EFSF places €3 billion bond in support of Portugal

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Press releases
EFSF

Luxembourg - Following parliamentary approval by Slovakia, the amendments to the EFSF's Framework Agreement have now been ratified by all 17 Member States. EFSF stands ready to implement its new scope of activity once it has received the amendment confirmations by all euro area Member States in writing. Klaus Regling, CEO of EFSF commented, "after the successful completion of all political approval procedures the EFSF and its Board will finalise quickly all necessary guidelines and procedures to be able to use the new instruments in the near future."

The new EFSF will have an effective lending capacity of €440 billion through guarantee commitments from euro area Member States of €780 billion including an over-guarantee of up to 165%. Relying solely on guarantees, a cash reserve and a loan specific cash buffer will no longer be required as credit enhancement.

The amendments to the EFSF, based on unanimity, also include the authorisation to use the following instruments linked to appropriate conditionality:

- Intervene in the debt primary and secondary markets. Intervention in the secondary market will be only on the basis of an ECB analysis recognising the existence of exceptional financial market circumstances and risks to financial stability
- act on the basis of a precautionary programme
- finance recapitalisations of financial institutions through loans to governments including in non-programme countries

The technical details regarding the new EFSF instruments are currently being finalised and will be announced in due time. EFSF would use the new tools only upon request of a euro area Member State.

Regarding the discussion about potential leveraging of the EFSF, Christophe Frankel, Chief Financial Officer of EFSF commented, “any decision to use EFSF’s capacity more efficiently will not lead to an increase in guarantee commitments from the Member States and there will therefore be no consequence on the EFSF’s triple A credit rating”.

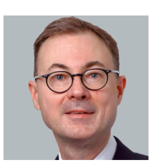
Under the new structure EFSF is planning to issue one benchmark bond for Ireland for €3 billion before year end. Ireland was granted financial assistance on 28 November 2010, the terms and conditions of the financial assistance package were agreed by the Eurogroup and the EU’s Council of Economics and Finance Ministers. The issues initially scheduled in Q4, 2011 in support of Portugal’s financial assistance programme could now be issued in early 2012. Details will be disclosed in due time.

In addition, the EFSF stands ready to implement decisions that are expected to be taken later this month on the second Greek adjustment programme.

About EFSF

The European Financial Stability Facility (EFSF) was incorporated in Luxembourg on 7 June 2010. Its objective is to preserve financial stability of Europe’s Economic and Monetary Union. EFSF is part of the European financial stability package. Its funds are combined with loans of up to €60 billion coming from the European Financial Stabilisation Mechanism (EFSM), i.e. funds raised by the European Commission and guaranteed by the EU budget, and up to €250 billion from the International Monetary Fund (IMF). Any financial assistance by EFSF, EFSM and IMF to a country in need is linked to appropriate conditionality.

Contacts



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