

## State aid: Commission approves aid for market exit of Banca Popolare di Vicenza and Veneto Banca under Italian insolvency law, involving sale of some parts to Intesa Sanpaolo

This announcement follows the [declaration by the European Central Bank \(ECB\)](#), in its capacity as supervisory authority, of 23 June 2017 that Banca Popolare di Vicenza (BPVI) and Veneto Banca were failing or likely to fail and the [decisions by the Single Resolution Board \(SRB\)](#), the competent resolution authority, that resolution action is not warranted in the public interest in either case. EU law foresees that, in such circumstances, national insolvency rules apply and it is for the responsible national authorities to wind up the institution under national insolvency law. In this context, if Member States consider public support necessary to mitigate the effects of a bank's market exit, EU State aid rules apply, in particular [the 2013 Banking Communication](#), requiring that shareholders and subordinated bondholders fully contribute to the costs (so-called "burden-sharing") and competition distortions are limited. Senior bondholders do not have to contribute and depositors remain fully protected in line with EU rules.

Commissioner in charge of competition policy, Margrethe **Vestager**, said: *"Italy considers that State aid is necessary to avoid an economic disturbance in the Veneto region as a result of the liquidation of BPVI and Veneto Banca, who are exiting the market after a long period of serious financial difficulties. The Commission decision allows Italy to take measures to facilitate the liquidation of the two banks: Italy will support the sale and integration of some activities and the transfer of employees to Intesa Sanpaolo. Shareholders and junior creditors have fully contributed, reducing the costs to the Italian State, whilst depositors remain fully protected. These measures will also remove €18 billion in non-performing loans from the Italian banking sector and contribute to its consolidation."*

The SRB has concluded that resolution action is not warranted in the public interest for either BPVI or Veneto Banca, which means that Italian authorities have to wind-down the banks under Italian national insolvency procedures. In this context, Italy has determined that the winding up of these banks has a serious impact on the real economy in the regions where they are most active. Outside the European banking resolution framework, EU rules foresee a possibility for Italy to seek Commission approval for the use of national funds to facilitate the liquidation by mitigating such regional economic effects. As the aided banks exit the market there should be no distortion of competition in European banking markets.

On 24 June 2017, Italy notified to the Commission its plans to grant State aid to wind-down BPVI and Veneto Banca. The measures will enable the sale of

parts of the two banks' activities to Intesa, including the transfer of employees. Italy selected Intesa Sanpaolo (Intesa) as the buyer in an open, fair and transparent sales procedure: The measures will also enable the wind down of the remaining liquidation mass, financed by loans provided by Intesa.

In particular, the Italian State will grant the following measures:

- **Cash injections** of about €4.785 billion; and
- **State guarantees** of a maximum of about €12 billion, notably on Intesa's financing of the liquidation mass. The State guarantees would be called upon notably, if the liquidation mass is insufficient to pay back Intesa for its financing of the liquidation mass.

Both guarantees and cash injections are backed up by the Italian State's senior claims on the assets in the liquidation mass. Correspondingly, the net costs to the Italian State will be **much lower than the nominal amounts of the measures provided**.

The Commission found these measures to be in line with EU State aid rules, in particular [the 2013 Banking Communication](#). Existing shareholders and subordinated debt holders have fully contributed to the costs, reducing the cost of the intervention for the Italian State. Both aid recipients, BPVI and Banca Veneto, will be wound up in an orderly fashion and exit the market, while the transferred activities will be restructured and significantly downsized by Intesa, which in combination will limit distortions of competition arising from the aid.

The subsequent deep integration by Intesa will return the sold parts to viability. The Commission also confirmed that the measures do not constitute aid to Intesa, because it was selected after an open, fair and transparent sales process, fully managed by Italian authorities, ensuring that the activities were sold at the best offer available.

## **Background**

**Banca Popolare di Vicenza** is a small Italian commercial bank, located in the Veneto Region, which mainly operates in the north-eastern regions of Italy. As of 31 December 2016, Banca Popolare di Vicenza had around 500 branches and a market share in Italy of around 1% in terms of deposits and around 1.5% in terms of loans. As of December 2016 the bank had total assets of slightly below €35 billion.

**Veneto Banca** is a small Italian commercial bank, located in the Veneto Region, which mainly operates in the North of the country. As of 31 December 2016, Veneto Banca had around 400 branches and a market share in Italy of around 1% in terms of deposits and in terms of loans. As of December 2016 the bank had €28 billion of total assets.

In March 2017, BPVI and Veneto Banca made requests to the Italian State for a

“precautionary recapitalisation” to address their capital shortfalls, which were then subject to discussion between the Commission and the Italian authorities. The EU banking framework [\[1\]](#) foresees that this exceptional possibility is subject to strict conditions, including that the State support is temporary and cannot be used to offset losses that the bank has incurred or is likely to incur in the future. A bank that is declared as failing or likely to fail by the ECB is not eligible for a precautionary recapitalisation.

Both BPVI and Veneto Banca have a very high amount of non-performing loans (37% compared to Italian average of 18%) and high operating costs. They have been loss-making for a number of years. The 2014 ECB comprehensive assessment identified capital shortfalls, following which the two banks were put under monitoring by the ECB. In 2016, the Atlante fund invested approximately €3.5 billion in BPVI and Veneto Banca. However, the financial position of the two banks deteriorated further in 2017, and the measures were insufficient to overcome the long-lasting structural problems. Furthermore, BPVI and Veneto Banca have not yet completed the process of adjusting their balance sheet to the requirements of the BRRD, which are aimed among other things at limiting the impact of resolution or orderly liquidation on the economy.

As a result of their financial difficulties, over the last two years, the banks suffered from continuous outflow of deposits (between June 2015 and March 2017 the banks lost 44% of their deposit base). To stabilise the liquidity situation, Italy requested liquidity support measures in the form of State guarantees, amounting to about €10 billion, approved by the Commission in [January 2017](#) and [April 2017](#).

## **Procedural Background**

Under EU rules, a failing bank should in principle be liquidated under normal insolvency proceedings, except in cases where the SRB considers that there is a public interest in placing the institution under resolution because liquidation under normal insolvency proceedings might jeopardise financial stability, interrupt the provision of critical functions, and affect the protection of depositors (see recital 45 of the BRRD).

If in the context of such national insolvency proceedings, Member States consider public support necessary to mitigate the effects of a bank’s market exit, EU State aid rules apply, in particular [the 2013 Banking Communication](#). These rules are temporary crisis rules, based on an exceptional rule of the Treaty on the Functioning of the European Union, Article 107(3)(b).

The non-confidential version of the decision will be made available under the case number SA.45664 in the [State Aid Register](#) on the [competition](#) website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).

[\[1\]](#) Within the Banking Union, “EU banking framework” refers to the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR).

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# State aid: How the EU rules apply to banks with a capital shortfall – Factsheet

## **1. How can banks address capital shortfalls in line with EU state-aid rules?**

If a bank needs capital, it does not necessarily mean that it is failing or about to fail. There may be a number of options for banks to address their capital shortfall without triggering resolution and in line with EU state aid rules. Whether an option is available in a specific case depends in particular on the bank's financial position, the market interest, decisions by the Member State concerned as well as by responsible supervisory and resolution authorities

a) A bank can raise capital on the market or from other **private sources**. This falls outside the scope of the EU bank resolution framework and state aid control.

For example, in February 2017, shareholders of the Italian bank UniCredit approved a recapitalisation of €13 billion from private sources.

b) A Member State can decide to intervene **in line with market conditions**. This also falls outside the scope of the EU bank resolution framework and state aid control. A state intervention is in line with market conditions if a private economic investor would carry it out on the same terms.

For example, the Portuguese recapitalisation of the fully state-owned bank [Caixa Geral de Depósitos](#) in March 2017 was carried out on market terms and therefore did not involve state aid in favour of the bank.

c) The EU bank resolution framework<sup>[1]</sup> also foresees the exceptional possibility of a **precautionary recapitalisation**, which allows the use of public funding subject to strict conditions and in compliance with state-aid rules. For example, in 2015 the Commission approved Greece's precautionary recapitalisation of two Greek banks, [Piraeus Bank](#) and [National Bank of Greece](#), under EU rules. The Commission has also reached an agreement in principle with Italian authorities to enable a precautionary recapitalisation of Italian Monte dei Paschi di Siena [in June 2017](#).

(See more details under *Question 2*.)

However, the responsible supervisor, i.e. the **European Central Bank** (ECB) in the Banking Union, will declare a bank failing or likely to fail when it infringes or is likely to either i) infringe the requirements for continuing authorisation, ii) when the assets of the bank are or are likely in the near future to be less than its liabilities, iii) when the bank is or is likely in

the near future to be unable to pay its debts as they fall due, or iv) when the bank needs public support unless special conditions are met such as for precautionary recapitalisation (Article 32(4) of the BRRD).

If the ECB declares a bank failing or likely to fail, the responsible resolution authority, i.e. the Single Resolution Board (SRB) in the Banking Union has to decide whether it is in the public interest to put the bank into **resolution** via the Single Resolution Mechanism (for example, the resolution of the Spanish [Banco Popular](#) in June 2017), or whether a bank **could be wound down under national insolvency law** (for example, the liquidation of Italian Banco Popolare di Vicenza and Banca Veneta in June 2017 and Italian Banca Romagna [in July 2015](#)). Here, resolution should be the exception to the rule of national insolvency and the question of whether there is a public interest in applying that exception will be determined by the SRB with respect to the question whether certain resolution objectives set out in Banking Union rules can be fulfilled better in resolution than in national insolvency.

(See more details under *Question 3*.)

## **2. What are the conditions of a precautionary recapitalisation?**

For banks that are solvent and not failing or likely to fail, the BRRD contains the possibility of providing State aid. This is called *precautionary recapitalisation*. It is subject to strict conditions under the EU banking framework, respectively, to ensure that the aid is indeed provided on a precautionary basis, and conditional on final approval under EU State rules.

The EU banking framework requires that State aid in this context can only be granted as a precaution (to prepare for possible capital needs of a bank that would materialise if economic conditions were to worsen significantly) and is therefore reserved for banks that are solvent and not failing or likely to fail. The option of precautionary recapitalisations for solvent banks under the EU banking framework was agreed between co-legislators in the European Parliament and the Council to have strict conditions.

The main conditions for a **precautionary recapitalisation** are:

1. the ECB needs to declare that the bank is **solvent**;
2. the State support shall not be used to **offset losses that the institution has incurred or is likely to incur in the future**,
3. the State support is **temporary** (i.e. the State should be able to recover the aid in the short to medium term), and
4. the State support has received **final approval under EU State aid rules**.

In particular, the State aid crisis rules on banking (2013 Banking Communication) require that:

1. the use of taxpayer money is limited through appropriate burden-sharing measures (shareholders and subordinated debt holders contribute). Depositors and senior creditors are not required to contribute under State aid rules,
2. a credible and effective restructuring plan to ensure the bank is viable in the long-term without further need for State support,
3. distortions of competition are limited through proportionate remedies.

### ***3. What happens if a bank is failing / likely to fail?***

If the responsible supervisor declares a bank **failing or likely to fail**, it is for the responsible resolution authority to decide whether it is in the **public interest** to put a bank into resolution.

#### *Resolution under the Single Resolution Mechanism*

In the Banking Union, if the SRB considers that it is in the public interest, based on the resolution objectives, the bank is **put into resolution** in line with the Single Resolution Mechanism Regulation (SRMR).

Resolution measures taken by the SRB require a resolution decision by the Commission under the SRMR.

The SRMR requires that the bank's losses will have to be covered by the bail-in of shareholders and creditors (at least 8% of the bank's liabilities) before the Single Resolution Fund can be accessed. This may also require bailing-in senior debt and, where necessary, uncovered deposits.

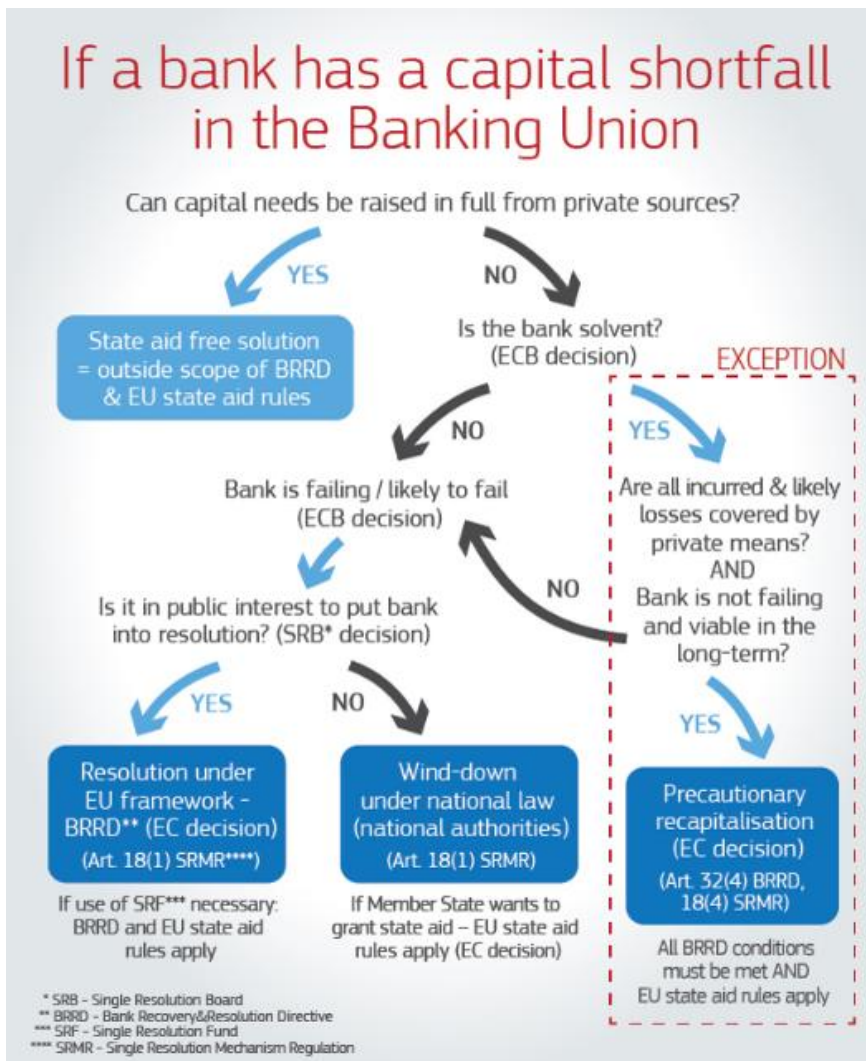
If the Single Resolution Fund is used, the Commission will also have to make an assessment to authorise its use under EU State aid rules (just as it would for interventions of National Resolution Funds of Member States that do not participate in the Banking Union).

#### *National insolvency law*

If the SRB considers that resolution action is not warranted in the public interest, EU law stipulates that the bank is **wound down in line with national insolvency law**. It is the responsibility of the national authorities to apply national insolvency law.

If the Member State considers it necessary to grant State aid in the context of such national insolvency proceedings, it has to notify such measures to the Commission under EU State aid rules. Burden-sharing requirements apply,

i.e. shareholders and holders of subordinated instruments have to contribute in full to the cost of the measures. Depositors and senior creditors are not required to contribute.



#### 4. Why do EU rules allow state aid to banks in liquidation?

While the winding up of smaller banks may not affect the European financial system, their market exit may still have effects in the regions where such banks are most active. Therefore, outside the European banking resolution framework, it is for Member States to decide whether they consider a bank exit to have a serious impact on the regional economy, e.g. on the financing of small and medium enterprises in the regional economy, and whether they wish to use national funds to mitigate these effects. EU state aid rules, in particular the [2013 Banking Communication](#), foresee this possibility, subject, amongst other things, to burden-sharing rules and clear commitments that the entities effectively exit the market to ensure that competition distortions are minimised.

#### 5. What are the conditions that need to be met for state aid to banks in liquidation to be approved?

It is the responsibility of the national authorities to apply national insolvency law and to decide, where a possibility for a sale of the bank's

activities is foreseen in the law, whether to make use of it. Should the national authorities envisage to grant public support to such an operation under insolvency law, EU State aid rules require that the cost be reduced by a **sales process that is competitive, open and fair**, to make sure that the activities are sold to the best bid available so that there is no aid to the buyer. They also require burden-sharing of shareholders and junior creditors.

Winding up a failing bank protects the healthy competitors in the market; therefore if a Member State would deem State aid necessary to facilitate the liquidation of a bank by a sale of assets and liabilities, these activities should be restructured and downsized by the buyer to ensure that distortions to competition from the aid are limited.

## ***6. What is the role of the Commission and other institutions?***

The European Commission does not supervise banks or take decisions on how to recapitalise banks. In the Banking Union, this is the role of responsible national authorities and/or the ECB and the SRB. The Commission applies EU rules in a consistent and equal manner, irrespective of the Member States and the banks involved. In applying EU rules, the Commission's objective is to ensure fair competition between banks in the EU's Single Market.

In the Banking Union:

- Whether a bank is in need of regulatory capital, is the assessment of the ECB. Such an assessment may be made on the basis of an asset quality review and/or a stress test.
- Whether a bank is failing or likely to fail is the decision of the ECB and the SRB.
- If a bank is declared failing or likely to fail, it is the decision of the SRB whether resolution action is warranted in the public interest, or whether a failing bank can be put into insolvency proceedings.
- In case the SRB considers it to be in the public interest, it will then put the bank in resolution and determine the resolution strategy and the tools according to the resolution objectives. It is also for the SRB to decide whether the use of the Single Resolution Fund (SRF) is necessary.
- The Commission has to endorse the SRB's resolution scheme under EU banking resolution framework, and in case the SRF is accessed, the Commission needs to authorise it under EU State aid rules.
- In case a failing bank is put into insolvency under national rules, this proceeds according to the national legal order.



- Whenever aid is notified by the competent authorities in any of these circumstances, the Commission's mandate is to verify that the planned state intervention comply with EU rules, in particular the SRMR / [BRRD](#) and EU state aid rules.

Outside the Banking Union the same rules apply but are enforced by national counterparts.

### **7. What about retail investors who were mis-sold?**

Retail investors should be adequately informed about potential risks when they decide to invest in a financial instrument (as required under the EU Markets in Financial Instruments Directive ([MiFID 1](#)) and implemented into national law). If a bank fails to do so, in principle, the responsibility of addressing the consequences of mis-selling lies with the bank itself. Such compensation is an entirely separate consideration to burden-sharing under EU State aid rules.

There are different ways to allow retail investors who have been mis-sold to be compensated. This is a decision for the responsible national authorities and/or the bank to take.

In situations where banks that have mis-sold financial instruments have left the market, it is up to Member States to decide whether to take exceptional measures to address social consequences of mis-selling as a matter of social policy. This falls outside the remit of State Aid rules.

For example, Italy set up a scheme to compensate retail investors who were victims of mis-selling of junior bonds by four Italian banks that were resolved in November 2015 (Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara and Cassa di Risparmio della Provincia di Chieti).

### **8. How did EU rules for state aid to banks evolve?**

The applicable EU rules were updated a number of times, in consultation with all EU Member States and the European Parliament, to adapt to the evolution of the financial crisis and reflect the lessons learnt. The rules in force on State aid to banks are based on an exceptional rule of the Treaty, 107(3)(b). As set out in point 93 of the 2013 Banking Communication, the Commission will review the Communication as deemed appropriate, in particular so as to cater for changes in market conditions or in the regulatory environment which may affect the rules it sets out.

Depending on when Member States choose to address problems of their banks and to come forward with solutions to restore their viability, different rules might apply:

**The period between 13 October 2008 and 31 July 2013** – Throughout 2008 and 2009, the Commission adopted a comprehensive framework for state aid to the financial sector during the crisis. This included the [2008 Banking Communication](#) and different Communications with specific guidance on

recapitalisations, impaired assets and bank restructuring. They were prolonged in 2010 and 2011. Given the great uncertainty about the banks' problems in the early stages of the financial crisis and the need for quick action, the Commission allowed "**rescue aid**". This means that state aid could be approved on a temporary basis. Member States had to submit a restructuring plan for banks receiving rescue aid within six months for final approval by the Commission.

**From 1 August 2013** – The Commission adopted a [new Banking Communication](#) (see [Memo](#), full text [here](#)), which is **in force today**. It replaces the 2008 Banking Communication and supplements the specific guidance on recapitalisations, impaired assets and bank restructuring. In consultation with the Member States, these rules introduced a **more effective restructuring process** for aided banks and **strengthened burden-sharing requirements**, asking shareholders and subordinated debtholders to contribute before aid could be granted. As Member States should be able to anticipate the problems of banks better, state aid can no longer be approved on a temporary basis but only on the basis of an agreed restructuring plan and after all private capital-raising measures have been exhausted.

**From 1 January 2015** – The [Bank Resolution and Recovery Directive](#) entered into force as part of the EU's [Banking Union](#). This Directive introduced the default option for failing banks to go into normal insolvency proceedings. Only if the resolution authority decides that it is in the public interest to do so, can a bank be resolved in line with the Bank Resolution and Recovery Directive. The Bank Resolution and Recovery Directive also required that state aid to failing banks notified to the Commission after 1 January 2015 can only be granted if the bank is put into resolution. The only exception is a so-called "precautionary recapitalisation", allowing state aid outside of resolution in narrowly defined circumstances. EU State aid rules continue to apply in full in parallel.

**From 1 January 2016** – The **bail-in requirements** for banks in resolution under the [Bank Resolution and Recovery Directive](#) entered into force in all Member States that had not already implemented them in 2015. This means that in resolution contributions from the Single Resolution Fund can only be made after a bail-in of at least 8% of the bank's total liabilities. This may also require converting senior debt and uncovered deposits. Any contribution of the Fund is subject to a State Aid Decision by the Commission. EU State aid rules continue to apply in full in parallel.

Under the new rules, the resolution process is managed by a resolution authority – national or the Single Resolution Board for the euro area countries.

[\[1\]](#) Within the Banking Union, "EU banking framework" refers to the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR).

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# 2017年6月26日 星期四 六月二十六日

On the International Day in Support of Victims of Torture we call once again to stop torture in all its form and to respond the plight of all those that have been exposed to this terrible and inhumane practice, and of their families and loved ones. Our thoughts also go to all those who engage tirelessly in combatting torture, raising awareness and caring for its victims, sometimes putting their own safety and lives at risk. Listening to the victims of torture makes us understand better how to fight it.

Torture is unequivocally prohibited under international law, under all circumstances and without exceptions. Still the fight to eradicate it is far from won. The EU's firm commitment to fight torture and ill-treatment wherever it occurs is enshrined in the Charter of Fundamental Rights and reconfirmed and outlined in the EU Action Plan on Human Rights and Democracy of 2015-2019. To achieve this objective, the EU is actively building coalitions with partners and civil society. Only Last December we marked Human Rights Day organizing the 2016 EU-NGO Human Rights Forum with a focus on preventing, prohibiting, and redressing torture globally.

Fighting torture is not only about raising awareness, it is about effective action. The EU continues to work towards promoting victims' right to rehabilitation and to other means of redress; introducing safeguards at all stages of deprivation of freedom, opening up all places where people are detained for monitoring; investigating allegations of torture effectively and independently and bringing perpetrators to justice. The European Instrument for Democracy and Human Rights (EIDHR) is a leading source of funding for rehabilitation of victims and the prevention of torture worldwide. In 2017, it will finance several new civil society projects devoted to the fight against torture and ill-treatment for an overall amount of EUR 13.5 million.

Today, we also want to express the EU support for the work done by the UN Voluntary Fund for Victims of Torture, by the UN Special Rapporteur and the Council of Europe's Committee for the Prevention of Torture and urge partners to contribute to their work. The EU promotes the objective of the Convention against Torture Initiative to achieve global ratification and implementation of the UN Convention against torture by 2024, aiming at the full eradication of torture.

It's our conviction that respect for fundamental freedoms and rights, promotion of inclusive societies and support to open and vibrant civil societies is the only way to guarantee sustainable stability and security. The EU will continue to work together with our international and regional partners to make torture a thing of the past and to be at the forefront of the global and united efforts to eradicate torture.

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## بيان صادر عن الممثلة العليا فيديريكا موغريني باسم الاتحاد الأوروبي

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# Remarks at St Mark Coptic Orthodox Church

PRIME MINISTER:

Thank you so much. Your Graces, Bishop Daniel and Paula. Reverend fathers and members of the congregation. Thank you so much for inviting Lucy and me to attend your mass this morning in this beautiful church.

We're here together in this Coptic church, nearly 2,000 years of continuity to the time when the apostle Mark – who of course was born just to the west of Egypt in Cyrene – returned to Egypt and founded the church in Egypt, the Coptic Church.

Mark's gospel begins with a passage from Isaiah, which prophesied the coming of John the Baptist. But I wonder whether the apostle, when he wrote his gospel, was he thinking also of another passage of Isaiah which foretold the coming of the church and the message of the Lord and the altar of the Lord, being established in the land of Egypt.

Surely nearly two millennia of history, an unbroken chain of Popes of the Coptic Church in Alexandria, that unbroken chain, says something very powerful. In the face of so much persecution and so much adversity, it says something very powerful not simply about the spirit and the indomitability of the Coptic people, but of the power of the Holy Spirit, reaching across all those years, maintaining your faith and that of your fathers and mothers, grandfathers and grandmothers before you over all that time, in the Word of the Lord.

So thank you so much for inviting us here today. I am, as you know, joined with Lucy of course and we are delighted to be here with you. With our colleagues, our parliamentary colleagues Alex Hawke, who has come with his wife Amelia and his children Jack and Lachlan. We are after all, the Party of family values. We have lots of babies in the Coalition at the moment so we're practicing what we preach. And of course, the babies of the next generation. Lucy and I are now at the grandparent stage of our lives. But it's wonderful also to be joined by Craig Laundry and David Coleman and Craig Kelly. John thank you very much for your generous appreciation and work with the Government. In particular, the work of immigration and I'll pass on to Peter Dutton the kind words you had about him.

Let me say to you my friends, that we in Australia are the most successful multicultural society in the world. We are.

And you could not imagine modern Australia in all its diversity and magnificence, without you. What you have done, what your families have done, the commitment you've made – respecting our values, freedom, democracy, the

rule of law, mutual respect – there is the foundation. That mutual respect is the foundation of the harmony we enjoy in Australia, in a world where regrettably, as we see, particularly in the Middle East where there is so little harmony and so much intolerance.

One of the greatest tragedies of our times has been the persecution of Christians right through the Middle East. It is a devastating tragedy to see the persecution of Churches that were founded by the apostles, by men who knew Jesus, men who had walked with Jesus, worked with Jesus. His apostles foundations, these Churches, the most ancient in the world, as Bishop Daniel described, these have been threatened. And I am delighted to hear from Bishop Paula, how strongly President el-Sisi is standing up to defend the Coptics and standing up for the unity of Egypt, defying the Islamist scourge that is seeking to destroy Christianity in the Middle East. But also, is a disease within Islam itself.

We mustn't mince words here. We have to be very clear-eyed about this. As President el-Sisi and I have discussed this matter directly – and I'll come to your requests in a moment your Grace, your Grace – I've discussed these matters with President el-Sisi and he has called it out for what it is. These terrorists, these people are blasphemers and heretics. They seek to destroy their own religion as they seek to destroy others.

They must be resisted, defied and destroyed. That is my commitment and the commitment of my Government. My friends, we stand with you to defy the terrorists.

You know, you have within your own history and the experience of many of you, all of your families, you have a reminder of how important mutual respect and multiculturalism is. In every respect. The most successful cities in the Mediterranean – Alexandria, Istanbul, Constantinople, Smyrna of course – were all cities that at their height, when they were greatest, were thoroughly multicultural. Diversity brings strength. A diverse society, a multicultural society, is a powerful society, because all of us are enriched by the experience, by the insight, by the culture of everybody else. That is the genius of a successful multicultural society. So much of that has been lost in Egypt. So much of that has been lost especially in other parts of the Eastern Mediterranean.

So what we have in Australia is precious. We can never be complacent about it. We live in a world where you see communities that have lived together with relative harmony for hundreds of years, that apparently no longer can do so. It is extraordinary in the 21st century, you would have to say that looking across the whole world, there is less tolerance than there was before. You would think with all of our sophisticated scientific advancement, we could have also made more progress in terms of our social interactions.

But Australia is different. We are stronger because we are diverse. We are stronger because we maintain that mutual respect. That is why we make no apologies for reinforcing the fundamental values of Australia and of Australian citizenship.

We say that what we have done here is something of which we can all be proud.

We say what we have created here is a remarkable nation.

We say it is founded on Australian values which are right. They are good. They are eternal. They are strong and they are fundamentally committed to freedom, the rule of the law, democracy, mutual respect, the equality of men and women.

We all believe in that, and we say those who seek to come here and to be citizens in our country, should subscribe to those values as well. Because they're ours and they're right. That is our commitment.

Now as we have heard, we've heard today, and it is a sad tale, over the past six months, these Islamist terrorists in Egypt have targeted your community. Late last year Islamic State in Egypt claimed responsibility for the attack on St Mark Coptic Cathedral in Cairo. 27 worshippers were killed. Earlier this year, they drove 250 Coptics from north Sinai after ISIL threatened to kill them. In April as the Bishop described, ISIL attacked his church, your Grace's church in Tanta and another in Alexandria, killing over 50 people. Of course, on the 26th of May, the ISIL terrorists attacked a convoy of Coptic Christians travelling to the monastery of Saint Samuel in Minya, killing nearly 30. Now I have written to his Holiness, Pope Tawadros II and offered the condolences of the Australian people, reaffirmed to him as I have to Bishop Daniel and I do again today, to this community, that Australia is united with the Coptic Christian community and all Egyptians and the President el-Sisi in the fight against these Islamist terrorists. They must be stopped.

Now I want to touch on the requests from the Bishop. As you know, I'm very attentive to requests from Bishops. Firstly, I look forward to joining you all during the course of Pope Tawadros' visit to Australia later this year.

As you know the numbers are tight in the Federal Parliament so we'll have to make sure that I'm there for votes, but we seem to be winning a few votes in the Parliament at the moment. Well, we win most of them actually, naturally, but often by very tight margins, so all of us have to be there. But we'll certainly look forward to seeing the Pope.

Now as to your second request, it has already been granted!

I had a very good discussion with President Sisi in China recently at an international gathering, the G20 in fact, and we discussed all of these issues and many others. I encouraged him, invited him to come to Australia and he's encouraged me to visit Egypt as well. So that would be good, if both could be achieved. But certainly we would look forward to President Sisi coming to Australia.

Can I say just on that subject of leadership, ISIL Islamist terrorists – and of course there are other Al-Qaeda ... – but as you know, these are people that the vast majority of Muslims regard as blasphemers. In fact many leading Muslim leaders around the world have said to me: "They're not Muslims at all.

They are so vile, they are such terrorists, they're blasphemers." Our best allies in the battle to defeat ISIS are Muslim leaders of courage, who are prepared to stand up and defy them. To say that Islam is a religion that is compatible with democracy and moderation. That is what President Joko Widodo says in Indonesia. That is what President Sisi says in Egypt. Those leaders, moderate leaders of a moderate tradition, are vital allies in the war to defeat ISIL. Because it threatens, it seeks to destroy Islam, and undermine Islam, at the same time as it seeks to destroy other religions and of course, in particular in the Middle East, in this shocking, terrible tragedy, of the assault on the most ancient Christian churches in the world.

So I'm heartened to hear from Bishop Paula how strongly he your community sir, your Grace, is working with the President, with the government of Egypt, the armed forces of Egypt, in solidarity to defeat these terrorists.

Now you've noted the hard work of our ambassador in Egypt and you've thanked Julie Bishop as well for the great work that she and her Department have done. But I want to note, as you know I believe already, that in light of the recent terrorist attacks our Assistant Minister for Immigration and Border Protection Alex Hawke is now reviewing all of the protection applications by Coptic Christians that have been refused on administrative appeal, to ensure that our immigration decisions reflect the current situation in Egypt.

Since 2013, more than 550 protection visas have been granted to Coptic Christians fleeing persecution. We are, as the Bishop acknowledged, working with the Church in Egypt to assist with the victims of the Palm Sunday attacks which occurred earlier in the year.

Now our commitment is to keep Australians safe. That is the first duty of every Government. It is the first duty of my Government. We have been unrelenting in our support for our security and intelligence agencies, in our support for our Australian Defence Force. We have provided them with the legislation that they need to keep us safe.

We've change our laws and we do not take a set and forget approach. I want to assure you of this; yes, our agencies are the best in the world. Yes, our laws are the world's best. In fact many other countries and other leaders are seeking to emulate what we've done. For example we changed the law very recently so that if a person is in jail on a terrorist charge and they're getting to the end of their sentence, and it's clear that they remain a threat to the community, in the sense that they remain an extremist, then they will be kept in jail after the end of their sentence. They will not be let out. This post-sentence detention is a tough law, there's no question about that. But it gives you an indication of the determination we have to keep you and every other Australian safe from terrorism.

We've taken the same approach with parole and bail. You would have seen recently in a meeting with the Premiers, I secured their agreement to there being a presumption against giving parole or bail to anybody who is seeking it who has a connection with, or a history of advocacy for or support for terrorism. We've given the largest single commitment, over \$300 million of additional funding to the Australian Federal Police, to enable them to have



the capabilities to keeping us secure in the fight against terrorism.

And of course, we've given our Defence Forces who are fighting in the Middle East, supporting the Coalition forces to destroy ISIL both in Iraq and Syria, the legal means to target terrorists and destroy them, whatever they're doing – whether they're holding a gun, or working in a back office.

So we are absolutely determined to keep you safe.

Now let me say in conclusion, again, thank you for inviting us here today. As John described, I have an interest, I do, I have a great interest in the history of the early Church and particularly in the history of Alexandria. So this is just a joy for me to be here. I'm fascinated with the way in which the Greek alphabet was adapted and expanded a little bit to be used to write the Coptic language. Coptic is – again we talked about nearly 2,000 years of continuity from the visit of Mark to where he established the Church and the Coptic language of course, its continuity, is many thousands of years going right back to the time of the Pharaohs.

So you've blessed us today. Thank you for that your Graces. But this has been a great blessing, a very moving occasion for Lucy and me to be here and our parliamentary colleagues and I should acknowledge Mr Atalla from the state parliament. It's good to be with you sir. Truly, we are the greatest multicultural society in the world. We would not be that great multicultural society without your contribution and that of many other groups who come from different parts of the world, all melding together, integrating, uniting.

Why are we uniting? Because we share the same values. Our values do not discriminate between religion, race, the colour of your skin or ethnicity. They are eternal, universal human values. They are ours. I know that you, and we, all of us, 24 million Australians are united in defending them, defeating the Islamist terrorists that seek to undermine them and defeat us.

We will defeat them.

We will stand with you. We will stand, 24 million Australians, determined forever to be free.

Thank you so much.

[ENDS]