

EU permission on MARK operation

Print

MARK can start purchasing distressed commercial real estate assets from banks, following decision by the European Union. The operation of the asset management company established by the central bank, pursuant to supporting its macroprudential legal mandate, is expected to give a significant boost to the clean-up of non-performing bank portfolios, which may contribute to a revival in bank lending and a recovery of the real estate market from recession. Since MARK will purchase assets at market price, based on the validation of the European Commission, the planned asset acquisition programme does not contain state aid.

In accordance with its mandate under Article 4 (7) of the MNB Act, the Magyar Nemzeti Bank established MARK Hungarian Restructuring and Asset Management Company in autumn 2014, for the purposes of the targeted and efficient implementation of its core macroprudential mandate. MARK's programme of purchasing distressed commercial real estate assets is expected to considerably speed up the clean-up of bank balance sheets, thereby strengthening the stability of financial institutions as well as their ability and willingness to lend.

The asset management company's scope of activity will include purchasing, managing and selling distressed assets. It will be able to realise economies of scale in collecting distressed portfolios on a segmented market, ultimately acting as an intermediary facilitating purchases by end-investors. The MNB's objective is that MARK's operations will provide a successful example. MARK operation would rely on central bank only at the beginning, which would diminish gradually and in the medium term MARK would operate entirely by market sources.

The European Commission has examined MARK's planned operations from the perspective of state aid. The press release, issued by the Commission on 10 February 2016, marked the end of intense expert-level consultations taking nearly a year. The press release notes that the methodology developed by the expert of Magyar Nemzeti Bank and MARK for purchasing distressed commercial real estate portfolios will ensure market pricing, and does not contain state aid to the financial institutions participating in the scheme.

MARK will officially announce the detailed terms and conditions of its asset purchase scheme in the second half of February 2016, after receipt of the full, detailed Commission resolution documentation. Subsequently, the asset purchase phase will last 15 months, during which period all domestic financial institutions will be allowed to participate. Participation in the scheme is voluntary; however, MARK will make binding offers for all eligible portfolios for sale.

In accordance with its macroprudential mandate, MNB is committed to the efficient implementation of MARK's asset purchase programme.

The Commission's press release of 10 February 2016 is accessible by clicking on the link below.

http://europa.eu/rapid/press-release_IP-16-279_en.htm