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**Subject: State Aid SA.100529 (2022/N) – Greece  
Interim support scheme until the establishment of a Sale and Lease  
Back Scheme**

Excellency,

## **1. PROCEDURE**

- (1) From September 2021 until July 2022, the Greek authorities and the Commission had a number of contacts regarding the establishment of an interim support scheme (the “Scheme”) that will remain in place until the establishment of the Sale and Lease Back scheme (the “SLB scheme”) to support vulnerable borrowers that are facing collateral enforcement procedures.
- (2) On 28 March 2022, Greece adopted Law 4916/2022 concerning interim support to vulnerable borrowers facing enforcement measures with a standstill clause concerning State aid approval.
- (3) By electronic notification of 5 July 2022, Greece notified the scheme to the Commission.
- (4) Greece agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”) in conjunction with Article 3 of

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Regulation 1/1958<sup>1</sup> and to have the present decision adopted and notified in English.

## 2. DESCRIPTION OF THE SCHEME

### 2.1. Objective of the Scheme

- (5) The prolonged recession in Greece that started with the global financial crisis in 2008 has substantially increased poverty levels, extending inequality and social exclusion. A significant proportion of households and businesses faced difficulties in covering their material needs and servicing their financial obligations. These conditions increased the likelihood of default and the risk of their property seizure. In 2010, Greece introduced Law 3869/2010 (the “Katseli Law”) to protect a broad category of borrowers by preventing lenders from foreclosing on their primary residences, which was amended a number of times over the next few years. Although its provisions had expired as of beginning of March 2019, the protections extended to primary residences under Katseli Law remained *de facto* in place until the relevant provisions of “Law for Debt Settlement and Provision of Second Chance” (Law 4738/2020) (or the “new Insolvency Code”) came into effect in 2021.
- (6) The new Insolvency Code introduced a permanent personal insolvency regime to enable households and businesses to settle their debts. A number of procedures were introduced to facilitate out-of-court debt restructuring, to minimise court involvement and to maximise recoveries in bankruptcy procedures. In addition, foreclosure protection has been provided to a more narrowly defined category of debtors based on the income and wealth eligibility criteria through the establishment of the Sale and Leaseback mechanism (the “SLB scheme”). Under the SLB scheme, vulnerable borrowers will give up the ownership of their primary residences but will be offered a long-term contract of up to 12 years to remain in their homes as tenants, under a subsidized rental contract and with an option to buy the properties back. The primary residences will be acquired and managed by a private concessionaire, the Sales and Lease Back Organization (the “SLBO”).
- (7) The Scheme aims to provide an interim period until the SLB scheme enters into force, which is expected to take place at the latest by November 2023. It targets individuals as well as micro- and small undertakings<sup>2</sup> that are either declared bankrupt or subject to enforcement procedures with loans that are collateralized by their primary residences. Under the Scheme, eligible borrowers will be expected to make pre-determined monthly contributions to their lenders, part of which will be subsidised by State’s contributions. In turn, all enforcement or liquidation procedures will be put on hold during the interim period. The Scheme is open to all lenders that provided credit to eligible borrowers.

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

<sup>2</sup> The Scheme covers micro- and small undertakings only to the extent that a natural person, usually the owner of the undertaking, has a business loan associated with the undertaking that is collateralized by that person’s primary residence.

- (8) The Scheme is introduced to provide vulnerable borrowers a socially and economically acceptable option to work out their outstanding debt with their lenders without facing evictions until the SLB scheme is operational. The interim period will also provide time for both the authorities to establish the SLB scheme and borrowers to determine whether they would like to join the SLB scheme.

## **2.2. Legal basis**

- (9) Law 4916/2022 (G.G. 65 A') CHAPTER B' (Articles 13-26): "*State Contribution Programme for vulnerable debtors until the transfer of their residence to the Sales and Leaseback Organization under Chapter A of Part Two of Book Three of Law 4738/2020 (GG A 207)*".

## **2.3. Administration of the scheme**

- (10) The Special Secretariat for Private Debt Management of the Ministry of Finance (the "Special Secretariat") is the granting authority, responsible for administering the measure.

## **2.4. Budget of the Scheme**

- (11) The estimated budget of the Scheme is EUR 4.7 million.

## **2.5. Eligibility criteria**

- (12) Eligible loans for the Scheme, issued in any currency, are those that are secured by the primary residence of the borrower. The primary residence must be situated in Greece.
- (13) Eligible borrowers are natural persons who have received a mortgage loan or micro and small businesses that have received a business loan provided they fulfil the relevant eligibility criteria set out in recitals (14) to (15).
- (14) Eligible borrowers must also fulfil the following financial eligibility criteria, as determined by Article 3 of Law 4472/2017 and Article 4 of Joint Ministerial Decision 71670/2021:
- (a) The family income on an annual basis is below EUR 7 000 for single person households, increased by EUR 3 500 per additional family member and capped at EUR 21 000;
  - (b) The taxable value of immovable assets owned is below EUR 120 000 for single borrowers, increased by EUR 15 000 per family member and capped at EUR 180 000;
  - (c) The value of borrower's deposits does not exceed the income criteria limits that are defined in (a);
  - (d) The deposit interest income does not exceed the deposit limit defined in (c), multiplied by the average annual deposit interest rate, and divided by 100; and,
  - (e) The borrower and the family members residing in the primary residence do not fall under the provisions of luxury living tax or has not declared tax

expenses for certain items (i.e. yacht crews, helpers, drivers, teachers, and other domestic staff) in their last income tax returns.

- (15) Applications will only be considered to be valid if one of the two conditions are met:
- (a) The bankruptcy of the borrower has been declared by a Bankruptcy court; or,
  - (b) Enforcement procedures on the primary residence securing the eligible loan have been triggered by the lender, whichever comes first.

## **2.6. Duration of the scheme**

- (16) The duration of the scheme will be a maximum of 15 months or until the entry into force of SLB scheme.

## **2.7. Application procedures**

- (17) An application will only be valid if submitted in one of the following time periods:
- (a) If the collateral seizure, insolvency or bankruptcy declaration took place prior to the entry into force of the Scheme, but following entry into force of new Insolvency Code, then the application must be submitted within 60 days after the entry into force of the Scheme.
  - (b) If the collateral seizure, insolvency or bankruptcy declaration took place following the entry into force of the Scheme, then the application must be submitted within 60 days of the occurrence of the declaration.
  - (c) In any event, no new applications may be submitted after 15 months following the entry into force of the Scheme.
- (18) Following the submission of the application by the borrower, the Greek authorities will verify that the submitted documents are authentic and that the eligibility criteria mentioned in recitals (12) to (15) have been met. The application documents will then be submitted to the lender, who has the possibility to perform a final verification of whether the borrower meets the eligibility criteria within 10 days. In case no objection is raised by the lender that is holding the loan, the application will be approved and forwarded to the Special Secretariat for Private Debt Management.
- (19) If the application of the borrower is approved following all of verification procedures outlined in recital (18), all of the collateral enforcement or liquidation procedures relating to the primary residence or other collateral as well as recovery from guarantors will be suspended during the interim period.

## **2.8. Payment of the grant**

- (20) Upon the approval of the borrower's application, a monthly payment schedule will be determined, detailing the amounts due from the borrower as well as a State grant. The total monthly instalment, including both the borrower's contribution and the State's contribution, will correspond to 0.292% of the value

of the primary residence securing the loan, as determined by a certified valuator in the beginning of the interim period.

- (21) Each individual payment schedule will remain fixed within the duration of the scheme. Based on the pre-determined monthly instalments mentioned above in recital (20), the total amount of instalments received by the lender during this period will represent at most be 4.4% of the value of the primary residence securing the loan, or up to EUR 9.1 million , based on the expected perimeter of eligible borrowers and the underlying collateral valuation.
- (22) The State's monthly contributions depend on the number of family members residing in the primary residence, with a contribution of EUR 70 for a single person household, increased by EUR 35 per additional family member and up to a maximum of EUR 210 regardless of the household composition. The maximum State contribution will therefore be EUR 3 150 per beneficiary for the entire duration of the Scheme. In addition, the State's monthly contributions are capped at 80% of the total monthly payments.
- (23) The State's contributions will be paid to a special blocked and non-seizable account per borrower, which will only be used for servicing the debt payments. The payments made by the State and the borrower will count towards reducing the borrower's outstanding debt.
- (24) The State contributions will only commence to be paid following the formal approval of the Scheme by the Commission.
- (25) If the borrower fails to respect the monthly payment obligations under the scheme at any time during the interim period, the State contributions will be suspended and the State will commence recovery procedures (by all legal means) of any past State contributions from the defaulted debtor, with interest. In addition, the borrower will not be eligible for joining the SLB scheme and the collateral enforcement or liquidation procedures, which have been suspended in the beginning of the interim period (recital (19)). Any enforcement or liquidation procedures will recommence from the point at which they were when the borrower's application was accepted.

## **2.9. Transfer to SLBO**

- (26) All borrowers may choose opt out of the SLB scheme within one month after its entry into force. Otherwise, they will be automatically admitted to the SLB scheme. By choosing to opt out, the borrower foregoes its right to access the SLB scheme at any time in the future. If the borrower has any outstanding debt after taking into consideration of the total payments made within the interim scheme, the collateral enforcement or liquidation procedures, which have been suspended (see recital (19)), will, where appropriate, recommence from the point at which they were when the borrower's application was accepted, after taking account of the payments during the interim period (see recital (23)), including, if any, additional payments. Beyond these, the Greek authorities confirm that the borrower will experience no further legal or financial consequences for opting out of the SLB scheme.
- (27) Under Law 4738/2020, SLBO will be a private entity operating in Greece that will be appointed following an open tender process. Various details of the SLB

scheme, such as the concession contract, the transfer price, the possibility of granting State guarantees on SLBO's debt, and the obligations and powers of the SLBO, are yet to be defined by the Greek authorities. The SLB scheme will be subject to a separate State aid approval by the Commission.

### 3. ASSESSMENT OF THE SCHEME

#### 3.1. Existence of aid

- (28) According to 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.
- (29) The measure is imputable to the State, since it is administered by the Special Secretariat. The grants under this Scheme are disbursed by the State to individuals and micro- and small undertakings as part of monthly payment obligations in the lead up to the SLB scheme. The Scheme will be funded from State funds.
- (30) In the case of the Scheme, the Commission has identified three possible groups of beneficiaries, namely individual borrowers, micro- and small undertakings, and the lenders that are holding the loans on their balance sheet.

##### 3.1.1. Individual borrowers

- (31) With regard to individual borrowers, only natural persons who reside in the primary residence securing the loan 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.

##### 3.1.2. Micro- and small undertakings

- (32) With regard to micro- and small undertakings, the Greek authorities submit that the support will be granted in line with the *de Minimis* Regulation<sup>3</sup>. According to Article 4(1) of the *de Minimis* Regulation, 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. Under the Scheme, the State's monthly contribution covers a specific, pre-determined part of the total monthly payments (recital (22)). The total State contributions received within the interim period (recital (22)) will not exceed the total amount of *de minimis* aid that can be granted per Member State to a single undertaking, as defined in Article 3(2) of the *de minimis* Regulation. The Commission therefore notes that the State contributions to individual micro- and small undertakings is well within *de minimis* ceiling. Moreover, Greece will ensure that all requirements of the *de minimis* Regulation, including those pertaining to cumulation, are complied with.

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<sup>3</sup> Commission Regulation (EU) 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid Text with EEA relevance, OJ L 352, 24.12.2013, p.1-8.

- (33) Therefore, as regards micro- and small undertakings, the Commission observes that the Scheme will comply with the conditions of the *de minimis* Regulation and, as a result, it will not have any effect on trade between Member States and would not distort or threaten to distort competition.

### 3.1.3. Lenders

- (34) The Scheme provides for the State contributions to be channelled to eligible borrowers via lenders (financial intermediaries or banks). Financial intermediaries are considered to be undertakings and fall within the scope of the Union State aid rules.
- (35) The Scheme favours certain undertakings as there is a potential capital benefit for participating financial intermediaries. The Commission therefore observes that the Scheme may confer an indirect advantage to those financial intermediaries.
- (36) More specifically, the Scheme would have two distinct effects on lenders during the interim period:
- (a) The lender will receive monthly cash payments representing up to 4.4% of the initial value of the primary residence securing the loan (recital (21)). These will benefit the lender to the extent that it would not be in a position to collect a portion of these payments in the absence of the Scheme.
  - (b) The lender will not be able to recover until the end of the interim period any amount that it could possibly have obtained through enforcement or liquidation procedures in the absence of the Scheme (recital (19)). This may result in a loss for the lender, due to discounting and adverse market developments.
- (37) Under stable market conditions, the amount of payments received by the lender under recital (36)(a) will be greater than the amounts foregone under recital (36)(b) above. However, the lender may experience net losses if real estate prices drop significantly during the interim period, reducing amounts from the delayed recovery as described in recital (36)(b).
- (38) Thus, the Commission observes that it cannot be excluded that lenders benefit indirectly from the Scheme. The advantage is selective as it is only available to financial institutions, as opposed to other undertakings, and only lenders that hold loans secured by the primary residence of the borrower may receive these indirect benefits.
- (39) As the Scheme grants an economic advantage to financial intermediaries compared to their competitors in the banking sector, the Commission notes that it is liable to distort competition in the internal market.
- (40) With regard to the effect on the trade between Member States, the Commission notes that intra-Union trade should be considered to be affected once a national measure reinforces the position of an undertaking as regards its competitors. It is not necessary that the beneficiary undertaking takes part itself in intra-Union trade. The 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 has accentuated competition, gives rise by its nature to a real or potential effect of aid, such as the Scheme, on trade between Member States<sup>4</sup>.

- (41) Therefore, since 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 Commission concludes that the Scheme is considered State aid within the meaning of Article 107(1) TFEU.

### **3.2. Compatibility of the scheme**

#### *3.2.1. Legal basis for the compatibility assessment*

- (42) It is necessary to examine the Scheme's compatibility with respect to the aid channelled via financial intermediaries in the light of Article 107(2) and Article 107(3) TFEU.
- (43) With respect to the different groups of eligible beneficiaries, the compatibility of the indirect aid to the financial institutions will be assessed under two distinct legal bases, depending on the nature of each of the aid recipients. More specifically, with regard to individual borrowers (not constituting undertakings) as final beneficiaries, Article 107(2)(a) TFEU constitutes the compatibility basis. With regards to micro- and small enterprises, Article 107(3)(c) TFEU serves as the applicable compatibility basis. For the avoidance of doubt, the indirect aid to the financial institutions will not be assessed under Article 107(3)(b) TFEU, which is the legal basis under which the Commission has been consistently assessing any restructuring or liquidation aid to financial institutions since the beginning of the financial crisis. Taking account of the eligible loans, any disturbance caused by the possible bankruptcy of the direct beneficiaries is not of a magnitude capable of affecting the whole economy of Greece. Therefore, the Crisis Communications detailing the compatibility assessment under Article 107(3)(b) TFEU for aid to financial institutions are not applicable for any of the indirect aid.

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

- (44) The Commission considers that the indirect aid to financial institutions flowing from support to individual borrowers can benefit from the derogation laid down in Article 107(2)(a) TFEU relating to aid having a social character.
- (45) 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.

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<sup>4</sup> 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.



- (46) The proposed Scheme aims to safeguard the primary residences of eligible borrowers from the risk of repossession. As described in recital (5), the Scheme aims primarily to mitigate the negative social repercussions of the new bankruptcy and enforcement procedures under the new Insolvency Code until the SLBO becomes operational. Primary residences have enjoyed a status of absolute protection under the pre-existing legal regime, effectively preventing creditors to proceed with foreclosures. Introduced initially in 2010 in the wake of the financial crisis, these protections were rescinded when the new Insolvency Code came into force. The threat of foreclosures has thus emerged once again, which is particularly acute for vulnerable households with limited incomes and wealth. It is for this reason that the new Insolvency Code has also foreseen the introduction of the SLB scheme, which will, once in place, present those borrowers with the option to remain in their primary residences as long-term tenants. To that extent, the Scheme also alleviates social concerns by safeguarding the main residences of those vulnerable borrowers and giving them the option to join the SLB scheme once it is put in place.
- (47) The Commission, therefore, concludes that the Scheme is predominantly of social nature. This is further reflected in the eligibility criteria that define the maximum income and wealth levels of the beneficiaries (recital (14)) that correspond to those of vulnerable borrowers. Furthermore, as described in recital (15), the Scheme is only open to borrowers who have either been declared bankrupt or for whom enforcement procedures have been initiated. The Scheme is therefore only available to those who face an imminent risk of foreclosure. The Commission further notes that the Scheme has a duration of maximum 15 months, serving mainly as the transition period until a more permanent regime securing primary residence for vulnerable borrowers is established.
- (48) Regarding the additional conditions of Article 107(2)(a) TFEU, the Commission concludes that these are also met. First, the measure presents an individual character since it is addressed to borrowers in need. In addition, the Scheme fulfils the condition that aid must be “*granted without discrimination related to the origin of the products concerned*” since all financial institutions operating in Greece may participate into the Scheme.

3.2.3. *Compatibility of the indirect aid to the banks flowing from the support to micro- and small undertakings: assessment under Article 107(3)(c)TFEU*

- (49) 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.
- (50) The Commission, will analyse the measure directly under Article 107(3)(c) TFEU, in light of the conditions set out therein. In particular, it has to analyse whether the measure contributes to facilitating the development of an economic activity, its appropriateness with respect to the aim it desires to achieve, its necessity, its proportionality, whether it avoids any undue negative effects on competition and trade between Member States and whether the positive effects outweigh any negative effects.

- (51) With regard to facilitation of the development of an economic activity, the Commission observes that beneficiaries under the Scheme are small entrepreneurs. Micro- and small undertakings in Greece are an essential part of its economy, accounting for the vast majority (more than 90%) of firms and for around 78% of the total labour force.<sup>5</sup> At the same time, access to finance, which has been particularly challenging for smaller enterprises, has been further constrained due to the prolonged uncertainty of the pandemic outbreak and more recently due to Russia's aggression against Ukraine.<sup>6</sup> The purpose of the Scheme is to safeguard the main residences of small entrepreneurs and give them the option to join the SLB scheme once it is put in place. Without it, the activation of foreclosure proceedings would likely involve serious detrimental effects on their economic activities as well as social hardships, as these entrepreneurs could face evictions from the house in which they live, which can also undermine their ability to exercise their main economic activities. The Commission therefore considers that the Scheme aims at facilitating the continuation of the economic activities of these entrepreneurs and addressing the social hardships that may arise from evictions.
- (52) With regard to the appropriateness of the Scheme, the Commission considers that the measure is suitably designed to achieve its objective. The State will cover part of the monthly payment obligations of the beneficiaries to prevent foreclosures. Given the limited incomes and wealth of eligible beneficiaries, as set out by the criteria outlined in recital (14), the Commission considers that subsidizing part of these payments is the appropriate tool to ensure that the beneficiaries may continue meeting their payment obligations and for the Scheme to achieve its objective.
- (53) With regard to the necessity of the Scheme, the Commission observes that the eligibility criteria, as described in recitals (14) to (15), identify well-targeted categories of vulnerable borrowers. As noted in recitals (1) and (51), the eligible undertakings play an important role in the economy of Greece and have been exposed to economic challenges since the global financial crisis of 2008. In the absence of the Scheme, the beneficiaries would be exposed to an imminent risk of foreclosure, due to the status of their loans and the current applicable legal framework. The Scheme therefore is considered necessary.
- (54) With regard to the proportionality of the Scheme, the Commission considers that the measure is limited to what is necessary to achieve the objective pursued. The State contributions are limited to a pre-determined portion of the monthly payment schedule and will be available for a limited period. If the beneficiaries do not meet their payment obligations, the State contributions will be suspended and the State will commence the recovery of past contributions, as described in (25). Finally, the banks will continue to bear the credit risk for borrowers both

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<sup>5</sup> According to data published in 2019 in Small Business Act (SBA) factsheet for Greece, 97.4% of Greek businesses are micro-enterprises employing less than 10 employees and 2.3% are small enterprises. Moreover, micro- and small enterprises account for around 78% of the total labour force, much greater than the EU average of only 50%.

<sup>6</sup> According to the same source, "Greece shows the highest percentage of SMEs reporting difficulties in accessing bank loans (22%)", <https://www.oecd-ilibrary.org/sites/e160626a-en/index.html?itemId=/content/component/e160626a-en#section-d1e142908>.

within and following the end of the interim period. The aid cannot generate disproportionate advantages to financial institutions for the reasons explained in recital (37). More specifically, the total subsidy instalments during the interim period cannot exceed 80% of the total instalments, or around 3.5% of the value of the primary residence (recitals (20) to (22)). The scheme is also costly for financial institutions since they will be deprived from the possibility to collect their debts through foreclosure, during the period of application of the Scheme (recital (19)). Moreover, most of the benefits from the subsidy instalments are passed on to the borrower to the extent that they reduce the borrower's recoverable debt (recital (23)). Lastly, the budget of the Scheme (recital (11)) is much smaller than the entire stock of non-performing loans in the Greek banking sector (around EUR 14 billion at end-2021). Thus, the Scheme cannot generate undue competition distortions.

- (55) Overall, the Commission considers that the positive effects of the Scheme, in terms of protecting vulnerable micro- and small entrepreneurs from foreclosure from their primary residence, outweighs the negative effects of the aid on competition and trade.
- (56) In view of the above, the Commission considers that the measure is designed in a way that facilitates the development of economic activities of the beneficiaries, without adversely affecting trade between Member States. The conditions set under Article 107(3)(c) are therefore met.

#### **4. ASSESSMENT OF THE EXISTENCE OF INTRINSICALLY LINKED PROVISIONS OF DIRECTIVE 2014/59/EU AND REGULATION (EU) 806/2014**

- (57) It has been established that the Scheme provides indirectly aid to financial institutions. To the extent that some financial institutions, notably the banks, fall under the scope of Directive 2014/59/EU<sup>7</sup> and of Regulation (EU) 806/2014<sup>8</sup>. 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 Article 3(1)(29) of Regulation (EU) 806/2014.
- (58) 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.
- (59) 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,*

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<sup>7</sup> Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, OJ L 173 of 12.06.2014, p. 190.

<sup>8</sup> Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, OJ L 225 of 30.07.2014, p. 1.

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."

- (60) That definition does not encompass any type of aid, but only aid whose objective is "to preserve or restore the viability, liquidity or solvency" of a bank. The Scheme's objective is two-fold depending on whether the direct beneficiary is a natural person or a micro- or small undertaking. In the first case, the aid pursues the social purpose of Article 107(2)(a) TFEU. In the second case, the aid pursues the goal of contributing to the development of economic activities of those entrepreneurs by addressing the social hardships particular to the vulnerabilities faced by undertakings under Article 107(3)(c) TFEU. Nevertheless, in both cases, the predominantly social objective indicates that the Scheme's objective is not to preserve or restore the viability, liquidity or solvency of a bank. The financial institutions that fall within the scope of Directive 2014/59/EU and Regulation (EU) 806/2014 benefit only indirectly through the repayment of debts supported by the State. In addition, such support, limited in terms of size and duration is designed so that it cannot have any material effect on banks' viability, liquidity or solvency". This is corroborated by the fact that the aid does not qualify as one of the types of aid contemplated by the Crisis Communications (recital (43)).
- (61) In conclusion, the Scheme's objective is not to preserve or restore the viability, liquidity or solvency of a bank and it is also unlikely that it would result in any material effect on any of the financial institutions' viability, liquidity or solvency.
- (62) Therefore, the criteria for the aid to be considered as "*extraordinary public financial support*" are not fulfilled and the Scheme does not fall under the scope of Directive 2014/59/EU and Regulation (EU) 806/2014.
- (63) This assessment is without prejudice to the prerogative of the Commission to initiate infringement procedures against a Member State for breach of Union law, including breach of the provisions of Directive 2014/59/EU and Regulation (eu) 806/2014.

## 5. CONCLUSION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(2)(a) TFEU and 107(3)(c) of the Treaty on the Functioning of the European Union.

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:

European Commission,  
Directorate-General Competition  
State Aid Greffe  
B-1049 Brussels  
[Stateaidgreffe@ec.europa.eu](mailto:Stateaidgreffe@ec.europa.eu)

Yours faithfully,

For the Commission

Margrethe VESTAGER  
Executive Vice-President

