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Measures for Strengthening and Stabilising Individual Institutions

Austrian Federal Ministry of Finance

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Measures for Strengthening and Stabilising Individual Institutions

The Finanzmarktstabilitätsgesetz (Financial Market Stability Act – FinStaG) authorises the Federal Minister of Finance to take measures to recapitalise and strengthen the capital base of credit institutions and insurance companies in order to remedy significant disruptions of Austrian economic life, ensure overall economic balance and protect the Austrian economy.

Financial Market Stability Act authorises the Federal Minister of Finance to take measures to strengthen the capital base of credit institutions and insurance companies. The following measures are available:

- Assumption of liability (in particular guarantees, sureties, cumulative assumption of debt) for liabilities of distressed institutions
- Assumption of liability (in particular guarantees, sureties, cumulative assumption of debt) for liabilities due to distressed institutions
- Granting loans to institutions that do not constitute capital
- Providing capital to institutions
- Use of a legal act to acquire existing shares
- Acquiring ownership rights of institutions in exceptional cases

The most frequently used options were provision of capital (e.g. in the form of participation capital or shareholder contributions) and the assumption of government liability. Assumption of liability allowed the distressed institutions to reduce their risk provisioning, thereby freeing capital.

The federal government acquired shares in three banks, two of which are almost fully state-owned (Österreichische Volksbanken AG 43.3%, Kommunalkredit Austria AG 99.78%, Hypo Alpe-Adria-Bank International AG 100%).

There is no statutory time limit for measures under the [FinStaG](#). However, after expiry of European Commission approval for the Austrian package of measures for providing support to banks on 30 June 2011, every support measure for individual institutions had to be examined for characteristics of state aid and if necessary submitted to the European Commission for approval.

A EUR 15 billion facility was provided for measures under the [FinStaG](#).

Eight credit institutions operating in Austria took advantage of support measures under the [FinStaG](#) (Aviso Zeta AG (formerly Constantia Privatbank), BAWAG P.S.K Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG, Erste Group Bank AG, Hypo Alpe-Adria Bank International AG, KA Finanz AG, Kommunalkredit Austria AG, Österreichische Volksbanken AG and Raiffeisen Zentralbank AG/Raiffeisen Bank International AG).