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PUBLIC VERSION

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**Subject: State aid SA.45004 (2016/N) – Cyprus
State grant Scheme to borrowers and micro-companies**

Sir,

The European Commission after having assessed the above measure, decided, to the extent that it constitutes an aid measure, not to raise objections for the below described reasons.

1 PROCEDURE

- (1) On 30 March 2016 the Cypriot authorities notified the grant Scheme to the Commission. On 18 May and 6 June 2016 Cyprus provided further clarifications and commitments following the respective requests by the European Commission. On 14 June, further to discussions with the Commission, the Cypriot authorities submitted an amendment to the scheme.
- (2) By letter dated 6 June 2016, Cyprus agreed to waive its rights deriving from Article 342 of the Treaty on the Functioning of European Union ("TFEU") in conjunction with Article 3 of Regulation 1/1958¹ and to have the present decision adopted and notified pursuant to Article 297 TFEU in English.

¹ Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

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2 DESCRIPTION OF THE SCHEME

2.1 Objective of the Scheme

- (3) The "State grant for households and micro companies in difficulty" (also called "First Residence Scheme", hereinafter the "Scheme") aims to protect vulnerable groups of society from the repossession of their principal residence.
- (4) Under the Scheme, a public law organization, the Cyprus Land Development Corporation, provides a non-reimbursable grant to eligible borrowers. Eligible borrowers under the Scheme are either individuals who received a mortgage loan or micro-businesses who received a business loan and comply with the eligibility criteria for receiving the grant. Both types of loans must be secured against eligible borrowers' principal residence while eligible borrowers encounter difficulties to meet their repayment obligations.
- (5) The grant will be disbursed by the Cyprus Land Development Corporation to the relevant banking institutions which have concluded the respective loans with eligible borrowers. The Scheme is open to all such banking institutions licensed by the Central Bank of Cyprus and that provided credit to eligible borrowers.
- (6) The following shall be excluded from the Scheme: any debts on current accounts, credit cards, investment as well as consumer loans, tax debts to the State, social security debts, any private debts and fines including debts to municipalities.
- (7) For the purposes of the Scheme, a micro company is considered to be an enterprise with an annual turnover up to EUR 250 000 employing up to four persons.
- (8) The grant decreases the outstanding amount with respect to both the principal and the interest of the related loans while the grant amount is restricted to a maximum amount of EUR 10 000 per year and per eligible borrower (be it household or micro company). However, each eligible borrower (either a household or micro-company) is entitled to a maximum use of the grant under the Scheme in three consecutive years. Hence, the maximum amount of aid that the eligible beneficiaries can receive under the Scheme is EUR 30 000.
- (9) The Cypriot authorities allocate a maximum of eight million EUR for the entire estimated duration of the Scheme, which is four years. It is expected that approximately two million EUR per year would be provided under the Scheme to eligible borrowers. While it is difficult to estimate the number of households who will participate as eligible borrowers under the Scheme, the Cypriot authorities estimate that, as regards micro-companies, between 100 and 500 may apply for the grant.

2.2 Eligibility criteria

- (10) The Scheme has common eligibility criteria for both types of borrowers.
- (11) The eligibility of beneficiaries will be determined based on two criteria: (i) family income and (ii) estimated market value of the principal residence and if applicable another real estate property where that latter property is linked with the composition of household and with the respective outstanding amounts of the loans.

- (12) The family income criteria are the same as the criteria applied by the Cyprus Land Development Corporation under the "Low-Income Housing Plan". Those criteria are presented in Table 1 :

Table 1: Income criteria for eligible low-income households

Annual Income	
Families without children	EUR 22 000
Any additional child	EUR 2 000
Single Parent families with one child	EUR 20 000
Any additional child	EUR 2 000
Families with one or more disabled person	EUR 33 000
Singleton	EUR 13 000
Singleton Disabled	EUR 21 500

- (13) The estimated market value of the principal residence shall not exceed EUR 250 000 while the outstanding amount of the loan to be repaid shall not exceed EUR 300 000. Those who own other real estate property that belongs either to the applicant or to the applicant's family are also eligible to participate, insofar as the market value of the other property in question does not surpass 100.000 EUR. The latter is in accordance with the immovable property conditions as applied by the Cyprus Land Development Corporation in connection with the "Guaranteed Minimum Income"². As it is further clarified in the provisions of the Scheme, the additional real estate property shall remain at the disposal of the Insolvency Consultant so as to be counted towards, disposed or repossessed property.
- (14) The eligibility criteria related to the market value of the primary residence in combination with the composition of the household and with the respective amounts of the outstanding loans are presented in Table 2:

² The "Guaranteed Minimum Income", as envisaged by Law 109(1)/2014 aims at ensuring a minimum standard of living. To that end, it grants an allowance to low income families provided that certain criteria are met.

Table 2: Eligibility criteria related to market value of primary residence linked with the outstanding loan amounts and household composition

	Estimated Market Value	Outstanding Loan
Families without children	EUR 200 000	EUR 240 000
Any additional child	EUR 10 000	EUR 12 000
Families with one or more disabled person	EUR 250 000	EUR 300 000
Singleton	EUR 150 000	EUR 180 000
Singleton Disabled	EUR 180 000	EUR 216 000

- (15) The principal residence is considered to be the private dwelling used as the residence of the debtor as well as family members of the debtor.
- (16) To be considered for the Scheme, the applicant should be a resident in the Republic of Cyprus or reside legally in Cyprus for the last ten (10) years.

2.3 Conditions for participation in the Scheme

- (17) The principal residence shall be under mortgage or have a collateral agreement by a financial institution licensed by the Central Bank of Cyprus as guarantee: (a) as collateral to grant a house loan in the name(s) of the owner (and/or the spouse of the owner, as the case may be) of the principal residence or (b) collateral to grant a business loan for a micro company in the name(s) of the owner (and/or the spouse of the owner, as the case may be) of the main residence.
- (18) The debtors (individuals or micro-companies) eligible under the Scheme are required to have addressed themselves to an insolvency consultant with a view to conducting a Personal Repayment Plan in compliance with the Law on Insolvency for Natural Persons (Law. 65(1)/2015).
- (19) On the other hand, the grant cannot be paid-out or its pay-out has to be terminated if, *inter alia*, no Personal Repayment Plan has come into force or the Personal Repayment Plan fails or is terminated according to Article 69 of the Law on Insolvency for Natural Persons (Arrangement and Debt Release Orders), Law 65(I)/2015.
- (20) Furthermore, in order to be eligible under the Scheme, debtors must fulfil all procedures set by the Central Bank of Cyprus related to the Arrears Management Directive of 2015 concerning restructuring of loans as well as mediation with a mediator that has been appointed by the Financial Ombudsman.
- (21) The Cyprus Land Development Corporation, with the view to assessing and further approving the applications, requires from the applicants who wish to be involved in the Scheme to provide their written consent for the following: (i) The Cyprus Land Development Corporation will have unrestricted access to any information the debtor has submitted to any banking institution during the application procedures as those are determined by the Code of Conduct attached to the Directive on

Arrears, (ii) the Cyprus Land Development Corporation is further allowed to demand the submission of any additional information required from the applicants and (iii) the Cyprus Land Development Corporation has the permission to confirm and validate all applicants' economic data.

2.4 Duration of the Scheme and re-assessment of its need

- (22) The maximum duration of the Scheme is set to four years. Nevertheless, the continuation of the Scheme will be re-assessed three months before the end of the second year of the Scheme's duration by the Cyprus Land Development Corporation in consultation with the Ministry of Finance.
- (23) On a continuous basis, the Cyprus Land Development Corporation reserves its right to terminate the allocation of the grant in cases where the applicant no longer fulfils the eligibility criteria as a result of an improvement in his/her financial situation.

3 POSITION OF CYPRUS

- (24) According to the Cypriot authorities, the measure at stake is considered to be a temporary and exceptional measure for a specified period of time provided that all the conditions as mentioned in the Scheme are fulfilled and serves as a last resort for the protection of vulnerable groups of society. The income and property criteria are designed in such a way as to ensure that the support will be granted only to vulnerable citizens who encounter difficulties to meet their repayment obligations due to difficult economic conditions prevailing in Cyprus, mainly after 2012.
- (25) The Cypriot authorities highlight that the necessity of the Scheme was assessed on the basis of the consequences of financial crisis in the economy during the period 2012-2014 and mainly with regard to the increase in the unemployment rate and the decrease in the wages. With regard to the objectives pursued, the notified measure aims at eliminating the danger of repossession for the borrowers as well as contributing to the avoidance of massive foreclosures. The measure, thus, encompasses an economic dimension as well, since the restriction of repossessions protects the market from instability and falling confidence that a possible increase of massive foreclosures would entail. The measure further aims at contributing to the resolution of the problems related to non-performing loans ("NPLs") with regard to borrowers found eligible for the Scheme. According to the Central Bank of Cyprus, NPL stood at 47.8% of GDP on 30 September 2015.
- (26) With respect to micro companies, the Cypriot authorities are of the view that the support granted to them under the Scheme is in compliance with all the criteria of Commission Regulation (EU) 1407/2013 and, therefore, does not qualify as an aid measure.³ To that end, in addition to the transparency and aid ceiling criteria that the Scheme design already fulfils, the Cypriot authorities commit to implement cumulation and monitoring requirements as provided for in Articles 5 and 6 of Regulation (EU) 1407/2013.

³ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty of the Functioning of the European Union to *de minimis* aid, OJ L 352, 24.12.2013, p. 1.

- (27) More specifically, in accordance with cumulation rules, the Cypriot authorities commit that when the beneficiary under the Scheme is also a beneficiary of the "Guaranteed Minimum Income" and receives an amount to cover part of their interest payments with respect to their mortgage or business loans, this will be considered when receiving a grant under the Scheme.
- (28) The Cypriot authorities commit that financial institutions in difficulty will not have access to the Scheme before such access is explicitly authorized by the Commission. They further commit that, as soon as any financial institution participating in the notified Scheme becomes distressed or no longer fulfils its conditions for authorisation, the Cypriot authorities will stop granting any new aid to the borrowers of that institution under the Scheme, given that any such suspension would not apply to the support already formally committed to be granted to the borrowers of that institution before the institution was in difficulty, and also that any new aid to borrowers of that institution could only be granted once it has been approved by the Commission.

4 ASSESSMENT

4.1 Existence of State Aid

- (29) By virtue of Article 107(1) of the Treaty on the Functioning of the European Union ("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".
- (30) In the case of the Scheme, there are three possible groups of beneficiaries, namely individual mortgage borrowers in difficulty, micro companies which have received a business loan and are in a difficulty and the financial institutions that provide or hold the respective loans.

Individual mortgage borrowers

- (31) With regard to the individual mortgage borrowers, only natural persons who reside in the property underlying the mortgage contract are eligible to participate. Therefore, they cannot be regarded as undertakings within the meaning of Article 107(1) TFEU and, thus, assistance to them falls outside the scope of State aid rules.

Micro companies

- (32) With respect to micro companies, the support provided to them falls within the scope of *de minimis* rules provided for by Regulation (EU) 1407/2013. According to Article 4(1) of Regulation (EU) 1407/2013, it applies only to "transparent aid" which is defined as aid in respect of which it is possible to calculate precisely the gross grant equivalent *ex ante* without any need to undertake a risk assessment. The notified measure concerns a grant which can be precisely calculated *ex ante* (*i.e.*, EUR 10.000 per year and per borrower whereas borrowers' maximum use of the Scheme is restricted to three years), and, thus, it can be considered as "*transparent aid*". Article 3(2) provides that "the total amount of *de minimis* aid granted per Member State to a single undertaking shall not exceed EUR 200 000 over any period of three fiscal years". Since the grant will not exceed EUR 30 000 within three years and Cyprus has committed to comply with the cumulation and

monitoring requirements under the *de minimis* rules (see recitals 26, 33 and 34), the grant to the micro companies is within *de minimis* ceiling.

- (33) As it has already been discussed, in cases where the applicant is also a beneficiary of the “Guaranteed Minimum Income” and receives an amount to cover part of their interest, that fact will be considered when receiving a grant under the notified Scheme. That approach is in accordance with cumulation rules as envisaged by Article 5 of Regulation (EU) 1407/2013. The Cypriot authorities have further committed to comply with the requirements on monitoring as laid down in Article 6 of Regulation (EU) 1407/2013. The latter requires, *inter alia*, that any new *de minimis* aid can be granted only after the Member State concerned has checked that the total amount of all *de minimis* aid that the respective undertaking might receive is in compliance with the *de minimis* ceiling.
- (34) Therefore, as regards micro companies, *de minimis* conditions are met and as a result the aid measure at stake is deemed not to meet all the criteria laid down in Article 107(1) TFEU and is therefore not subject to the notification requirement. Concretely, since the Cypriot authorities confirm that the maximum ceiling of the aid to micro companies will not exceed EUR 200 000 in three consecutive financial years, the aid to micro companies is deemed not to have any effect on trade between Member States and not to distort or threaten to distort competition.

Financial intermediaries

- (35) The Scheme provides for the grant to be channelled to the eligible beneficiaries *via* financial intermediaries (banks). Financial intermediaries are considered undertakings and thus fall within the scope of State aid rules.
- (36) The Scheme has been drawn up by and is to be adopted by the State authorities. The grant under the Scheme is to be disbursed by a public law organization to the financial intermediaries which thereby will receive partial reimbursement of eligible beneficiaries' loans (interest and capital). Therefore, the notified aid Scheme is created by the State and funded from the budget of the Republic of Cyprus. It follows that the measure is a measure taken by State and that State resources are involved.
- (37) The Scheme favours certain undertakings as there is a potential capital benefit for participating financial intermediaries. Participating banks under the Scheme are able to receive a higher part of the monthly instalments due by the borrower in difficulty than they would have received without intervention of the State. In other words, any such bank will get more repayments from its NPLs which free it from a cost that it would otherwise have to meet itself from its budget. That advantage is selective because it is only available to lenders as opposed to other businesses that supply goods and services, and amongst lenders it is only open to those which have lent sums that are secured against the borrower's principal residence.
- (38) The Scheme therefore gives an economic advantage to the financial intermediaries (banks participating in the Scheme) and strengthens their capital position compared to that of their competitors in other Member States and must, therefore, be regarded as distorting competition.
- (39) As regards finally trade between Member States, it should be considered that it is affected once a national measure reinforces the position of an undertaking as

regards its competitors, It is not necessary that the beneficiary undertaking must take part itself in inter-State trade. The sole circumstance that an economic sector, such as that of financial services, has been the object of a significant process of liberalisation at the level of the Union, which have accentuated competition, gives rise by its nature to a real or potential effect of aid, such as the Scheme, on inter-State trade⁴.

- (40) Therefore, as the measure involves State resources, provides an advantage to certain beneficiaries engaged in an economic activity, affects trade between Member States and distorts or threatens to distort competition in internal market, the Scheme is to be considered State aid within the meaning of Article 107(1) TFEU.

4.2. Compatibility of the Scheme

4.2.1 Legal basis for the compatibility assessment

- (41) It is necessary to examine the Scheme's compatibility with respect to the aid channelled *via* financial intermediaries in the light of Article 107 TFEU.
- (42) With respect to the different groups of the eligible beneficiaries, the compatibility of the aid being channelled *via* financial intermediaries will be assessed under two distinct legal bases. More specifically, with regard to individual borrowers as final beneficiaries, Article 107(2)(a) TFEU will constitute the compatibility basis. However, with regard to micro companies in difficulties as final beneficiaries, Article 107(3)(c) TFEU will serve as the applicable compatibility basis.

4.2.2 Compatibility of the indirect aid to the banks flowing from the support to individuals: assessment under Article 107(2)(a) TFEU

- (43) With respect to the first group of beneficiaries, *i.e.*, individual borrowers, the indirect aid to the banks, necessary to deliver the support to those final beneficiaries, can benefit from the exception on aid having a social character as laid down on Article 107(2)(a) TFEU.
- (44) Article 107(2)(a) TFEU provides that "*aid having a social character, granted to individual consumers, provided that such aid is granted without discrimination related to the origin of the products concerned*" shall be compatible with the internal market.
- (45) The proposed Scheme, intends, primarily, to safeguard the principal residence of borrowers from the risk of repossession. As a consequence of the crisis that Cyprus has suffered, mainly since 2012, the unemployment rate has increased while at the same time wages have decreased. According to information provided by the Cypriot authorities, unemployment rate stood at 17.7% in the first semester of 2015, the highest percentage since 2009. It is, hence, likely, for borrowers to encounter difficulties to meet their repayment obligations and as a result the threat

⁴ Case C-222/04 *Cassa di Risparmio di Firenze and others* EU:C:2006:8, paragraphs 141 to 143; Joined Cases C-197/11 and C-203/11 *Libert and others* EU:C:2013:288, paragraphs 77 and 78; and Case C-667/13 *Banco Privado Português et Massa Insolvente do Banco Privado Português* EU:C:2015:151, paragraph 51.

of repossession emerges. To the extent that the Scheme aims at securing that households are protected from the risk of foreclosure, it reflects both short-term and long-term social concerns.⁵

- (46) The Commission, therefore, concludes that the Scheme is predominantly of a social nature. The individual character of the measure is fulfilled as well as it is designed in such a way that only borrowers in need are eligible. For instance, the application has to be duly documented; income criteria are the same as those provided for under the "Law – Income Housing Plan" while both the property value and the outstanding amount of the loan are limited. Although borrowers with a second property may participate in the Scheme, such participation has to be in line with the conditions regarding "Guaranteed Minimum Income". Thus, the measure is well-targeted and limited in scope.
- (47) The Commission also concludes that the Scheme fulfils the condition under Article 107(2)(a) TFEU that the aid must be *granted without discrimination related to the origin of the products concerned*⁶ since all mortgage lenders established in Cyprus are able to access the Scheme.
- (48) Although the primary beneficiaries of the Scheme are the individual borrowers, there is aid to the financial intermediaries as described in points (37) – (38), and financial intermediaries participating in the Scheme can be regarded as indirect beneficiaries of the aid.
- (49) However, the Scheme is designed in such a way that the minimal level of advantage is granted to those intermediaries. This will be further elaborated in section 4.2.3 and specifically in recital 54 onwards.
- (50) In the light of all the foregoing, the Commission concludes that the indirect aid to the financial intermediaries necessary to channel the support to individual borrowers is deemed to be compatible pursuant to Article 107(2)(a) TFEU.

4.2.3 Compatibility of the indirect aid to the banks flowing from the support to micro-companies: assessment under Article 107(3)(c) TFEU

- (51) Article 107(3)(c) TFEU provides that *"aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest"* may be considered compatible with the internal market.
- (52) The Commission will assess the measure directly under Article 107(3)(c) TFEU following the common assessment principles. In particular, it has to analyse whether the measure is appropriate with respect to the aim it desires to achieve, whether the measure is necessary and whether it is proportionate.

⁵ Case SA. 32967, Support scheme for housing loans – Hungary, N 358/09, OJ C 174, 28.7.2009, p. 4.

⁶ Case SA. 28178, UK Homeowners Mortgage Support Scheme –United Kingdom, N 179/09, OJ C 209, 4.9.2009, p. 3, paragraph 41, Joined Cases T-116/01 and T-118/01 *P&O European Ferries v. Commission* EU:T:2003:217, paragraph 163, Joined Cases C-442/03 P and C-471/03 P *P&O European Ferries v. Commission* EU:C:2006:356, paragraph 123.

- (53) With regard to the appropriateness of the Scheme, the latter aims at avoiding the foreclosure of small entrepreneurs from the house in which they live. The measure is suitably designed to achieve that goal, since the State will pay part of the monthly instalment due by the entrepreneurs to the bank, such that the bank does not proceed with foreclosure and seize up the residence of the entrepreneurs. Hence, the Scheme seems well-targeted and appropriate to the intended goal. The Scheme is designed in such a way so as to alleviate the current risks of foreclosure faced by entrepreneurs operating micro-companies.
- (54) With regard to the necessity of the Scheme, its criteria are designed so as to target the most vulnerable owners of those micro companies only and, thus, it avoids targeting the entire stock of existing NPLs held by Cypriot banks (see section 2). In addition, the Scheme is limited to payments of part of the monthly instalment during a limited period; participating banks will remain with the credit risk vis-à-vis such loans, for the amount of the loan still outstanding at the end of the period of State intervention. This means that the risk of default is not completely eliminated by the Scheme. Cyprus has limited the size of the grant available under the Scheme to eight million EUR as well as the period during which that amount can be used, which is a maximum of four years.
- (55) Moreover, the Commission also notes positively that Cyprus will reassess the necessity of the Scheme before the second year of its functioning is completed and as such ensures that the Scheme continues only when this is evidenced by its mid-term evaluation.
- (56) Hence, the measure seems to be limited to what is necessary to achieve the goal pursued and will not generate unnecessary advantage to the banks. The advantage at the level of the banks will be very limited.
- (57) With regard to the proportionality of the Scheme, the Commission welcomes the commitment of Cyprus to proceed to an individual notification of the aid provided under the Scheme (see paragraph (28)), as soon as any financial intermediary falls into difficulties. This is to ensure that only the financial intermediaries that are not considered to be in difficulties participate in the Scheme and that the latter does not constitute indirect aid to banks in difficulty. If the Scheme constituted aid to banks in difficulty, it would need to fulfil the conditions for authorising aid to banks in difficulty.⁷
- (58) Still regarding proportionality, due to the very small size of the budget of the Scheme compared to the stock of NPLs of Cypriot banks, the aid cannot generate large advantage to banks and hence cannot generate undue distortion of competition.
- (59) In view of the above, with respect to micro companies, the indirect aid to the financial intermediaries which is necessary to channel *de minimis* aid to those firms is compatible under Article 107(3)(c) TFEU.

⁷ Such as the Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis ("*2013 Banking Communication*"), OJ C216, 30.7.2013, p. 1.

Monitoring

- (60) The Commission welcomes the fact that Cypriot authorities commit to monitor and report on the Scheme as per the commitments in paragraphs (26) and (28).

Conclusions on the compatibility of the aid measure

- (61) On the basis of the above considerations, it can be concluded that the indirect aid to the banks is an appropriate, necessary and proportionate measure, given the objective pursued, namely to help individual borrowers as well as micro companies and to preserve them from having their primary residence repossessed.

5 COMPLIANCE OF THE SCHEME WITH INTRINSICALLY LINKED PROVISIONS OF THE DIRECTIVE 2014/59/EU ON BANK RECOVERY AND RESOLUTION

- (62) At the beginning of 2016, Cyprus has transposed into national law Directive 2014/59/EU⁸.
- (63) It has been established that the Scheme provides indirectly aid to the financial intermediaries. Therefore, it needs to be assessed whether such aid qualifies as "*extraordinary public financial support*", as defined pursuant to Article 2(28) of Directive 2014/59/EU and whether such an aid falls within the scope of Article 32(4)(d) of that Directive.
- (64) This is necessary because the Commission cannot approve aid as compatible with the internal market if it breaches another intrinsically linked provision of Union law.
- (65) Article 2(28) of the Directive defines extraordinary public financial support as: "*State aid within the meaning of Article 107(1) TFEU, or any other public financial support at supra-national level, which, if provided for at national level, would constitute State aid, that is provided in order to preserve or restore the viability, liquidity or solvency of an institution or entity referred to in point (b), (c) or (d) of Article 1(1) or of a group of which such an institution or entity forms part.*"
- (66) That definition implies that (i) that the bank is fragile or already in difficulty and (ii) that the size of the support is sufficiently large to have a material effect on the viability, liquidity or solvency of the bank.
- (67) The Commission notes that the two conditions are not fulfilled based on the following grounds:
- (i) The Cypriot authorities committed that in case any financial institution falls into difficulties, as provided for by the Directive, any new aid to the primary beneficiaries under the Scheme (households as well as micro-companies) will be terminated and Cyprus will proceed to an individual

⁸ Directive 2014/59/EU of the European Parliament and the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, OJ L 173, 12.6.2014, p. 19.

notification. In that way it is ensured that only viable financial intermediaries participate in the Scheme.

(ii) The Scheme is open to all banks whose clients will be deemed eligible for the grant (individuals or micro companies), so it is not possible to provide an ex-ante assessment of the exact aid effect on each particular bank. However, the total budget of the Scheme is so small compared to the stock of NPLs and compared to the capital of the banks active in Cyprus that it cannot result in any material effect on any of the financial institutions' viability, liquidity or solvency. Therefore, the second condition for the aid to be considered as "extraordinary public financial support" is not fulfilled either.

6 CONCLUSION

The Commission has accordingly decided to consider the Scheme as no aid as far as the support to individual borrowers is concerned and as *de minimis*, and, hence, no aid as for the support to micro companies. With respect to the indirect aid to the banks necessary to channel the support to the beneficiaries, the Commission has accordingly decided that the aid is compatible with internal market pursuant to Article 107(2)(a) TFEU as regards individual borrowers and Article 107(3)(c) TFEU as regards micro companies. Therefore, the Commission has decided not to raise objections to the Scheme in question.

The Commission notes that Cyprus exceptionally accepts the adoption of this Decision in the English language.

If this letter contains confidential information which should not be disclosed to third parties, 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/competition/elojade/isef/index.cfm>.

Your request should be sent electronically to the following address:

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Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission

