...to reduce country's debt through bond buyback

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BY JAMES KANTER

They meet yet again. And once more, the agenda will be dominated by a looming deadline on the unfinished business of Greece.

Euro zone finance ministers are to gather in Brussels on Monday for their fourth meeting in four weeks. Last week, they hashed out a plan under which Greece can try to unlock a long-overdue bailout loan installment. The country needs the money desperately to avoid bankruptcy, to pay wages and pensions and to carry out economic overhauls demanded by its international creditors.

The finance ministers are expected to vet Greece's planned response to a central provision of that plan: a buyback of some of the Greek bonds held by investors, at a discount, as a way to reduce its staggering debt load.

Greece has until Dec. 13 to make that happen, if it hopes to receive its next round of bailout money.

With the Greek economy continuing to fall, the meeting of finance mi...

Euro officials set to huddle on Greece as clock ticks

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In a sign that at least some investors are eager to sell back their Greek bonds, if the price is right, some big hedge funds have been accumulating the bonds on the open market.

Those funds, including Third Point and Brevan Howard, are betting that to make the buyback succeed — so Athens can get its next loan installment — the Greek government will have to meet their price demands. On the open market, the bonds in question are trading at about 30 cents on the euro — in other words, about 30 percent of their face value. The most aggressive hedge funds are insisting that they will not sell for less than 35 cents on the euro.

That raises a risk that investors will push the price up to a point at which it does not make economic sense for Greece to complete the buyback.

"There is a limited amount of money to do this," Mr. Stournaras said in an interview Saturday. "But in the end, I do think it will be successful."

To seal the debt overhaul deal last week, after three late-night, marathon meetings in three weeks, Christine Lagarde, managing director of the I.M.F., had to fight to persuade reluctant finance ministers like Wolfgang Schäuble of Germany. She argued that Greece was sinking so far that without immediate relief, it might never repay its loans.

Mr. Schäuble declined to go along with a relief plan until a way was found to avoid the politically unpalatable step of forgiving Greece's loans. Besides the debt buyback, the revamped plan included extending the payback dates for some of the debt held by other euro zone governments. Central banks in countries that use the euro also agreed to return to Greece any profits made on Greek bonds purchased by the E.C.B.

On Friday, the German Parliament approved the new relief plan by a wide margin, a sign of continuing fears about the future of the euro zone if Greece defaults. But the approval carried a political cost for the German chancellor, Angela Merkel, as nearly two dozen legislators in her own Christian Democrat party voted against the measure.

Greek debt stands at about 175 percent of the country's gross domestic product and is expected to rise to 190 percent next year. In 2014, it could climb as high as 200 percent. The deal struck last week, including the buyback, is aimed at reducing debt to 124 percent of G.D.P. by the end of the decade.

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Much of the attention at the Monday meeting will focus on Mr. Stournaras, the Greek finance minister, who is expected to make a detailed presentation to the group after announcing buyback plans earlier in the day in Athens.

Officials have not said how much debt must be retired for the buyback to be considered successful. But Greece could "help bolster the takeup of the scheme" by offering investors prices that depend on the bond being sold, BNP Paribas, the large French bank, wrote in a briefing note Friday. The buyback could reduce Greek debt about €20 billion, or $26 billion, the bank added.

Because the Monday session is the finance ministers' regular monthly meeting, Greece is not the only topic on the agenda. The group will also discuss plans to recapitalize Cypriot banks, possibly within weeks, making Cyprus the fourth euro zone country to be bailed out, after Greece, Ireland and Portugal.

Ministers are still waiting for an assessment from a consultant, the investment company Pimco, to determine Cyprus's overall financing needs.

If the bailout target turns out to be about €17.5 billion, as is widely expected, it would be about equivalent to the entire G.D.P. of Cyprus, raising serious concerns about how the country would ever be able to pay the money back. The uncertainty could leave ministers wrangling with the I.M.F. over the bailout package for several more weeks.

On Tuesday, finance ministers from the European Union's 10 noneuro states will join the meeting. The goal at that point will be to overcome sharp disagreements among members about the mission of the single banking regulator for the European Union that is supposed to be set up under the aegis of the central bank.

Establishing the new regulator is intended to be the first step in the creation of a European banking union to improve financial oversight and reduce the financial risks of banks across Europe, rather than continuing to let individual nations and their taxpayers shoulder the burden of propping up troubled institutions.

Most of the emergency aid under discussion for Greece and Cyprus would be used to bolster their banks' capital.

But governments are still at loggerheads about how many banks the more unified system would cover, when it should take effect and how to balance the interests of banks inside and outside the euro zone.

The central bank said last week that the European Union should start phasing in the new system by Jan. 1.