


Para 114 - the coverage of the state guarantee for a loan

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Article	114 - State guarantee for a loan
Key words	Guarantee, state guarantee, loan
Member State	BG
Question	<p><i>In relation to the Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees, we would like to receive a clarification on the type of costs that a state guarantee for a loan could cover under the state aid rules. So far we assume it could only cover the principal and interest, but in practice there are many other costs like taxes, legal fees, charges that go along with the borrowing and the implementation of the guarantee agreements.</i></p> <p><i>Are all costs related to a loan when granting a state guarantee eligible under the state aid rules?</i></p>
Creation Date	2019.03.13
COMP Reply	<p>The Guarantee Notice provides guidance on public guarantees not entailing State aid and on the quantification of the aid element in guarantees containing State aid. Assuming your question is about the costs that should be included when calculating the market guarantee premium, as a general principle, the guarantee premium is considered to be in line with market practice when it makes the guarantee self-financing, covering the normal risk associated with the guarantee, the administrative and capital costs.</p> <p>If, however, your question is about the costs that should be included when quantifying the aid element in the guarantee, as explained in the Guarantee Notice, the aid is the difference between the guarantee premium effectively charged (if any) and the market premium, the calculation of the latter shall include all the costs elements explained above. For the aid to be compatible, the conditions depend on specific rules, but there is no general limitation for the aid to cover only the loan principal and the interest.</p> <p><i>Disclaimer: This reply does not represent a formal and definite position of the European Commission but is only an informal guidance provided by the services of DG Competition to facilitate the application of the GBER. It is therefore not binding and cannot create legal certainty or legitimate expectations.</i></p>

COMP Reply date	2019.05.07
COMP Responsible	<input checked="" type="checkbox"/> COMPsupport ESTATE-AID-WIKI

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