EFSF becomes fully operational

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Press releases
EFSF

Luxembourg, 04 August 2010. Italy today transmitted officially its commitment confirmation of providing guarantees under the agreement of the European Financial Stability Facility (EFSF). The guarantee commitments of the euro area Member States to the EFSF now represent in aggregate more than 90% of the total amount. This implies that the obligation of the euro area Member States to issue guarantees under this agreement enters into force today and becomes immediately binding. As laid out in the EFSF framework agreement of 7 June 2010, the facility is now authorised to issue bonds in the market.

Klaus Regling, Chief Executive of the EFSF, said:

"I am pleased that the euro zone Member States have taken the final step to set up the EFSF. The EFSF is fully operational now and can, if necessary, issue bonds with the help of the German Debt Office (Finanzagentur) which would be guaranteed by the euro area Member States."

About the EFSF

The European Financial Stability Facility (EFSF) was incorporated in Luxembourg under Luxembourgish law on June 7th 2010. Its objective is to preserve financial stability of Europe's Economic and Monetary Union by providing temporary financial assistance to euro area Member States in difficulty. In order to reach its objective the EFSF can - with the support of the German Debt Management Office (DMO) - issue bonds or other debt instruments on the market to raise the funds needed to provide loans to countries which would submit a request. Issues would be backed by guarantees given by euro area Member States of up to € 440 billion.

The EFSF is part of a wider safety net. Its funds would be 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) for an overall rescue package worth up to € 750 billion. EFSF, EFSM and IMF can only act after a support request is made by a euro area Member State and a country programme has been negotiated with the European Commission and the IMF. This would only occur when the country is unable to borrow on markets at acceptable rates. Any financial assistance by EFSF, EFSM and IMF to a country in need would be linked to very strict policy conditions.

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