

Green Paper

Depositor Compensation Scheme

May 2010

PURPOSE OF CONSULTATION

The purpose of this consultation is to seek the views of the public on various issues relating to the recently introduced Jersey Bank Depositor Compensation Scheme (DCS)

DEADLINE FOR RESPONSES

Friday 2 July 2010

PLEASE SEND RESPONSES TO:

<p>James Mews Director, Finance Industry Development States of Jersey 3rd Floor Liberation Place St Helier Jersey JE1 1BB</p> <p>Telephone: 01534 440444 Facsimile: 01534 448171 e-mail: j.mews@gov.je</p>	<p>Jersey Finance Limited is co-ordinating an industry response that will incorporate any matters raised by local firms or entities. The details are:</p> <p>Heather Bestwick Technical Director Jersey Finance Limited 48-50 Esplanade St Helier Jersey JE2 3QB</p> <p>Telephone: 01534 836004 Facsimile: 01534 836001 e-mail: heather.bestwick@jerseyfinance.je</p> <p>It is the policy of Jersey Finance to make individual responses it receives available to the Economic Development Department upon request, unless a respondent specifically requests otherwise.</p>
--	---

Public submissions - Please note that responses submitted to all States public consultations may be made public (sent to other interested parties on request, sent to the Scrutiny Office, quoted in a final published report, reported in the media, published on a States of Jersey website, listed on a consultation summary etc). If a respondent has a particular wish for confidentiality, such as where the response may concern an individual's private life, or matters of commercial confidentiality, please indicate this clearly when submitting a response.

1. Introduction

- 1.1. The Banking Business (Depositors Compensation) (Jersey) Regulations 2009 (“**DCS Regulations**”) were adopted by the States on 6 November 2009 and immediately introduced a Depositor Compensation Scheme (“**DCS**”) in Jersey.
- 1.2. Although the protection of depositors continues to be achieved principally through strict licensing standards and strong oversight of the island’s banking industry, in the unlikely event of a Jersey bank failure the DCS would aim to prevent hardship by ensuring that depositors would have timely access to funds without having to wait for recoveries in the bank liquidation.
- 1.3. The key features of the DCS are that:
 - Subject to certain conditions, it provides protection of up to £50,000 per person, per Jersey banking group, for local and international depositors in line with international standards;
 - Retail deposits (i.e. those held by private individuals) are protected but protection does not extend to deposits held by companies, small and medium enterprises (“**SMEs**”), partnerships or trusts;
 - In the event of a bank failure, the States would lend liquidity to the DCS to enable it to pay up to £5,000 compensation within 7 working days and the balance of compensation within 3 months of receiving a valid claim;
 - The £50,000 limit will apply per person, so a £100,000 deposit held in a joint account by two people would be completely covered;
 - The maximum liability of the DCS will be capped at £100 million in any 5 year period, in line with the Guernsey scheme;
 - The majority of the cost of the compensation will be borne by the banking industry, but levies will be capped with the States making up any shortfall;
 - Claimants would assign their rights to recoveries in the failed bank’s liquidation to the DCS;
 - In most cases, the DCS would be funded solely by levies on the banking industry with any States shortfall funding being fully repaid from the liquidation proceeds.

2. Board – Constitution and Governance

- 2.1. The DCS will be administered by an independent Board. Members of the Board will be nominated by the Minister for Economic Development (“**the Minister**”) and appointed by the States for a renewable 5 year period. The Economic Development Department is working with the Jersey Appointments Commission (“**JAC**”) to appoint members of the Board. The Minister is currently carrying out the functions of the Board and will continue to do so until the Board is ready to take over these functions.
- 2.2. The Board will be independent of Ministers, the States, and the Jersey Financial Services Commission and will be a corporate body that can sue and be sued in its own name, enter into contracts and acquire, hold and dispose of property of any type.

- 2.3. The DCS Regulations set out certain requirements relating to the corporate governance of the Board. There will be a minimum of three members of the Board, who will be appointed by the States on the nomination of the Minister after consulting with the JAC. A person appointed to be a member of the Board will hold the appointment for a term of up to 5 years on terms and conditions agreed between the person and the Minister.
- 2.4. The quorum for a meeting of the Board will be half the number of members appointed at the time of the meeting. Except as otherwise provided in the DCS Regulations or by the Minister, the Board will determine its own procedures.
- 2.5. The Board will be able, with the Minister's approval, to invest money standing to the credit of the fund, borrow money for the purposes of the DCS and insure against its liabilities.

3. Functions of the Board

- 3.1. It is envisaged that the Board will meet from time to time as necessary to ensure that the appropriate measures are in place to allow the Board to act quickly in the unlikely event of a bank default.
- 3.2. Information-sharing pathways will be developed between the Board and other safety-net participants, such as the Jersey Financial Services Commission ("JFSC") and the Viscount's Department so that the Board is kept informed of any potential problems that could lead to the DCS being triggered. Provision for information-sharing is made in the law but a separate Memorandum of Understanding is also being drawn up to formalise the relationship between the Board and the JFSC.
- 3.3. Although it is believed that the best method of informing depositors of the details of the DCS is through the banks themselves, it is envisaged that the DCS will have a public profile through, for example, the establishment of a web presence.
- 3.4. In the unlikely event that a Jersey bank should fail, the DCS will pay compensation to depositors up to a maximum of £50,000 per depositor per Jersey banking group, subject to certain limitations. The overall amount of compensation that the DCS could pay out is limited to £100 million in each 5 year period.
- 3.5. The Board would publish the relevant date of the bank default and invite applications from depositors for compensation. It would send out a notice to the insolvency administrator of the bank in default and to all the other Jersey banks requiring them to provide the necessary information in order to be able to calculate the levy for each of the banks. It may be that States funding will be required, in which case the Board would also send a notice to the Minister for Treasury and Resources.
- 3.6. Regardless of whether shortfall funding is required, as banks will be permitted to spread the payment of levies over up to 5 years, the States will provide liquidity funding to the DCS in order for the DCS to be able to pay the first £5,000 of each valid claim within 7 working days and the balance within 3 months. Income to the DCS from bank levies and/or assigned recoveries in the liquidation would then be applied to repaying

the States loan. It is envisaged that the required revolving credit agreement will be in place before the Board assumes its functions.

4. Accounts and Audit

- 4.1. The DCS Board will be an independently audited States body for the purposes of the Public Finances (Jersey) Law 2005. This fulfils Principle 5 of the Basel Committee on Banking Supervision's Core Principles for Effective Deposit Insurance Systems, which requires the body administering a DCS to be operationally independent from undue political and industry influence.
- 4.2. There are a number of measures in place to ensure the highest standards of financial reporting. The Comptroller and Auditor General is also given the express power to audit the accounts, providing the additional assurance of independent oversight of the DCS. When requested to do so by the Comptroller and Auditor General the Board must make the records and accounts available to him.
- 4.3. The Board must keep records that permit the financial position of the DCS to be ascertained with reasonable accuracy at any time. In addition, for any financial year that the Board receives, holds or expends money, the Board is required to keep accounts prepared in accordance with generally accepted accounting principles (“GAAP”) that show a true and fair view of the surplus or deficit of the DCS for the financial year and of the state of the Board’s affairs at the end of the financial year.
- 4.4. The DCS Regulations provide for the DCS accounts to be properly kept and independently audited. The Comptroller and Auditor General will still have the power to make a report on the accounts of the DCS under Article 48 of the Public Finances (Jersey) Law 2005.
- 4.5. Within three months after the end of the financial year the Board must have the DCS accounts audited and must provide these to the Minister for Treasury and Resources within a further three months together with a report on its activities during the financial year. The Minister will then lay the accounts and report before the States as soon as reasonably practicable.

5. Accountability and Oversight

- 5.1. The Board is obliged to ensure that the DCS is administered in a prudent and economical manner and that resources are used efficiently and effectively.
- 5.2. In order to ensure proper oversight, the Comptroller and Auditor General is also responsible for considering and reporting on the general corporate governance arrangements of the DCS under Article 46(3)(c) of the Public Finances Law 2005, and may make recommendations for improvements in this regard.
- 5.3. In line with similar public bodies, such as the JFSC, Board members (along with any member, officer, servant or agent of the Board) will not be liable for anything done or omitted in the discharge of their functions unless the act or omission was in bad faith.

- 5.4. Should a depositor be unhappy with a decision of the Board in respect of the amount of the compensation to which he or she was entitled, the depositor would be able to appeal to the Royal Court on the ground that, on the facts available to the Board, its decision was unreasonable. A right of appeal to the Royal Court is also given to banks, concerning the amount of the levy they are liable to pay the DCS, and to the Minister for Treasury and Resources concerning the amount of States shortfall funding required by the DCS. On appeal, the Royal Court has a wide power to make any Order it considered appropriate.

ISSUES

6. Funding the Administration Costs of DCS

- 6.1. The DCS will be administered by an independent Board, which will be an independently audited States body. Although the DCS was designed with a view to keeping running costs to a minimum, there will be some one-off costs associated with setting up the scheme and the DCS Board. Once the Board is established, it is expected that there will be recurring costs relating to the administration of the scheme. Those may include the expenses of Board members, administrative support, accounting/audit costs, legal advice and insurance premiums.
- 6.2. In order to expedite the implementation of the DCS, during the course of the States debate on the DCS in November 2009, the Minister for Economic Development agreed to fund the initial set-up of the DCS Board and the first year's administration costs. The purpose this pledge was to allow the Department to consult properly on the issue of who should pay for the recurring administration costs of the DCS Board after the first year.
- 6.3. It should be noted that the recurring administration costs of the DCS Board are separate to the costs that would be incurred if the DCS were activated. In the unlikely event of a Jersey bank failure, the costs of the DCS Board in administering the scheme in relation to that particular bank failure would fall on the remaining banks along with the compensation costs, subject to the cap on bank levies.
- 6.4. A comparative analysis of DCS schemes in other jurisdictions shows that the administration costs of such schemes are typically met by an annual levy on the banks that are covered by the scheme. The rationale for this is essentially the same as that for making the banks primarily responsible for funding DCS compensation in the event of a bank failure, namely, that banks benefit from the existence of the DCS through the added reassurance it provides to banks' customers and the stability of the banking system.
- 6.5. In the United Kingdom, the Financial Services Compensation Scheme ("FSCS") covers deposit takers and other areas of financial services business such as investments and insurance. The FSCS's 'management expenses' are split between so-called 'base costs' and 'specific costs'.
- 6.6. All classes of financial firms contribute to the base costs of the FSCS, which are the day-to-day costs of running the scheme, i.e. those that are

not related to the payment of compensation. They pay contributions in proportion to the periodic fees they pay to the financial services regulator, the Financial Services Authority (“**FSA**”).

- 6.7. Specific costs relating to assessing claims and making payments are allocated to the relevant classes and sub-classes of financial firms.
- 6.8. In Guernsey, which established a DCS in 2008, the administration costs of the scheme for the first year were met by the States. The relevant legislation enables the Guernsey DCS to levy an annual fee on each bank covered by the scheme, which is paid into an administration fund. An annual administration fee was levied in 2009 and is expected to be levied in 2010.
- 6.9. The method of allocation of administration costs in Guernsey is not known. However, part of the Guernsey DCS is based on a risk assessment of the banks and it is possible that the scheme may take a similar approach with regard to the allocation of administration costs.

Proposal

- 6.10. It is proposed that the Economic Development Department (**EDD**) funding of administration costs should cease after December 2010. An amendment will be made to the DCS Regulations to provide the Board with an additional power to levy Jersey banks for its recurring administration costs.
- 6.11. The Board’s obligation to ensure that the DCS is administered in a prudent and economical manner and that resources are used efficiently and effectively extends to DCS administration costs.
- 6.12. It is difficult to estimate the likely administration costs of the DCS at this time as there are no existing models that reflect the likely set up of the Board. Pending further investigation, the following estimates give some indication of how the recurring annual costs of the DCS Board are likely to break down:

Insurance	£10K - £50K
Banking, accounts and audit	£5 - 10K
IADI ¹ costs	£0 - 10K
Board expenses	£2 - 3K
Contingency (e.g. legal fees)	£0 - 20K
Total:	£17K - £93K

It is also assumed that secretarial administration will be provided by EDD.

- 6.13. It is proposed that administration levies would be paid by the DCS Board into a single administration fund that would be separate from any fund established in respect of a failed bank.
- 6.14. In the unlikely event of a Jersey bank failure, the Board’s recurring administration costs would continue to be met from the administration fund whereas its administration costs in respect of the bank in default would be

¹ IADI stands for the International Association of Deposit Insurers

met from the fund established in respect of the bank in default. The administration fund would be subject to the accounts and audit requirements set out in Regulation 14 of the DCS Regulations (see Section 4, above).

- 6.15. It is considered that the simplest method of allocating costs would be to levy banking groups equally, rather than attempting to link levies to the level of regulatory fees paid to the regulator (as in the UK) or by applying some form of risk assessment, which could be complex and costly to implement.
- 6.16. In order to avoid costs that would result from the DCS Board having to maintain an overdraft in relation to its administration costs, it is proposed that the Board would estimate these costs for the forthcoming year and levy for these annually in advance.
- 6.17. If at any point in the future, the administration fund had accumulated sufficient funds to meet the Board's estimated costs for the forthcoming year, the Board would not have to charge a levy for that year. Conversely, if during the course of the year it transpired that the Board had underestimated its costs for that year, the Board would be able to demand an interim administration levy.
- 6.18. On receipt of a demand for an administration levy, any banking group would be able to appeal to the Economic Development Minister on the grounds that the estimated costs of the Board are unreasonable.

Questions:

- 1. Do you agree that banks should fund the recurring administration costs of the DCS?**
- 2. Do you agree that the Board should establish a separate administration fund to meet its recurring administration costs?**
- 3. Do you agree that the administration costs of the DCS should be paid by banking groups equally? If no, what method of allocation would you favour?**
- 4. Do you agree that the DCS Board should levy annually in advance with the power to demand an interim levy if necessary?**

7. Depositor Priority in Bank Insolvency

- 7.1. Generally speaking, when a bank fails, all of its assets and liabilities (i.e. debts) fall to be dealt with under an insolvency procedure, such as liquidation. A liquidator (by whatever titled described) is typically appointed to turn the insolvent bank's assets into cash and distribute the proceeds to the bank's creditors according to their ranking.

- 7.2. Secured claimants generally have the highest ranking because they have a claim against specific assets of the bank. Secured claimants are followed by various categories of creditor whose claims are accorded priority over unsecured claimants by statute. There then follows a much larger class of claimants, which typically includes depositors and other unsecured claimants who do not have any specific or priority claim on assets. Holders of subordinated debt, preferred shareholders, and common shareholders follow unsecured creditors in terms of ranking.
- 7.3. In order to offer greater protection to depositors, some countries have introduced legislation that effectively elevates the claims of depositors over those of other unsecured creditors for bank insolvencies. This is referred to as either depositor priority or, less commonly, depositor preference. Some countries give depositors a priority that supersedes the rights of secured creditors of a failed bank.
- 7.4. Broadly speaking, legal priority rules can be viewed in two ways. On the one hand, by giving priority to some claims, the legislator restricts the contracting options of private parties and may prevent them from reaching optimal arrangements. On the other hand, legal priority rules have the advantage of giving greater certainty where there are multiple private contracts and may be particularly relevant for banks, with their large number of non-professional unsecured creditors (i.e. depositors).²

Position in other jurisdictions

- 7.5. There is a great deal of variance between the systems adopted by countries concerning the ranking of depositors compared to other creditors of failed banks. These differences can be attributed to different legal traditions as well as different public-policy objectives.³
- 7.6. In the United States, 'depositor preference' was granted to all deposits in 1993, though similar rules had already been in place in 27 States. The Federal Deposit Insurance Corporation ("FDIC") insures deposits up to 100,000 USD.⁴ It has been argued that the primary beneficiaries of depositor preference are the FDIC itself, which acquires depositors' priority claims on making payouts, and those with deposits exceeding 100,000 USD (Birchler, Urs W, 2000).
- 7.7. In Switzerland, bankruptcy priority (*'privilège en cas de faillite'*) for savings deposits was introduced in 1934 and extended in 1997. Under the present rules, deposits up to an aggregate amount of 100,000 CHF (approx. 60,000 GBP) per depositor have priority over all other deposits and liabilities. Although there is no official deposit insurance, under a private agreement within the Swiss Bankers Association (SBA), banks mutually guarantee deposits that have priority in bankruptcy up to 6 billion CHF (approx. 3.6 billion GBP). Like the FDIC in the US, the SBA acquires depositors' priority claims when it pays out depositors.

² Birchler, Urs W, 2000. "Bankruptcy Priority for Bank Deposits: A Contract Theoretic Explanation," Review of Financial Studies, Oxford University Press for Society for Financial Studies, vol. 13(3), pages 813-40

³ Federal Deposit Insurance Corporation (FDIC), Business Plan for the Sub-Working Group Committee

⁴ The standard insurance amount of 250,000 USD per depositor is in effect through 31 December 2013. On 1 January 2014, the standard insurance amount will return to 100,000 USD per depositor for all account categories except certain retirement accounts

- 7.8. Other countries, such as Hong Kong, Malaysia and Argentina have also introduced deposit priority rules. In Hong Kong, deposits up to 100,000 HKD (approx. 8,200 GBP)⁵ have priority over all other bank liabilities. In Malaysia, domestic deposits have a priority claim against domestic assets of a bank. Several other countries have deposit priority rules, either in connection with deposit insurance, such as Chile and Peru, or without, such as Australia, Russia and Mongolia.
- 7.9. There are no statutory provisions in Guernsey for depositors to take priority over other unsecured creditors. Under emergency laws put into place in Iceland in October 2008, Icelandic depositors in Landsbanki had their deposits guaranteed in full whilst non-Icelandic depositors covered by the Icelandic DCS were granted a priority over all other creditors of the Icelandic banks.
- 7.10. In the United Kingdom, prior to December 2001, the Deposit Protection Board was automatically entered as a creditor of the failed bank and had preferential rights to recoveries due to the depositor. This no longer applies to the Financial Services Compensation Scheme (“FSCS”), which took over responsibility for providing deposit protection in the UK.
- 7.11. The ability of the FSCS to make recoveries is dependent on depositors assigning their rights against the bank to the FSCS in exchange for receiving a compensation payment. The FSCS then ‘stands in the shoes’ of the depositor. Although the situation with recoveries varies between sub-schemes of the FSCS, for depositor claims, the FSCS ranks the same as the depositors who assign their claims to it – i.e. as an unsecured, ordinary creditor.

Current position in Jersey

- 7.12. Currently, in the unlikely event of a Jersey bank failing, the claims of depositors in the bank insolvency would not benefit from priority status. Depositors would therefore be paid on an equal footing with all the other unsecured creditors of the failed bank.
- 7.13. On either the declaration of a *désastre* under the Bankruptcy (Désastre) (Jersey) Law 1990 or on the court making a winding up order under the Companies (Jersey) Law 1991, there is a statutory order of priority for repaying creditors. The order of priority is set out in Article 32 of the Bankruptcy (Désastre) (Jersey) Law 1990 and can be summarised as follows:
- (i) Viscount’s or liquidator’s costs;
 - (ii) Employees’ salaries (for previous 6 months) plus holiday pay/bonuses up to £3,500 and £1,000 respectively;
 - (iii) All sums due to the Social Security Department
 - (iv) All sums due to the Comptroller of Income Tax for the current year and the preceding year (including Goods and Services Tax (GST) and Income Tax Instalment Scheme (ITIS))
 - (v) Sums due to debtor’s landlord for the payment of rent (if it qualifies for preference under customary law);

⁵ Set to rise to 500,000 HKD (approx. £41,000)

- (vi) Rates due to parishes for the current year and the preceding year;
 - (vii) All other proved debts (which would currently include depositors in a bank insolvency)
- 7.14. The debts referred to in paragraphs (ii)-(vi) have equal priority as between themselves and are paid on an equal footing. If the property of the debtor is insufficient to pay them all off in full, they are reduced in equal proportions.
- 7.15. Hypothecary creditors⁶ are entitled to preference with regard to the proceeds of sale of any property upon which their hypothecs are secured in the order of the date of creation of their respective hypothecs. If the proceeds of sale of such property are insufficient to meet the claim of a hypothecary creditor in full, the balance of the claim ranks for payment on the same footing as all other proved debts.
- 7.16. Where any property of the debtor is subject to a security interest the proceeds of sale of the collateral are applied in the manner provided by Article 8(6) of the Security Interests (Jersey) Law 1983.

Discussion

- 7.17. It is considered that the introduction of depositor priority in Jersey would provide additional protection to many depositors beyond that currently offered by the DCS.
- 7.18. As part of the UK response to the recent banking crisis, the Tripartite Authorities (The Bank of England, HM Treasury and the Financial Services Authority) consulted on measures to bolster depositor protection. Although this included giving further consideration to reintroducing priority for depositors in insolvency proceedings,⁷ largely due to concerns specific to the UK banking model, it was decided that the current priority of creditors on insolvency should remain unchanged.⁸
- 7.19. Although different factors apply in a Jersey context, the UK consultation highlighted several issues that are relevant to the consideration of depositor priority in Jersey.
- 7.20. The main issue highlighted by respondents to the UK consultation was the potential for depositor priority to change the behaviour of other (non-depositor) unsecured creditors. In an UK context, respondents noted that the introduction of depositor priority could increase the likelihood that creditors would require security for lending to banks and/or charge higher interest rates for such lending, due to the increased risk of loss.⁹ Ultimately, such costs could be expected to be passed on by the banks to

⁶ A 'hypothec' is a kind of legal interest that gives a creditor certain preferential rights with regard to certain property. They can arise automatically by operation of law or can be created by an agreement between private parties.

⁷ Financial stability and depositor protection: strengthening the framework, January 2008, available from: http://www.hm-treasury.gov.uk/d/banking_stability_pu477.pdf

⁸ Financial stability and depositor protection: further consultation, July 2008, available from: www.bankofengland.co.uk/publications/other/financialstability/financialstabilitydepositorprotection080701.pdf

⁹ Financial stability and depositor protection: strengthening the framework, January 2008, available from: http://www.hm-treasury.gov.uk/d/banking_stability_pu477.pdf

their customers. There was also considered to be a risk that the introduction of depositor priority may lead creditors to shorten the terms of loans to banks or to seek alternative investments, which could cause the liquidity of UK banks to be impaired.

- 7.21. In a Jersey context, it is understood that our banking model, which relies almost totally on deposit taking rather than unsecured wholesale lending for liquidity, would be far less susceptible to the potential issues outlined above. However, the final outcome of depositor priority on costs and the behaviour of stakeholders depends on a wide variety of country-specific legal and economic factors and it is important that feedback is received from both the banking community in Jersey and creditors of Jersey banks in order for a fully considered approach to be taken.
- 7.22. In addition, the potential benefit to depositors of introducing depositor priority in Jersey would appear to be greater than in other jurisdictions, where average deposits are lower. Because a significant proportion of depositors with Jersey banks have balances totalling more than £50,000, giving depositors priority would provide protection beyond that offered by the DCS. This would provide an additional potential benefit for many customers who bank in Jersey.
- 7.23. The scale of that benefit cannot be estimated at present, but would depend on the extent to which the giving of the priority to depositors affords an advantage over non-depositor unsecured creditors of Jersey banks. There would also be a potential benefit to the DCS scheme itself, as the DCS would become a priority creditor in respect of the priority claims assigned to it by depositors.

Proposal

- 7.24. It is proposed to introduce legislation that ranks the claims of depositors in Jersey banks over the claims of other unsecured creditors (i.e. those listed at (ii) to (vi) in paragraph 7.13 above) but behind secured creditors.

Questions:

- 5. Should depositor priority be introduced in Jersey in line with the proposal?**
- 6. Please comment on:**
 - (i) What level of priority should be afforded to depositors, i.e. where in the current statutory order of priority should depositors rank?**
 - (ii) Should priority be limited in scope, (e.g. to individuals' deposits covered by the DCS) or should it apply to all deposits (including those held by corporations, trusts, partnerships etc.)?**
 - (iii) Should priority be limited in extent (e.g. to £50,000) or should it apply to the total value of deposits?**
- 7. What problems or issues, if any, do you see arising if depositor priority were introduced?**

Full list of Questions:

- 1. Do you agree that banks should fund the recurring administration costs of the DCS?**
- 2. Do you agree that the Board should establish a separate administration fund to meet its recurring administration costs?**
- 3. Do you agree that the administration costs of the DCS should be paid by banks equally? If no, what method of allocation would you favour?**
- 4. Do you agree that the DCS Board should levy annually in advance with the power to demand an interim levy if necessary?**
- 5. Should depositor priority be introduced in Jersey in line with the proposal?**
- 6. Please comment on:**
 - (i) What level of priority should be afforded to depositors, i.e. where in the current statutory order of priority should depositors rank?**
 - (ii) Should priority be limited in scope, (e.g. to individuals' deposits covered by the DCS) or should it apply to all deposits (including those held by corporations, trusts, partnerships etc.)?**
 - (iii) Should priority be limited in extent (e.g. to £50,000) or should it apply to the total value of deposits?**
- 7. What problems or issues, if any, do you see arising if depositor priority were introduced?**

**Please submit responses to the address above by:
Friday 2 July 2010**