

## State aid: Commission approves support package for Danish financial institutions

***The European Commission has approved a package of measures aimed at supporting the financing of the real economy in Denmark. The Commission found the measures to constitute an appropriate means to restore confidence in the creditworthiness of Danish credit institutions and to stimulate lending to the real economy whilst complying with its Guidance Communications on state aid to overcome the financial crisis (see [IP/08/1495](#) and [IP/08/1901](#)). In particular, the measures are limited in time and scope, require market oriented remuneration and contain sufficient safeguards to avoid abuses. The Commission therefore concluded that the measures are an adequate means to restore a serious disturbance of the Danish economy and as such compatible with Article 87.3.b of the EC Treaty.***

Competition Commissioner Neelie Kroes said: "The measures provide an effective means to address the risk of a Danish credit crunch in this period of crisis. The Commission is satisfied that appropriate safeguards are embedded in the scheme to limit distortions of competition".

The new measures include a recapitalisation scheme and amendments to the existing guarantee scheme for banks, which was approved by the Commission on 10 October 2008 (see [IP/08/1483](#)).

The Danish recapitalisation scheme enables the State to subscribe hybrid capital qualifying as tier 1 capital. Capital endowment will be up to a level of 12% of tier 1 capital. The total budget for the measure will be around €13.5 billion.

The Commission's assessment concluded that the adequacy of the recapitalisation would be ensured by a remuneration that varies according to the risk profile of the beneficiary and is comprised in the range of approximately 9 to 12%.

Moreover, restrictions in the dividend policy, in particular a ban on dividends until 2010, as well as limitations on management remunerations and behavioural commitments to ensure the flow of funds to the real economy, ensure that potential distortions of competition are minimised.

The scheme aims at supporting only "fundamentally sound" institutions. If the Commission concludes that a beneficiary institution can not be considered as "fundamentally sound", a restructuring plan will have to be provided.

Denmark also proposed amendments to the existing guarantee scheme for financial institutions. The Commission found that the integration of individual guarantees on new loans for up to three years was appropriate and necessary to ensure continued access to medium term liquidity for Danish credit institutions. The behavioural safeguards, the remuneration and the commitment by the Danish authorities to notify any prolongation of the scheme after six months ensure that the distortion of competition is kept to the minimum.

The non-confidential version of the decision will be made available under the case number N31a/2009 in the [State Aid Register](#) on the [DG Competition](#) website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).