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Is the Bank-Sovereign Link Truly Severed?

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BEEP n°43

Phedon Nicolaides[1] and Tony O'Connor[2]

Abstract

This paper examines the degree to which the Banking Recovery and Resolution Directive and the Single Resolution Mechanism Regulation have severed the dependence of banks on sovereigns. We review the cases in which public aid has been granted to banks since the entry into force of the above legislation, as well as outlining the circumstances in which state shareholdings have been bailed-in. We conclude that the current rules on public assistance to banks need revision as they neglect the fact that for some banks the state is already a shareholder. To remedy this, we propose a revision of the Banking Recovery and Resolution Directive and the Single Resolution Mechanism Regulation whereby private shareholdings are bailed-in before public shareholdings, and where contributions by the national resolution funds or the Single Resolution fund are exhausted before state aid is granted.

Keywords: Banking resolution, European Union, state aid.

JEL-Codes: G21, G33, F36

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1. Introduction

Building on the 2015 "Five Presidents' Report"[3] and the 2017 "Reflection Paper on Deepening of the EMU",[4] in early December 2017, the Commission proposed a roadmap for further strengthening of the EMU.[5] The roadmap is a package of several initiatives including the conversion of the European Stability Mechanism into a monetary fund for Europe, the creation of a convergence facility for new Eurozone Member States, and the establishment of a stabilisation function.[6] A common element in all these proposals is the completion of the banking union. This is because a truly integrated and seamless banking union will facilitate the sharing of risk between the Eurozone Member States and strengthen the resilience of the Eurozone economy.

Risk sharing is seen as an essential adjustment mechanism that helps economies respond to "idiosyncratic" shocks; i.e. shocks that do not hit all Eurozone economies at the same time. If risk is shared through the banking system and if investors price this risk according to the true credit worthiness of each bank, then the Eurozone can experience two substantial beneficial effects. First, banks will compete on an equal footing as their credit rating will not depend on their location or the ability or willingness of their government to bail them out. Second, fiscal policies and public budgets will not be burdened with bank debt. Consequently, fiscal policies will become more effective in addressing economic downturns. The Eurozone will gain in flexibility without the need for politically fraught fiscal transfers across Member States.

The view that private debt must be de-linked from public debt is not new. It was in fact foreseen in the seminal "One Market, One Money" report of October 1990. "Private markets will finance all viable borrowers, and savings and investment balances will no longer be constraints at the national level. National budgets will, as mentioned, retain their capacity to respond to national and regional shocks through the mechanisms of social security and other policies."[7]

With the benefit of hindsight, the economic and monetary union that came into effect in 1999 was structurally defective because financial institutions were not subject to the same rule book in all Member States, nor were they supervised with the same degree of rigour. The consequence of this uneven legal and regulatory landscape across the EU was that the location of banks did matter to their perceived credit worthiness. After the economic crisis broke out in September 2008, the European Commission initially adopted very accommodating rules on the public capital and public guarantees that were provided to illiquid and even insolvent banks. As is now well understood, the eagerness of Member States

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[3] *Five Presidents' Report: Completing the Economic and Monetary Union*, 22 June 2015.

[4] *Reflection Paper on Deepening of the Economic and Monetary Union*, 31 May 2017.

[5] European Commission, *Communication on Further Steps towards Completing Europe's Economic and Monetary Union: A Roadmap*, COM(2017) 821 final, 6 December 2017. See also European Commission, *Completing Europe's Economic and Monetary Union – Policy Package*, 6 December 2017. It can be accessed at https://ec.europa.eu/info/publications/economy-finance/completing-europes-economic-and-monetary-union-policy-package_en

[6] For early commentary on the proposal for conversion of the ESM into a European Monetary Fund, see Daniel Gros & Thomas Mayer, *A European Monetary Fund: Why and How?* CEPS paper no. 2017/11, December 2017.

[7] One Market, One Money, *European Economy*, no.44, October 1990.

to save their banks and preserve their business models as they pursued them at that time, merely converted private debt into public debt. The mounting public debt brought some of those Member States to the verge of default.[8]

However, access to public money is now supposed to be almost impossible as a result of a) the tightening of state aid rules, b) the establishment of the European Banking Authority with a single rule book for all EU banks, c) the adoption of compulsory resolution rules for failing banks in all Member States and d) the creation of the Single Supervisory Mechanism under the European Central Bank and of the independent Single Resolution Mechanism for Eurozone banks.[9]

In mid-2017 it became apparent that there were loopholes in the rules that were adopted in 2014, so it seems to us rather reasonable that before embarking on new initiatives the EU should improve current rules. There cannot be a level playing field in financial services if the fate of a bank depends on the ability or willingness of a government to rescue it. In a truly integrated market, the location of a bank should not matter.

The purpose of this paper is threefold. First, it demonstrates that the link between banks and sovereigns has not been completely severed. Second, it identifies the circumstances in which state aid has been granted. Third, it argues that the current rules on public assistance to banks are in need of revision because they do not take into account that some banks already have the state as a shareholder. Bailing-in of shareholders and creditors, regardless of whether it is the state or private investors, means that taxpayers still bear part of the burden.

2. Public support for banks: 2008-2017

In the period from October 2008 to 31 December 2017, the European Commission assessed about 500 measures concerning state aid to banks.[10] The Commission approved the state aid, initially, in the form of guarantees and capital injections, later on, in the form of restructuring aid, splitting of banks into “good” and “bad” and sale of assets and, eventually, in the form of liquidation and closure .

The vast majority of those measures were approved without any objections by the Commission. Many of the measures were also extended several times. The first rules on state aid to banks that were hastily adopted in October 2008 were very accommodating. However, the rules have been gradually tightened. There is no doubt that the banks that received aid or were perceived as candidates to receive aid obtained an advantage not just from the

[8] See Emmanuel Farhi & Jean Tirole, Deadly Embrace: Sovereign and Financial Balance Sheets Doom Loops, *Review of Economic Studies*, October 2017.

[9] Ignazio Angeloni, *Crisis management in the banking union: overview and early experience*, Conference on Financing Banking Resolution, European University Institute, Florence, 29 June 2017.

[10] All the data on state aid to banks are obtained from the DG Competition’s annual state aid Scoreboard. It can be accessed at:
http://ec.europa.eu/competition/state_aid/scoreboard/index_en.html
See Commission Memo on “Overview of Decisions and On-Going in-depth Investigations of Financial Institutions in Difficulty”, 31 December 2016. It can be accessed at:
http://ec.europa.eu/competition/recovery/banking_case_list_public.pdf

injection of public money but also from access to cheaper market finance because they were thought to represent lower risk.[11]

As the Commission gained experience, it also became stricter in its assessment of the compatibility of the aid with the internal market. In about 30 measures the Commission had serious doubts and, therefore, opened the formal investigation procedure. But almost all of the investigations were concluded either with a positive or conditional decision.

Only in two cases were there negative final decisions [with recovery of incompatible state aid in both cases]: Banco Privado Portugues [decision 2011/346] and Banca Trecas [decision 2016/1208].

In several cases, the Commission also concluded that state intervention did not constitute state aid because state guarantees were provided on market terms and were priced competitively [e.g. SA.44910, HSH Nordbank; SA.43390, Italian securitisation scheme] or, state-owned financial assets were sold at market prices [e.g. SA.34440, Dexia] or, private financial assets were purchased by the state at market prices [e.g. SA.38843, Hungarian Asset Management Company; SA.49459, Eurobank] or, new public capital was injected at market terms and prices [e.g. SA.47178, Portuguese Caixa Geral de Depósitos] or, because the public funding supported deposits which were not economic activities [e.g. SA.43886, resolution of the Cooperative Bank of Peloponnese].

The total amount of public money committed to financial institutions in the period 2008-16 reached the staggering amount of EUR 5,045 billion.[12] That is about 35% of the EU's combined GDP (2016). [Please note that that amount was the aid that was approved by the European Commission and was largely made up of guarantees. The total amount of aid that was eventually paid was less. It was about EUR 1,950 billion.]

The banking crisis that broke out in September 2008 quickly deteriorated into a sovereign crisis because the bailing out of banks sharply increased government debt. This was partly the reason why EU Member States agreed to adopt a Directive on Banking Recovery and Resolution [Directive 2014/59] and why the Eurozone established the Single Resolution Mechanism [Regulation 806/2014]. The objective was to sever the link between banks and taxpayers.

As of January 2015, banks that are failing or likely to fail must be liquidated, unless it is in the public interest that they are resolved. Resolution means that the vital functions of banks are preserved whenever that is necessary to protect financial stability. The vital functions are those which are necessary for the real economy to function [i.e., the savings of businesses and households and the payment systems for transactions between banks, businesses and households].

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[11] See K. Ueda and B. Weder di Mauro, Quantifying Structural Subsidy Values for Systemically Important Financial Institutions, *Journal of Banking & Finance*, 2013, 37(10), pp. 3830-3842.
[12] DG Competition, State Aid Scoreboard 2017. It can be accessed at: http://ec.europa.eu/competition/state_aid/scoreboard/index_en.html

As of January 2016, both the BRR directive and the SRM regulation require "burden sharing"; i.e. when a bank is bailed out, its shareholders and creditors must first be bailed in before any public money is committed to restructure or resolve the bank. The directive imposes an obligation on Member States to establish national resolution funds to assist banks. The regulation has created the Single Resolution Fund for the same purpose. National resolution funds and the SRF are gradually capitalised with contributions from banks themselves. In other words, resolution funds at both European and national level draw on private funds and therefore, they resemble insurance schemes providing cover to banks that pay what may be considered as an insurance premium. Nonetheless, the insurance analogy should not be too stretched because the contributions from banks are linked to their size, not risk, even though size is determined by their risk-weighted assets. The SRF will reach its target of EUR 55 billion by the end of 2023. In principle, public money should no longer be granted to banks.[13]

However, as of 19 July 2017, the size of the Single Resolution fund stood at EUR 17 billion.[14] While the total target is EUR 55 billion, this would not have been sufficient to cover the state aid of over EUR 300 billion that was disbursed to the sector in 2016 alone (see Table 1). There is an unfavourable contrast with Sweden, which set a 2023 target of 2.5% of GDP when establishing its Stabilisation Fund in 2008[15]; the SRF target would equal no more than 0.5% of GDP in 2016 for the EU minus the UK. In addition, the German restructuring fund established in 2010 set a target of EUR 70 billion or 2.8% of GDP (2010), and had guarantees allowing it to borrow an extra EUR 120 billion.[16] In comparison to these national resolution funds, the Single Resolution Fun is far too small and is further hindered by the lack of any significant fiscal backup.

Indeed, on three separate occasions in 2017, state aid – in other words, public money – was granted to Eurozone banks, rather than resources from the SRF. This appears to contradict the declared objective of the BRR directive and the SRM regulation. In fact, as shown by Table 1 below, significant amounts of state aid were granted to financial institutions in 2015 and 2016 [the latest statistics do not yet cover 2017]. This raises the question how it was possible to grant aid to banks and other financial institutions without resolution. The answer, which we explain in more detail in sections 5 and 6, is that those banks were not deemed to be "failing or likely to fail".

As can be seen in Table 1, almost all of the state aid (98%) in 2016 was in the form of guarantees. The BRR directive and SRM regulation allow public guarantees which are granted to solvent banks to enable them to obtain liquidity.

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[13] Some scholars have questioned whether the sum of EUR 55 billion will be sufficient in the event of a major crisis. For this reason they have proposed that the ESM should act as a "backstop" to the SRF; i.e. the SEM should be a source of emergency funding. See Willem Pieter De Groen & Daniel Gros, *Estimating the Bridge Financing Needs of the Single Resolution Fund: How expensive is it to resolve a bank?*, CEPS Special Report no. 122, November 2015. See also, Lucas Guttenberg, *Looking for the Silver Bullet*, Jacques Delors Institute Policy Paper, December 2017.

[14] See "What is the Single Resolution Fund?", accessed at https://srb.europa.eu/en/content/single-resolution-fund.

[15] See "The Stabilisation Fund – Does it live up to its name?", Swedish National Audit Office, 10 October 2011, accessed at https://www.riksrevisionen.se/PageFiles/16070/12-0226_RiR_Rapport%202011_26_ENG_Customized.pdf

[16] Ibid.

Table 1: Amount of approved state aid for financial institutions (euro, billion)

	2015	2016
Recapitalisations	18.8	8.5
Impaired assets measures	1.0	0.0
Guarantees	156.4	303.3
Other liquidity measures	0.0	0.0
Total	**176.2**	**311.8**

Source: European Commission (DG Competition)

The following two sections review the main provisions of the BRR directive and SRM regulation. Then the paper examines in more detail the reasoning behind the granting of state aid to banks. The final section will propose amendments for the directive and regulation so that taxpayers' money is more securely protected.

3. The bank recovery and resolution directive[17]

Recital 1 of the directive explains that:
"During the crisis, those challenges were a major factor that forced Member States to save institutions using taxpayers' money. The objective of a credible recovery and resolution framework is to obviate the need for such action to the greatest extent possible." Indeed, one of the purposes of the directive is to prevent to "the greatest extent possible" bailing out of banks with taxpayers' money.

However, taxpayers' money may be needed during crises of confidence when liquidity dries up and banks, without being insolvent, cannot meet obligations arising from their daily operations. That is why recital 2 of the directive clarifies that:
"To avoid failure, with consequences for the overall economy, such a crisis necessitates measures aiming to secure access to funding under equivalent conditions for all credit institutions that are otherwise solvent. Such measures involve liquidity support from central banks and guarantees from Member States for securities issued by solvent credit institutions."

According to recital 5, the new resolution regime and the new powers vested in resolution authorities will aim to:
"ensure that shareholders bear losses first and that creditors bear losses after shareholders … New powers should enable authorities, for example, to … apportion losses in a manner that is fair and predictable. Those objectives should help avoid destabilising financial markets and minimise the costs for taxpayers."

[17] For critical analyses of the BRR directive and the SRM, see:
Emilios Avgouleas & Charles Goodhart, Critical Reflections on Bank Bail-ins, *Journal of Financial Regulation*, 2015 (1), pp. 3–29.
Andreas Dombret & Patrick Kenadjian, *The Bank Recovery and Resolution Directive*, (Boston: Walter de Gruyter, 2013).
Algis Junevièius & Mindaugas Puidokas, The Single Resolution Mechanism of the European Banking Union: its structure and functioning, *International Business and Global Economy,* 2014 (33), pp. 77–88.
Dirk Schoenmaker, Banking supervision and resolution: the European dimension, *Law and Financial Markets Review*, 2012 (1), pp.

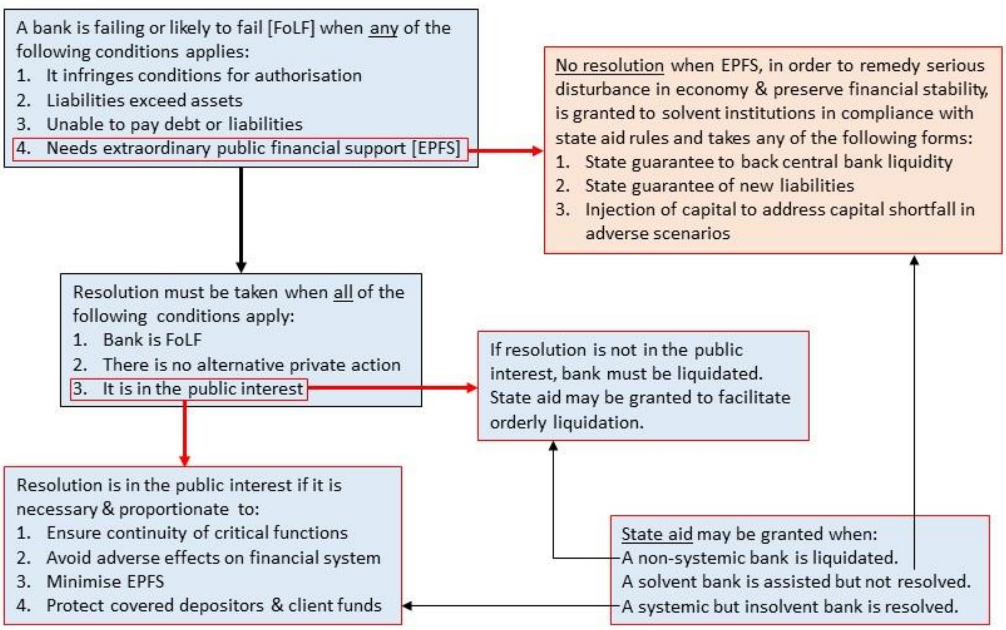
The aim of protecting taxpayers is more explicitly stated in recital 31:
“Recovery and resolution plans should not assume access to extraordinary public financial support or expose taxpayers to the risk of loss.”

But recital 67 appears to dilute the force of recital 31:
“An effective resolution regime should minimise the costs of the resolution of a failing institution borne by the taxpayers.”

“Extraordinary public financial support” [EPFS] is another term for state aid. Article 2(28) defines EPFS as follows:
“‘Extraordinary public financial support’ means 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, would constitute State aid, that is provided in order to preserve or restore the viability, liquidity or solvency of an institution or entity”.

This definition of EPFS captures assistance granted by national resolution funds, assistance granted by the SRF and assistance from other national sources such as taxpayers. By lumping together national resolution funds, the SRF and other state resources under the same category of EPFS, the directive effectively equates resolution resources which are contributed by banks to state resources that primarily come from taxpayers. As will be argued in more detailed below, this lumping undermines one of the objectives of the directive which is to minimise the costs borne by taxpayers. Figure 1 provides an outline of the circumstances in which a bank may be resolved, liquidated, or recapitalised.

Figure 1: Resolution [Articles 31 and 32 of the BRR Directive] and State Aid



Article 31 lays down five objectives for resolution. These are:
- to ensure continuity of critical functions;
- to avoid a significant adverse effect on the financial system;
- “to protect public funds by minimising reliance on extraordinary public financial support”;
- to protect covered depositors;
- to protect client funds and client assets.

Article 32 imposes an obligation on Member States to resolve financial institutions which are failing or likely to fail [FoLF]:
“Member States shall ensure that resolution authorities shall take a resolution action … only if the resolution authority considers that all of the following conditions are met:
(a) the determination that the institution is failing or is likely to fail has been made by the competent authority …
(c) a resolution action is necessary in the public interest pursuant to paragraph 5.”

Paragraph 4 of Article 32 stipulates that:
“An institution shall be deemed to be failing or likely to fail in one or more of the following circumstances:
(a) the institution infringes … the requirements for continuing authorisation …;
(b) the assets of the institution … will, in the near future, be less than its liabilities;
(c) the institution … will, in the near future, be unable to pay its debts or other liabilities as they fall due;
(d) extraordinary public financial support is required except when, in order to remedy a serious disturbance in the economy of a Member State and preserve financial stability, the extraordinary public financial support takes any of the following forms:
(i) a State guarantee to back liquidity facilities provided by central banks …;
(ii) a State guarantee of newly issued liabilities; or
(iii) an injection of own funds or purchase of capital instruments at prices and on terms that do not confer an advantage upon the institution,.
In each of the cases mentioned in points (d)(i), (ii) and (iii) of the first subparagraph, the guarantee or equivalent measures referred to therein shall be confined to solvent institutions and shall be conditional on final approval under the Union State aid framework.”

Paragraph 5 of Article 32 provides that:
“Resolution action shall be treated as in the public interest if it is necessary for the achievement of and is proportionate to one or more of the resolution objectives referred to in Article 31 and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.”

It appears that Article 32(5) implies that the winding up of an institution should not require more state aid than what would be necessary under resolution.

The provisions of the BRR directive quoted above can be summarised as follows:
A bank that is FoLF must be resolved or put into insolvency. A FoLF bank is resolved only when it is in the public interest. Resolution is in the public interest only if the bank has systemic

significance. In this case the purpose of resolution, rather than just closure, is to maintain the vital functions of the bank in order to protect financial stability.

An indicator of failure or likely failure is the need of a bank for EPFS. A bank needs EPFS when it cannot attract private capital. However, the granting of EPFS does not necessarily have to lead to resolution when the recipient bank is solvent. A solvent institution would need EPFS when it has to increase its capital to meet the minimum capital requirements in the case of an adverse scenario. The probability of an adverse scenario is small, but banks need to be prepared for extreme events. A solvent institution may also need a state guarantee to obtain extra liquidity.

The reason why the EPFS is normally needed in the case of adverse scenarios is because private investors are not willing to commit their own funds to cover unlikely but costly events. The same applies to the case of guarantees. This suggests that the directive, in Article 32(4), is wrong in presuming that such EPFS can be granted to a bank without conferring to it "an advantage". If the bank cannot raise capital from private investors or obtain liquidity from the market, then EPFS must necessarily confer an advantage to it in the meaning of Article 107(1) TFEU. Perhaps what the directive should require is that the advantage should not be "undue" or "excessive". Even if the beneficiary bank is not resolved, it still obtains an advantage that constitutes state aid. The EPFS has to comply with state aid rules and requires prior notification to and authorisation by the Commission. Indeed, in a recent decision authorising aid to the Lithuanian Central Credit Union, the Commission observed that "the aid measure does not confer an <u>undue</u> advantage to the LCCU group, i.e. an advantage incompatible with the internal market under State aid rules."[18] [emphasis added]

To conclude this section, state aid or EPFS is allowed in three situations:
1. To assist a systemic and solvent bank.
2. To resolve a systemic but insolvent bank.
3. To liquidate a non-systemic and insolvent bank.

It follows that state aid can be granted to both systemic and non-systemic banks and to both solvent and insolvent banks. Expressed in this way, it becomes obvious that the BRR directive, as well as the SRM regulation as will be seen immediately below, does not insulate taxpayers. It only reduces their burden by bailing in shareholders and creditors.

4. The single resolution mechanism regulation

Similarly to the BRR directive, the regulation on the resolution of financial institutions acknowledges that the intervention of Member States to save their banks has fragmented the internal market. "The different incentives and practices of Member States in the treatment of creditors of banks under resolution and in the bail-out of failing banks with taxpayers' money have an impact on the perceived credit risk, financial soundness and solvency of their banks and thus create an unlevel playing field." [Recital 3]

Recital 73 explains that for the purpose of ensuring the integrity of the internal market, "an effective resolution regime should minimise the costs of the resolution of a failing entity

[18] See Commission Decision of 18 December 2017, SA.48920, on the Lithuanian Central Credit Union, paragraph 52.

borne by the taxpayers. It should also ensure that systemic entities can be resolved without jeopardising financial stability. The bail-in tool achieves that objective by ensuring that shareholders and creditors of the failing entity suffer appropriate losses and bear an appropriate part of the costs arising from the failure of the entity."

Article 8 requires the Single Resolution Board [SRB] to draw up and adopt resolution plans. The SRB is the resolution authority for banks which are considered significant [or in relation to which the ECB has decided to exercise directly all of the relevant supervisory powers] and cross-border groups. Rather intriguingly, the same Article stipulates that:
"The resolution plan shall not assume any of the following:
(a) any extraordinary public financial support besides the use of the Fund established in accordance with Article 67;
(b) any central bank emergency liquidity assistance; or
(c) any central bank liquidity assistance provided under non-standard collateralisation, tenor and interest rate terms."

Article 8 seems to be saying that if a bank needs support, it should come from the SRF, rather than the resources of Member State governments.

Article 14(2) defines the resolution objectives:
"(a) to ensure the continuity of critical functions;
(b) to avoid significant adverse effects on financial stability, in particular by preventing contagion, including to market infrastructures, and by maintaining market discipline;
(c) to protect public funds by minimising reliance on extraordinary public financial support;
(d) to protect [covered] depositors;
(e) to protect client funds and client assets."

Similarly to Article 31 of the BRR directive, Article 14(2) aims to minimise the use of EPFS.

Article 15 which lays down the general principles of resolution defines, among other things, the order of bailing-in. Accordingly,
"The resolution action is taken in accordance with the following principles:
(a) the shareholders of the institution under resolution bear first losses;
(b) creditors of the institution under resolution bear losses after the shareholders in accordance with the order of priority of their claims;
…
(g) no creditor shall incur greater losses than would have been incurred if an entity … had been wound up under normal insolvency proceedings …;
(h) covered deposits are fully protected".

Article 15 does not make a distinction between different classes of shareholders such as private and public investors. As will be seen later on, this means that when a bank that received state aid in the form of a capital injection gets into financial trouble again and has to be resolved, the shareholding of the state will also be bailed-in. In the end, taxpayers money will be lost because the state will lose its shares or because the state will provide EPFS, or both.

The bailing-in of shareholders and creditors is also required by Article 21 according to which capital instruments are written down whenever a bank requires EPFS.

Resolution is initiated whenever a bank is FoLF. According to Article 18, this is deemed to be the case when, similarly to the directive, the bank fails its authorisation obligations, its liabilities exceed its assets, it cannot pay its debt or it needs EPFS "except where, in order to remedy a serious disturbance in the economy of a Member State and preserve financial stability, that extraordinary public financial support takes any of the following forms:
(i) a State guarantee to back liquidity facilities provided by central banks …;
(ii) a State guarantee of newly issued liabilities; or
(iii) an injection of own funds or purchase of capital instruments at prices and on terms that do not confer an advantage upon the entity, …
The guarantee or equivalent measures referred to therein shall be confined to solvent entities and shall be conditional on final approval under the Union State aid framework. Those measures shall be of a precautionary and temporary nature and shall be proportionate to remedy the consequences of the serious disturbance and shall not be used to offset losses that the entity has incurred or is likely to incur in the near future."

If the SRF is used to provide EPFS, then it has to comply with Article 19 and be approved by the Commission. Article 19 imposes the obligation on the SRB to notify the Commission and obtain the prior authorisation of the Commission before any assistance from the SRF is granted.[19]

Article 27 exempts from the bailing-in certain categories of liabilities: covered deposits, secured bonds, and money owed to employees or tax and social security authorities. The SRF can contribute to the resolution only if at least 8% of the liabilities have been covered by shareholders and creditors. Moreover the SRF may not contribute an amount that exceeds 5% of the recipient's liabilities. Only when the threshold of 5% is reached may funding be obtained from other state sources. As has been noted, capital owned by the state is not in the categories of liabilities which are excluded from bailing-in.[20]

5. The existence of loopholes

The "standard" approach: Banco Popular Espanol

In June 2017, the SRB decided that the Spanish Banco Popular had to be resolved as it was FoLF. In the end, Banco Popular was sold to Banco Santander. The latter acquired all deposits and functioning assets of Banco Popular. Given the systemic significance of Banco Popular, the sale was the best means by which to preserve the vital functions of the bank and protect financial stability. It is worth noting that the resolution involved neither assistance from the SRF, nor other aid from the Spanish authorities. Shareholder and creditors were fully bailed-in.[21]

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[19] For a more detailed explanation of the role of the Commission see Ignazio Angeloni, *Crisis management in the banking union: overview and early experience*, Conference on Financing Banking Resolution, European University Institute, Florence, 29 June 2017.
[20] "It is notable that under Article 27, state shareholdings are not exempted from bailing-in." Stated in Nicolas Veron, *Precautionary recapitalisations: time for a review*, European Parliament, July 2017.
[21] See Commission press release IP/17/1556, 7 June 2017.

Precautionary recapitalisation: Monte dei Paschi di Siena[22]
On 4 July 2017, the European Commission announced that it approved state aid to the Italian bank Monte dei Paschi di Siena [MPS]. The bank was both liquid and solvent but stress tests showed that it would need to raise its capital in the case of an adverse scenario. It was decided to recapitalise MPS as a precautionary measure. Despite several attempts, MPS was not able to raise extra capital from private sources. Therefore, MPS requested extraordinary public financial support.

Normally the granting of EPFS triggers resolution. Although MPS was systemic, the SRB concluded that no resolution was necessary because, in line with Article 18 of the SRM regulation, MPS was solvent and the recapitalisation was precautionary. The Commission approved state aid amounting to EUR 5.4 billion. Shareholders and junior bondholders were bailed-in and contributed EUR 4.3 billion [shareholders were wiped out while bonds were converted to equity]. Furthermore, MPS would have to undertake extensive restructuring while the injected public capital would have to be adequately remunerated. Another condition imposed by the Commission in order to grant its approval was that the bank would have to move off its balance sheet more than €26 billion in non-performing loans.

Both Commissioner for Competition Margrethe Vestager and Commissioner Valdis Dombrovskis, responsible for financial stability, lauded the Commission decision for limiting the burden on taxpayers.[23]

It was not the first time MPS received state aid. In 2009 the Italian state granted EUR 1.9 billion in the form of junior bonds.[24] In 2012, Italy injected EUR 3.9 billion again in the form of bonds. These 2012 bonds replaced the 2009 bonds.[25] In addition, Italy provided short-term guarantees amounting to EUR 13 billion.[26] Both the bonds and the guarantees were subscribed and granted, respectively by the Italian Ministry of Economy and Finance.

Liquidation: Banca Popolare di Vicenza and Veneto Banca
At the end of June 2017, Banca Popolare di Vicenza and Veneto Banca were put into liquidation. However, the Italian government, in order to facilitate the liquidation procedure and protect the local economy, granted to the two banks state aid in the form of cash injections amounting to EUR 4.8 billion and guarantees of about EUR 12 billion.

The SRB concluded that resolution action in the public interest was not warranted. The two banks were not systemic as each held about 1% of Italian deposits and loans.

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[22] See also Nicolas Veron, *Precautionary recapitalisations: time for a review*, European Parliament, July 2017.
[23] See Commission press release IP/17/1905, of 4 July 2017.
[24] Approved by the Commission in decision N 648/2008 of 23 December 2008.
[25] Approved by the Commission in decision SA.35137 of 17 December 2012 and by Commission decision SA.36175 of 27 November 2013.
[26] See Commission decision SA.36175 of 27 November 2013, paragraph 33.

However, the Commission approved the state aid on the grounds that the closure of the banks would have a serious impact on the real economy in the regions where they were operating.[27] Nonetheless, the shareholders and subordinated creditors were fully bailed-in.

The two banks had asked for precautionary recapitalisation in March 2017. But because of their high proportion of non-performing loans [37% compared to the Italian average of 18%], and their losses over a period of several years, the Italian authorities decided to place them in bankruptcy proceedings.

The case of these two regional banks is instructive. Non-systemic banks do not have to be resolved. Therefore, they are not eligible for assistance from the SRF. It is then up to the Member States to decide, in compliance with the relevant state aid rules, whether to provide state aid. The aid to the two banks was approved on the basis of Article 107(3)(b) in order to preserve financial stability. Yet, they had been deemed not to be systemic.

The Commission approved the aid on the grounds that it would prevent regional instability. Yet, the case law stipulates that the "serious disturbance in the economy of the Member States" foreseen in Article 107(3)(b) must affect the entire Member State and not only a specific region.[28]

At the time of writing the Commission decision was not yet public so it was not known whether the aid to the two banks was provided by the Italian Ministry of Economy and Finance or whether it was granted by the national resolution fund that was capitalised by contributions from banks themselves.

6. Other banks that have received state aid in the period 2015-2017

The European Commission has approved state aid to banks other than the three Italian banks mentioned in the previous section without triggering their resolution or liquidation. In all of these cases, the Commission also examined whether the aid was compatible with the requirements of the BRRD and/or the SRMR. We note the following cases as examples.

Lithuanian Central Credit Union [SA.48920]:
The LCCU received about EUR 9 million of new capital to meet increased own-fund requirements. It was deemed to be solvent. The aid was found by the Commission to be compatible with the internal market on the basis of Article 107(3)(b) because it would prevent financial instability. Yet, the LCCU was very small. It had fewer than 150,000 members who represented just 5% of the Lithuanian population and its assets were only 1% of the total assets of Lithuanian financial institutions.

This case, like the cases of the two regional Italian banks in the previous section, raises the question whether there is a difference between systemically important banks and banks which without being systemically important can disturb financial stability.

[27] See Commission decision SA.45664 of 25 June 2017. See also Commission press release IP/17/1791 of 25 June 2017.
[28] See T-143/96, Freistaat Sachsen and Volkswagen AG v Commission, paragraph 167.

It appears that the Commission, when using its state aid powers, considers that aid can prevent financial instability even when the recipient banks are not systemically significant. Moreover, the Commission may interpret the "remedying of a serious disturbance" differently from "preserving financial stability". The former may mean resolving an existing problem, while the latter may mean preventing a new problem. Perhaps even a small bank can contribute to resolving a problem, at least partially, even if it cannot preserve financial stability. But then, the benchmark defined by the BRRD and SRMR is much higher than that of Article 107(3)(b). Accordingly, the Commission should not be authorising aid to any systemically insignificant banks.

Polish bank guarantee scheme [SA.48227]:
The Commission stated in paragraph 38 of its decision that "the criteria of the guarantee scheme ensure that the institutions benefitting from it will not be deemed failing or likely to fail on the sole basis of their participation in the scheme. If the criteria did not ensure that outcome, the guarantee scheme could not be deemed appropriate since it would not be apt to remedy the serious disturbance in the Polish economy."

This statement needs to be de-constructed because the granting of state aid implies that the recipient bank is failing or likely to fail unless the aid is intended for precautionary recapitalisation of systemic banks. Therefore, we must infer that the guarantees were to be granted only to solvent banks for liquidity purposes and that the aid was necessary to prevent financial instability.

Similar measures have been approved in the following schemes: SA.47168: Portuguese guarantee scheme; SA.47082: Italian bank guarantee scheme; SA.45629: Greek financial support measures.

The Commission also used the same approach in its assessment of aid to individual banks. See for example, SA.47081: Liquidity support to Monte dei Paschi di Siena ; SA.46558: Liquidity support to Attica Bank.

7. Assessment and proposals

The BRR directive and the SRM regulation provide for two exceptions to the principle that a request for state aid or EPFS must lead to either resolution or liquidation: precautionary recapitalisation or liquidity support.

The review of the BRR directive, SRM regulation and recent Commission practice, in sections 3, 4, 5 and 6, has shown that state aid has in fact been granted for the following three purposes: precautionary recapitalisation, liquidity support or liquidation aid.

With respect to precautionary recapitalisation, EFPS may be granted to an otherwise solvent bank. The directive and regulation allow recapitalised banks to bypass national resolution funds and the SRF, respectively, and go directly to the state for assistance because strictly speaking they are not resolved.

But the consequence is that taxpayers bear the burden of recapitalisation. Indeed, the Chair of the SRB, Elke König, observed in September 2017 that "the resolution of Banco Popular proved the new system effective, whereas the outcomes for the three Italian banks highlighted the need for further harmonisation, in particular concerning the regulation's objective of breaking the link between public finances and bank losses."[29]

There appears no compelling reason why precautionary recapitalisation should not be financed out of national resolution funds or the SRF, all of which are capitalised with contributions from banks themselves. The only two objections we can detect are the absorbing capacity of the resolution funds and moral hazard.

As was shown in Table 1, the state aid that was granted in 2015 and 2016 was EUR 176 billion and EUR 312 billion, respectively. These numbers appear to dwarf the capacity of resolution funds. However, those were the underwritten guaranteed amounts. The real capital that is needed to back up those guarantees is unlikely to be more than EUR 20-30 billion. This is not an impossible amount and can also be raised through cross-border pooling of resolution funds, something already envisioned by the BRR directive.

Pooling of resources always raises the moral hazard problem. This is particularly pertinent to the SRF. Indeed, the SRF is perceived to be a risk-sharing mechanism. In practice, the SRF may prove more helpful to Member States with banks that have a higher proportion of non-performing loans. This form of risk-sharing is certainly not palatable to all Member States.

The counter-argument is that the moral hazard is ameliorated by the fact that the shareholders and creditors of a bank that taps into the SRF will be bailed-in. This is the price that the bank will have to pay for accessing the SRF or for receiving any form of EPFS. In addition, as shown by the example of MPS, such a bank will be forced to remove the non-performing loans from its balance sheet at a loss. Although there will be a certain amount of risk-sharing which is the unavoidable consequence of pooling resources, it will not be perpetuated as solvent banks shed their non-performing loans and failing banks are eventually resolved or closed down.

Some Member States object to risk-sharing on the grounds that the flows of financial assistance are not matched with increased control over the recipients of that assistance. But, recapitalisation by the SRF means that the SRF will become a shareholder and therefore it will be able to exercise control over the assisted bank. Alternatively, if some Member States continue to object to reform of the SRM regulation, precautionary recapitalisation may be carried out by national resolution funds.

With respect to the granting of guarantees for liquidity support, resolution is not triggered whenever, under Article 32(4)iii of the BRRD or Article 18(4)iii of the SRMR, the beneficiary banks are considered to be solvent. There is quite a number of such cases, some of which were cited above in section 6. Public guarantees, regardless of whether they are called or not, represent liabilities for the state. Such liabilities could in principle be transferred to the

[29] Elke König, *Takeaways from the first application of the EU's crisis management fra*mework, The Eurofi Financial Forum, Tallinn, 13-15 September 2017.

resolution funds. However, resolution funds are not sufficiently capitalised to make any such guarantee credible, meaning the state will have to remain the ultimate guarantor.

With respect to failing banks which have no systemic significance, if their liquidation does not impact on the economy at large, it is not in the public interest to resolve them in order to maintain their vital functions and protect financial stability. In this case, banks are placed in bankruptcy proceedings. But as demonstrated by the example of the two Italian regional banks, even when they are closed down banks may need state aid. If taxpayers are not to be burdened with aid to bankrupt banks, the BRR directive and the SRM regulation need to be reformed so that they prioritise assistance from resolution funds in all situations and before any support is provided by the state. Although in the context of EU state aid rules, the resources of the national resolution funds are also counted as state resources because they come under the control of public authorities, obviously they do not burden taxpayers as the resolution funds are capitalised with contributions from the banks themselves.

In addition to the arguments outlined above, there is another reason why there is a need for reform to make it more difficult for banks to access public funds. This reason concerns state shareholdings that are bailed-in when troubled banks are bailed-out. There is no mention in the academic literature or in official documents of the possibility state shareholdings can also be bailed-in of. Nor is there any consideration of how the bailing-in of state shareholdings may burden taxpayers. The reviews of the BRR directive and the SRM regulation in sections 3 and 4, respectively, showed that neither the directive, nor the regulation make any distinction between private and state shareholders. However, recent empirical research has shown that market operators do take into account the perceived willingness of governments to intervene and the ease with which the bail-in can be implemented.[30] It would not be surprising if when state shareholdings have to bailed-in [i.e. state-owned banks receive EPFS], investors believe that resolution can be smoother because governments that are ready to pump in fresh money may be less concerned about losing their already invested capital.

The possibility that state shareholdings are bailed-in has arisen from the fact that some of the banks that were bailed-out with injections of public capital in the initial stages of the financial crisis have subsequently needed further public support. The Banking Communication, adopted by the Commission in mid-2013, requires compliance with the so-called "burden sharing" principle. This is equivalent to the demand for the bailing-in of shareholders and creditors in the BRR directive and SRM regulation.

For example, on 21 December 2015, the Commission approved state aid amounting to EUR 2.25 billion for the resolution of the Portuguese Banco Internacional do Funchal [Banif].[31] However, Banif's troubles began several years earlier. Indeed in 2013, the Commission had approved recapitalisation aid of EUR 1.1 billion. The state became the largest shareholder. Margrethe Vestager, Commissioner in charge of competition policy, said in December 2015: "Banks cannot be artificially kept in the market using taxpayer money. Banif had already

[30] See A. Schäfer et al, Bail-In Expectations for European Banks: Actions Speak Louder than Words, *CEPR Discussion Paper* 11061, January 2016.
[31] See Commission decision SA.43977 concerning the resolution of Banco Internacional do Funchal.

received significant state aid but could not become viable again on its own."[32] One could not agree more with the Commissioner. The Commission decision required burden sharing and, consequently, the state was also bailed-in.

This is not the only example of the state being bailed-in. On 16 December 2015, the Commission approved state aid involved in the resolution of Magyar Kereskedelmi Bank Zrt. ("MKB Bank").[33] Earlier, on 30 September 2014, the Hungarian state had become the full owner of MKB Bank, having acquired the shares from Bayerische Landesbank. The state aid in question related to the transfer of assets from the bank to a resolution asset management vehicle (the "RAMV") at a price that differed from the market value of the assets. As part of the resolution, the state shareholding was wiped out. The RAMV, as the entity granting the state aid, became the sole shareholder of MKB Bank.

There have also been instances where state shareholdings, in the form of preference shares, were bailed-in. In July 2009, under the Greek Bank Support Scheme, the Greek state recapitalised Panellinia Bank by granting 28.3 million in state aid in return for preference shares.[34] Subsequently, on 10 April 2015, the Commission was notified of the resolution of the Panellinia Bank. The critical activities of Panellinia Bank were to be transferred to Piraeus Bank. However, equity and preference shares were not transferred to Piraeus Bank but remained in Panellinia Bank, the remainder of which was to be liquidated. The Commission considered it unlikely that the shareholders would receive proceeds from the liquidation as the Resolution Fund had a large priority claim ahead of the other creditors.

Another case where preference shares were bailed-in was during the restructuring of the National Bank of Greece. As part of a recapitalisation measure, the Greek State granted preference shares worth EUR 350 million in 2009, and another EUR 1 billion in preference shares in 2011.[35] However, as part of a measure amending a 2014 restructuring plan, the Greek state committed to convert any remaining subordinated debt and hybrid capital into common equity, thereby resulting in the preference shares being bailed-in.[36] According to a note released by Moody's, 71% of the preference shares were bailed-in, resulting in a loss of EUR 959 million.[37]

The Commission's 2013 Banking Communication exempts shareholders from sharing the burden of bailing-out a bank only when financial stability is threatened or when the cost to shareholders is disproportionately large.[38] To date, there is no case of exemption from burden

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[32] See Commission press release IP/15/6380 of 21 December 2015: State aid: Commission approves additional aid up to €3 billion for the resolution of Portuguese bank Banif and asset sale to Banco Santander.
[33] See Commission decision SA.40441 concerning the Restructuring of Magyar Kereskedelmi Bank Zrt.
[34] See Commission decision SA.41503 Resolution of Panellinia Bank through a transfer order to Piraeus Bank
[35] See Commission decision SA.36007, Paragraph 95.
[36] See Commission decision SA.43365, Paragraph 64.
[37] See N. Nicolaides, *State Support to National Bank of Greece Triggers a Bail-in of Security Holdouts and Preference Shares*, Issuer Comment, Moody's Investor Service, 14 December 2015. It can be accessed at: https://www.moodys.com/research/State-Support-to-National-Bank-of-Greece-Triggers-a-Bail-Issuer-Comment--PBC_186632
[38] See European Commission, *Communication on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis ('Banking Communication')*, OJ C216, 30/7/2013. It can be accessed at:

sharing on the grounds that it may threaten financial stability. And only in just two cases has the Commission recognised that bailing-in would result in disproportionate results.

The first case concerned the recapitalisation of Greece's Eurobank. The Commission concluded that mandatory bailing-in before the bank attempted to raise capital from private sources could lead to a disproportionate burden for creditors.[39] In reality, this case was not about sparing creditors from an excessively large loss but about the timing of possible bail-in.

The second case concerned the granting of a very small amount of aid to Spain's Banco CEISS. Here the Commission concluded that no burden sharing was required because the bank had already committed to limiting the remuneration of managers and shareholders.[40]

The rarity of exemptions from burden sharing or bailing-in demonstrates that the Commission's standard approach in its authorisation of state aid is to demand that, if necessary, shareholders are wiped out. For banks that have already received public money, the requirement for burden sharing is rather a misnomer. The state acting in its capacity as a shareholder pays a price for the benefit of receiving aid granted by itself acting in its capacity as a public authority. In economic terms there is certainly a difference between the loss of one euro's worth of bank shares and spending one euro of new money on the same bank. If it were the same, then such a bank would not have difficulty attracting private investors. But, legally, the loss of a state-held asset is equivalent to paying money out of the public budget. It makes no difference whether the state forgoes one euro or pays one euro. In these cases, there are two possible solutions to protecting taxpayers' money.

The first solution is to bail-in all private shareholders before state shareholdings are adjusted. The second solution is again to prioritise contributions by national resolution funds / SRF before state shareholdings are reduced or wiped out and new public money is granted. Both the BRR directive and the SRM regulation will have to be revised accordingly.

A possible counter-argument to the proposals outlined in the previous paragraph is that the state should be treated similarly to any other shareholder. This counter-argument, however, suffers from a major weakness. The reason why EU rules now require burden sharing or bail-in is to prevent "moral hazard". In other words, they aim to discourage private investors from taking on excessive risk. If there were no burden sharing, private investors would always win. If their gamble would work out, then they would keep the profits. If it would not, then they would be bailed-out by the state. Since, under the current rules bad investments wipe out the value of shares held by investors in banks, these investors must be very careful and show due diligence.

But when Member States were bailing-out banks, they were not looking to make a profit. They were acting in their capacity as public authorities seeking to minimise the impact of the crisis on private shareholdings and to avoid dramatic falls in the value of assets that would have pushed their economies deeper into recession. Certainly, they were not acting as private investors then and, therefore, they should not be treated as private investors today.

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http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52013XC0730(01)

[39] See Commission decision 2014/885, paragraph 400, published in OJ L357, 12/12/2014.

[40] See Commission decision SA.36249, paragraph 102, of 12/3/2014.

In summary, the main points of our proposal are as follows. First, private shareholders and creditors should be bailed-in before the public shareholders. Second, the SRF and the national resolution funds should contribute before the public shareholders are bailed-in. Third, fresh state aid should be committed only after private shareholders are wiped out, the SRF and national resolution funds reach the maximum of their possible contribution and then only after the public shareholdings are wiped out. In other words, state aid should be the fourth option.

8. Conclusions

One of the main objectives of the new rules and institutions that have been established since 2013 to counter the financial crisis is to sever the link between bank debt and sovereign debt. The directive on bank recovery and resolution and the regulation on the Single Resolution Mechanism refer to public funds at national level and at European level as “extraordinary public financial support”. The use of the word “extraordinary” is not accidental. It is intended to signify that banks can no longer rely on the government to bail them out and that they need to compete on a level playing field regardless of where they are located in Europe and the willingness of the government to commit public money.

This paper has examined whether indeed the link between banks and sovereigns has been severed and whether taxpayers no longer have to bear the financial burden of the restructuring of banks, liquidity support for banks or the closure of banks. Although it is now very rare for shareholders and creditors to escape from being bailed-in, taxpayers’ money is still used in the following situations:

- An otherwise solvent bank is recapitalised as a precautionary measure, partly with the help of state aid. In this case, resolution is not triggered and, therefore, neither national resolution funds nor the SRF make a contribution.
- An otherwise solvent bank needs liquidity. State guarantees do not trigger resolution.
- A non-systemic bank is liquidated. In this case, state aid may be used to facilitate the closure of the bank.
- A state-owned bank is either recapitalised or liquidated. The state shareholding is partly or fully wiped out.

In all these situations taxpayers contribute fresh money in the form of capital injections and guarantees, or lose money either to cover liabilities of liquidated banks or to contribute to the bailing-in of shareholders.

The paper has proposed revision of the BRR directive and SRM regulation to protect taxpayers’ money by prioritising contributions by the national resolution funds or the SRF before state aid and by using as much as possible private shareholdings before public shareholdings.

Annex

Table 2: Recapitalisations (euro, billion)

Member State	2015	2016	Total, 2008-2016
Belgium	0.0	0.0	**23.3**
Bulgaria	0.0	0.0	**0.0**
Czech Republic	0.0	0.0	**0.0**
Denmark	0.0	0.0	**14.6**
Germany	0.0	0.0	**114.6**
Estonia	0.0	0.0	**0.0**
Ireland	0.8	0.8	**92.4**
Greece	10.6	0.0	**59.6**
Spain	0.0	0.0	**174.3**
France	0.0	0.0	**29.2**
Croatia	0.0	0.0	**0.0**
Italy	3.8	0.0	**25.8**
Cyprus	0.2	0.0	**3.5**
Latvia	0.0	0.0	**0.8**
Lithuania	0.0	0.0	**0.8**
Luxembourg	0.0	0.0	**2.5**
Hungary	0.0	0.0	**1.1**
Malta	0.0	0.0	**0.0**
Netherlands	0.0	0.0	**39.8**
Austria	0.0	0.0	**40.1**
Poland	0.8	7.7	**43.2**
Portugal	2.6	0.0	**34.8**
Romania	0.0	0.0	**0.0**
Slovenia	0.0	0.0	**4.5**
Slovakia	0.0	0.0	**0.7**
Finland	0.0	0.0	**4.0**
Sweden	0.0	0.0	**5.0**
UK	0.0	0.0	**114.6**
Total	**18.8**	**8.5**	**829.4**

Source: European Commission (DG Competition)

Table 3: Impaired assets (euro, billion)

Member State	2015	2016	Total, 2008-2016
Belgium	0.0	0.0	**28.2**
Bulgaria	0.0	0.0	**0.0**
Czech Republic	0.0	0.0	**0.0**
Denmark	0.0	0.0	**2.3**
Germany	0.0	0.0	**82.8**
Estonia	0.0	0.0	**0.0**
Ireland	0.0	0.0	**57.2**
Greece	0.0	0.0	**0.0**
Spain	0.0	0.0	**139.9**
France	0.0	0.0	**4.7**
Croatia	0.0	0.0	**0.0**
Italy	0.4	0.0	**0.4**
Cyprus	0.0	0.0	**0.0**
Latvia	0.0	0.0	**0.5**
Lithuania	0.0	0.0	**0.6**
Luxembourg	0.0	0.0	**0.0**
Hungary	0.1	0.0	**0.1**
Malta	0.0	0.0	**0.0**
Netherlands	0.0	0.0	**30.6**
Austria	0.0	0.0	**0.6**
Poland	0.0	0.0	**0.0**
Portugal	0.4	0.0	**4.4**
Romania	0.0	0.0	**0.0**
Slovenia	0.1	0.0	**3.8**
Slovakia	0.0	0.0	**0.0**
Finland	0.0	0.0	**0.0**
Sweden	0.0	0.0	**0.0**
UK	0.0	0.0	**248.1**
Total	**1.0**	**0.0**	**604.3**

Source: European Commission (DG Competition)

Table 4: Guarantees (euro, billion)

Member State	2015	2016	Maximum, 2008-2016
Belgium	0.0	0.0	275.8
Bulgaria	0.0	0.0	0.0
Czech Republic	0.0	0.0	0.0
Denmark	0.0	0.0	580.0
Germany	0.0	0.0	447.8
Estonia	0.0	0.0	0.0
Ireland	0.0	0.0	376.0
Greece	93.0	93.4	93.4
Spain	0.0	0.0	200.0
France	0.0	0.0	319.8
Croatia	0.0	0.0	0.0
Italy	0.0	150.0	150.0
Cyprus	6.0	6.0	6.0
Latvia	0.0	0.0	5.1
Lithuania	0.0	0.0	0.3
Luxembourg	0.0	0.0	4.5
Hungary	0.0	0.0	5.4
Malta	0.0	0.0	0.0
Netherlands	0.0	0.0	200.0
Austria	0.0	0.0	75.0
Poland	29.3	29.3	29.3
Portugal	28.2	24.7	28.2
Romania	0.0	0.0	0.0
Slovenia	0.0	0.0	12.0
Slovakia	0.0	0.0	2.8
Finland	0.0	0.0	50.0
Sweden	0.0	0.0	156.0
UK	0.0	0.0	364.5
Total	**156.4**	**303.3**	**3,381.6**

Source: European Commission (DG Competition)