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State aid: Commission authorises extension of bank support schemes in Ireland, Spain, Denmark and Hungary

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The European Commission has extended, under EU state aid rules, until 31 December 2010, guarantee schemes for banks in Ireland, Spain and Denmark and a liquidity scheme in Hungary. The extended schemes feature higher premiums to be paid by the banks for the guarantees and liquidity granted by the State. This is to encourage banks to finance themselves without state support and to limit distortions of competition. The majority of the current anti-crisis schemes for the financial sector expire on 30 June 2010. In agreement with EU Finance ministers, the extension of schemes is subject to higher fees charged by governments and, for banks that continue to rely heavily on State aid for their financing, to a viability review. The Commission has already extended under these conditions bank guarantee schemes in Sweden, Germany, Austria and Latvia. The extensions are for six months, until the end of 2010.

Irish guarantee scheme

The Commission authorised the extension until 31 December

The Commission authorised the extension until 31 December of an Irish guarantee scheme for credit institutions, which was

initially approved on 20 November 2009 (see IP/09/1787) and extended on 31 May 2010 (see MEX/10/0531).

The Commission considers the extension of the measures to be in line with its guidance on state aid to banks during the crisis (see IP/08/1495) and the recent adjustment of the rules for state guarantees, endorsed by the ECOFIN Council of 18 May 2010 on the phasing out of support measures for the financial sector.

In particular, the extended measures are well targeted, proportionate and limited in time and scope. The extended guarantee includes higher premiums for the state guarantee in order to provide an incentive for banks to refinance themselves on the markets without state support and to limit distortions of competition. The Commission has therefore concluded that they represent an appropriate means of remedying a serious disturbance in the Irish economy and as such are compatible with Article 107(3)(b) of the Treaty on the Functioning of the European Union (TFEU).

Spanish guarantee scheme

The Commission also authorised the extension until the end of 2010 of a Spanish guarantee scheme for credit institutions. The Spanish scheme was approved on 23 December 2008 (see IP/08/2049) and was later extended on 26 June 2009 (see MEX/09/0625) and on 1 December 2009 (see MEX/09/1201).

The scheme also features higher fees according to the recent adjustment of the rules for state guarantees. As in the case of the Irish scheme, the extended measures are considered well targeted, proportionate and limited in time and scope. The scheme is, therefore, in line with the Commission's guidance on state aid to banks during the crisis and Article 107(3)(b) TFEU.

Danish guarantee scheme on new debt

The Commission further authorised the extension until 31 December of a Danish guarantee scheme on new debt. The Danish scheme was initially approved on 3 February 2009 (see IP/09/206) and subsequently extended on 17 August 2009 (see MEX/09/0817) and 1 February 2010 (see

2009 (see MEX/09/0817) and 11 February 2010 (see MEX/10/0201).

The Commission considers the measures to be in line with the recent adjustment of the rules for State guarantee because it is well targeted, proportionate, limited in time and scope and includes higher premiums for the state guarantee.

Hungarian liquidity scheme

Finally, the Commission authorised the extension of a Hungarian liquidity scheme, originally approved on 14 January 2010 (see IP/10/19), until 31 December.

Similar to the previous schemes, the Commission considered the extension of the Hungarian liquidity scheme to be in line with EU state aid rules, because it was proportionate, well targeted, limited in time and scope and included higher premiums for the provision of liquidity.

Background

The vast majority of bank support schemes put in place to ensure financial stability during the financial crisis expire at the end of June. The Commission has already approved the extension of the German rescue scheme for credit institutions, of the Hungarian recapitalisation scheme on 23 June (see IP/10/789), of the Austrian aid scheme for credit institutions and of the Latvian scheme to support banks (see IP/10/839). The Commission is currently assessing extensions of guarantee schemes in Netherlands, Poland, Slovenia, a guarantee and recapitalisation scheme in Greece and a recapitalisation scheme in Poland. For a full list of the guarantee and recapitalisation schemes expiring in June see the Spring State Aid Scoreboard, including IP/10/623, published in May.

IP/10/854

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