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## PRESS RELEASE

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### **GOVERNMENT ACTS TO PROTECT SAVINGS RATES FROM FALLING INTEREST RATES**

Following the decrease in Base Rate last Thursday by 1%, from 3% to 2%, the Gibraltar Government has to-day announced a series of measures to protect savers in Gibraltar Government Debentures and Gibraltar Savings Bank Debentures from the effect of plunging interest rates.

Commenting on the measures, Chief Minister Peter Caruana said:

"It is, of course, not possible to predict with certainty the future direction or course of interest rates. However, the vast majority of global economists predict that interest rates will remain very low for a few years, and may even fall to zero per cent. Many savers, particularly old age pensioners, rely on interest income to supplement their pension income.

Under the existing scheme, pensioners get 0.5% above Base Rate. Base Rate has fallen to 2%, meaning they would now receive 2.5%. Under the new scheme pensioners who invest in Gibraltar Government debentures will continue to receive at least the 3.5% they were getting before last Thursday's interest rate cut. In addition, the rate of 3.5% becomes a floor, and will remain the minimum rate they will receive regardless of how much further interest rates fall during the next 3 years at least.

For pensioners who want a guaranteed higher interest rate, there will be the option to buy Gibraltar Government Fixed Term 3 year Debentures paying the fixed rate of 4.25%, for the next 3 years. In the case of this higher yielding debenture, although the interest will be paid monthly, the capital cannot be withdrawn for 3 years.

## **DETAILS OF THE NEW SCHEME**

### **Gibraltar Government Debentures:**

- (1) GoG Pensioner Monthly Income Debenture. This will pay a minimum of 3.5%. This rate will be held for at least 3 years even if Base Rates fall further below its current level of 2%. If Base Rate rises above 3%, the rate of this monthly debenture will revert to 0.5% above Base Rate.
- (2) GoG Pensioners Special 3 Year Fixed Debenture. This will pay 4.25%. This rate will remain fixed at 4.25% for 3 years. Interest will be paid out monthly, but the capital cannot be withdrawn until the end of the three year term.
- (3) GoG Normal Monthly Income Debentures. These will pay 2% while Base Rates are at 2 ½ % or less. If Base Rate rises above 2 ½%, interest will be payable at Base Rate minus 0.5%.

### **Gibraltar Savings Bank**

- (1) GSB Pensioner Monthly Income Debentures will continue to pay at Base Rate but subject to a minimum interest rate payable of 2%.
- (2) GSB Monthly Income Debentures will pay interest at 2% while Base Rates are at 2 ½% or less. If Base Rates rise above 2 ½% interest will be payable at Base Rate minus 0.5%.
- (3) GSB Ordinary Deposits. Will continue to pay interest at Base Rate minus 1% at BUT subject to a guaranteed minimum interest rate payable of 2%.

Current holders of GoG or GSB Debentures will enjoy these rates with effect from 1 January 2009. In the meantime rates remain as prior to last Thursday's Base Rate cut.

No action is required by existing debenture holders, unless:

- (a) They wish to transfer their debentures from the GSB to GoG; or
- (b) They wish to apply for the new 4.25% 3 year Fixed Term GoG Debenture. Existing debenture holders do not need to give notice and will not lose interest on transfer from their GoG Monthly Income Debenture to 4.25% 3 Year Fixed Term Debenture. The same applies to GSB Debenture holders transferring to GoG Pensioner Debentures.

In the cases of (a) and (b) above, savers must apply to the Treasury in the usual manner.