IP/10/997

Brussels, 23rd July 2010

State aid: Commission clears extension of bank support measures in Portugal and Spain

The European Commission has extended until 31 December 2010 its authorisation under EU state aid rules of the Portuguese bank guarantee and bank recapitalisation schemes and of the Spanish recapitalisation measures in favour of the banking sector. The extended Portuguese guarantee scheme requires the banks to pay higher premiums for the guarantees granted by the State. This is to encourage banks to finance themselves without state support and to limit distortions of competition. The Commission has already extended under the same conditions its authorisation of bank guarantee schemes in Sweden, Germany, Austria, Latvia, Ireland, Spain, Denmark, The Netherlands, Slovenia, Greece and Poland.

Portuguese Guarantee Scheme

The Commission has authorised the extension of the Portuguese guarantee scheme until 31 December 2010. The scheme was initially approved on 29 October 2008 (see IP/08/1601) and prolonged on 22 February 2010 (see MEX/10/0222)

The Commission considers the scheme to be in line with its guidance on state aid to banks during the crisis (see IP/08/1945) and the recent adjustment of the rules for state guarantees, endorsed by the 18 May 2010 EU Council of Economic and Financial Affairs Ministers on the phasing out of support measures for the financial sector.

The extended guarantee scheme is well targeted, proportionate and limited in time and scope. It also includes higher premiums for state guarantees, thereby incentivising banks to refinance themselves on the markets without state support and limiting undue distortions of competition.

Portuguese recapitalisation scheme

The Commission has authorised the extension until 31 December 2010 of the Portuguese recapitalisation scheme for credit institutions. The scheme was initially approved on 20 May 2009 (see IP/09/818) and extended on 17 March 2010 (see MEX/10/0317).

The Commission found the extension of the measure to be in line with its guidance on support measures for banks during the financial crisis (see IP/08/1495 and IP/08/1901).

Spanish recapitalisation scheme

The Commission has authorised the extension until 31 December 2010 of the Spanish recapitalisation measures in favour of the banking sector. The scheme, known as "FROB", was initially approved on 28 January 2010 (see IP/10/70) and expired on 30 June 2010. The scheme has been amended so as to permit individual recapitalisations.

The Commission found the extension of the measure to be in line with its guidance on support measures for banks during the financial crisis (see IP/08/1495 and IP/08/1901).

On 28 June 2010, the Commission has already authorised the extension until 31 December 2010 of the Spanish guarantee scheme (see IP/10/854).

Background

A majority of support schemes for financial institutions, put in place in 2008 and 2009 to ensure financial stability, have been periodically extended, generally for six months, when requested by the Member States concerned and justified.

The Commission has recently approved the prolongation of schemes in Sweden (guarantee scheme) (MEX/10/0615), Germany (guarantees, recapitalisation and other measures), Hungary (recapitalisation scheme and liquidity scheme) (IP/10/789), Austria (guarantees, recapitalisation and other measures), Latvia (guarantee scheme) (IP/10/839), Ireland (guarantee scheme), Denmark (guarantee scheme) (IP/10/854), The Netherlands (guarantee scheme), Slovenia (guarantee scheme), Greece (guarantee, recapitalisation and bond loan scheme) and Poland (recapitalisation scheme and guarantee and liquidity scheme). All of these schemes have been extended for six months.