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27 June 2014
10:03 AM

Reuters News

FRANKFURT, June 27 (Reuters) - German investors have written to Austria's finance minister urging him to rethink a planned wipe-out of debt held in nationalised bank Hypo Alpe Adria.

The bank, which drove itself to the brink of bankruptcy with a headlong expansion into the Balkans, was nationalised in 2009 and now being broken up, with about 18 billion euros ($24.5 billion) of assets to be parked in a "bad bank" later this year.

In a letter seen by Reuters on Friday, the BVI fund managers' association said the planned cancellation of 890 million euros of subordinated debt violated international law and undermined trust in Austria.

Deutsche Bank AG's DWS, one of Europe's largest fund managers, stood to lose around 200 million euros in the cancellation of the debt, which is guaranteed by Hypo's home province Carinthia, a source familiar with the situation said.

Losses likely to be suffered by other fund managers looked to be "manageable", financial sources said. The BVI says its members, who include Deka and Union Investment, manage a total of 2.1 trillion euros.

Deutsche Bank declined comment.

The BVI said the planned move could have effects including a "lasting negative influence on investor trust in the stability and predictability of the legal framework in Austria.

"On these grounds, we would like to ask you urgently, minister, to reconsider the involvement of holders of subordinated debt in the restructuring of Hypo Bank International," it said in the letter dated Thursday.

The Austrian finance ministry confirmed it had received the letter but had no immediate comment.

The one-off move, for which a special law has been drafted that may take effect in August, was designed to ensure investors share the cost of winding down the bank with taxpayers who have pumped 5.5 billion euros into Hypo so far.

Austria also wants German bank BayernLB, a former owner of Hypo, to contribute 800 million euros to the clean-up. ($1 = 0.7359 Euros) (Additional reporting by Angelika Gruber in Vienna; Writing by Georgina Prodhan; Editing by David Holmes)

Released: 2014-6-27T15:03:47.000Z

Document LBA0000020140627ea6r008fk