20 July 2012

Statement by the Eurogroup

Ministers unanimously agreed today to grant financial assistance for the recapitalisation of financial institutions in response to the Spanish authorities' request on 25 June 2012. Ministers concur with the assessment of the Commission, in liaison with the ECB, the EBA and the IMF, that providing a loan to Spain for the purpose of the recapitalisation of financial institutions is warranted to safeguard financial stability in the euro area as a whole. The Eurogroup agreed that the Fund for Orderly Bank Restructuring (F.R.O.B.), acting as agent of the Spanish government, will receive the funds and channel them to the financial institutions concerned. The Spanish government will retain the full responsibility of the financial assistance.

The financial assistance will be accompanied by policy conditionality focussing on the financial sector. This conditionality consists of bank-specific measures, including in-depth bank restructuring plans in line with EU State aid rules and sector-wide structural reforms that embrace segregation of bank's problematic assets, and the governance, regulation and supervision of the banking sector. This conditionality will be enshrined in a Memorandum of Understanding that will be signed in the coming days.

The Eurogroup is confident that Spain will honour its commitments under the Excessive Deficit Procedure and with regard to structural reforms, with a view to correcting any macroeconomic imbalances as identified within the framework of the European semester. Progress in these areas will be closely and regularly reviewed in parallel with the financial sector conditionality.

The financial assistance will be provided by the EFSF until the ESM becomes available, then it will be transferred to the ESM, without gaining seniority status. It will cover financing needs of up to EUR 100 billion. As required by EFSF/ESM procedures, the specific amount will be determined based on a thorough bottom-up assessment of capital needs for individual banks, which has been launched and is expected to be finalised in September.

The loans to be used for bank recapitalisation will have an average maturity of up to 12.5 years, with any individual disbursement having a maximum maturity of up to 15 years. The EFSF will set aside EUR 30 billion at the start of the financial assistance, which can be used in case of urgent unexpected financing needs.

The Eurogroup is convinced that the reforms attached to this financial agreement will contribute to ensuring a return of all parts of the Spanish banking sector to soundness and stability.