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**Subject: State aid SA.43825 (2015/N) – Greece – Prolongation of the Greek financial support measures (Art. 2 law 3723/2008)**

Sir,

#### **1. PROCEDURE**

- (1) On 19 November 2008, the Commission approved the support measures for the credit institutions designed to ensure the stability of the Greek financial system ("the Original Decision")<sup>1</sup>. The support measures included a recapitalisation scheme, a guarantee scheme ("the Guarantee Scheme") and a bond loan scheme ("the Bond Loan Scheme").
- (2) On 2 September 2009, Greece notified a number of amendments to the support measures and a prolongation until 31 December 2009 that were approved on 18 September 2009<sup>2</sup>. On 25 January 2010, the Commission approved a second prolongation of the support measures until 30 June 2010<sup>3</sup>. On 12 May 2010, the Commission approved an amendment to the Guarantee Scheme<sup>4</sup>. On 30 June 2010, the Commission approved a number of amendments to the support measures and an

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<sup>1</sup> See Commission decision of 19 November 2008 in State Aid N 560/2008 "Support Measures for the Credit Institutions in Greece", OJ C 125, 05.06.2009, p. 6. A detailed description of the measures is provided in the Original Decision, in particular recitals 2 to 5 concerning their legal basis and objectives as well as recitals 10 to 37 containing the description of the measures.

<sup>2</sup> See Commission decision of 18 September 2009 in State Aid N 504/2009 "Prolongation and amendment of the Support Measures for the Credit Institutions in Greece", OJ C 264, 06.11.2009, p. 5.

<sup>3</sup> See Commission decision of 25 January 2010 in State Aid N 690/2009 "Prolongation of the Support Measures for the Credit Institutions in Greece", OJ C 57, 09.03.2010, p. 6.

<sup>4</sup> See Commission decision of 12 May 2010 in State Aid N 163/2010 "Amendment to the Support Measures for the Credit Institutions in Greece", OJ C 166, 25.06.2010, p. 2.

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extension until 31 December 2010<sup>5</sup>. On 21 December 2010, the Commission approved the extension of the support measures until 30 June 2011<sup>6</sup>.

- (3) On 4 April 2011, the Commission approved an amendment to the support measures in the form of an increased ceiling of the Guarantee Scheme with an additional tranche amounting to EUR 30 billion<sup>7</sup>. On 30 June 2011, the Commission approved a prolongation of the support measures until 31 December 2011<sup>8</sup>. On 6 February 2012, the Commission approved an amendment to the support measures and a prolongation of the support measures until 30 June 2012<sup>9</sup>. On 6 July 2012, the Commission approved a prolongation of the support measures until 31 December 2012<sup>10</sup>. On 22 January 2013, the Commission approved a prolongation of the Guarantee Scheme and the Bond Loan Scheme until 30 June 2013<sup>11</sup>. On 25 July 2013, the Commission approved a prolongation of the Guarantee Scheme and the Bond Loan Scheme until 31 December 2013<sup>12</sup>. On 14 January 2014, the Commission approved a prolongation of the Guarantee Scheme and the Bond Loan Scheme until 30 June 2014<sup>13</sup>. On 26 June 2014, the Commission approved a prolongation of the Guarantee Scheme and the Bond Loan Scheme until 31 December 2014<sup>14</sup>. On 14 January 2015, the Commission approved a prolongation of the Guarantee Scheme and the Bond Loan Scheme until 30 June 2015<sup>15</sup>. On 29 June 2015, the Commission approved a prolongation of the Guarantee Scheme until 31 December 2015<sup>16</sup>.
- (4) On 9 December 2015, the Greek authorities notified a prolongation of the Guarantee Scheme until 30 June 2016.

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<sup>5</sup> See Commission decision of 30 June 2010 in State Aid N 260/2010 "Extension of the Support Measures for the Credit Institutions in Greece", OJ C 238, 03.09.2010, p. 3.

<sup>6</sup> See Commission decision of 21 December 2010 in State Aid SA.31998 (2010/N) "Fourth extension of the Support Measures for the Credit Institutions in Greece", OJ C 53, 19.02.2011, p. 2.

<sup>7</sup> See Commission decision of 4 April 2011 in State Aid SA.32767 (2011/N) "Amendment to the Support Measures for the Credit Institutions in Greece", OJ C 164, 02.06.2011, p. 8.

<sup>8</sup> See Commission decision of 30 June 2011 in State Aid SA.33153 (2011/N) "Fifth prolongation of the Support Measures for the Credit Institutions in Greece", OJ C 274, 17.09.2011, p. 5.

<sup>9</sup> See Commission decision of 6 February 2012 in State aid SA.34149 (2011/N) "Sixth prolongation of the Support Measures for the Credit Institutions in Greece", OJ C 101, 04.04.2012, p. 2.

<sup>10</sup> See Commission decision of 6 July 2012 in State Aid SA.35002 (2012/N) "Seventh prolongation of the Support Measures for the Credit Institutions in Greece", OJ C 77, 15.03.2013, p. 14.

<sup>11</sup> See Commission decision of 22 January 2013 in State aid case SA.35999 (2012/N) "Prolongation of the Guarantee Scheme and the Bond Loan Scheme for Credit Institutions in Greece", OJ C 162, 07.06.2013, p. 6.

<sup>12</sup> See Commission decision of 25 July 2013 in State aid case SA.36956 (2013/N), "Prolongation of the Guarantee Scheme and the Bond Loan Scheme for Credit Institutions in Greece", OJ C 141, 09.05.2014, p. 3.

<sup>13</sup> See Commission decision of 14 January 2014 in State aid case SA.37958 (2013/N) "Prolongation of the Guarantee Scheme and the Bond Loan Scheme for Credit Institutions in Greece", OJ C 280, 22.08.2014, p. 18.

<sup>14</sup> See Commission decision of 26 June 2014 in State aid case SA.38857 (2014/N) "Prolongation of the Guarantee Scheme and the Bond Loan Scheme for Credit Institutions in Greece", OJ C 348, 03.10.2014, p. 27.

<sup>15</sup> See Commission decision of 14 January 2015 in State aid case SA.40030 (2014/N) "Prolongation of the Guarantee Scheme and the Bond Loan Scheme for Credit Institutions in Greece", OJ C 79, 06.03.2015, p. 13.

<sup>16</sup> See Commission decision of 29 June 2015 in State aid case SA.42215 (2015/N) "Prolongation of the Greek financial support measures (Art. 2 law 3723/2008)", OJ C 277, 21.08.2015, p. 11.

- (5) By letter dated 11 December 2015, Greece agreed exceptionally to waive its rights deriving from Article 342 TFEU in conjunction with Article 3 of Regulation 1/1958<sup>17</sup> and to have the present decision adopted and notified in English.

## **2. FACTS**

### **2.1. Description of the scheme**

- (6) In November 2008, Greece brought forward a package of measures designed to ensure the stability of the Greek financial system. The purpose of those measures was to restore confidence and encourage healthy inter-bank lending, through i) the provision of liquidity, ii) the recapitalisation of the financial sector and iii) provision of a State guarantee to new debt issuance.
- (7) In the context of its notification of 9 December 2015, Greece seeks approval of the prolongation of the Guarantee Scheme for debt instruments with a maturity of between three months and three years in return for a fee.
- (8) The budget for the Guarantee Scheme is currently EUR 85 billion<sup>18</sup>. However, pursuant to Article 4 of Law 3723/2008, any unused amounts of the EUR 8 billion budget approved under the Bond Loan Scheme<sup>19</sup> were to be transferred to the Guarantee Scheme. Greece has decided to bring the Bond Loan Scheme to an end, with the result that its budget is to be transferred to the Guarantee Scheme. On 30 November 2015, within the Bond Loan Scheme, EUR 2 171 million out of the EUR 8 billion budget were used. Those loans of government bonds will mature in the course of the first half of 2016. Therefore, the total budget of the Guarantee Scheme will progressively increase to EUR 93 billion.

### **2.2. Operation of the Guarantee Scheme until 30 November 2015**

- (9) On 9 December 2015, the Greek authorities submitted a report dated 30 November 2015 on the operation of the Guarantee Scheme.
- (10) According to the report, on 30 November 2015 the outstanding guarantees amounted to EUR 47,8 billion.

## **3. POSITION OF GREECE**

- (11) Greece requests a prolongation of the Guarantee Scheme until 30 June 2016.
- (12) Greece submits that the Guarantee Scheme constitutes State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union ("TFEU"), but is of the view that the proposed prolongation is compatible with the internal market on the basis of Article 107(3)(b) TFEU as it is necessary to remedy a serious disturbance in the economy of Greece.

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<sup>17</sup> Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

<sup>18</sup> See Commission decision of 4 April 2011 in State Aid SA.32767 (2011/N) "Amendment to the Support Measures for the Credit Institutions in Greece", OJ C 164, 02.06.2011, p. 8.

<sup>19</sup> See Commission decision of 4 April 2011 in State Aid SA.32767(2011/N) "Amendment to the Support Measures for the Credit Institutions in Greece", OJ C 164, 02.06.2011, p. 8.

- (13) Greece submitted a letter by the Central Bank of Greece confirming the need for the proposed prolongation of the support scheme to safeguard the stability of the financial system in Greece. According to the Bank of Greece, all Greek systemic credit institutions have completed their effort of raising capital from the private sector with success, with two out of four systemic banks managing to cover their entire capital needs privately and the other two covering privately the shortfall under the Asset Quality Review and Baseline Scenario. Those successful recapitalisations will result in the creation of prudential buffers, which will eventually improve the resilience of the banks' balance sheets and their capacity to withstand potential adverse macroeconomic shocks. Liquidity conditions in the Greek banking system have improved as well, as a result of better market sentiment and less political uncertainty, bringing emergency liquidity assistance (ELA) progressively to lower levels. Nevertheless, since recovery of deposits has been very slow, the prolongation of the scheme is recommended for an additional six-month period.
- (14) In line with the requirements of the 2011 Prolongation Communication<sup>20</sup>, Greece provided an indicative fee (estimation) for each financial institution eligible to benefit from the guarantees. The estimation was based on an application of the Guarantee Scheme's remuneration formula and recent market data. As of 1 January 2016, the applicable indicative fee for the guarantees covering debt with a maturity of less than one year will be 115 basis points ("bp") or 90 bp, if the credit institution had eligible collateral. The indicative fees for guarantees with a maturity of one year or more will be 99 bp and 74 bp respectively. Those fees are applicable to all credit institutions in Greece as, according to the Greek authorities, the individual credit default swap ("CDS") spreads observed are still not representative. Therefore the Greek authorities will determine the guarantee fee for all banks on the basis of the CDS of the sample of representative European banks in the lowest rating buckets (BBB and below).
- (15) Greece submitted the following commitments relating to the Guarantee Scheme:
- (i) to grant the guarantees only for new issuance of credit institutions' (banks') senior debt (subordinated debt is excluded);
  - (ii) to provide guarantees only on debt instruments with maturities from three months to three years;
  - (iii) to determine the minimum level of State guarantee remuneration in line with the formula set out in the Commission's Communication on the application, from 1 January 2012, of State aid rules to support measures in favour of banks in the context of the financial crisis<sup>21</sup>;
  - (iv) to submit a restructuring plan, within two months of the granting of the guarantees, for every credit institution that is granted guarantees on new liabilities or renewed liabilities for which, at the time of the granting of new guarantee, the total outstanding guaranteed liabilities (including guarantees accorded before the date of this decision) exceed both a ratio of 5% of total liabilities and the total amount of EUR 500 million;

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<sup>20</sup> Communication from the Commission on the application, from 1 January 2012, of State aid rules to support measures in favour of banks in the context of the financial crisis, OJ C 356, 06.12.2011, p. 7.

<sup>21</sup> OJ C 356, 06.12.2011, p. 7.

- (v) to submit individual restructuring or wind-down plans<sup>22</sup> within two months after the guarantee has been activated for credit institutions which cause the guarantee to be called upon;
- (vi) to impose a ban on advertising referring to the State support on the beneficiaries of the scheme and to prevent them from employing any aggressive commercial strategies which would not take place without the State support;
- (vii) to grant aid measures under the Guarantee Scheme only to credit institutions which have no capital shortfall<sup>23</sup> and, where a credit institution with a capital shortfall is in urgent need of liquidity, to submit an individual notification to the Commission;
- (viii) to report to the Commission on i) the operation of the scheme, ii) the guaranteed debt issues, and iii) the actual fees charged, on a three-monthly basis, meaning by 15 April 2016 (for the period 1 January 2016 to 31 March 2016) and by 15 July 2016 (for the period 1 April 2016 to 30 June 2016) at the latest; and
- (ix) to supplement its reports on the operation of the Guarantee Scheme with available updated data on the cost of comparable non-guaranteed debt issuances (as regards nature, volume, rating, currency).

#### **4. ASSESSMENT**

##### **4.1. Existence of State aid**

- (16) According to Article 107(1) TFEU, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.
- (17) For the reasons indicated in the Original Decision, the Commission considers that the Guarantee Scheme constitutes State aid within the meaning of Article 107(1) TFEU because it concerns the provision of State resources to a certain sector, i.e. the financial sector, which is open to international competition. Under the Guarantee Scheme, participating banks obtain guarantees under conditions which would not be available to them under market conditions, and so receive an advantage. Given the characteristics of the financial sector, any advantage from State resources to a credit institution affects intra-Union trade and therefore threatens to distort competition. The measure therefore constitutes State aid within the meaning of Article 107(1) TFEU.

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<sup>22</sup> The plan must be prepared on the basis of the parameters established in the Commission Communication on the return to viability and the assessment of the restructuring measures in the financial sector in the current crisis under the State aid rules (Restructuring Communication) (OJ C 195, 19.8.2009, p. 9).

<sup>23</sup> "No capital shortfall" is certified by the competent supervisory authority, as it is established, in line with point 28 of the 2013 Banking Communication, in a capital exercise, stress test, asset-quality review or an equivalent exercise at Union, euro area or national level, which has to be confirmed by the competent supervisory authority.

## 4.2. Compatibility assessment

### 4.2.1 Legal basis

- (18) Under the Guarantee Scheme, Greece intends to provide aid in the form of guarantees in favour of credit institutions.
- (19) Given the exacerbation of tensions in sovereign debt markets that has taken place since 2011 and in light of the persisting circumstances and risks, the Commission considers it appropriate, as confirmed by the 2013 Banking Communication<sup>24</sup>, to examine the measure under Article 107(3)(b) TFEU.
- (20) Article 107(3)(b) TFEU, in particular, empowers the Commission to find that aid is compatible with the internal market if it is intended "to remedy a serious disturbance in the economy of a Member State". The Commission has acknowledged that the global financial crisis can create a serious disturbance in the economy of a Member State and that measures supporting banks are apt to remedy that disturbance. That assessment has been confirmed in the Recapitalisation Communication<sup>25</sup> and the Restructuring Communication. The Commission still considers that the conditions for State aid to be approved pursuant to Article 107(3)(b) TFEU are present. The Commission confirmed that view by adopting the 2013 Banking Communication<sup>26</sup>.
- (21) The Commission does not dispute the position of the Greek authorities regarding the stressed liquidity position of the banks. The Commission observes that the deposit outflows experienced in the first half of 2015 in combination with the application of a bank holiday on 29 June 2015 and the subsequent maintenance of capital controls after banks reopened on 20 July 2015 resulted in a substantial deterioration of the liquidity of the Greek banks. In the meantime, liquidity conditions in the Greek banking system have slowly started to improve, as a result of better market sentiment and less political uncertainty. Nevertheless, since there has not yet been a significant recovery of the deposits lost between December 2014 and July 2015, the prolongation of the scheme is necessary for an additional six-month period. Hence, the Commission finds that the Guarantee Scheme aims at ensuring financial stability and, thus, remedying a serious disturbance in the Greek economy.
- (22) Therefore, the Commission continues to base its assessment of State aid measures in the banking sector on Article 107(3)(b) TFEU.
- (23) The Commission has recently found the aid granted to the four Greek systemic banks in the form of underwriting and/or recapitalisation, i.e. Alpha Bank<sup>27</sup>,

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<sup>24</sup> Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis, OJ C 216, 30.7.2013, p. 1.

<sup>25</sup> Commission Communication - Recapitalisation of financial institutions in the current financial crisis: limitation of the aid to the minimum necessary and safeguards against undue distortions of competition, OJ C 10, 15.1.2009, p. 2.

<sup>26</sup> See points 4-6 of the 2013 Banking Communication.

<sup>27</sup> See Commission decision of 26 November 2015 in State aid case SA.43366 (2015/N), "Amendment of the restructuring plan approved in 2014 and granting of new aid to Alpha Bank", not yet published

Eurobank<sup>28</sup>, Piraeus Bank<sup>29</sup> and National Bank of Greece<sup>30</sup>, as compatible with the internal market on the basis of Article 107(3)(b) TFEU.

- (24) In order for an aid to be compatible with the internal market, it must comply with the general principles for compatibility under Article 107(3) TFEU, viewed in the light of the general objectives of the Treaty. Therefore, according to the Commission's decisional practice<sup>31</sup> any aid or scheme must comply with the following conditions: (i) appropriateness, (ii) necessity and (iii) proportionality.
- (25) The 2013 Banking Communication and the Restructuring Communication formulate assessment criteria which reflect those general principles and their requirements in light of the specific policy context.

#### **4.2.2 Compatibility assessment of the Guarantee Scheme**

##### *Appropriateness*

- (26) The Guarantee Scheme is appropriate to remedy a serious disturbance in the Greek economy. The objective of the Guarantee Scheme is to temporarily offer appropriate measures to establish backstops for the financial system in a timely and efficient manner, where banks face difficulties in obtaining sufficient funding. The Commission observes that the crisis has eroded confidence in the creditworthiness of the banks, which results in difficulties in obtaining necessary funding on the financial markets. Hence, a backstop mechanism by the Member State, which in case of urgency ensures that banks would have access to funding, is an appropriate means to strengthen banks and thus to restore market confidence.
- (27) Points 23 and 60(a) of the 2013 Banking Communication explain that guarantee schemes will continue to be available in order to provide liquidity to banks but that such schemes should be limited to banks without a capital shortfall. The Commission observes that Greece has committed to restrict the Guarantee Scheme only to banks without a capital shortfall as certified by the competent supervisory authority.
- (28) Further the Commission notes that Greece has committed to grant guarantees only for new issues of banks' senior debt, as prescribed in point 59(a) of the 2013 Banking Communication.
- (29) In addition, the Commission notes that the Guarantee Scheme does not violate intrinsically linked provisions of Directive 2014/59/EU on bank recovery and

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<sup>28</sup> See Commission decision of 26 November 2015 in State aid case SA.43363 (2015/N), "Amendment of the restructuring plan approved in 2014 and granting of new aid to Eurobank", not yet published.

<sup>29</sup> See Commission decision of 29 November 2015 in State aid case SA.43364 (2015/N), "Amendment of the restructuring plan approved in 2014 and granting of new aid to Piraeus Bank", not yet published.

<sup>30</sup> See Commission decision of 4 December 2015 in State aid case SA.43365 (2015/N), "Amendment of the restructuring plan approved in 2014 and granting of new aid to National Bank of Greece", not yet published.

<sup>31</sup> See Commission decision of 6.9.2013 in State Aid Case SA.37314 "Rescue aid in favour of Probanka", OJ C 314, 29.10.2013, p. 1 and Commission decision of 6.9.2013 in State Aid Case SA.37315 "Rescue aid in favour to Factor Banka", OJ C 314, 29.10.2013, p. 2.

resolution<sup>32</sup>, which in this specific case relate to Article 32(4)(d)(ii) . The Greek authorities transposed that Directive into national law<sup>33</sup> on 23 July 2015. The criteria of the Guarantee Scheme ensure that the institutions benefitting from it will not be deemed failing or likely to fail on the sole basis of their participation in the scheme. If the criteria did not ensure that outcome, the Guarantee Scheme could not be deemed appropriate since it would not be apt to remedy the serious disturbance in the Greek economy.

- (30) The first subparagraph of Article 32(4) of Directive 2014/59/EU establishes that an institution shall be deemed to be failing or likely to fail and placed into resolution, (if all the other pre-conditions for resolution are met), where, inter alia, extraordinary public financial support is required, except when, in order to remedy a serious disturbance in the economy of a Member State and preserve financial stability, the extraordinary public financial support takes the form, inter alia, of a State guarantee of newly issued liabilities (Article 32(4)(d)(ii) of Directive 2014/59/EU).
- (31) The second subparagraph of Article 32(4) of Directive 2014/59/EU provides that in order not to trigger resolution such State guarantees on newly issued liabilities must be confined to solvent institutions and must be conditional on final approval under the Union State aid framework. Those measures must be of a precautionary and temporary nature and must be proportionate to remedy the consequences of the serious disturbance and must not be used to offset losses that the institution has incurred or is likely to incur in the near future.
- (32) The Commission notes that the Guarantee Scheme is limited to solvent institutions. The guarantees granted under the scheme are of a temporary nature since the window of their issuance is limited to six months and their maturity is limited to three years and are of a precautionary nature since they only cover newly issued liabilities. The guarantees granted are also proportionate to remedy the consequences of the serious disturbance as explained in recital 25. Therefore, at the present stage, the Commission concludes that the aid measure does not violate the intrinsically linked provisions of Directive 2014/59/EU.

#### *Necessity*

- (33) With regard to the scope of the measure, the Commission notes positively that Greece has limited the size of the Guarantee Scheme by setting its maximum budget at EUR 93 billion<sup>34</sup> and that the scheme applies until 30 June 2016. The increase of the budget of the Guarantee Scheme results from the expiry of the Bond Loan Scheme and seen in the context of the end of that latter scheme the

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<sup>32</sup> Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and EU No 648/2012, of the European Parliament and of the Council, OJ L 173, 12.06.2014, p. 190.

<sup>33</sup> Law 4335/23.07.2015 (GG I 87).

<sup>34</sup> The total budget amounts to EUR 93 billion when taking into account the potential transfer of the EUR 8 billion of the Bond Loan Scheme when the loans of bonds will mature starting from April 2016.



Commission considers that the increased budget of the Guarantee Scheme is necessary for the purpose of ensuring the stability of the Greek financial system.

- (34) The Commission notes that Greece has committed to grant guarantees only on debt instruments with maturities from three months to three years, which complies with the requirements in points 59(b) and 60(b) of the 2013 Banking Communication.
- (35) Regarding the remuneration level, the Commission observes that Greece, in line with point 59(c) of the 2013 Banking Communication, has committed to follow the pricing and other conditions for State guarantees laid down in the 2011 Prolongation Communication which requires, in particular, the application of a pricing method based largely on market data.
- (36) Since the beginning of the sovereign debt crisis the CDS spreads of Member States in difficulty have widened very significantly. The CDS of the large banks located in those Member States have increased in line with those of their sovereign. The very high CDS of large banks in programme countries do not seem to primarily reflect their intrinsic risk profile, but are mainly driven by the sovereign risk. That link can lead to a situation in which the application of the guarantee pricing formula based on the individual CDS spread of the bank results in an excessively expensive guarantee, which is not justified by the risk profile of the bank. Therefore, it seems appropriate to consider the CDS spreads of individual banks located in the countries subject to a financial assistance programme as temporarily non-representative of the intrinsic risk of those banks.
- (37) On that basis, the Commission does not object to Greece's intention to determine the guarantee fee for banks which still have a traded CDS on the basis of the CDS of the sample of Union banks in the "BBB- and lower" rating category. The Commission will review its assessment of the macro-economic situation and appropriateness of that exceptional pricing mechanism if a further prolongation of the scheme is notified.

#### *Proportionality*

- (38) As regards proportionality, the Commission notes, first, that Greece, in line with point 59(d) of the 2013 Banking Communication, has committed to submit a restructuring plan within two months for any bank granted guarantees on new liabilities or on renewed liabilities for which, at the time of the granting of the new guarantee, the total outstanding guaranteed liabilities (including guarantees accorded before the date of the decision) exceed both a ratio of 5% of the bank's total liabilities and a total amount of EUR 500 million. That commitment ensures that the use of Guarantee Scheme will not enable banks with structural weaknesses in their business models to postpone or avoid the necessary adjustments.
- (39) Second, the Commission notes that Greece has committed, in line with point 59(f) of the 2013 Banking Communication, to a number of behavioural safeguards such as a ban on advertisements referring to the State support and a ban on any aggressive commercial strategies which would not take place without the State support. Such safeguards help ensure that the participating institutions do not misuse the received State support to expand their activities.
- (40) Finally, the Commission welcomes that Greece undertakes to submit individual restructuring or liquidation plans, within two months, for banks which cause the

guarantee to be called upon, in line with point 59(e) of the 2013 Banking Communication.

- (41) As regards the combination of the Guarantee Scheme with other aid measures, the Commission recalls that, as indicated in the Annex to the Restructuring Communication, the restructuring plans to be submitted should contain all State aid received as individual aid or under a scheme during the restructuring period.
- (42) Furthermore, based on point 16 of the Restructuring Communication, the Commission recalls that, should further aid not initially foreseen in a notified restructuring plan be necessary for the restoration of viability, such additional aid cannot be granted under an approved scheme but needs to be subject to individual ex ante notification. All State aid measures received by a bank as individual aid or under a scheme during the restructuring period will be taken into account in the Commission's final decision on that bank.

#### *Monitoring*

- (43) The Commission welcomes, in line with point 60(c) and (d) of the 2013 Banking Communication, that Greece undertakes to present every three months a report on the operation of the Guarantee Scheme, on guaranteed issuances and on the actual fees charged and to supplement it with updated available data on the cost of comparable non-guaranteed debt issuances (nature, volume, rating and currency).

#### *Conclusions on the compatibility*

- (44) On the basis of the above, the Commission finds the notified prolongation of the Guarantee Scheme to be in line with the 2013 Banking Communication and the Restructuring Communication. The prolongation of the Guarantee Scheme remains an appropriate, necessary and proportionate measure to remedy a serious disturbance of Greek economy and does not alter the Commission's previous assessment in the Original Decision of 19 November 2008 and the prolongation or amendment decisions of 18 September 2009, 25 January 2010, 12 May 2010, 30 June 2010, 21 December 2010, 4 April 2011, 30 June 2011, 6 February 2012, 6 July 2012, 22 January 2013, 25 July 2013, 14 January 2014, 26 June 2014, 14 January 2015 and 29 June 2015.
- (45) In line with the Commission's decisional practice, the Guarantee Scheme can therefore be prolonged until 30 June 2016. Any further prolongation will require the Commission's approval and will have to be based on a review of the developments in financial markets and the scheme's effectiveness.
- (46) Finally, the Commission notes that Greece agreed to have the present decision adopted and notified in English due to the urgent need for a decision relating to the State aid case for the Prolongation of the Greek financial support measure.

## 5. CONCLUSION

The Commission has accordingly decided to consider the aid to be compatible with the internal market pursuant to Article 107(3)(b) TFEU and not to raise objections to the Guarantee Scheme.

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