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Competition Policy in the Framework and Application of State Aid in the Banking Sector

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Summary

The crisis communications provided for an extensive framework work under which the Commission analyzed state aid to banks in the context of the financial crisis.All-State aid deci- sions were built on three pillars: viability,burden-sharing and competition.In order to minimize distortions of competition, the Commission imposed significant structural and behavioral measures.The reasoning of the Commission's decisions in the Dutch banking sec- tor shows that the rationale behind several measures was to sanction risk taking and mis-management,and to restructure the banking sector as a whole. Furthermore,the imposi- tion of behavioral measures,in particular price leadership prohibition designed to mini- mize distortions of competition, paradoxically appear to have further distorted competi- tion in the Dutch banking sector.All in all, the overall lack of a sophisticated economic assessment of the measures imposed by the Commission raises serious doubts regarding the suitability and proportionality of the unprecedented State Aid decisions during the financial crisis.

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