



Yale SCHOOL OF MANAGEMENT  
*Program on Financial Stability*

## EliScholar – A Digital Platform for Scholarly Publishing at Yale

---

YPFS Resource Library

---

1-1-1900

### State Aid: Commission Approves Belgian State Guarantee for Fortis Bank

European Union: European Commission

<https://elischolar.library.yale.edu/ypfs-documents/244>

---

This resource is brought to you for free and open access by the Yale Program on Financial Stability and [EliScholar](#), a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact [ypfs@yale.edu](mailto:ypfs@yale.edu).

## State aid: Commission approves Belgian state guarantee for Fortis Bank

***The European Commission has approved, under EC Treaty state aid rules, the state guarantee mechanism intended to facilitate the financing of Fortis Bank. The Commission found the aid to be in line with its Guidance Communication on state aid to overcome the current financial crisis (see [IP/08/1495](#)). The aid is necessary to ensure the viability of Fortis Bank and thereby avoid a serious disturbance in the Belgian economy. The guarantee plan is limited in time and scope to the minimum necessary to restore the financing, requires an adequate guarantee fee and provides safeguards to minimise distortions of competition. It is therefore compatible with Article 87.3.b. of the EC Treaty. The decision does not cover the measures implemented in favour of Fortis Bank from 29 September to 6 October 2008 (capital injection and sale to BNP Paribas), which are assessed separately.***

Competition Commissioner Neelie Kroes said: "The state guarantee is necessary to restore the access of Fortis Bank to short- and medium-term wholesale funding. At the same time it is ring-fenced to avoid abuses."

On 18 November 2008, the Belgian authorities notified a state guarantee aimed at tackling the liquidity problems of Fortis Bank, created by the drying up of the wholesale loans market and aggravated by the distrust in Fortis Bank resulting from its recent difficulties.

The Commission concluded that the state guarantee mechanism complies with the conditions laid down in its Communication on state aid for financial institutions in the context of the current global financial crisis (see [IP/08/1495](#)):

- Types of liabilities covered: the guarantee plan covers only short and medium term wholesale funding. The State support is therefore limited in scope to what is necessary to allow the bank to regain access to short and medium term wholesale financing;
- Limited temporal scope: the time window for issuing new guarantees is limited to six months. Any prolongation needs to be authorised by the Commission. This will enable the Commission to verify that the measure is not maintained if the financial crisis is over;
- Appropriate contribution of the beneficiary: Fortis Bank will pay a significant guarantee fee, which will increase in proportion to the guaranteed debt.
- No undue distortions of competition: Sufficient behavioural limitations are in place to prevent abuses. The expansion of Fortis Bank's balance sheet is capped and it can not advertise the receipt of state guarantees. Predatory pricing on the retail deposit market is also prohibited.
- An appropriate follow-up: If a guarantee is called, the Belgian authorities committed to swiftly notify a viability plan to the Commission in line with the state aid rules for the restructuring of companies in difficulties (see [MEMO/04/172](#)).

The non-confidential version of the decision will be made available under the case number [N 574/2008](#) 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](#).