Competition Policy in the Framework and Application of State Aid in the Banking Sector

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Summary

The crisis communications provided for an extensive framework work under which the Commission analyzed state aid to banks in the context of the financial crisis. All-State aid decisions were built on three pillars: viability, burden-sharing and competition. In order to minimize distortions of competition, the Commission imposed significant structural and behavioral measures. The reasoning of the Commission's decisions in the Dutch banking sector shows that the rationale behind several measures was to sanction risk taking and mis-management, and to restructure the banking sector as a whole. Furthermore, the imposition of behavioral measures, in particular price leadership prohibition designed to minimize distortions of competition, paradoxically appear to have further distorted competition in the Dutch banking sector. All in all, the overall lack of a sophisticated economic assessment of the measures imposed by the Commission raises serious doubts regarding the suitability and proportionality of the unprecedented State Aid decisions during the financial crisis.

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