

Measures by the Dutch authorities to protect the financial sector

The Ministry of Finance and De Nederlandsche Bank announce the following.

The Dutch financial system is essentially sound but is now facing major external shocks. The Dutch authorities are determined to safeguard the stability of, and confidence in, this system and to protect the financial enterprises within it. To this end, they will take all the necessary measures in the current exceptional circumstances, while keeping in line with similar initiatives recently taken by other countries, since this will also preserve a level playing field.

The measures by the Dutch authorities cover both liquidity provision and capital reinforcement. They are aimed at the banks and insurers established in the Netherlands and at groups to which those banks and insurers belong, as well as to financial subsidiaries established in the Netherlands of foreign financial enterprises or groups, regardless of their size (jointly referred to hereafter as financial enterprises).

Given the persistent tensions in the money markets, the Eurosystem decided on 8 October 2008 that, for as long as needed, but at least until 20 January 2009, it will carry out the weekly main refinancing operations with full allotment at a fixed rate. In addition, De Nederlandsche Bank (DNB) will grant special credit to individual financial enterprises against adequate collateral, if and for as long as necessary. The short-term financing of these enterprises against collateral will hence be secured.

As regards solvency, the Dutch government is committed to make capital available to each financial enterprise in the Netherlands that is fundamentally sound and viable. The objective is to maintain these institutions' own funds at the levels deemed necessary by the supervisor. The contribution of the government can take various forms, such as a participation via preferential shares, or otherwise if so required on account of the legal form, group structure or other considerations. Any financial enterprise meeting the above description is entitled to apply for this measure. If necessary, financial enterprises may consult with the authorities on specific balance-sheet problems. In any event, all these measures will be subject to conditions in order to limit market distortions and the financial risks for the government and to prevent misuse. The conditions will relate, among other things, to guarantees on returns, the financing of operational costs by the financial enterprises concerned, executive pay and representation in the executive bodies.

The key principle for the Dutch authorities is to react flexibly to the rapidly changing circumstances. That is why they did not set up a fund with a specified amount in advance; nonetheless, EUR 20 billion is available immediately. The authorities will look at each application individually and will act quickly and decisively. The government's contributions will be provided on market terms.

With these measures, the Dutch authorities are protecting the financial enterprises against the prevailing external shocks. While thus creating a solid basis for these enterprises, they are restoring and reinforcing confidence in the Dutch financial system and contributing to the stability of the international financial system.

The above applies for a period of one year as of 10 October 2008.

Finally, the Dutch authorities state that they are aware of the UK proposal for a concerted approach to the problem of restarting the funding market of financial enterprises. The Dutch authorities will actively take part in international discussions on this proposal.