

State aid: Commission approves temporary prolongation of guarantee granted by Belgium, France and Luxembourg on Dexia's debt

The European Commission has authorised, under EC Treaty state aid rules, the temporary prolongation of the guarantee jointly granted by Belgium, France and Luxembourg on the debt of Dexia. The Commission found that the prolongation of the measure, previously authorised by the Commission in November 2008 (see [IP/08/1745](#)), is justified by the funding situation of the group and its systemic importance for the economies of the three Member States, is in line with previous practice on such measures and is compatible with Article 87.3.b of the EC Treaty (which allows aid that is an appropriate, necessary and proportionate means of remedying a serious disturbance in Member States' economies). However, the prolongation is limited to four months (until the end of February 2010), by which time the Commission intends to reach a final decision on the compatibility with the rules on restructuring aid of the overall state aid package granted to Dexia. This package is currently the subject of an in-depth investigation opened in March 2009 (see [IP/09/399](#)).

Competition Commissioner Neelie Kroes said: "The temporary prolongation of the state guarantee on Dexia's debt is necessary to address the bank's funding needs during its restructuring phase. The Commission intends to take a final decision on the restructuring aid for the bank no later than the end of February 2010 provided the present good cooperation with the Member States concerned and the bank continues".

Belgium, France and Luxembourg notified to the Commission a prolongation and modification of their guarantee to Dexia's debt, which they decided in September 2009. Under the notified measure, the guarantee, temporarily approved by the Commission on 19 November 2008 and maturing on 31 October 2009, would be prolonged by the three Member States and the Bank until 31 October 2010 and modified as follows:

- The guarantee envelope is reduced from €150 billion to €100 billion
- The maturity of debt instruments covered by the guarantee is extended from 31 October 2011 to 31 October 2014
- The very short-term debt instruments (below one month) cease to be covered by the guarantee from 16 October 2009.

All other aspects of the guarantee, including the remuneration (in line with ECB standards) remain unchanged.

The Commission considers that the prolongation is necessary to avoid a risk of serious disturbance for the economies of the three Member States. It also considers that the modifications to the guarantee ensure that it is appropriate, limited to the minimum necessary and proportionate.

The non-confidential version of the decision will be made available under the case number N 583/2009 in the [State Aid Register](#) on the [DG Competition](#) website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).