

Communiqué on the Austrian measures for financial market stability

Vienna (OTS) - Alfred Gusenbauer, Federal Chancellor of Austria, and Wilhelm Molterer, Vice Chancellor and Minister of Finance, issue the following statement regarding the Austrian package of measures for financial market stability:

There is no immediate need for intervention in the Austrian financial system. However, due to international developments, it is necessary to provide security for savers and stability for the country as a business location.

Based on yesterday's resolutions at the Summit of the Euro Area Countries and on the resolutions of the Austrian Cabinet of October 8, 2008, in which measures relating to the current developments on the international financial markets have already been adopted, Austria has devised a comprehensive and sustainable package of measures for the protection of savers and for the strengthening of banks. The resolutions shall now be implemented immediately, in a concrete legislative plan.

The central aspects of the Austrian package of measures encompass instruments for provision of the necessary liquidity for the financial sector, preparation for possible equity-strengthening measures for banks, retroactive safeguarding of individuals' deposits from October 1, as well as prohibition of speculative short selling of securities.

Instruments for provision of the necessary liquidity for the financial sector:

The objective of the *Interbankmarktstärkungsgesetz* (Act on the Strengthening of the Interbank Market) is to re-invigorate the interbank market, which at present is only functioning to a limited extent. To this end, the banks will establish a dedicated organisation to act as a "clearing house", via which they will transact their business and in which the insurance companies can also participate.

Alongside appropriate equity capitalisation, the Federal Government shall accept liability for this organisation, so as to ensure that it cannot be afflicted by any bad debt losses itself. The "clearing house" forwards the acquired funds to those banks which exhibit a need for liquidity, and in return it receives appropriate collateral. In order for the clearing house to be able to issue bonds so as to create liquidity itself, the Federal Government can attach a guarantee to these loans. Federal guarantees are also provided for, so as to facilitate the issuing of securities on the part of credit institutions.

Equity-strengthening measures for banks

The *Finanzmarktstabilitätsgesetz* (Financial Market Stability Act) enables the Federal Minister of Finance to inject equity capital by way of participation in capital increases. In principle, the proposed legislation envisages the use of all forms of permissible equity capital measures for this purpose. The provision of equity capital can be coupled with appropriate conditions, and for special cases, in the interests of the relevant institution, intervention into the ownership structure can also occur. The flexibility of the legal framework conditions also makes it possible to include individual measures of a state-owned organisation (for example, a subsidiary to be founded by the OIAG, Austria's investment and privatisation agency). Furthermore, the legislation provides for Federal Government holdings associated with the measures described above to be transferred to private owners again once the measures have achieved their objective and when the capital market situation allows it.

Safeguarding of individuals' deposits

Individuals' deposits shall be guaranteed in full, taking effect as of October 1, 2008. This benefits savers, secures trust in the Austrian banks and prevents location-specific disadvantages in comparison with other countries, particularly with Germany.

Prohibition of speculative short selling of securities

In times of crisis, large-scale speculative short selling of securities can have an additional negative effect on the development of stock exchanges and companies. Therefore, by means of an amendment to the *Börsegesetz* (Stock Exchange Act), the FMA is to be enabled to enact corresponding prohibitions as required and to sanction violations to the greatest possible extent.

The Cabinet has resolved that the parliamentary implementation should be initiated immediately.