to participate in the Retail Scheme.[3]				

1 The fee charged on institutions with less than $5 billion in deposits will only apply to the increase in total deposits since the scheme was announced (above the 10% allowed growth per annum). A further fee will be imposed upon non-bank deposit takers that are non-rated or rated BB (or below) of 300 bps p.a. New non-bank deposit takers wishing to join the scheme will need to be rated BBB- or better in order to be eligible.

2 Non-bank deposit takers and collective investment schemes will be subject to stringent requirements under the Retail Scheme. In order to be eligible, non-bank deposit takers will be subject to increased reporting requirements, limitations on entering transactions with related companies and personal undertakings from directors. Collective investment schemes will only be guaranteed if they: invest only in New Zealand Government securities or debt securities issued by institutions participating in the Deposit Guarantee Scheme; and do not increase investments in participating institutions (other than registered banks) beyond the levels that existed as at October 12, 2008.

3 Participating institutions in the Retail Deposit Guarantee Scheme are exempted from certain provisions of the Securities Act 1978 and the Securities Regulations 1983, subject to certain conditions. The exemptions relate to required information about guarantors in registered prospectuses and advertisements.

The finer details of the Retail Scheme and the Wholesale Facility are still being finalised. Guarantees for banks for the Retail Scheme are now being approved, with approvals of guarantees for other institutions to follow. Approvals of applications to join the Wholesale Facility are expected to begin by November 10, 2008.

NORWAY

(Announced October 13, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
	NOK 2 million per person.	Norges Bank has since October 1, 2008 made the following measures: ▪ Offered two-year fixed-rate loans particularly designed to secure funding for small banks. The loans are offered by auction on market terms to banks operating in Norway and are provided against collateral in the form of securities. The maximum bid for a two-year loan is NOK 1 billion. ▪ Offered banks new three months fixed-rate loans of maximum NOK10 million and six months fixed-rate loans of up to NOK1 billion. ▪ Entered into an agreement with the US Federal Reserve under which Norges Bank may borrow up to US$ 15 billion against collateral in NOK. The agreement expires in April 2009. ▪ Offered banks NOK for € or US$ in auction based FX-swaps to banks active in the Norwegian money market. On October 29, 2008, the key policy rate was reduced by a 0.50 percentage point to 4.75%.		On October 24, 2008, the Norwegian government presented a NOK350 billion Government bond swap facility to be administered by Norges Bank on behalf of the Ministry of Finance. Under the swap arrangement government securities are exchanged in return for Norwegian covered bonds. The arrangement is governed by guidelines issued on November 3, 2008. The guidelines set out the requirements for the securities and their valuation. A number of securities and funds are preapproved and listed at the website of Norges Bank (www.norges-bank.no), but other types of collateral may be approved upon application. Bonds and short-term paper from Norwegian and foreign issuers are accepted as collateral. Norwegian bond and money market funds may be used as collateral on certain conditions. Securities issued by foreign entities must have a S&P or Moody's credit rating. Securities issued by foreign private entities are required to be listed on the stock exchange.	.

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
				It is required that securities in foreign currency issued by private entities have a minimum volume outstanding equivalent to at least €100 million. A bank may only pledge up to 20% of the outstanding volume of its loans and up to 35% of its total collateral in the form of securities issued by Norwegian banks. Banks' claims on mortgage companies issuing covered bonds will be eligible as collateral for loans. A bank's issued bonds or short-term paper are not accepted as collateral. The value of a security will, as a main rule, be based on the security's market value adjusted according to set rates available on the website of Norges Bank.	

PEOPLE'S REPUBLIC OF CHINA[1]

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
		On October 9, 2008, the Chinese central bank, the People's Bank of China ("PBOC"), lowered the one-year benchmark deposit and lending rates by 0.27%, and interest rates of loans and deposits with other maturities were adjusted accordingly. On October 15, 2008, PBOC lowered the deposit reserve ratio by 0.5%. On October 30, 2008, PBOC lowered the benchmark deposit and lending rates by a further 0.27%. PBOC also announced on November 3, 2008, that it will loosen its strict control over credit plans of PRC commercial banks to boost economic growth.	In September 2008, Central Huijin Investment Co., Ltd., an investment arm of the Chinese government, increased its shareholdings in each of Bank of China, China Construction Bank and the Industrial and Commercial Bank of China by two million shares through share purchases on the secondary market. Huijin intends to continue to increase its shareholdings in the three banks on the secondary market.		

[1] China, according to press results, has about US$ 1910 billion in foreign reserves as of the end of October 2008.

PORTUGAL

(Announced on November 3, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
The Government of Portugal passed legislation fully effective from October 24, 2008, pursuant to which it will guarantee at its discretion the funding of credit institutions of up to €20 billion. The maturities of the covered credits may range between three months and five years. However, interbank deposit operations in the money market, subordinated debt operations, operations already covered by any other type of guarantee or security and financing operations in jurisdictions not complying with internationally accepted transparency standards are excluded from this scheme. Qualifying institutions must demonstrate that the guarantee is required for the normal functioning of the institution. The guarantee is available to Portuguese credit institutions which *inter alia* demonstrate that the same is necessary in order to obtain funding. A fee will be paid by credit institutions amounting to (i) 50 bps where the guarantee's duration is one year or less or (ii) the institutions' median five years CDS spread plus 50	Currently €25,000 per depositor. Proposed legislation was passed on October 13, 2008, setting forth an increase in the amount covered by the deposit guarantee scheme to €100,000.[1]	(i) The Bank of Portugal published Regulation nr. 6/2008 on October 14, 2008, aimed at allowing credit institutions to disregard the potential gains and losses of their bond portfolios for the calculation of their own funds, to the extent that such gains and losses are not related to impairment.[2] (ii) The Governor of the Bank of Portugal announced on November 2, 2008, that Portuguese banks will be required to hold a minimum of 8% of Core Tier 1 capital (against the 4% previously required by the Bank of Portugal and the Portuguese market practice that sets it currently at 7%).	The stated position of the government and banking regulator is that, in general, credit institutions in Portugal will not be gravely affected by the crisis. Nonetheless, on November 2, 2008, the government announced the setting up of a recapitalization program of up to €4,000 million to be used to recapitalize banks, to help them reach a 8% Core Tier 1 ratio (a ratio that will become mandatory). Details are still to be made public but, according to the Finance Minister's public statement it is expected that the program will be implemented through the subscription by the State of preferential non-voting shares and that the State intervention will be limited to a maximum of three to five years.[3]	The Government has decided not to purchase troubled financial instruments. Nonetheless, please see our description of the decision of the Government to nationalize the Portuguese Bank BPN in the next column.	The Government announced on November 2, 2008, that it will submit, for parliamentary approval, the nationalization of BPN. In the mean time, the Bank of Portugal appointed two government administrators who are also directors of the state-owned bank CGD. Its shares will be valued by two independent entities to determine the amount that shareholders will receive as compensation for the nationalization.[4]

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
bps where the guarantee's duration is more than one year. If the Portuguese State decides to honour a payment claim presented under the guarantee, it may (i) subscribe for capital issued by the credit institution; (ii) decide on various corporate matters of the credit institution, such as distribution of dividends or remuneration of managers; or (iii) impose compulsory administration.[5]					

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1 Although the Portuguese Minister of Finance has represented in the media that the Portuguese State would cover all the deposits held with Portuguese credit institutions, the fact is that until now only the increase from €25,000 to €100,000 per depositor has been announced as a legislative measure.

2 This measure is of significant importance in the current financial crisis scenario since due to the low liquidity of bonds the banks are not able to sell them out of their trading portfolio, and until now have been obligated to account for them as potential gains or losses in the calculation of own funds.

3 The stated purpose of this program was said to be to protect national banking institutions against hostile takeovers, and to create a level playing field for the Portuguese banking sector, since other jurisdictions have already implemented similar measures aimed at helping the financial sector. The reaction from credit institutions to this measure was favorable.

4 This measure was aimed at ensuring the safety of deposits and at preventing systemic risks. The nationalization comes after rescue plans directed at its recapitalization and asset sales have failed, which included a proposal to the State for the acquisition of preferential shares amounting to €600 million. According to public statements by the Governor of the Bank of Portugal, the financial disruption was the result of alleged doubtful operations by the bank that, until recently, had not been revealed on BPN accounts, reports and investigations aggravated by the current market situation and causing it severe losses and a serious liquidity shortfall.

5 The legislation authorises the scheme to continue until December 31, 2009. Until now, the Portuguese Banks Banco Português de Investimento, Banco Comercial Portuguê, Banco Espírito Santo, Santander Totta and Caixa Geral de Depósitos have already confirmed that they intend to apply for the Portuguese State guarantee. The Portuguese Minister of Finance has stated that the Portuguese Banks are not facing serious risks and that "this guarantee should be viewed as an additional element in order to facilitate and maintain orderly market conditions and the necessary funding means in order to allow a good and regular running of the economy and safeguard the interests of the citizens."

REPUBLIC OF KOREA
(Announced October 19, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
In an effort to stabilize the financial markets, the South Korean government, on October 19, 2008, announced that it will guarantee the foreign-currency borrowings of South Korean banks from October 20, 2008 through June 30, 2009. Such guarantees are contemplated to be made through the Korea Development Bank and the Export-Import Bank of Korea. The Ministry of Strategy and Finance, the Bank of Korea and the Financial Services Commission announced that approximately US$ 100 billion of South Korean banks' foreign-currency debt would be covered by this guarantee. Banks are expected to have to pay a fee for the guarantee, but this has not yet been determined.	On November 6, 2008, the South Korean government published its proposal regarding amendments to the deposit insurance regulations so that foreign-currency deposits would be covered by deposit insurance.	Key interest rate cuts: On October 27, 2008, the Bank of Korea cut its key interest rate from 5% to 4.25%. On November 7, 2008, the rate was further cut to 4.00%. Foreign currency liquidity: On October 6, 2008, the Bank of Korea announced plans to provide US dollar liquidity in the amount of US$ 15 billion by utilizing the foreign equalization fund. On October 19, 2008, the Bank of Korea announced plans to provide an additional US$ 30 billion of US dollar liquidity. KRW liquidity: On September 18, 2008, the Bank of Korea provided KRW liquidity in the amount of KRW 6.5 trillion to the financial market through repo transactions, etc. On October 23, 2008, the Bank of Korea increased the credit line for support of small and medium businesses from KRW 6.5 trillion to KRW 9.0 trillion. On October 27, 2008, the Bank of Korea included bank bonds as securities eligible for repo transactions and announced that it would purchase KRW 5 trillion	The South Korean government announced plans to inject KRW 500 billion into each of the Korea Development Bank and Industrial Bank of Korea and KRW 300 billion to the Export-Import Bank of Korea. The South Korean government also announced plans to inject KRW 500 billion to each of Credit Guarantee Fund and Kibo Technology Fund and KRW 100 billion to the Korea Housing Finance Corporation.		

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
		to 10 trillion of bank bonds through repo transactions to provide liquidity to the banking sector.			

RUSSIA

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
	With effect from October 17, 2008, the Central Bank of Russia (the "CBR") increased the maximum amount, which in accordance with the requirements and procedures established by Russian legislation, is payable by the CBR to an individual depositor having a claim against an insolvent Russian bank, from 400,000 roubles (approximately US$ 14,815) to 700,000 roubles (approximately US$ 25,925).	With effect from September 18, 2008, the CBR, aiming to stabilize the situation in the Russian financial markets and to support liquidity in the Russian banking sector, decreased interest rates on loans from the CBR secured by the pledge of promissory notes, receivables or suretyships provided by credit organisations as follows: from 8% to 7.5% per annum for rouble loans with a term of up to 90 calendar days; and from 9% to 8.5% per annum for rouble loans with a term of 91 to 180 calendar days. At the same time, the CBR raised the adjustment coefficient to calculate the value of security on the loans provided by the CBR, which is calculated based on potential fluctuations or changes in price of securities, and which is intended to decrease the CBR's risks related to the potential depreciation of the security. With effect from September 18, 2008, the CBR decreased the interest rate on collateral loans with a term of one day from 9% to 8%. In order to further improve market liquidity, in October 2008, the CBR took the following measures: (i) with effect from October 15, 2008, the CBR reduced its	The Government will inject up to US$ 50 billion into Vnesheconombank to refinance corporate and financial debt. The measures will include up to 725 billion roubles (US$ 27 billion) of sub-loans to banks. In September 2008, the Russian Ministry of Finance, with the CBR's approval, relaxed the requirements for Russian banks to participate in state auctions with a view to placing budgetary funds with banks more efficiently, which allowed Russian banks to attract more funds from the Russian Ministry of Finance. In particular, 25 more banks (in addition to Sberbank, VTB and Gazprombank) were allowed to participate in state auctions. The following requirements were applied to such banks: general banking licence issued by the CBR; own funds of not less than 5 billion roubles; no budgetary funds-related indebtedness; obligatory participation in the deposit insurance system, and long-term solvency rating not less than "BB-" by Fitch and Standard & Poor's and "Ba3" by Moody's. In October 2008, the Russian Ministry of Finance further relaxed these requirements to allow participation in state auctions by banks having long-term solvency rate "BBB-" and "BB+". The specific mechanisms of	There have been reports that Russia will acquire up to US$ 20 billion of equity in various Russian companies in order to support the stock market. A number of transactions were recently announced relating to the purchase by entities allocated with the Russian Government of shares in various Russian companies and banks. For example, the Russian Federal Agency for Management of Federal Property purchased 3.3% of the shares in a large diamond-mining company "ALROSA" and is now holding a controlling stake in the company (50.9%). A controlling stake in Svyaz-Bank was bought by Vnesheconombank (the transaction was announced on September 23, 2008). In addition, on October 27, 2008, Vnesheconombank's board of directors approved the purchase of 99% of the shares in Globex Bank for the purposes of further stabilization of the Russian banking sector. A controlling stake in KIT-Finance was bought by Russian Railways (the transaction was announced on October 8, 2008); Sobinbank was bought by Gazenergoprombank (the transaction was announced on October 15, 2008), Yarsotsbank was bought by Promsvyazbank (in October 2008), Russian Capital Bank was bought by	

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
		reserve requirements as follows: on liabilities to individuals (in roubles) from 1.5% to 0.5%; on credit institutions' liabilities to non-resident banks (in roubles and foreign currency) from 4.5% to 0.5%; and on credit institutions' other liabilities (in roubles and foreign currency) from 2.0% to 0.5%. This new legislation brings the CBR reserve ratios to unprecedentedly low levels. These new reserve requirements are valid until February 1, 2009. On February 1, 2009 the CBR expects to raise these requirements by one percentage point, then again by another one percentage point on March 1, 2009; (ii) the interest rate on loans from the CBR secured by the pledge of promissory notes, receivables or suretyships provided by credit organisations was decreased by 0.25% to 8.25% per annum for rouble loans having terms of between 91 and 180 calendar days; (iii) the term for secured loans was raised from 30 to 90 calendar days; and (iv) the CBR was granted the right to provide rouble loans to Russian banks with no collateral for a term of up to six months. On October 23, 2008, the Federal Law "On Additional	government support have not been disclosed and there are reports that the situation in Russia may be exacerbated by geo-political tensions.	National Reserve Bank (the transaction was announced on October 23, 2008). According to the official announcements, these transactions were made to support the banks which had become technically insolvent and could no longer perform their obligations to the depositors and creditors.	

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
		Measures Aimed to Strengthen Stability of the Banking System for the Period until 31 December, 2011" was adopted, with effect from October 28, 2008, giving the state-run Bank for Development and Foreign Economic Activities (Vnesheconombank) 1.3 trillion roubles (US$ 50 billion) to pay off or service Russian legal entities' foreign loans obtained before September 25, 2008. It came after President Dmitry Medvedev announced 950 billion roubles (US$ 36.4 billion) of long-term help for banks at an emergency Kremlin meeting on October 7, 2008. Further, this legislation provides that in order to strengthen stability of the Russian banking system and to protect creditors' interests, if a Russian bank shows any signs of financial instability threatening the legal interests of its depositors and creditors, the CBR and the state-run "Deposit Insurance Agency" (the "DIA"), are allowed to take measures to prevent such bank's insolvency. In particular, the DIA and the CBR can, amongst other things, provide loans; acquire shares or participatory interests in such bank's charter capital in such amounts as allow them to make decisions within the competence of the bank's shareholders or participants; perform functions of temporary administration on the basis of the relevant CBR			

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
		decision; and arrange auctions for the bank's assets representing collateral in respect of the bank's obligations. For the purposes of the above-mentioned law, on November 1, 2008, the CBR approved the model form of the agreement between the CBR and credit organisations, which provides for compensation by the CBR of part of the losses or expenses incurred by the credit organisation as a result of its transaction(s) made with other credit organisations (if their banking licences have been revoked) on or after October 14, 2008, until December 31, 2008 (inclusive).			

SPAIN[1]

(Announced on October 10 and 13, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
The Spanish Minister of Economy and Finance has been authorized by Royal Decree to guarantee new funding operations of Spanish credit entities (including interbank debt). In 2008, €100 billion is available for the Spanish government to guarantee issuances of debt instruments (commercial paper, bonds and notes) traded on official Spanish secondary markets and other interbank deposits. The guarantees are available until December 31, 2009. The expiry date of the guaranteed transaction not exceeding five years.[2]	The Spanish government has implemented the Economic and Financial Affairs Council of the Council of the European Union ("ECOFIN") agreement on raising depositor guarantee levels by increasing the maximum amount guaranteed by the Deposit Guarantee Fund and the Investment Guarantee Fund from €20,000 to €100,000 per account holder and entity. This measure is applicable to deposits of cash or securities in credit entities and investment services firms authorized to operate in Spain, including those that are subsidiaries of foreign credit entities or foreign investment services firms as well as the branches of such entities which are attached to these funds.		The Government has also authorized the Minister of Economy and Finance until December 31, 2009, to acquire, if necessary, securities, preferred shares or other similar capital instruments issued by Spanish credit entities. The securities that the Government acquires will not be subject to the limitations established by the legislation for regulatory capital purposes.	In a move to drive liquidity, the Financial Assets Acquisition Fund (the "FAAF") has been established (on a temporary basis) to invest in the financial assets of credit entities or securitisation funds. €30 billion is available and may be increased to €50 billion if necessary.[3] Unlike the U.S. TARP, the FAAF targets high quality assets of the financial institutions rather than troubled assets.	

1 The specific mechanics of the scheme are expected to be provided in regulations to be published.

2 The Ministry of Economy and Finance may specify the eligibility criteria for Spanish financial institutions who wish to participate in the scheme, including any solvency conditions which may be proposed by the Bank of Spain. Institutions opting to take the Government guarantee will be charged a fee, which has yet to be determined.

3 On October 31, 2008, the Minister of Economy and Finance issued the corresponding developing regulations governing its functioning and the General Director of the Treasury and Financial Policy has established the criteria for the selection of assets eligible for purchase.

SWEDEN[1]

(Announced October 6, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
As part of the state support, a temporary guarantee programme has been introduced in order to secure funding for Swedish banks and certain credit market companies (those who provide credit to the real estate market). Other credit market companies are not eligible under this programme. The National Debt Office will enter into a Guarantee Agreement with the Swedish banks and guarantee their debt obligations. The total amount to be guaranteed under the programme is SEK1,500 billion, of which 500 billion may be allocated to covered bonds. The programme is open until April 30, 2009. In order to be covered by the state guarantee, the relevant bank's debt obligations must have a term of more than 90 days but less than three years, except for covered bonds which may have a term of up to five years. Under the terms of the Guarantee Agreement, the banks have to restrict compensation levels to the top five executives, such that their salaries are not increased and bonuses or stock options not granted as long as the Guarantee Agreement is in force.	Effective as of October 6, 2008, Sweden has amended the Act (1995:1571) on Deposit Guarantees such that the government guarantee for deposits was increased from SEK250,000 up to a maximum amount of SEK500,000.	On October 23, 2008, Riksbank, the Swedish central bank, cut interest rates by half a percentage point to 3.75%, its second reduction in just over two weeks. Riksbank stated it plans to further cut interest rates within the next six months.	The Swedish Government will provide a fund to recapitalise banks if required as well as providing banks with liquidity (a capital injection will likely be in the form of preference shares). The National Debt Office has also been authorized to create a SEK15 billion (US$ 2 billion) fund for banks requiring recapitalization.	Kaupthing Bank hf.: Riksbank will loan as much as 5 billion krona (US$ 700 million) to the Swedish unit of Kaupthing Bank hf., after the subsidiary failed to meet payment obligations and was put up for sale.	On October 30, 2008, the Act (2008:814) on State Support to Credit Institutions came into force. Pursuant to the provisions of the Act, state support in the form of guarantees, capital contributions or otherwise may be provided to Swedish banks and credit institutions (credit market companies) if deemed necessary to prevent serious disruption to the Swedish financial system. If the support takes the form of a capital contribution to the affected institution this will be against preference shares with higher voting rights than existing shares. The State can also provide support by underwriting (and guaranteeing) a new share issue. The Act provides that any state support must be commercially sound and not distort competition. Moreover, the terms and conditions of any state support must be drafted such that the existing shareholders of the institution bear any losses incurred by the institution. The Act also gives the State the right to redeem the shares of a credit institution under certain circumstances – i.e., if the institution or its shareholders

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
On October 6, 2008, the Riksbank increased the credit it is making available to Swedish banks from SEK60 billion krona (US$ 8.3 billion) to SEK100 billion.					have refused to accept the terms for state support; provided that the Settlement Board (for settlement of disputes concerning support provided under the Act) has declared the terms of the proposed support not to be unreasonable. The Act provides for the establishment of a stabilization fund. The fund will be financed through fees collected from the banks and credit institutions. It is expected that the fund will reach SEK150 billion within a period of 15 years. The fund will be administered by the National Debt Office.

1 In summary, the Swedish stabilization measures include the implementation of a general framework for giving state support to ailing credit institutions, the creation of a stabilization fund and a temporary guarantee programme. The guarantee programme is governed by the Ordinance (2008:819) on State Guarantees for Banks and the National Debt Office Regulation (2008:1) concerning State Guarantees for Banks.

SWITZERLAND

(Announced October 16, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES[2]	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
The government has not take any measures to guarantee inter-bank debt.	The Federal Council and the Swiss executive, intends to present a bill to increase the limit of the deposit insurance scheme. The adjusted limit has not yet been set, but it will reportedly amount to CHF 80,000 (roughly €53,333).[1] Currently the limit is set at CHF 30,000, (roughly €20,000), provided the aggregate amount paid under the deposit insurance scheme does not exceed CHF 4 billion (€2.66 billion). Certain financial institutions, e.g., some cantonal banks and Post Finance, benefit from a statutory guarantee from their canton or, in the case of Post Finance, the Federal Government.	The Swiss National Bank and the Swiss Central Bank, took several special measures to overcome the financial crisis using open market transactions: Since December 2007, in conjunction with the Federal Reserve and the ECB, it repeatedly injected liquidity through several USD auctions. In October 2008, acting with the ECB to improve the liquidity of the Swiss Franc, it auctioned off to Eurosystem institutions CHF/€ swaps. This measure sought to offer Swiss Francs to financial institutions that do not have access to the normal open market operations of the Swiss National Bank. To neutralize the monetary effect of this added liquidity, it issued CHF-denominated SNB Bills with a seven-day term.	Credit Suisse Group AG: On October 16, 2008, Credit Swiss raised CHF10 billion Tier 1 capital through a combination of a sale of treasury shares, the issuance of a mandatory convertible bond and the issuance of a non-dilutive hybrid instrument through a private placement with a group of investors, including a wholly owned subsidiary of the Qatar Investment Authority.[3] UBS AG: In December 2007, UBS raised CHF15 billion in Tier 1 capital through the sale of treasury shares and the private placement of a CHF13 billion mandatory convertible note with the Government of Singapore Investment Corporation Pte. Ltd., the sovereign state fund of the Government of Singapore and a private investor.[4] In June 2008, UBS AG carried out a CHF15.97 billion rights offering.[5] On October 16, 2008, the Federal Council and the Swiss National Bank announced a concerted effort to recapitalize UBS AG.	*See recapitalization measures.* UBS will transfer US$ 60 billion in illiquid securities of its balance sheet. This sale will be financed by a US$ 54 billion loan from the Swiss National Bank at LIBOR plus 250 basis points. The Swiss National Bank will control the SPV and will be entitled to an equity kicker of CHF1 billion plus 50% of any remaining equity after repayment of the loan in principal and interest.	

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES[2]	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
			The measure is divided into two legs: First, the Federal Council, acting on the basis of its emergency powers, will subscribe a CHF6 billion mandatory convertible note with two and half year term and paying 12.5 % p.a. Second, UBS AG will transfer up to US$ 60 billion in illiquid securities and other assets of its balance sheet. This transaction will be financed by a US$ 6 billion equity payment by UBS and a US$ 54 billion non-recourse 12-year loan from the Swiss National Bank. The loan will bear LIBOR plus 250 basis points. The entity will be controlled by the Swiss National Bank, which upon repayment of the loan in principal and interest, will be entitled to an equity kicker amounting to US$ 1 billion and 50% of any remaining equity.[6] Glarner Kantonalbank: More anecdotally, on October 29, 2008 the Parliament of the Canton of Glarus announced that it would provide an additional CHF20 million capital to the Glarner Kantonal Bank, a bank controlled by the canton. In any case, deposits with the Glarner Kantonalbank are subject to an unlimited		

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES[2]	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
			guarantee by the Canton of Glarus.		

1 See http://www.efd.admin.ch/aktuell/medieninformation/00462/index.html?lang=en&msg-id=22019.

2 See generally http://www.snb.ch/en/ifor/media/id/media_releases.

3 See http://www.credit-suisse.com/news/en/media_release.jsp?ns=40924.

4 See http://www.ubs.com/1/e/about/news/archive/archive10?newsId=133686.

5 See http://www.ubs.com/1/e/about/news/archive/archive10?newsId=143689.

6 See http://www.snb.ch/en/mmr/reference/pre_20081016_1/source/pre_20081016_1.en.pdf;

See also http://www.efd.admin.ch/aktuell/medieninformation/00462/index.html?lang=en&msg-id=22019;

See also http://www.ubs.com/1/e/about/news.html?newsId=154213; and

See also http://www.ebk.admin.ch/e/publik/medienmit/20081016/mm-massnahmenpaket-20081016-e.pdf.

THE NETHERLANDS
(Announced on October 9, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	ASSISTANCE TO INDIVIDUAL INSTITUTIONS	OTHER MEASURES
As of October 23, 2008, a Credit Guarantee scheme set up by the Dutch State of €200 billion is operational for non-complex senior unsecured loans to financial institutions made by other financial institutions and institutional investors. These guarantees are available until December 31, 2009, and are available to financial institutions with their principal place of business in the Netherlands and to subsidiaries established in the Netherlands of foreign banks with substantial business there.[1] Only securities denominated in €, US Dollar and Sterling with maturities from three months to three years are eligible for the guarantee and the guarantee extends only to non-complex senior unsecured loans; "plain vanilla" commercial paper, certificates of deposit and medium-term notes. Fees will depend on creditworthiness of the banks involved and will be based on historical credit default swap spreads (or an approximation if necessary), with an addition of 50 basis points. Maturities of less than a year will have a fixed fee of 50 basis points. Participating banks will also be required to meet certain additional requirements on	Since October 7, 2008, the Minster of Finance has decided to increase the guaranteed amount under the deposit guarantee scheme for a period of one year from €40,000 to €100,000 per person per bank (regardless of the number of accounts). Where two people have a joint account, either accountholder can claim payment under the deposit guarantee scheme. The maximum joint deposit covered is therefore €200,000. All Dutch banks that operate under a licence from the Dutch Central Bank (De Nederlandsche Bank (DNB)) are covered by the Dutch deposit guarantee scheme.	Given the persistent tensions in the money markets, the Eurosystem decided on October 8, 2008 that, for as long as needed, but at least until January 20, 2009, it will carry out the weekly main refinancing operations with full allotment at a fixed price. In addition, DNB will grant special credit to individual financial institutions against adequate collateral, if and for as long as necessary. The short-term financing of these institutions against collateral will hence be secured.	The Dutch State announced on October 9, 2008, a €20 billion fund to recapitalize financial institutions, with €13 billion already committed to individual institutions (see Assistance to Individual Institutions). Funds will be directly available for fundamentally sound and viable financial institutions that may run into liquidity or capital problems. €20 billion is available until January 20, 2009, to financial institutions and insurance companies through participation, preference shares or by any other means. In addition, the Dutch Central Bank will provide liquidity assistance to financial institutions who can provide sufficient collateral.	Aegon: On October 28 2008, the Dutch State reinforced the capital position of AEGON Group by €3 billion. In return for the capital injection, the government will obtain €3 billion in securities, which have largely the same features as shares. The capital reinforcement is made available to AEGON via the Association AEGON, which has been AEGON's largest shareholder. All members of the Executive Board will relinquish their bonuses over 2008 - both in cash payments and in options or shares. AEGON will develop a sustainable remuneration policy. Resignation premiums will be restricted to one year's fixed annual pay. ING Groep N.V.: ING Groep N.V.("ING") announced on October 19, 2008, that it had reached an agreement with the Dutch government to strengthen its capital position, creating a strong buffer to navigate the current market and economic environment. ING will issue non-voting core Tier 1 securities for a total	

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	ASSISTANCE TO INDIVIDUAL INSTITUTIONS	OTHER MEASURES
corporate governance with respect to bonuses and resignation premiums.				consideration of €10 billion to the Dutch State. The transaction will bring ING's core Tier 1 ratio to around 8%, strengthen the insurance balance sheet and reduce ING's debt/equity ratio to around 10%. The government has obtained the right to nominate two Supervisory Board members, who will have the right to veto fundamental decisions. All members of the Executive Board will relinquish their bonuses over 2008 - both in cash payments and in options or shares. Resignation premiums shall be restricted to one year's fixed annual pay. Fortis: On October 3, 2008, the Minister of Finance took over all shares of Fortis Bank Nederland (Holding) N.V., Fortis Insurance Netherlands N.V. and Fortis Corporate Insurance N.V. The shares were acquired from the listed companies Fortis SA/NV and Fortis N.V., for a total of €16.8 billion. The Dutch State has thus become owner of the Fortis share in ABN AMRO Holding N.V. as well.	

1 On October 21, 2008, the Dutch Government issued specific rules on its Credit Guarantee scheme (see www.dsta.nl).

To apply for the guarantee, banks must be authorized to perform banking activities, be domiciled and conduct substantial business in the Netherlands, and satisfy certain solvency ratios.

UKRAINE
(Announced October 26, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
Law no.639-VI dated October 31, 2008 on immediate measures to prevent negative consequences of the financial crisis and amending certain laws of Ukraine, allows the Ukrainian government to issue state guarantees of an amount up to UHR10 billion in 2008.	Since October 31, 2008 deposits are guaranteed for UHR 150,000.00 (approx. US$ 26,000.00).	The National Bank of Ukraine adopted a special regulation on October 11, 2008 (No. 319) which has been amended several times already. The regulation boosts bank liquidity maintenance on the basis of financial recuperation programs, requires banks to make currency exchange at the official rate fixed by the National Bank of Ukraine, and restricts free remittance of currency abroad.	Law no.639-VI introduces special procedures to accelerate banks' capitalization.	Law no.639-VI allows the Ministry of Finance to purchase shares of Ukrainian banks.	The IMF announced on October 26, 2008 that it has reached a tentative agreement with Ukraine for a US$ 16.5 billion loan. The loan is contingent on the Ukrainian government passing specific legislation to address financial sector liquidity and solvency.

UNITED ARAB EMIRATES ("UAE")
(Announced October 12, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
The government has guaranteed inter-bank lending in local institutions. On October 14, 2008, the Prime Minister ordered the transfer of AED 70 billion to the Ministry of Finance to inject further liquidity to banks. The UAE has previously injected AED 50 billion of liquidity to banks to encourage inter-bank lending.	The government has guaranteed deposits and inter-bank lending in local institutions and on Monday October 13, 2008, the UAE extended its three-year guarantee on deposits to foreign banks after concerns grew that the previous day's decision to guarantee such monies in local institutions could trigger runs on the 28 foreign banks operating in the emirate.	On September 22, 2008, the UAE central bank launched an emergency funding facility for its banks, pumping as much as Dh50 billion (€9.3 billion, £7.4 billion, $13.6 billion) into the banking sector in order to help the local interbank market. The UAE Ministry of Finance offered a further Dh70 billion ($19 billion) liquidity injection to domestic banks, on top of the Dh50 billion ($13.6 billion) on offer at the central bank. On October 8, 2008, the UAE central bank cut its base rate by 0.5% in a move timed to coincide with other central banks.			

UNITED KINGDOM

(Announced on October 8, 2008, and October 13, 2008. Wholesale funding up to April 13, 2012.)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
Issuance Guarantee: On October 8, 2008, the U.K. government announced that in return for an appropriate fee the U.K. government will guarantee newly issued (up to April 13, 2009) short-and medium-term unsecured debt (including certificates of deposit, commercial paper and senior unsecured bonds and notes) of participating institutions with maturities up to three years maturity in GBP, EUR, and USD, and to be used for refinancing maturing obligations. The aggregate notional amount of the debt to be guaranteed by HM Treasury is estimated to reach £250 billion. The fee for the guarantee will be the median five-year CDS spread for the preceding 12 months to October 7, 2008, of the specific institution plus 50bps.	The U.K. government has increased the protection given to savings from £35,000 to £50,000. However, Chancellor Alistair Darling announced that the U.K. would guarantee all the U.K. retail deposits of Icesave and Heritable (both branches of Icelandic Bank, Landsbanki, which has been nationalised by the Icelandic government).	Operational Standing Facilities: The Bank of England ("BoE") has set up these new facilities to replace the existing standing facilities. The rate charged on the Operational Standing Lending Facility is 25 basis points above Bank Rate, and the rate paid on the Operational Standing Deposit Facility is 25 basis points below Bank Rate. The eligible collateral for the Operational Standing Lending Facility will comprise high-quality debt securities. Transactions will be for overnight maturity. BoE will cease to publish a list of banks and building societies signed up for access to the Operational Standing Facilities and the reserves-averaging scheme. Discount Window Facility ("DWF"): The DWF is intended to provide liquidity insurance, not to tide over firms facing fundamental solvency problems. Under the DWF, BoE will swap the government securities on its balance sheet for high quality eligible collateral from banks and building societies. In exceptional circumstances, BoE may lend cash, rather than gilts, against eligible collateral under the DWF. The transactions will	The U.K. government announced that it is establishing a new facility of £25 billion which will make Tier 1 capital in the form of equity (underwritten by the government) as well as preference shares (placed with the government) available at the request of eligible institutions. Eligible institutions are U.K. incorporated banks which have a substantial business in the United Kingdom and building societies. Applications to be included as an eligible institution will be reviewed. Institutions are not obliged to request such capital but have agreed to meet an agreed capital level. A further £25 billion will be available as assistance for eligible institutions for ordinary equity fund-raising. The U.K. government would not be subject to bank supervision if it acquired control of a bank through stock ownership. However, in the past the U.K. Federal Reserve has frowned on allowing institutions with capital from the government to make expansionary acquisitions in the United States. It is not clear whether U.K. Federal Reserve might make an exception in the current circumstances. In a release on October 13, 2008, the HM Treasury provided	Bradford & Bingley plc: Bradford & Bingley plc was nationalized on September 29, 2008. The Company's mortgage book was assumed by the U.K. government and the Company's retail deposit book was transferred to Abbey National plc. RBS: On October 13, 2008, RBS announced the U.K. Treasury would underwrite £15 billion of ordinary shares (common stock) and purchase £5 billion of preference shares (preferred stock). The U.K. government would have representatives on the bank's board. The bank has announced that it has agreed to maintain the availability of SME and mortgage lending at 2007 levels. HBOS & Lloyds TSB: Similarly, the U.K. government will underwrite £8.5 billion of HBOS ordinary shares and purchase £3 billion of preference shares. The U.K. government will underwrite £4.5 billion of Lloyds TSB ordinary shares and purchase £1 billion of preference shares. The two banks are currently in the process of merging.	Banking Bill: On October 7, 2008, the Banking Bill was introduced in the House of Commons. The bill is designed to strengthen the existing U.K. framework for financial stability and depositor protection. Part 1 introduces a permanent special resolution regime ("SRR") for dealing with banks that get into financial difficulties. HM Treasury, the Financial Services Authority and the BoE all play a role. The BoE will have the power to transfer a failing bank's business or its shares to a "bridge bank" (i.e., a company wholly owned by the BoE), with a view to restructuring it for onward sale to the private sector. It can also order a direct transfer to a private sector purchaser. The UK Treasury is also given the power to nationalize a failing bank. The BoE has the power to make partial transfers, i.e., to transfer healthy assets out of a failing bank and into a bridge bank. This may result in prejudice to those creditors whose claims are not transferred to the bridge bank. One of the objectives of the special resolution regime is to "protect depositors".

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
		normally be for 30-day maturities. Gilts borrowed may not be used as collateral for Operational Standing Lending Facility borrowings but may be used as collateral in open market operations. Term Auctions: In September 2007, BoE announced that it would conduct four auctions to provide funds at three months maturity against a wider range of collateral (including U.K. residential mortgages) than that used in its weekly open market operations. Banks and building societies with reserve accounts with BoE or with access to the BoE's standing facilities were eligible to participate. On October 8, 2008, the U.K. government announced that the BoE would continue to conduct auctions against extended collateral, reviewing the size and frequency of the operations as necessary. Special Liquidity Scheme: The Scheme, launched in April 2008, enabled banks and building societies with access to the BoE's standing facilities to temporarily exchange their high quality mortgage-backed and other securities for U.K. government securities. The drawdown period of the Scheme was initially six months, due to end on October 21, 2008. This period has since been extended	that institutions requesting government recapitalization will, inter alia, need to: (i) limit remuneration of senior executives both for 2008 (no cash bonus for board) and limit bonuses to reduce "moral hazard" activities; (ii) agree to modify dividend policies (iii) maintain, over the next three years, the availability and active marketing of competitive credit to homeowners and small businesses at 2007 levels.		Part 2 establishes a new bank insolvency procedure ("BIP"), based largely on existing liquidation provisions of the Insolvency Act 1986 as amended by the Enterprise Act 2002. The BIP provides for the orderly winding up of a failed bank, including prompt payments from the Financial Services Compensation Scheme ("FSCS") to eligible depositors. There are powers to extend the BIP to building societies and credit unions. Part 3 establishes a new bank administration procedure, based largely on existing administration provisions of the Insolvency Act 1986, as amended by the Enterprise Act 2002. This procedure is to be used where there has been a transfer of part of a failing bank's business, assets or liabilities to a bridge bank or a private sector purchaser under the SRR, leaving an insolvent residual entity. It is designed to ensure that essential services and facilities that cannot be immediately transferred to the bridge bank or private purchaser continue to be provided for a period of time. The Government subsequently published a consultation paper setting proposed safeguards for creditors in the event of partial property transfers. These include safeguards for set-off and netting arrangements where

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	PURCHASES OF TROUBLED FINANCIAL ASSETS	OTHER MEASURES
		to January 30, 2009. On October 8, 2008, the U.K. Government announced that at least £200 billion would be made available to banks (an increase from the previously indicated amount of £100 billion). Extension of Eligible Collateral: The BoE extended the eligible collateral it used in its weekly sterling three-month repo operations to include AAA rated asset-backed securities based on some corporate and consumer loans; and approved highly-rated, asset-backed commercial paper programs, where the underlying assets would be eligible if securitized. The extension is due to last until November 18, 2008.			partial transfers are made so that all contracts covered by set-off or netting agreements are protected from disruption in a partial transfer subject to express carve-outs. Furthermore, security-holders will also be given explicit protection (including holders of floating charges). There will be new third-party compensation safeguards to ensure creditors remaining in the residual bank may not be left worse off than they would have been had the bank been subjected to ordinary insolvency procedures. EC Competition Laws: The U.K. Government has advised the European Commission of its planned support of the U.K. financial sector in relation to the government scheme for consideration under EC competition laws.

UNITED STATES OF AMERICA
(Announced on October 13, 2008)

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	OTHER ASSISTANCE TO THE INTER-BANK MARKET OR TO OTHER MONEY MARKETS	ASSISTANCE TO INDIVIDUAL INSTITUTIONS
Temporary Liquidity Guarantee Program ("TLGP"): On October 14, the FDIC announced its Temporary Liquidity Guarantee Program[14] issuing guarantees of newly issued senior unsecured debt of certain banks, thrifts and holding companies.[4] The FDIC will fully guarantee non-interest bearing deposit accounts and all senior unsecured debt issued by FDIC-insured institutions and their parent companies up to June 30, 2009, with any guarantee ceasing on June 30, 2012. There will be no fees charged for the first 30 days, after which a 75bps fee will be charged on debt issued under this scheme.	FDIC Insurance Program: he FDIC will expand deposit insurance for non-interest-bearing transaction accounts. The maximum coverage under the FDIC deposit insurance program will temporarily be increased from US$ 100,000 to US$ 250,000.[13] Under the new program, the FDIC will provide full insurance coverage for non-interest- bearing accounts until the end of next year. Banks will pay a new premium to cover the expense of the program.	Commercial Paper Funding Facility ("CPFF"): The CPFF (announced October 7, 2008) will purchase through a Special Purpose Vehicle three-month unsecured and asset-backed commercial paper ("ABCP") from eligible issuers.[6] Liquidity Fund: The Liquidity Fund, which began on September 19, 2008, and ends on January 30, 2009, will lend funds to depository institutions and bank holding companies in order for them to purchase eligible ABCPs from money market mutual funds ("MMMF") under certain conditions.[9] Money Market Investor Funding Facility (MMIFF): A special purpose vehicles established by the private sector (PSPV) will cease purchasing assets and will enter the wind-down process on April 30, 2009, unless the Board extends the MMIFF.[5] Primary Dealer Credit Facility ("PDCF"): The PDCF, effective September 15, 2008, is an overnight loan facility that will	On October 14, the U.S. Congress announced the Troubled Assets Relief Program ("TARP") Capital Purchase Program providing for direct equity investments in certain financial institutions under the Economic Emergency Stabilization Act ("EESA"). The EESA authorized the U.S. Treasury to use US$ 250 billion without further action. Another US$ 100 billion can be obtained upon the President notifying Congress. Finally, the remaining US$ 350 billion of the total US$ 700 billion can be obtained by giving notice to Congress, who then have 30 days to deny funding if they wish. The EESA has two definitions of "troubled assets", one being mortgage-related assets and the other being assets on which the Treasury believes it should spend money. It is the second definition that Treasury is using to buy stock in banks, and it has chose to spend US$ 250 billion on bank securities; the first US$ 125 billion of which went to nine banks.[15] Financial institutions will have until mid November to elect into this Government recapitalization scheme which will be in the form	Mortgage-Backed Securities Purchase Program: The U.S. Treasury Department will be authorized to purchase up to US$ 700 billion of distressed mortgage-backed securities and other assets and then resell the mortgages to investors under the Economic Emergency Stabilization Act ("EESA").[11]	U.S. Government Loan to the Auto Industry: In late September 2008, the U.S. Congress approved a more than US$ 630 billion spending bill, which included a measure for US$ 25 billion in loans to the auto industry. These low-interest loans are intended to aid the industry in its push to build more fuel-efficient, environmentally-friendly vehicles. U.S. auto giants General Motors, Ford and Chrysler will be the primary beneficiaries. JPMorgan Chase & Co.: The Federal Reserve Bank of New York provided a US$ 29 billion credit line to JPMorgan Chase & Co. for its purchase of Bear Stearns for US$ 236 million or US$ 2 per share, subsequently raised to US$ 10 per share, to ensure the sale could move forward. JPMorgan agreed to guarantee Bear Stearns's trading obligations. American International Group ("AIG"): The Federal Reserve Bank of New York intervened after AIG was unable to secure a private-sector loan, and granted a two year revolving credit facility of

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	OTHER ASSISTANCE TO THE INTER-BANK MARKET OR TO OTHER MONEY MARKETS	ASSISTANCE TO INDIVIDUAL INSTITUTIONS
		provide funding to primary dealers, who will participate through their clearing banks, in exchange for tri-party eligible collateral.[8] Term Securities Lending Facility ("TSLF"): The TSLF is a 28-day facility that offers general Treasury collateral, such as Treasury bills, notes, bonds and inflation-indexed securities, to primary dealers of the New York Federal Reserve Bank in exchange for other eligible collateral.[7] Term Auction Facility ("TAF"): The TAF, established in December 2007, is a temporary credit facility that allows a depositary institution to place a bid for an advance from its local Federal Reserve Bank at an interest rate determined as a result of the auction. The first auction took place on December 17, 2007.[1] Federal Reserve intends to conduct biweekly TAF auctions as long as necessary. Foreign exchange swap lines: On October 13, 2008, the U.S. Federal Reserve announced the expansion of swap lines with, among others, the BoE, the ECB[2] and the Swiss National Bank. These three European central banks will conduct	of non-voting preferred shares which are redeemable by the issuing bank after three years. The preferred shares will pay an annual dividend of 5% during the first five years and will step-up to 9%. Warrants will also be issued to the Government based on 15% of the face value of preferred shares on issue with this halved if the preference shares are redeemed prior to the December 31, 2009.		US$ 85 billion in return for an option to acquire a 80% stake in the insurance giant. On October 8, the Federal Reserve Board authorized the Federal Reserve Bank of New York to lend up to US$ 37.8 billion by purchasing investment-grade, fixed-income securities from certain regulated U.S. insurance subsidiaries of AIG. Fannie Mae and Freddie Mac: The U.S. government seized control of Fannie Mae and Freddie Mac and made a commitment to provide up to US$ 100 billion to each company to ensure they would not fall into bankruptcy. Together, the two companies own or guarantee nearly half the US$ 12 trillion mortgage market, and by July 2008 operated at leverage ratios of approximately 50 to 1. The seizure involved both companies being placed in a government conservatorship (analogous to a bankruptcy reorganization) and also replaced senior management. Dividends were eliminated and the U.S. government took an option to acquire 80% of each company's common stock. However, the U.S. government did not guarantee the subordinated debt or preferred

GUARANTEES OF BANK DEBT	DEPOSIT GUARANTEES	SPECIAL CENTRAL BANK ASSISTANCE MEASURES	RECAPITALIZATION MEASURES	OTHER ASSISTANCE TO THE INTER-BANK MARKET OR TO OTHER MONEY MARKETS	ASSISTANCE TO INDIVIDUAL INSTITUTIONS
		tenders of U.S. dollar funding at 7-day, 28-day and 84-day maturities.[3] Swap lines with the U.S. Federal Reserve will be increased to accommodate whatever quantity of U.S. dollar funding is demanded. Temporary 23A Exemption: The Fed temporarily exempt certain bank-to-affiliate financings from limits under section 23A of the Federal Reserve Act and the Fed's regulation W. [12]			stock issued by these companies, which is held on the balance sheets of many banks. The U.S. Federal Reserve will also begin purchasing short-term debt obligations issued by Fannie Mae, Freddie Mac and the Federal Home Loan Banks in the secondary market. Government Sponsored Enterprise Credit Facility (GSECF): The lender of last resort for GSEs (Fannie Mae, Freddie Mac and FHLB) will ensure continued access to funding and ensure market stability.

1 In September 2008 the U.S. Federal Reserve announced (1) an increase in the size of the 84-day maturity TAF auctions from $25 billion to $75 billion per auction beginning on October 6, 2008; (2) two forward TAF auctions amounting to $150 billion and (3) an increase in swap authorization limits with foreign central banks. See http://www.federalreserve.gov/monetarypolicy/taffaq.htm.

2 The swap line amount with the ECB was increased from $120 billion to $240 billion.

3 In August 2008 the ECB, in conjunction with the U.S. Federal Reserve, began operating 84-day operations in addition to its operations with a 28-day maturity.

4 Filing deadline is November 13, 2008. Comments on the new interim rule are due. See http://www.fdic.gov/news/board/TLGPreg.pdf. Organizations that do not wish to participate in the TLGP must opt out by 11:59 p.m. on November 12, 2008. See http://www.fdic.gov/news/news/financial/2008/fil08110.pdf.

5 Expires April 30, 2009. See http://www.newyorkfed.org/markets/mmiff_terms.html.

6 Expires April 30, 2009. See http://www.newyorkfed.org/markets/cpff_terms_conditions.html.

7 Expires January 30, 2009. See http://www.newyorkfed.org/markets/tslf.html.

8 Expires January 30, 2009. See http://www.newyorkfed.org/markets/pdcf.html.

9 Expires January 30, 2009. See http://www.frbdiscountwindow.org/mmmf.cfm?hdrID=14.

10 Expires December 31, 2009. See http://fpc.state.gov/documents/organization/110096.pdf.

11 Expires December 31, 2009. See http://www.ustreas.gov/press/releases/reports/mbs_factsheet_090708hp1128.pdf.

12 The exemption is available from September 14, 2008 until January 30, 2009. See http://edocket.access.gpo.gov/2008/pdf/E8-22701.pdf..

13 The FDIC Insurance Program is effective from October 3, 2008 until December 31, 2009. See http://www.treas.gov/initiatives/eesa/.

14 Invoked through the systemic risk exception provisions of the FDIC Improvement Act of 1991.

[15] The rescue package involves a plan to buy stakes of circa: $25 billion each in Citigroup, JPMorgan and Wells Fargo; $25 billion between Bank of America and Merrill, which agreed last month to be acquired by Bank of America; $10 billion each in Goldman Sachs and Morgan Stanley; $3 billion for Bank of New York Mellon; and $2 billion for State Street.

This publication is intended only as a general discussion of the issues covered in it. It should not be regarded as legal advice. The description of state action given is not intended to be a comprehensive summary or discussion of states' activities and may be subject to further changes. Furthermore, this publication does not deal with the rules governing specific products or investment vehicles (such as the special restrictions that apply to short selling by UCITS funds in Europe), nor the disclosure or notification obligations applicable generally to financial market participants.

We would be pleased to provide additional details or advice about specific situations if desired. If you wish to receive more information on the topics covered in this publication, you may contact your regular Shearman & Sterling contact person or any of the following:

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