IP/09/114

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State aid: Commission approves € 6.7 billion guarantee for SdB – Sicherungseinrichtungs-gesellschaft deutscher Banken mbH

The European Commission has approved, under EC Treaty state aid rules, a € 6.7 billion SoFFin-guarantee for SdB – Sicherungseinrichtungsgesellschaft deutscher Banken mbH, a banking entity of the German private banking industry. The guarantee aims to bolster the German Deposit Protection Fund and to pre-finance future proceeds from the estates of insolvent Lehman Brothers entities. The Commission found the measure to be in line with its Guidance Communication on state aid to overcome the current financial crisis (see IP/08/1495). The guarantee is necessary to avoid a serious disturbance in the German economy and to ensure the stability of the German banking sector while avoiding undue distortions of competition and is therefore compatible with Article 87.3.b. of the EC Treaty.

Competition Commissioner Neelie Kroes said: "The Commission's very rapid decision supports the German authorities' efforts to stabilise financial markets. The present decision is an example that our rules are adaptable enough to support not only individual banks but also the banking industry of a Member State as a whole."

On 15 January 2009, the German authorities notified a guarantee to be granted by the German Special Fund for Financial Market Stabilization (SoFFin). The guarantee aims at providing collateral for a bond in the amount of € 6.7 billion issued by Sicherungseinrichtungsgesellschaft deutscher Banken mbH (SdB) and subscribed by the member banks of the Association of German Banks (BdB). The SoFFin-guarantee enables the subscribers the refinancing of the bond via the German Central Bank.

SdB is a newly created banking entity, which supports the Deposit Protection Fund of the German private commercial banks in processing the compensation payments. The Deposit Protection Fund of the German commercial banks fully secures the deposits of each and every customer at the private commercial banks up to a ceiling of 30% of the relevant liable capital of each member banks.

On 15 September 2008, Lehman Brothers Holdings Inc., a major global US based investment bank, filed for Chapter 11 bankruptcy protection and triggered the insolvency of its German subsidiary Lehman Brothers Bankhaus AG. The Deposit Protection Fund envisages compensating the depositors of Lehman Brothers Bankhaus AG until end of January 2009.

The aim of the bond issue is to pre-finance the future incoming payments the Deposit Protection Fund will receive from the insolvency assets of the insolvent Lehman Brothers Bankhaus AG and its parent company Lehman Brothers Holdings Inc. The pre-financing will provide more financial manoeuvring room to the Deposit Protection Fund with regard to the compensation of the depositors of Lehman Brothers Bankhaus AG and potential additional future compensation or support measures to avoid banking insolvencies. The measure will therefore contribute to increase the confidence in the German private banking sector and the effectiveness of its Protection Fund.

The non-confidential version of the decision will be made available under the case number N 17/2009 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.