EUROPEAN COMMISSION

Brussels, 15.4.2010
C(2010)2420 final

Subject: **State Aid N 113/2010 – Second prolongation of the Slovenian liquidity scheme for the financial sector – Slovenia**

Sir,

I. PROCEDURE

1. By Decision C(2009) 2084 of 20 March 2009[1], the Commission approved the Slovenian liquidity scheme for the Slovenian financial sector (hereafter the "liquidity scheme") in State aid case N 637/2008 for a six month period.
2. By Decision C(2009) 8015 of 19 October 2009[2], the Commission approved the prolongation of the liquidity scheme in State aid case N 510/2009 for a period of six months (i.e. until 19 April 2010).
3. By notification of 23 March 2010, Slovenia notified the second prolongation of the liquidity scheme until 30 June 2010. Further information was provided on 25 and 31 March 2010.

II. DESCRIPTION

The Scheme

4. In response to the ongoing exceptional turbulences in world financial markets, Slovenia brought forward a package of measures designed to restore stability to the financial system and to remedy a serious disturbance to the Slovenian economy. The current measure concerns the liquidity scheme, which has the objective to provide short-and medium-term loans to financial institutions incorporated in Slovenia.
5. The Slovenian authorities propose to prolong the liquidity scheme for the second time until 30 June 2010 without amendments to the substance. Hence, all conditions of the original scheme remain unchanged.

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[1] Official Journal C 143, 24.06.2009
[2] Official Journal C 313, 22.12.2009

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6. Pursuant to point 27 of the Commission decision of 20 March 2009, Slovenia has also submitted the biannual monitoring report. According to the information provided, no loans were approved under the liquidity scheme so far and no requests for such loans were received by the authorities.

III. POSITION OF SLOVENIA

7. In line with the original decision the Slovenian authorities claim that the liquidity scheme is compatible with the internal market because it is still necessary to remedy a serious disturbance in the Slovenian economy pursuant to Article 107(3)(b) of the Treaty on the functioning of the European Union (TFEU)[3].
8. According to the Slovenian authorities the situation on the financial markets is improving, but markets are still volatile. In this fragile environment it is important to keep the liquidity scheme in place, as a preventive measure, to restore market confidence.
9. The Slovenian authorities do not anticipate an increased need to deploy the liquidity scheme. Nevertheless it is considered prudent to maintain the scheme so that the Slovenian authorities can react rapidly to ensure the stability of the financial system if conditions on the interbank market deteriorate.
10. A letter from the Banka Slovenije (Bank of Slovenia) confirms that the notified measure is required to ensure financial stability.

IV. ASSESSMENT

11. In its decision of 20 March 2009, the Commission concluded that the liquidity scheme constitutes State aid within the meaning of Article 107(1) TFEU. However it found that the measures were compatible with the internal market under Article 107(3)(b) TFEU, because they were apt to remedy a serious distortion of the Slovenian economy. To this end, the Commission had assessed the appropriateness, necessity and proportionality of the measure.
12. The Commission observes that the second extension of the scheme is a response to the continuing financial difficulties that most Member States continue to experience. Since the objective of the measure is to provide short-and medium-term financing to financial institutions which are unable to obtain funds on the financial markets, it is important to ensure the availability of the liquidity scheme as long as the global financial crisis continues.
13. As the markets have not returned to entirely normal functioning by April 2010 and as the measure is necessary to ensure financial stability as confirmed by the Bank of Slovenia, the Commission considers that the prolongation of the scheme until 30 June 2010 is appropriate and necessary to remedy a disturbance of the Slovenian economy.
14. On the basis of the above, the notified second prolongation of the liquidity scheme should be analysed on the same basis as the Commission's previous assessment in the decisions

[3] 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

of 20 March 2009 and 19 October 2009, respectively. Consequently, the scheme remains compatible with the internal market until 30 June 2010.

15. Finally, the Commission notes that as indicated in the Annex to the Restructuring Communication[4], 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). This means that, as soon as 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.

16. Furthermore, the Commission recalls that, based on paragraph 16 of the Restructuring Communication, should further aid not initially foreseen in a notified restructuring plan be necessary for the restoration of viability, this 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.

V. DECISION

The Commission concludes that the notified prolongation of Slovenian liquidity scheme should be analysed on the same basis as its previous assessment in the decision of 20 March 2009 in State aid case N 637/2008 and 19 October 2009 in State aid case N 510/2009, and that the scheme is compatible with the internal market. The Commission has accordingly decided not to raise objections.

The Commission would recall that, according to the assurance given by Slovenia, the measure is restricted until 30 June 2010 and any extension must be notified to the Commission.

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

The Slovenian authorities have indicated that the notification does not contain any confidential information. The Commission will therefore disclose this letter to third parties publishing its full text on the Internet site
http://ec.europa.eu/community_law/state_aids/state_aids_texts_en.htm.

Yours faithfully,
For the Commission

Joaquín ALMUNIA
Vice-President of the Commission

4 Commission 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, OJ C 195, 19.8.2009, p. 9.