

**Neelie Kroes**

**European Commissioner for Competition Policy**

## **Dealing with the current financial crisis**

**Check Against Delivery**  
**Seul le texte prononcé fait foi**  
**Es gilt das gesprochene Wort**

**Economic and Monetary Affairs Committee, European Parliament**

**Brussels, 6th October 2008**

Madame la Présidente, honourable members of ECON,

I am happy to be back with you today, but less happy that it is in such grave and difficult circumstances.

While you will be rightly interested to continue our dialogue on the Commission's White Paper on Damages Actions, I hope you will understand that most of my time today will be spent on remarks and answers to your questions about the current financial crisis.

I consider it a priority that you have access to me and that you are fully aware of the approach I have taken with my services to the unfolding events.

For us, our involvement started in 2007 with the problems facing IKB, SachsenLB and Northern Rock – in a strange way this allowed us to test and improve our ability to meet the urgent demands that face banks in these situations.

Today, in September and October 2008 the Commission has done and is continuing to do everything it can to help stabilise European banks.

First, we are acting to approve rescue measures for banks very quickly, in order to protect financial stability and avoid spill-over effects on the rest of the economy.

Second, with regard to restructuring aid, our focus is on finding appropriate solutions that will restore viability in the long-term, rather than an urgent reaction.

I am determined that our State aid system will continue to be part of the solution, not part of the problem. The system helps us provide a Europe-wide response to a Europe-wide problem.

The European Commission is making sure that it can react with the adequate responsiveness to the current situation. Member States need to act very quickly and markets need to be reassured that whatever they do is not going to be jeopardised by EU rules.

For that reason, I have encouraged Member States to be in touch with me and my services, so that a coordinated approach is always fostered.

Further to this goal, new temporary arrangements were put in place by the college on 1 October to allow quicker decisions on emergency rescue measures of financial institutions.

This temporary empowerment allows the Competition Commissioner in agreement with the President, Commissioner Almunia and Commissioner McCreevy to make positive decisions on emergency rescue measures in favour of financial institutions.

But this does not mean that competition rules will not be applied in the current context.

On the contrary, they are the way to securing a common European framework, even in situations where governments have to act at the national level.

You see from recent events that governments may be tempted to respond unilaterally to what other Member States are doing.

This is not the way forward.

We have to be united in our efforts to reassure depositors and taxpayers.

If we were to ignore the state aid rules, governments would be tempted to get into a subsidy race and healthy companies could be put out of business just because their competitors received unfair state subsidies – and that is no way to protect jobs and growth.

We must also remember that our actions can have unintended spill-over effects and it is essential to be on guard against this.

That is why there must still be rules and limits and transparency to what we do.

In particular you should know our view that:

- There must be no discrimination based on nationality, e.g. of potential acquiring banks;
- Emergency measures shall be necessary and proportionate, distortions limited to the minimum;
- Rescue aid must be followed (if not accompanied) by restructuring or liquidations plans

### **With regards to the banking cases of the most recent days:**

Bradford & Bingley (UK), Hypo Real State (D), Fortis (B, LUX, NL) and Roskilde (DK) - we are in close contact with the Member States concerned.

We have shown that we are able to act very fast and approve the emergency measures planned by member states once we have full information, as was the case with Bradford and Bingley and Hypo Real Estate and this has confirmed our view that we should be involved and should be involved at an early stage in each such case.

We understand that Member States are under a great deal of pressure and we are doing everything we can to assist them.

### **As regards merger control:**

The Commission is committed to continue applying the existing rules, taking full account of economic environment.

That means the Commission can and will take into account the evolving market conditions and, where applicable, the failing firm defence.

- The existing rules allow the Commission to permit take-overs to be implemented without having to wait for the Commission's approval in cases where there is urgency and where there are no 'a priori' competition concerns.
- The Commission can indeed grant derogations from the standstill obligation, pending a definitive outcome of the proceedings, so as to enable the immediate implementation of the transactions which are part of rescue operations.

In all cases, we are therefore committed to act diligently and in close cooperation with all interested stakeholders.

National Competition Authorities are able to take a similar approach under their national merger rules.

Application of the merger control rules will ultimately ensure the protection of consumer welfare in all its dimensions, that is, both in terms of financial stability in the short term and competitive market structures in the medium term.

### **On the issue of bank deposit guarantees:**

We have heard in recent days about the intention of several EU member governments to provide public guarantees for banks.

In some cases those are political declarations with the objective to reassure the depositors, in others they correspond to more specific legislative initiatives.

The current financial crisis poses a systemic threat to the EU banking sector.

In such exceptional circumstances, it may be necessary to reassure bank depositors that they will not suffer losses, so as to limit the possibility of bank runs and undue negative spill over effects on healthy banks.

In this systematic context, general guarantees protecting retail deposits (and bank debt held by retail clients) can be a legitimate component of the public policy response.

### **Next days**

As we adopt rescue aid decisions over the next few days, we will provide clarity and legal certainty to Member States on how our State Aid policy has reacted in a pragmatic and responsible way to the evolving market circumstances.

In particular, when necessary we will not shy away if need be from applying the special provisions of Article 87(3)(b) of the Treaty regarding aid granted to address a serious disturbance of the economy of a Member State.

### **In conclusion on the financial crisis**

The Commission is determined, and I am determined, to act as a stabilising force throughout this crisis.

Where must act it will be quickly and constructively; the ordinary saver / citizen should not be hurt and I will not authorise any decision where such hurt would be caused.

You will appreciate that this situation changes from one day to the next, so naturally I am in daily, sometimes hourly, contact with Mr Barroso, McCreevy and Almunia

I will now address some of the issues in more detail for some of the Member States:

### **Ireland - Government guarantee to 6 Irish banks:**

In view of the current situation in financial markets, I support the Irish Government's concern to ensure financial stability and I fully understand the need for the State to step in, in these conditions.

We need to coordinate national actions and maximise their effectiveness, and at the same time secure that their negative spillovers on other financial institutions and Member States are limited.

In that respect, some concerns have been expressed in various corners about the very large scope of the Irish guarantee.

The measure as first announced also raised an issue of discrimination. I welcome the signs of openness by the Irish authorities to apply the scheme to other banks with significant operations in Ireland. The Commission services are in close cooperation with the Irish authorities on this case and I am hopeful that the detailed implementing rules for the Irish guarantee scheme will put to rest any concerns about compatibility with EU law.

### **Germany - rescue aid for Hypo Real Estate**

The German authorities notified the measure to the Commission on 30 September 2008. On 2 October 2008, the Commission authorised the measure as rescue aid.

In conformity with the rescue and restructuring guidelines, the German authorities have to notify a liquidation plan before 30 April 2009 in order to receive the Commission approval.

As long as only the private participation in the rescue structure increases, the Commission sees at this stage no reason to amend its previous decision.

The Commission is in close contact with the German authorities and it is thanks to the good cooperation that the Commission was able to take such a quick decision.

### **Germany - announcement of guarantee for retail deposits**

The Commission is in close contact with the German authorities in order to clarify the situation. In general guarantees for retail deposits do not raise problematic issues from a state aid point of view.

### **France, Belgium Luxemburg - rescue aid for Fortis**

As the latest measures are radically different from those announced last week, the Commission will need to make a fresh assessment.

However, we have shown that we are able to act very fast once we have full information. We understand that Member States are under a great deal of pressure and we are doing everything we can to assist them. We stay in close contact with the Member States concerned.

### **France, Belgium Luxemburg – Dexia**

We are in close contact with the Member States concerned. We have shown that we are able to act very fast once we have full information. Again, we understand that Member States are under a great deal of pressure and we are doing everything we can to assist them.

### **Denmark – scheme for protection of insolvent banks**

The Commission is in close contact with the Danish authorities on the protection scheme for banks. The Commission is awaiting more detailed information. At first sight, the scheme seems to have a number of promising elements from the point of view of compatibility with the state aid rules:

- It is applicable in principle to all banks active in Denmark
- Restructuring is ensured through a state winding-up company
- There are limits on market behaviour of beneficiary banks.

### **Greece – announcement of deposit guarantee**

The Commission services are in close cooperation with Greece regarding potential developments in this matter.

The Greek authorities have committed to provide a detailed response regarding the Minister's declaration and/or any potential legislative proposals following the ECOFIN Council Meeting of 7 October. In general guarantees for retail deposits do not raise problematic issues from a state aid point of view.

## **Austria – Announcement of deposit guarantee**

The Commission services are in close cooperation with Austrian authorities regarding potential developments in this matter. Again, in general, guarantees for retail deposits do not raise problematic issues from a State aid point of view.

Thank you.