

# European Stability Mechanism (ESM) is inaugurated

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Press releases

EFSF

Luxembourg - The inaugural meeting of the Board of Governors of the European Stability Mechanism (ESM), comprising the euro area Finance Ministers, was held in Luxembourg on 8 October 2012. Jean-Claude Juncker, President of the Eurogroup and Chairman of the Board of Governors of the ESM, said: "I am delighted to announce that the ESM has been formally inaugurated today. The euro area is now equipped with a permanent and effective firewall, which is a crucial component in our comprehensive strategy to ensure financial stability in the euro area." He added: "The ESM itself will certainly be regarded as a reassuring presence within and outside the euro area."

Klaus Regling, Managing Director of the ESM said: "I welcome the inauguration of the ESM as a milestone in the process of creating a sustainable framework for financial stability in the euro area. With a robust and transparent capital structure and a variety of financial assistance instruments, the ESM stands ready to fulfil its mission and to provide assistance to Member States subject to appropriate conditionality. ESM staff, thanks to the experience gained by working for the EFSF, are fully prepared to take on the tasks assigned to it by the euro area Member States."

## **About ESM**

The European Stability Mechanism (ESM) is an inter-governmental institution which was inaugurated on 8 October 2012. Its mandate is to preserve financial stability of Europe's Economic and Monetary Union by providing financial assistance to euro area Member States in difficulty. In order to fulfil its mission, the ESM is authorised to issue bonds or other debt instruments on the market to raise funds needed to

provide loans to countries in financial difficulties, intervene in the debt primary and secondary markets, act on the basis of a precautionary programme and finance recapitalisations of financial institutions through loans to governments including in non-programme countries. All financial assistance to Member States is linked to appropriate conditionality.

The shareholders of the ESM are the 17 euro area Member States. It has a total subscribed capital of €700 billion which comprises €80 billion in paid-in capital and €620 billion in committed callable capital. The ESM's effective lending capacity is €500 billion.

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