



INVESTMENT SERVICES

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Austrian high court to hear Hypo "haircut" law cases

By Reuters Staff



VIENNA, Nov 6 (Reuters) - Austria's Constitutional Court has decided to hear complaints over a controversial law that wipes out some junior creditors of nationalised lender Hypo Alpe Adria despite debt guarantees from the bank's home province.

The law, passed this year amid mounting public anger over the costs of winding down Hypo, broke new legal ground for debt markets by cancelling 890 million euros (\$1.11 billion) worth of subordinated debt guaranteed by Carinthia province.

It also mandates an 800 million euro contribution from BayernLB, the German bank from which Austria had to take over Hypo in 2009 to avoid a collapse that would have sent shock waves through the region.

Thursday.

These included BayernLB; insurers and pension funds from Germany and Austria; Germany-based Lucura; Redwood Drawdown Fund from the Cayman Islands; Cornell University; RMF Financial Holdings in Luxembourg, and Altair Global Credit Fund in Los Angeles.

A court spokesman said the Austrian government and finance ministry, the provincial government of Carinthia, the FMA market watchdog that implemented the law and Hypo itself - now known as Heta Asset Resolution after converting into a “bad bank” to wind down assets - had eight weeks to respond.

Some legal experts have expressed doubt that the law will stand given that it skirts the standard way to bail in creditors: letting Hypo go bust, a step the government ruled out in March as too risky.

Finance Minister Hans Joerg Schelling, who took office after the law took effect, has said he will welcome clarity on the matter and last month held open the prospect of talks with Hypo creditors depending on how the court rules.

Other investors including a unit of Deutsche Bank have opted to pursue the matter via the courts in Carinthia.

1 US dollar = 0.7983 euro Reporting by Michael Shields; Editing by Vincent Baby

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