



EUROPEAN COMMISSION

Brussels, 14.4.2010  
C(2010)2399 final

**Subject: State Aid N 110/2010 – Finland  
Prolongation of the Recapitalisation Scheme**

Sir,

**I. PROCEDURE**

1. On 19 March 2010 Finland notified a request to prolong its scheme for the State capital injection to deposit banks (hereinafter "the Scheme"). The original Scheme, notified on 29 May 2009, was approved on 11 September 2009 in State aid case N 329/2009 ("the Original Decision")<sup>1</sup>

**II. DESCRIPTION**

**1. The Scheme**

2. In response to the exceptional turbulence in world financial markets, Finland brought forward the Scheme, which allows the State to inject capital into financial institutions through subordinated debt instruments. The Scheme complements the guarantee Scheme supporting medium term financing need of banks<sup>2</sup>.
3. Under the Scheme, the State can temporarily support the financial institutions capital base by underwriting a subordinated loan instrument issued by the bank. The subordinated loan is limited and granted separately for each deposit bank. It can amount at most 25% of the amount of the regulatory required own funds of each eligible bank<sup>3</sup>.

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<sup>1</sup> OJ C 255, 24.10.2009

<sup>2</sup> OJ C 40, 17.02.2010

<sup>3</sup> For further details please see the Original Decision, OJ C 255, 24.10.2009.

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The total amount of capital that can be distributed through the Scheme is capped at EUR 4 billion.

4. Finland intends to prolong the Scheme until 31 October 2010. Finland does not intend to make any changes to the material provisions of the Scheme. All terms of the Scheme will thus remain as approved by the Commission in the Original Decision.
5. Pursuant to point 25 of the Original Decision, Finland has submitted the monitoring report covering the period from the Original Decision up to the notification. According to the report, there were no recapitalization operations carried out and no request for such was received by the authorities over the period.

### **III. POSITION OF FINLAND**

6. In line with the original decision, Finnish authorities claim that the Scheme is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union (TFEU)<sup>4</sup>, because it is still necessary to remedy a serious disturbance in Finnish economy.
7. According to the Finnish authorities, the Finnish economy has encountered serious disturbances which, given the uncertain global outlook, may persist and possibly even deepen in the near future.
8. Although the banks still have adequate capital buffers, precautionary measures should be in place to absorb banks credit losses if necessary. In particular, the banks need to have enough capital to be able to continue to lend to companies and households in the present exceptional recessionary period. Therefore, in order to avoid strengthening the negative loop between the real economy and the financial sector, the Scheme is needed for the time being.
9. A letter of the Suomen Pankki (Bank of Finland) endorses the Finnish government's view that the notified measure is required to ensure financial stability.

### **IV. ASSESSMENT**

10. In the Original Decision, the Commission concluded that the Scheme constitutes State aid within the meaning of Article 107(1) TFEU. However, the Commission also found that the Scheme is compatible with the internal market under Article 107(3)(b) TFEU, because it is necessary to remedy a serious distortion of the Finnish economy. To this end, the Commission assessed the appropriateness, necessity and proportionality of the measure.
11. The Commission observes that the notified prolongation of the Scheme is a response to the financial difficulties that Finland, as most Member States, continues to experience.

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<sup>4</sup> With effect from 1 December 2009, Articles 87 and 88 of the EC Treaty have become Articles 107 and 108, respectively, of the Treaty on the Functioning of the European Union. The two sets of provisions are, in substance, identical. For the purposes of this Decision, references to Articles 107 and 108 of the TFEU should be understood as references to Articles 87 and 88, respectively, of the EC Treaty where appropriate.

Since the objective of the measure is to address potential capital shortcomings which would be likely to have adverse consequences on households' confidence, the stability of the Finnish banking system and the economy at large, it is important to ensure the availability of the Scheme as long as conditions on financial markets remain abnormally unstable.

12. As markets have not yet reverted to full normal functioning and as the measure is necessary to ensure financial stability, the Commission considers that the prolongation of the Scheme for a further six months is appropriate and necessary to remedy a possible disturbance in the Finnish economy.
13. The Commission recalls that as indicated in the Annex to the Restructuring Communication, any restructuring plan should contain all State aid received as individual aid or under a scheme during the restructuring period and all such aid needs to be justified as satisfying all criteria prescribed by the Restructuring Communication (i.e. return to viability, own contribution by the beneficiary and limitation of competition distortion). Accordingly, once a Member State is under an obligation to submit a restructuring plan for a certain aid beneficiary, the Commission needs to take a view in its final decision as to whether any aid granted during the restructuring period satisfies the criteria required for the authorisation of restructuring aid. To this end an individual ex ante notification is necessary
14. Furthermore, the Commission recalls that, based on paragraph 16 of the Restructuring Communication, if aid not initially foreseen in a notified restructuring plan be necessary for the restoration of viability, this additional aid cannot be granted under an approved scheme but needs to be subject to individual ex ante notification and any such further aid will be taken into account in the Commission's final decision on that bank.
15. On the basis of the above, the Commission has no reason to depart from its findings in the Original Decision. Consequently, the notified extension of the Scheme is compatible with the internal market.

## **V. DECISION**

The Commission concludes that the notified prolongation of the Finnish Scheme does not alter its previous assessments in the decision of 11 September 2009 in State aid case N 329/2009, i.e., that the Scheme is compatible with the internal market. The Commission has accordingly decided not to raise objections.

The Commission recalls that, according to the commitment of the Finnish authorities, the measure is limited in duration until 31 October 2010.

The Commission notes that Finland accepts that the decision be adopted in the English language.

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Yours faithfully,  
For the Commission

Joaquín ALMUNIA  
Vice-president of the Commission