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9 July 2012

Eurogroup Statement on the follow-up of the 29 June Euro Summit

In line with the Euro Summit statement of 26 October 2011, the Eurogroup will prepare the Euro Summit meetings and ensure their follow-up. In doing so, as is presently the case, it will deliver on its role to ensure ever closer coordination of economic policies and to promote enhanced economic and fiscal surveillance as well as financial stability in the euro area.

We reaffirm our strong commitment to do whatever is necessary to ensure the financial stability of the euro area, in particular through the flexible and efficient use of existing EFSF/ESM instruments for Member States respecting their Country Specific Recommendations and their other commitments including their respective timelines, under the European Semester, the Stability and Growth Pact and the Macroeconomic Imbalances Procedure.

As an immediate follow-up, the ECB and EFSF have today signed a technical agency agreement, creating the possibility of an efficient conduct of market operations by the EFSF. As soon as the ESM has been established, a similar agreement will be concluded between the ECB and ESM. In addition, the Eurogroup has politically endorsed the ESM investment policy guideline. By the time of the entry into force of the ESM treaty and the formal approval by the ESM governing bodies, all ESM instruments will be fully operational so that their effectiveness and efficiency would be ensured.

The Eurogroup has today reached a political understanding on the draft MoU underlying the financial assistance for the recapitalisation of financial institutions for Spain, to be provided via the EFSF until the ESM becomes available and then transferred to the ESM without gaining seniority status. The Eurogroup envisages providing the final approval of the programme by 20 July, after national procedures have been completed. The Eurogroup supports the recently adopted Commission recommendation to extend the deadline for the correction of the excessive deficit in Spain by one year to 2014.

The Commission, in liaison with the ECB, and the IMF are currently conducting its seventh review of the Irish adjustment programme, in the context of which discussions will be held on technical solutions to improve the sustainability of the well-performing adjustment programme. The Eurogroup will consider the issue again at its meeting in September. Similar cases will be treated equally, taking into account changed circumstances.

The Eurogroup has requested the Troika to work together with the Portuguese authorities during the fifth review mission that will start on 28 August so as to ensure that the adjustment process remains on track.

The Eurogroup took note that a fully-fledged programme is expected to be negotiated with the Cypriot authorities.

The Eurogroup welcomes the Commission's intention to present proposals in early September, notably on the basis of article 127(6) TFEU, for a single supervisory mechanism involving the ECB. We expect the Council to consider these proposals as a matter of urgency by the end of 2012.

In order to break the vicious circle between banks and sovereigns, technical discussions on the future ESM direct bank recapitalisation instrument will also start in September so that the ESM could, following a regular decision, have the possibility to recapitalise banks directly once an effective single supervisory mechanism is established.