



Aviva plc
St Helen's
1 Undershaft
London EC3P 3DQ
Tel +44 (0) 207 283 2000

Banking Reform consultation responses
Banking Reform Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Kirstie Caneparo
Director of Group regulatory

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Direct line: 020 7662 2372
Direct fax: 020 7662 2014

Dear Sirs,

Financial Stability and Depositor Protection: Further Consultation

Aviva are pleased to respond to the above consultation paper. Whilst most of the questions are raised in the context of banks, section 5 would appear to have potential broader implications and therefore our response is restricted to this section.

Our detailed response to section 5 is attached.

Yours sincerely

Kirstie Caneparo
Director of Group Regulatory



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Detailed Response to Financial Stability and Depositor Protection: Further Consultation

Section 5: Effective Compensation Arrangements for Depositors

It is noted in 5.4 that some respondents thought a higher limit for deposits could distort the market for other kinds of savings products and lead consumers to make poor decisions with respect to savings and investments. Whilst there is not a question relating to this, we are of the view that any changes should be consistent with promoting a level playing field which does not favour one type of savings method over another.

5.1 The Authorities would welcome further views on the best way of introducing gross payout when there are mutual debts.

No comments.

5.2 The Authorities would welcome further views on a possible move to pre-funding and on the proposed legal framework for pre-funding and FSCS borrowing from the National Loans Fund.

The paper is written in the context of banking and it is not clear whether the authorities would limit their proposals to this sector or apply them more widely across the financial services industry.

We are in favour of the proposals to allow FSCS borrowing from the National Loans Fund. The ability to borrow to meet an actual need for funding, with repayment costs being recouped from future levies on the appropriate industry sector, would seem to negate the proposal for pre-funding arrangements. We do not believe pre-funding to build up funds where there is no certainty whether they will be needed is necessary.

The ability to allow the FSCS to borrow to meet their needs would also seem to enable the correction of the current inequality in FSCS funding arrangements, where there is potential for cross subsidy through the general retail pool arrangements. Therefore, we recommend that the general pool arrangements are removed in line with the introduction of borrowing by the FSCS.