EUROPEAN COMMISSION

Brussels, 20.12.2011
C(2011) 9698 final

Subject: State Aid SA.33170 (2011/N) – Ireland
Credit Union Resolution Scheme

Sir,

I. PROCEDURE

1. Ireland submitted information regarding a scheme (hereafter "the scheme") for the resolution of credit unions in distress on 26 October, 21 November and 6 December 2011, while the Commission submitted questions on 21 November, 2 December and 5 December 2011.

2. On 7 December 2011 Ireland notified the scheme.

II. DESCRIPTION

The Credit Union Sector

3. Credit unions are member-owned, not-for-profit entities whose business primarily relates to savings and loans. Credit unions cannot do business with the general public due to charter limitations; instead they serve a membership that is characterised by a "common bond". The common bond is based on a pre-existing social connection (such as belonging to a particular community, industrial or geographical group). Each credit union is governed by its members. However, it is important to note that while legally credit unions have members, those members are economically equivalent to ordinary depositors[1].

4. Credit unions play an important role in the Irish financial sector as they are traditionally seen as providing access to financial services to the financially excluded or the less well-off members of the community. As of June 2011, there were 408 credit unions in Ireland, with savings amounting to EUR 12.2 billion and

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[1] Deposits in credit unions have been protected under the Irish Deposit Guarantee Scheme since 18 June 2009.

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membership to circa 2.9 million. 30 credit unions have assets greater than EUR 100 million, with 216 credit unions holding assets of less than EUR 20 million. The smallest credit union has assets of some EUR [0-2 million][*], with the largest holding assets of some EUR [200-400] million.

5. The credit union sector has been the subject of extensive analysis by the Central Bank of Ireland ("the Central Bank"), which is parent body of the Irish Registrar of Credit Unions. A Commission on Credit Unions was established by the Minister for Finance to issue recommendations regarding the strengthening of the regulatory framework of credit unions. An interim report was published in October 2011. The final report will be provided to the Minister for Finance by 31 March 2012. The credit union sector was also subject to the Prudential Capital Assessment Review ("PCAR") 2011, which was a review of the capital needs of the Irish financial sector and which was conducted as part of the Financial Support Programme for Ireland.

6. The Central Bank has already taken regulatory action to address the problems in the sector. About 50% of credit unions are subject to lending restrictions through limits on individual loans, limits on commercial lending or overall lending limits. Credit unions are also required to give priority to placing surplus funds in short-term deposit accounts, and ongoing supervisory work continues, including regulatory directions issued to a number of credit unions, targeted inspections on lending and investments, further loan book reviews and monitoring of provisioning, liquidity and solvency position.

7. From a regulatory point of view, credit unions are required to hold regulatory capital equal to 10% of their assets. The PCAR 2011 of credit unions assessed the capital adequacy of the credit unions for 2011-2013 under a stress macro-economic scenario. The results indicate a cumulative capital deficit of between EUR […]– base versus stress scenarios. The key driver of the figures is the loan loss forecast for the period. The Commission on Credit Unions Interim Report published unaudited prudential returns for the sector showing that, at 30 June 2011, 56 credit unions were undercapitalised (<10%) with 27 of them considered seriously undercapitalised (< 7.5%). The end-year audited accounts are expected to show a further deterioration in those figures.

8. Furthermore, the restructuring of the credit union sector is part of the deliverables of the EU-IMF adjustment programme for Ireland and regularly addressed with the Troika partners (European Commission, European Central Bank and International Monetary Fund) in the context of the review missions of the programme.

9. Against that background, Ireland has proposed a regime for handling failed or failing credit unions. The large number of credit unions in Ireland increases the need for a generalised regime for handling failed credit unions, taking the specific nature of the credit union sector into consideration.

1. Objective of the Scheme

10. The scheme, which is based on the provisions of the Central Bank and Credit Institutions (Resolution) Act 2011 ("the Act"), is aimed at providing a resolution regime for credit union that are failing or likely to fail and that is effective in protecting the exchequer and stability of the financial system and the economy. The

[*] Confidential information

Act sets out the basis for and the nature of State financial support for credit unions in a resolution context. The purposes, or objectives, of the Act are set out in section 4:

(*a*) to provide an effective and efficient resolution regime for authorised credit institutions including credit unions that are failing or are likely to fail,

(*b*) to provide for a resolution regime for such credit unions that is effective in protecting the Exchequer, the stability of the financial system and the economy,

(*c*) to provide for the taking of measures to maintain public confidence in the financial system in the State, including to protect the interests of depositors and savers in such credit unions, and depositors generally,

(*d*) to secure, to the extent possible in the circumstances, the continuity of credit union services generally and in particular in relation to credit unions that are failing or are likely to fail,

(*e*) to facilitate the orderly winding-up of a credit union that is insolvent,

(*f*) to provide a mechanism to prevent the financial instability, or threat to the financial stability, of a credit union contributing to financial instability of any other authorised credit institution, the financial system or the economy, and to avoid creating a risk of such financial instability,

(*g*) to facilitate the re-organisation of, or the preservation or restoration of the financial position of, a credit union that is failing or is likely to fail, and

(*h*) to provide the Central Bank with the necessary powers for those objectives and to provide a framework within which the Central Bank can exercise those powers consistently with its legal obligations, including the legal obligations arising pursuant to the Treaty on European Union and the Treaty on the Functioning of the European Union.

2. Description of the scheme

11. The only institutions eligible to participate in the scheme are credit unions. Ireland will provide up to EUR 500 million to fund the scheme.

12. The Central Bank will undertake the first phase of credit union resolutions which should cover […] credit unions before […]. Further tranches are expected to follow in […]. The cost of incentives to be disbursed by the State for the first phase of the […] credit unions is estimated by the Central Bank at some EUR [10-100] million (their combined capital shortfall is some EUR [10-100] million).

13. The second phase of resolution will involve the resolution of a further […] credit unions and the Central Bank is preparing cases for resolution by requiring capital plans, loan book reviews, etc. Those […] credit unions have a combined capital shortfall of circa EUR [50-300] million under PCAR up to 2013 to bring them up to the 10% reserve (capital) requirement. That second phase will take place in 2012-2013 and will require payment of incentives by the State in excess of EUR [50-300] million.

14. The resolution process is managed and administered by the Central Bank as the resolution authority, with the Minister in the role of consultee and, where appropriate, provider of recoupable funding.

15. The Central Bank, acting within its independent discretion, will form a view as to whether the credit union fulfils the intervention conditions. The Central Bank view will be informed by the financial position of the credit union, prudential returns, loan book reviews, the Central Bank PCAR 2011 and other relevant matters.

16. The tools available to the Central Bank to implement the resolution are the following.

    - Transfer Order: transfer of some or all of a relevant institution's assets and liabilities to another institution will be done through the mechanism of a Court order;

    - A modified liquidation process: the liquidator will be mandated with two objectives, firstly to ensure that depositors covered by the Deposit Protection Scheme receive a payout or have their deposits transferred to another institution, and secondly to achieve the best results for the institution's creditors as a whole;

    - The appointment of special managers: the purpose of the special manager is to manage the business of an institution to facilitate the development of recovery and resolution plans or to wind down the institution with a view to liquidation;

    - The establishment of "bridge banks": a "bridge bank" could be established to hold, on a temporary basis, some or all of the assets or liabilities of a financial institution which has financial difficulties with a view to their full or partial transfer to another institution.

17. At this stage, Ireland has notified the transfer order as the only mechanism it will use to resolve failing credit unions. In addition, all the assets and liabilities of the failing credit union will be transferred, i.e. there will be no rump. If in the future Ireland chooses to use any of the other mechanisms described in point (16), including partial transfer, it will notify them separately. The transfer of a credit union will be done via a competitive process in all cases.

Transfer Order

18. The transfer order will be the main resolution mechanism for failing credit unions and is the only one covered by this notification. It will be used to resolve the […]. In summary, it is intended that the failing credit union will be transferred to another credit union through a competitive process. It is likely that the buyer will need a financial incentive from the State in order to take on the failing credit union. The State will provide the initial money to fund the resolutions, but intends to levy the financial sector to recoup its costs over time.

Competitive Process

19. The Central Bank shall carry out a competitive process that allows the determination of market value of the assets and liabilities to be transferred. While the precise process is likely to depend on the exigencies of each case (for example, the urgency, the size of the market, the particular transferor credit union etc), the transfer of a credit union will be done via a competitive process in all cases. The Central Bank

will describe in its six-monthly report in details how the competitive process was executed.

20. It is at the Central Bank's discretion to assess which entities are to be invited to bid. […]:

- […];
- […];
- […].

21. The Central Bank will also determine whether the proposed transferee is able and willing to undertake the transaction and will set down eligibility criteria in terms of who will be eligible to engage in the bid process. […].

22. In terms of the criteria for assessing bids, as with a commercial merger and acquisition process, bids will be evaluated on qualitative and quantitative factors, with the quantitative factors weighted more highly. Factors include, but are not limited to:

- […]
- […]
- […].

Financial Incentive

23. The financial incentive may take the form of a payment, a loan, a guarantee, an exchange of assets or any other kind of financial accommodation or assistance. The Minister may recover from the Resolution Fund the amount of any financial incentive that the Minister has provided. The purpose of the Fund as set out in the Act is to provide a source of funding for the resolution of financial instability in, or an imminent serious threat to the financial stability of, an authorised credit institution. The type of incentive will depend on how bidders structure their bids under the competitive process. The Central Bank's expectation at this stage is that bidders will seek a cash injection as an incentive to accept the assets and liabilities of the transferee.

24. The amount of any financial incentive provided by the Resolution Fund is a liability of the failed credit union to the Fund. Accordingly, any residual value remaining in the failed credit union would be offset against the money owed to the Resolution Fund. While in any case covered by the current notification, where all the assets and liabilities of the failed credit union are transferred under the transfer order, there will be no residual value remaining, that feature is a further safeguard to ensure that the State recoups the maximum amount possible.

25. The transferee may also seek risk-sharing to deal with valuation issues on transferred assets. While it is not possible to anticipate precisely what might arise in that regard from a competitive process some possible risk-sharing structures are set out below:

- Cash incentive plus a guarantee to make good any further losses on the assets. It removes the risk to the transferee but provides no incentive to collect on the assets, for example by pursuing bad or doubtful loans.
- Cash incentive plus a guarantee to make good a set percentage of further losses on the assets. It reduces but does not remove the risk to the transferee and provides an incentive to collect on the loans.
- Cash incentive plus a guarantee to make good any further losses on the assets, up to a specified limit. It reduces but does not remove the risk to the transferee and provides an incentive to collect on loans. It also places a cap on the risk exposure for the Minister, and ultimately, the Resolution Fund.

State funding to assist resolution

26. The State will make an initial commitment of up to EUR 250 million to fund the resolution of the credit union sector. The maximum amount of funding provided by the State will be EUR 500 million. It will be recoupable over the medium term via a levy from the Resolution Fund established under the Act. In time, those levy contributions will provide a source of resolution funding and the means by which the Minister may be reimbursed for contributions to the Resolution Fund.

27. While, the details of that levy have not yet been determined, all credit institutions (including banks) may be subject to the levy for the Resolution Fund, although the immediate need is in the credit union sector. The Resolution Fund is to support resolution of credit institutions covered by the Act, including banks, so it is appropriate that the banks should contribute. However, banks are not covered by the notified resolution scheme.

Reporting

28. Ireland will submit six-monthly reports on the operation of the scheme, including:

- an assessment of the credit unions that needed resolution;
- a description of process and the competitive process; and
- an assessment of the viability of the transferees.

III. POSITION OF IRELAND

29. The Irish authorities accept that the scheme contains State aid elements.
30. However, in the view of the Irish authorities, the scheme is compatible with Article 107(3)(b) TFEU as an aid measure intended "to remedy a serious disturbance in the economy of a Member State". The funding for resolution is targeted at the objective of remedying a serious disturbance in the economy effectively.
31. Firstly the Irish authorities consider that the scheme is appropriate because funding is only provided where the intervention conditions are met, namely:

- That the Central Bank has serious concerns about the credit union’s financial stability or is satisfied that there is a present or imminent serious threat to the financial stability of the credit union concerned;
- That the Central Bank is satisfied that the credit union concerned has failed or is likely to fail to meet a regulatory requirement imposed by law;

- The immediate winding-up of the credit union is not in the public interest, having regard to the importance of maintaining public confidence in the financial system in the State and other matters set out in the Act.

Thus funding is targeted at a defined subset of credit unions in most need of resolution action.

32. Secondly the Irish authorities consider that the scheme is necessary because without this scheme it would not be possible to successfully transfer the assets and liabilities in a way that ensures the ongoing viability of the transferees. While some voluntary transfers do take place, they are not common and could not deliver the transfers at the pace and scale necessary to address the stability problems in the sector.

33. Thirdly the Irish authorities consider that the scheme is proportionate because the impact on competition is limited to some degree by the existence of the credit union common bond, whereby a credit union may only deal with members covered by its membership criteria, for example members drawn from a common location or profession. In that sense, credit unions are not normally in a position to compete where they have different common bonds.

IV. ASSESSMENT

1. State aid character of the schemes

34. As set out in Article 107(1) TFEU, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.

35. The scheme notified by Ireland provides for one mechanism through which State support can be granted, which is the transfer order.

36. The Resolution Fund, which will provide the financial incentive for any credit union resolution using a transfer order, is financed up-front by an initial EUR 250 million (with the possibility of another EUR 250 million) contribution from Ireland. Therefore at present there could not be any dispute that State resources are involved. In the future, the Resolution Fund is intended to be financed by levies on all financial institutions. Even then, all the financial means by which the public sector may actually support undertakings, irrespective of whether or not those means are permanent assets of the public sector, remain under public control, and therefore available to the competent national authorities. In this case State resources are involved as the funds come from contributions made compulsory by State legislation and are managed and apportioned in accordance with that legislation, even though they are administered by institutions separate from the State[2]. Ireland does not dispute that position

37. Given that credit unions are undertakings active in the financial sector, which is open to international competition, the Commission considers that any advantage from State resources to credit unions would have the potential to affect intra-Union trade and to distort competition.

38. Finally, it has to be examined whether the measure leads to a selective advantage for it to constitute State aid.

2 See Case 173/73 *Italy* v *Commission* [1974] ECR 709, paragraph 16.

39. The Commission identifies two parties that could potentially benefit from the aid contained in the transfer order: i) the purchasers of the resolved credit unions; and ii) the business of the resolved credit unions transferred to the buyers.

(i) Purchasers of the resolved credit unions

40. As regards the acquisition of the resolved credit unions, an advantage for it could only exist if the price paid by the purchaser was too low. On the basis of the information provided by the Irish authorities, whereby the transfer of a credit union will be done via a competitive process in all cases and open to any credit institutions (although it is expected that other credit unions will be the bidders in most cases, see paragraphs (20) and (21)), the Commission considers that the sale process that will occur as part of the transfer orders will be a non-discriminatory competitive process that should result in the best bid winning the tender. The prices that will be paid for the resolved credit unions will thus reflect the market price. Consequently, purchasers of the resolved credit unions do not receive an advantage.

(ii) The business of the resolved credit unions transferred

41. With regard to the business of the resolved credit unions that are transferred under the transfer order, the Commission has to investigate whether they continue to undertake economic activities. If the Commission concludes that is so, the Commission has to establish whether it can be considered as a potential beneficiary of State aid.

42. In the present case, the Commission notes that all of the resolved credit unions' activities will be transferred to the buyer. After the transfer of the business, the resolved credit unions are expected to continue to operate as normal, in the same branches, albeit under new control. Taking the above into consideration, the Commission finds that credit union businesses transferred to the purchasers will continue to undertake an economic activity.

43. The Commission observes that the financial incentive provided under the transfer orders will allow most of business of the resolved credit unions transferred to continue. Indeed, the economic activity would not have been transferred at the same conditions, in the sense that the credit union brand and its associated customers and goodwill remained relatively intact, without the financial incentive. Therefore, the provision of incentives under transfer order constitutes an advantage in favour of the economic activities transferred.

44. As a consequence, the Commission concludes that the scheme involves aid within the meaning of Article 107(1) TFEU.

2. Compatibility with the internal market

Application of Article 107(3)(b)TFEU

45. Article 107(3)(b) TFEU enables the Commission to find aid compatible with the internal market if it has the effect "to remedy a serious disturbance in the economy of a Member State".

46. The Commission has acknowledged that the global financial crisis created a serious disturbance in the economy of Member States and that measures supporting banks are appropriate to remedy that disturbance. That analysis has been confirmed in

various Commission Communications such as the *Communication on the application of State aid rules to measures taken in relation to financial institutions in the context of the current global financial crisis*[3] (hereinafter "the Banking Communication"), its *Communication on the recapitalisation of financial institutions in the current financial crisis: limitation of aid to the minimum necessary and safeguards against undue distortions of competition*[4] (hereinafter "the Recapitalisation Communication"), and its *Communication on the return to viability and the assessment of restructuring measures in the financial sector in the current crisis under the State aid rules* (hereinafter "the Restructuring Communication").[5]

47. The Commission observes that financial markets have not yet returned to normal functioning and the aid scheme envisaged can be considered necessary to preserve the confidence of creditors in the financial system and to avoid a serious disturbance in the Irish economy. That assessment is confirmed by the role of the Central Bank in the scheme, whereby the Central Bank is only mandated to intervene when it has serious concerns about the credit union's financial stability or is satisfied that there is a present or imminent serious threat to the financial stability of the credit union concerned and where the immediate winding-up of the credit union is not in the public interest, having regard to the importance of maintaining public confidence in the financial system of Ireland. The necessity to preserve financial stability in the Irish financial sector was also confirmed in the Commission's decision on the extension of the Irish Guarantee Scheme of 8 December 2012[6].

48. Against that background and taking account of the objective of the proposed scheme, which is to contribute to enhancing the stability of the financial system, the Commission considers that the measure is to be examined under Article 107(3)(b) TFEU.

Conditions for compatibility under Article 107(3)(b) TFEU

49. The scheme should be assessed under the general principles applicable for State aid granted to financial institutions in the crisis set out in the Banking Communication.

50. In line with the general principles of the TFEU, which require that the aid granted does not exceed what is strictly necessary to achieve its legitimate purpose and that distortions of competition are avoided or minimized as far as possible, and taking due account of the current circumstances, all support measures have to be:

   – well-targeted in order to be able to achieve effectively the objective of remedying a serious disturbance in the economy;

   – proportionate to the challenge faced, not going beyond what is required to attain that effect, and

   – designed in such a way as to minimize negative spill-over effects on competitors, other sectors and other Member States.

51. Furthermore, as the scheme provides for an immediate sale of the failing credit union, certain principles of the Restructuring Communication have to be respected. According to the Restructuring Communication, in order to be compatible with Article 107(3)(b) TFEU, the restructuring of a financial institution in the context of the current financial crisis, in particular, has to lead to a restoration of the viability of

[3] OJ C 270, 25.10.2008, p. 8.
[4] OJ C 10, 15.1.2009, p. 2.
[5] OJ C 195, 19.08.2009, p. 9.
[6] Commission decision in case SA. 33740 (2011/N) – Not yet published in the Official Journal.

the transferred credit union. The sale of a credit union in distress should in particular fulfil the conditions set out in point 17 of the Restructuring Communication, i.e. the purchaser should demonstrate that the integrated entity will be viable and the requirements regarding own contribution and limitations of competition distortions are respected.

Appropriateness

52. The Commission considers that the provision of a financial incentive is necessary to successfully transfer the assets and liabilities of the failing credit union within a sufficiently short timeframe to reassure depositors and maintain financial stability. It considers that the value of a distressed credit union is better preserved in a controlled resolution compared to an uncontrolled insolvency. Firstly, an uncontrolled liquidation procedure, even for smaller credit unions could pose a threat to financial stability in the context of the current crisis. Second, regarding potential asset disposals, under current market conditions a swift sale of assets, if possible at all, would be at an excessive discount and would not reflect the real value of assets.

53. The decision to intervene and implement the resolution is at the initiative of the Central Bank and is based on objective criteria relating to the financial health of the credit unions concerned. Furthermore, as the Central Bank takes into account the financial stability of the bidders when it chooses which credit union wins the bidding process, there is no reason to doubt that the integrated entity would not be viable.

54. The Commission notes that in most cases only credit unions will be invited to take over failing credit unions, although the competitive process is in principle open to all credit institutions. While the Act allows for the transfer of the resolved credit unions to banks, […]. Banks offer a different range of services than credit unions, they operate under a different regulatory regime and do not have the mutual and not-for-profit ethos of credit unions. […].

55. In this respect, the Commission acknowledges that the types of sales envisaged under the scheme need to be carried out quickly in order to reassure depositors and maintain financial stability, which is the aim of the scheme. In those cases, it is reasonable that the Central Bank chooses bidders that can quickly integrate the members of the resolved credit union into their own without undue problems. […]. Therefore, the Commission can accept, given the constraints that the Irish authorities will face in a resolution, that the sale process is sufficiently equivalent to an open tender and thus excludes aid to the buyers. In case that no such competitive process can be organised, the resolution of the credit union cannot be approved under this scheme.

56. Taking those factors into account, the Commission considers that the scheme represents an effective means of protecting depositors and ensuring financial stability in the credit union sector and in Ireland.

57. As regards the limitation of the aid to the minimum, the business of failed credit unions will be transferred as the result of a competitive market process. It will allow the State to realise the market value of their business, which should limit the amount of aid required to resolve them. In addition, the aid amount is minimised in so far as the Resolution Fund will be financed over the longer term by financial institutions in Ireland. Any losses encountered by the Resolution Fund would eventually be covered by the whole banking sector.

Burden-sharing

58. As to burden-sharing, the Scheme will result in the exit of the resolved credit union from the market, as all its assets and liabilities will be transferred to the buyer.

59. As regards the members, the Commission notes that credit unions are owned by their members, and thus the owners are also creditors of the credit union to the amount of their savings. However, in reality the members are equivalent to ordinary depositors, notwithstanding their legal status as shareholders. The dividends they receive as shareholder is the interest that they receive on their deposits. That evaluation is consistent with their typical profile as ordinary savers placing money into on-demand savings accounts. Imposing burden-sharing on the members would result in them losing part of their savings, which is contrary to the aims of the deposit guarantee scheme, under which the members are covered in any case. The members will not receive any benefits from their role as shareholders in the failed credit union, i.e. they will not receive any residual value from the winding-up. The Commission therefore considers the members as individuals, equivalent to ordinary depositors, and that they do not receive any aid. Finally credit unions do not have subordinated debt.

Limiting the distortions of competition

60. As regards limiting the distortions of competition, the Commission notes the competitive process, which will be done via a competitive process in all cases, will ensure that a buyer does not gain a competitive advantage through the acquisition of underpriced assets. In other words, it should ensure that no aid is passed to the buyer of the resolved credit union. Ireland commits to report to the Commission the details of such processes in the six-monthly reports to be submitted.

61. As regards the activities of the resolved credit unions that will be transferred that benefitted from the aid, the Commission notes that those entities owe their existence to State aid. It is therefore necessary to assess whether appropriate measures to limit the distortion of competition are necessary in light of the characteristics of the market on which they will operate.

62. In principle the Commission in its case practice to date[7] favours a break-up in pieces over the sale of a failing bank as a whole. However, taking into account the relatively low concentration of the Irish credit union sector, the Commission considers that an entire take-over of a failing credit union by an acquiring credit union would not raise issues of significant competition distortions.

63. In that respect, the Commission considers that the distortions of competition due to the continued market presence of the resolved credit unions are very limited. Credit unions in general are very small, with only 30 having assets greater than EUR 100 million and 216 holding assets of less than EUR 20 million. Credit unions offer only limited banking services, i.e. they do not offer current accounts. Finally the impact of competition is limited by the existence of the common bond, whereby a credit union may only deal with members covered by its membership criteria, such as geographic or professional ties, which is unlikely to provide a basis for competing against other

[7] Case N 560(2009), Aid for the liquidation of Fionia Bank, Commission decision of 25 October 2010, OJ C 76, 10.03.2001, p. 3; Case NN 52(2010), Liquidation aid to Roskilde bank, Commission decision of 24 May 2011, OJ C 228, 03.08.2011, p. 3.

financial institutions (since only people who meet the common bond criteria can become members).

64. Furthermore, the competitive sales process gives an opportunity to potential buyers to acquire the failing credit union. It will allow even more market players to participate in the competitive process.

65. In view of the above, distortions of competition stemming from the scheme are considered to be sufficiently limited.

66. The Commission takes note that Ireland will submit a six-monthly report on the functioning of the scheme. The first report will be submitted six months from the date of this decision.

67. To conclude, the Commission considers that the scheme contains the necessary safeguards to meet the conditions for compatibility under Article 107(3)(b) TFEU and approves it until 30 June 2012.

V. DECISION

The Commission concludes that the measures under the scheme are compatible with the internal market until 30 June 2012. Therefore, since it fulfils the conditions to be considered compatible with the internal market under Article 107(3)(b) TFEU the Commission has decided not to raise objections.

If this letter contains confidential information which should not be published, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site:

http://ec.europa.eu/eu_law/state_aids/state_aids_texts_en.htm.

Your request specifying the relevant information should be sent by registered letter or fax to:

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Yours faithfully,
For the Commission

Joaquín ALMUNIA
Vice-President