IP/08/2049

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State aid: Commission approves Spanish guarantee scheme for credit institutions

The European Commission has approved under EC Treaty State aid rules a Spanish scheme to support the financial sector by providing guarantees to eligible financial institutions. The Commission found the measure to be in line with its Guidance Communication on State aid to overcome the financial crisis (see IP/08/1495). In particular, the scheme is non-discriminatory, limited in time and scope, provides for behavioural constraints to avoid abuses and is subject to a market-oriented remuneration from the beneficiaries. The Commission therefore concluded that the scheme is an adequate means to remedy a serious disturbance of the Spanish economy and as such in line with Article 87.3.b of the EC Treaty.

Competition Commissioner Neelie Kroes said: "In the current financial crisis it is important to address the liquidity problems of banks as they can adversely affect lending to the real economy. The Spanish scheme takes into account national particularities of the banking market in Spain while ensuring the coherence necessary to maintain a level playing field for all European banks."

The state guarantee would cover, against remuneration, the issuance of notes, bonds and obligations admitted to the official secondary market in Spain. While the maturity of the financial instruments covered would be in principle between three months and three years, guarantees could be extended to instruments with a maturity of up to five years in exceptional circumstances. The scheme's overall budget is capped at €100 billion, which can be increased to €200 billion, if the market conditions request it. Only solvent banks have access to the guarantee scheme. The Commission decision covers a period of six months following to which Spain should terminate the scheme or renotify its extension to the Commission. The scheme contains elements of state aid but foresees various safeguards aimed at ensuring that the state intervention is proportionate, limited to what is necessary and adequate instruments to reach this goal, in accordance with the EU state aid rules, as laid down in the Commission's guidance document (see IP/08/1495).

In particular, the scheme provides for non-discriminatory access, as it will be open to all solvent credit institutions registered in Spain having a share of at least 1/1000 of the credit market, in as much as the guaranteed instruments have been issued during the past five years. The guarantee is limited in time and scope, as both its global budget and individual guarantees are capped. For instance, each bank may receive guarantees linked to its historical market share and the state can limit the guarantee amount when the risk in regard to the benefitting credit institution is deemed too high. To benefit from the guarantee, participating banks are required to pay a market-oriented fee, in line with recommendations from the European Central Bank.

Moreover, beneficiaries will be subject to a series of behavioural commitments, to avoid an abusive use of the state support. These include restrictions on expansion and marketing. Finally, Spain committed to notify restructuring plans for each beneficiary that had effectively drawn on the guarantee and to report periodically to the Commission on the implementation of the scheme.

In light of these commitments and conditions, the Commission concluded that the scheme is an adequate means to address a serious disturbance in the Spanish economy, in particular in combination with the already approved Fund for the Acquisition of Financial Assets from financial institutions (see IP/08/1630) which also targeted funding problems of Spanish banks and had the goal of supporting lending to the real economy. The strict safeguards will ensure that the state support is limited to what is necessary to stabilise the Spanish financial sector and that negative spill-over effects are minimised.

The non-confidential version of the decision will be made available under the case number NN/54/B/2008 in the State Aid Register on the DG Competition website as soon as possible. New publications of state aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.