



EUROPEAN COMMISSION

PRESS RELEASE

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State aid: Commission approves liquidity support scheme for Bulgarian banks

The European Commission approved on 29 June 2014 a liquidity support scheme for Bulgarian banks as being compatible with EU state aid rules. In its assessment, it concluded that the state aid implied by the liquidity measure is proportionate and commensurate with the need to ensure sufficient liquidity in the banking sector in the particular circumstances.

Commission Vice-President in charge of competition policy, Joaquín Almunia, in charge of competition policy welcomed this measure to stabilise the Bulgarian banking system.

On 29 June 2014, Bulgaria asked the Commission to authorise the provision of a credit line of 3.3 bn BGN to be provided by Bulgaria to the banking system in order to respond to speculative attacks that occurred over the past week.

The scheme provides the necessary and proportionate liquidity in the wake of external, non-bank related events. Last week, it transpired that certain individuals have been targeting Corporate Commercial Bank and First Investment Bank, urging customers to withdraw their deposits. This created concerns about the liquidity of the banks in question and risked spilling over to some other institutions, despite the fact that the Bulgarian banking system is well capitalised and has high levels of liquidity compared to its peers in other Member States. For precautionary reasons, Bulgaria has taken this measure to further increase the liquidity and safeguard its financial system.

Background

Initially, on Friday, 20 June 2014, a bank run forced the Bulgarian authorities to temporarily close the Corporate Commercial Bank, which is now undergoing an Asset Quality Review. However, as the attacks on the banking system continued, in the following days a bank run took place on First Investment Bank, triggered by electronic media messages. Some of the individuals involved have been arrested over the weekend. First Investment Bank paid out a significant amount to depositors before closing temporarily in the early afternoon of Friday 27 June to replenish the liquidity in the branches and ATMs.

In order to reassure depositors and confirm its commitment to the banking system, the Bulgarian authorities decided to provide the banking sector with the necessary liquidity. This scheme was notified to the Commission in the course of the weekend and subsequently approved. It is understood that the First Investment Bank will be provided with ample liquidity under the scheme to ensure that its ability to reopen on 30 June. The Commission is in close contact with the Bulgarian authorities to monitor the situation.

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