

European Financial Stability Facility (EFSF)

Section A – EFSF general questions.....	1
Section B – Funding.....	4
Section F – The programme for Ireland (concluded on 8 December 2013).....	5
Section G - The programme for Portugal (concluded on 18 May 2014)	7
Section H – The programme for Greece.....	9

Section A – EFSF general questions

➤ A1 - What is the EFSF?

The European Financial Stability Facility (EFSF) is a company agreed by the countries of the euro area on 9 May 2010 and incorporated in Luxembourg under Luxembourgish law on 7 June 2010¹. The EFSF's objective is to preserve financial stability of Europe's monetary union by providing temporary financial assistance to euro area Member States if needed.

On June 24, the Head of Government and State agreed to increase EFSF's scope of activity and increase its guarantee commitments from €440 billion to €780 billion, which corresponds to a lending capacity of €440 billion and on July 21, the Heads of Government and State agreed to further increase EFSF's scope of activity²

Following the conclusion of all necessary national procedures, these amendments to the EFSF Framework came into force on 18 October 2011³.

➤ A2 - What is the EFSF's scope of activity?

In order to fulfil its mission, the EFSF is authorised to issue bonds or other debt instruments on the market to raise the funds needed to provide financial assistance. The EFSF may provide the following types of assistance:

- loans to countries in financial difficulties,
- recapitalisation of financial institutions through loans to governments,
- providing precautionary financial assistance in the form of a credit line,
- purchasing bonds of an EFSF Member State in primary and secondary debt markets.

All financial assistance to Member States is linked to appropriate conditionality.

➤ A3 – How are EFSF issues backed?

EFSF issues are backed by guarantees given by the euro area Member States for €724.47 billion

¹ See http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/misc/114977.pdf

² See http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/123979.pdf

³ For further information on the original EFSF before the amendments came into force, please see Annex 1. 19 March 2015

in accordance with their share in the paid-up capital of the European Central Bank (see table below)

	EFSF amended contribution key* (%)
Austria	2.9869
Belgium	3.7313
Cyprus	0.00
Estonia	0.2754
Finland	1.9289
France	21.8762
Germany	29.1309
Greece	0.00
Ireland	0.00
Italy	19.2233
Luxembourg	0.2687
Malta	0.0972
Netherlands	6.1350
Portugal	0.00
Slovakia	1.0666
Slovenia	0.5058
Spain	12.7739
Total	100.00

(As of 30 April 2013)

* The amended contribution key takes into account the stepping out of Greece, Ireland, Portugal and Cyprus.

➤ A4 - Where is the EFSF headquartered?

The EFSF is located at 6a, Circuit de la Foire Internationale, L-1347 Luxembourg.

➤ A5 – How big is the EFSF?

The EFSF and the ESM share the same staff. The number of employees is currently around 140 people.

➤ A6 - Who manages the EFSF?

The Chief Executive Officer is Klaus Regling, a former Director General of the European Commission's Directorate General for Economic and Financial Affairs who also worked at the International Monetary Fund (IMF) and the German Ministry of Finance and has professional experience of working in financial markets.

➤ A7 - Who oversees the EFSF?

The board of the EFSF comprises high level representatives of the 17 euro area Member States i.e. Deputy Ministers or Secretaries of State or director generals of national treasuries. The European Commission and the European Central Bank (ECB) each have observers on the EFSF board. The EFSF board is headed by the Chairman of the EU's Economic and Financial Committee.

➤ A8 - Does the European Parliament have an oversight role?

Although there is no specific statutory requirement for accountability to the European Parliament, EFSF has a close relationship with the relevant committees.

➤ A9 - Is the EFSF a preferred creditor?

No. Unlike the IMF the EFSF has the same standing as any other sovereign claim on the country (pari passu). Private investors would be reluctant to provide loans to the country concerned if there were too many preferred creditors.

➤ A10 - Are EFSF bonds eligible for ECB repo facilities?

EFSF debt instruments are eligible as collateral in European Central Bank refinancing operations⁴.

EFSF as an "Agency – non-credit institution" falls under liquidity category II of the Eurosystem collateral approach. Talks with other Central Banks and regulators (inter alia FSA, SEC) for EFSF eligibility and classification are ongoing.

➤ A11 - What rating does the EFSF have?

The EFSF has been assigned an AA rating by Standard & Poor's, an Aa1 rating by Moody's and an AA by Fitch Ratings.⁵

EFSF has been assigned the highest possible short-term rating from all three major credit rating agencies – Standard and Poor's (A-1+); Moody's (P-1) and Fitch Ratings (F1+).

➤ A12 - Would the EFSF default if one of its borrower countries defaulted?

The guarantee mechanism under the Framework Agreement is designed to exclude such a situation. If a country were to default on its payments, guarantees would be called in from the guarantors. The shortfall would be covered by the:

- Guarantees
- Grossing up of guarantees (up to 165% over-collateralisation)

If a guarantor did not respect its obligations, guarantees from others could be called in to cover the shortfall. All guarantors rank equally and pari passu amongst themselves.

➤ A13 – Are the guarantees provided by euro area Member States unlimited?

⁴ The ECB List of eligible marketable assets can be consulted using the following link:

<http://www.ecb.europa.eu/mopo/assets/assets/html/index.en.html>

https://mfi-assets.ecb.int/query_EA.htm

⁵ See http://www.efsf.europa.eu/investor_relations/rating/index.htm

No guarantor is required to issue guarantees which would result in it having a guarantee exposure in excess of its aggregate guarantee commitment, as stated in the EFSF Framework Agreement.

➤ A14 – Do the guarantees vary between series of bonds?

Guarantees would vary between bonds that were issued under the original EFSF and bonds that will be issued under the amended EFSF due to the change in the credit enhancement structure of the amended EFSF.

Furthermore, the composition of the list of guarantors and their respective Guarantee Contribution Key % may vary between different bonds by reason either of a Guarantor becoming a Stepping-Out Guarantor or the adherence of a new euro area Member State to EFSF. Such adjustments do not change the composition of the list of Guarantors or their Guarantee Contribution Key % for Notes already issued but only for the bonds issued after the relevant event.

➤ A15 - Can countries step down from a guarantee already made?

No – guarantees are “irrevocable and unconditional”.

➤ A16 – Can the EFSF recapitalise banks?

The EFSF is authorised to provide loans to Member States which then use the funds to recapitalise their financial institutions.

This may occur within a macro-economic adjustment programme as was the case for Ireland when it was agreed that Ireland would use funds to stabilise the banking sector. €35 billion out of the total €85 billion of the Irish programme has been allocated to the banking sector.

Following the agreement of the Heads of Government and State on 21 July, EFSF may provide assistance to a Member State which is not within a programme to enable it to recapitalise financial institutions.

➤ A17 – What is the current status of the EFSF?

As of 1 July 2013, the EFSF may no longer engage in new financing programmes or enter into new loan facility agreements. This is in accordance with the EFSF Framework Agreement signed by the 17 euro area Member States, and the EFSF Articles of Incorporation. From that date, the European Stability Mechanism (ESM) is the sole and permanent mechanism for responding to new requests for financial assistance by euro area Member States. The EFSF will remain active in order to:

- receive loan repayments from beneficiary countries;
- make interest and principal payments to holders of EFSF bonds;
- roll over outstanding EFSF bonds, as the average maturity of loans provided to Ireland, Portugal and Greece is longer than the maturity of bonds issued by the EFSF.

The EFSF will be dissolved and liquidated when all financial assistance provided to euro area Member States and all funding instruments issued by the EFSF have been repaid in full.

More information on the ESM is available at <http://www.esm.europa.eu/>.

Section B – Funding

➤ B1 – What is the EFSF’s funding strategy?

Initially the EFSF used a simple back-to-back funding strategy. In November 2011, a diversified funding strategy was adopted using a liquidity buffer as a key component. As part of this strategy, EFSF has introduced a short term bill programme and since the end of last year, we have held

regular auctions of 3-month and 6-month bills, all of which have met with strong demand from the investor community.

One consequence of our diversified strategy is that funds raised are no longer attributed to a particular country. The funds are pooled and then disbursed to programme countries.

➤ **B2 – Which banks may act as lead managers?**

The lead managers are mandated from the 44 international institutions that make up the EFSF Market Group⁶. The lead managers are chosen following a rigorous and transparent selection process.

➤ **B3– Who are the main investors in EFSF bonds?**

Investors in EFSF bonds are predominantly institutional investors such as banks, pension funds, central banks, sovereign wealth funds, asset managers, insurance companies and private banks. The investor base is varied geographically with interest from around the world. Detailed information showing geographical breakdown and breakdown by investor type for each issue is available on the EFSF website (please see http://www.efsf.europa.eu/investor_relations/issues/index.htm).

➤ **B4 - Can EFSF and EFSM⁷ be in the market at the same time?**

As the Irish and the Portuguese programmes show, the issuance calendar is closely coordinated between EFSF and EFSM. This ensures smooth market operations over the entire duration of the support programmes while both mechanisms are in the market.

➤ **B5 – Does EFSF issue in euros only?**

EFSF does not have any general currency limitation for its funding activities. However, it is currently expected that the funds would be raised in euro.

➤ **B6 – Are EFSF bonds listed on the stock exchange?**

Yes, they are listed on the Luxembourg Stock Exchange. However, the vast majority of trading volume takes place through over-the-counter trading platforms. EFSF bills are only traded OTC.

➤ **B7 – Is EFSF part of the main indices for SSA investors?**

EFSF is included in the following indices: Barcap Euro Aggregate Index, iBoxx Euro Sub-Sovereigns, JP Maggie, Citi EuroBig Index and ML EMU Board Market Index.⁸

➤ **B8 – Which EFSF issues can be tapped?**

Issues of notes by EFSF made prior to 28 June 2013 cannot be tapped, because of amendments made to the EFSF Deed of Guarantees.

Section C – The programme for Ireland (concluded on 8 December 2013)

➤ **C1 – Why did Ireland need financial assistance?**

⁶ See http://www.efsf.europa.eu/attachments/efsf_market_group_en.pdf

⁷ See http://ec.europa.eu/economy_finance/eu_borrower/efsm/index_en.htm

⁸ See http://www.efsf.europa.eu/investor_relations/indices-platforms/index.htm

The Irish economy has suffered as a consequence of a devastating boom-bust cycle in the housing market. House prices increased four-fold from 1997 to 2007, when the bubble burst. As the property boom was financed through aggressive lending by Irish banks, the decline in property prices and the collapse in construction activity resulted in severe losses in the Irish banking system. The government of Ireland responded by injecting public funds into banks to restore their solvency (over €60 billion). This led to a huge increase in Ireland's public debt, while the sharp decline in economic activity caused GDP to fall and unemployment to rise. At that time the Irish government was not able to resolve the situation on its own, and therefore requested financial assistance from the euro area countries, the EU and the IMF.

➤ C2 – How was the decision to grant financial assistance to Ireland taken?

On 28 November 2010, the ECOFIN Council (i.e. finance ministers of the EU) concurred with the European Commission and the ECB that providing financial assistance to Ireland was warranted to safeguard the financial stability in the euro area and the EU as a whole. The IMF Executive Board approved the arrangement on 16 December 2010.

➤ C3 – Who contributed to the financial assistance package?

The programme for Ireland was financed as follows:

- €67.5 billion in external support including
 - €17.7 billion from EFSF (this was the EFSF's first financial assistance programme);
 - €22.5 billion from EFSM (European Financial Stabilisation Mechanism – an EU facility funded through bonds issued by the European Commission);
 - €22.5 billion from IMF;
 - €4.8 billion in bilateral loans from the UK (€3.8 billion), Sweden (€0.6 billion) and Denmark (€0.4 billion);
- €17.5 billion contribution from Ireland (from the Treasury and the National Pension Fund Reserve)

➤ C4 – What were the policy conditions that the Irish government had to implement in order to receive financial assistance?

- A financial sector strategy comprising fundamental downsizing and reorganisation of the banking sector (including recapitalisation and deleveraging);
- A strategy to restore fiscal sustainability (expenditure restraint, tax system reform, generation of additional revenue);
- A structural reform package to underpin growth, focusing on competitiveness and job creation.

➤ C5 – How were the funds used by the Irish government?

The majority of total programme amount was used for budget financing needs and a substantial component was assigned for the purpose of recapitalisation of banks.

➤ C6 – Has Ireland achieved the objectives of its macroeconomic adjustment programme?

According to a statement issued in November 2013 by the European Commission, ECB and IMF following the 12th and final review of Ireland's economic adjustment programme, the implementation of the programme has been rigorous and effective. Growth prospects are strengthening, unemployment has been declining. The fiscal deficit target for 2013 (7.5% of GDP) will be met comfortably, and the target of 4.8% for 2014 is more ambitious than the deficit ceiling of 5.1% set under the Excessive Deficit Procedure. The overall health of the Irish banking sector has also significantly improved and Irish banks have enjoyed better funding conditions and improved market access.

➤ C7 – What is the significance of the fact that Ireland is now able to issue long-term bonds again?

Ireland's return to long-term bond issuance means that financial markets have a positive assessment of the country's creditworthiness, which in turn stems from favourable prospects for the Irish economy and the ability to service debt. Ireland will no longer have to rely on external assistance to meet its financing needs, and the Irish people deserve recognition for their efforts under difficult circumstances.

➤ C8 – When will Ireland have to repay the loans?

Ireland will repay the principal of the loan tranches starting from 2029, and the repayment is scheduled to end in 2042. Initially, the average maturity of loan tranches was up to 15 years, but this period was extended in April 2013 by members of the Eurogroup by 7 years.

➤ C9 – Has the Irish government requested a precautionary programme from the ESM?

No, in November 2013 the Irish government announced that it would exit the 3-year financial assistance programme without seeking precautionary financial assistance (a line of credit) from the ESM. This decision was fully supported by other euro area Member States, as well as by the European Commission, ECB and IMF.

➤ C10 – Will the Irish economy be subject to surveillance now that the financial assistance programme is over?

Yes. The "Two-Pack" regulation introduced a new system of post-programme monitoring for Member States emerging from adjustment programmes or precautionary assistance.⁹ Euro area countries will remain subject to post-programme monitoring until they have paid back a minimum of 75% of the assistance received. The European Commission (in liaison with the ECB) will carry out missions twice a year to assess the economic, fiscal and financial situation of the post-programme country. The European Commission is required to communicate its assessment to the European Parliament, the EFC, the parliament of the Member State concerned and will assess, in particular, whether corrective measures are needed.

In order to ensure timely loan repayments by Ireland, EFSF will continue to work closely with the Irish authorities and participate in post-programme missions when appropriate.

Section D - The programme for Portugal

➤ D1 – Why did Portugal need financial assistance?

Portugal had suffered from low GDP and productivity growth for more than a decade before the onset of the crisis. During this period, the low interest rates resulting from adoption of the euro boosted private and public consumption as well as indebtedness. Moreover, Portugal's competitiveness was undermined by rising labour costs and structural problems. The lack of fiscal discipline added to the rising imbalances as growth in public spending far exceeded economic growth. Fiscal risks intensified through the expansion of state-owned enterprises and public-private partnerships. In early 2011, increasing funding pressures associated with rising sovereign yields tipped Portugal into an acute economic crisis. The country became unable to refinance itself at sustainable rates and therefore requested financial assistance from the euro area countries, the EU and the IMF.

➤ D2 – How was the decision to grant financial assistance to Portugal taken?

On 17 May 2011, the Eurogroup (i.e. the finance ministers of the euro area) concurred with the European Commission and the ECB that providing financial assistance to Portugal was warranted

⁹ See Article 14 of Regulation (EU) No 472/2013 of 21 May 2013 "on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability"

to safeguard the financial stability of the euro area and the EU as a whole. The IMF Executive Board approved financial support for Portugal under the Extended Fund Facility on 20 May 2011.

➤ **D3 – Who contributed to the financial assistance package?**

The programme for Portugal was financed as follows:

- €78 billion in external support over three years, comprising
 - €26 billion from the EFSF;
 - €26 billion from the EFSM (European Financial Stabilisation Mechanism – an EU facility funded through bonds issued by the European Commission);
 - €26 billion from the IMF;

➤ **D4 – What were the policy conditions that the Portuguese government had to implement in order to receive financial assistance?**

The financial assistance provided was conditional upon the implementation of a macroeconomic adjustment programme, comprising actions in three main areas:

- A fiscal consolidation strategy, supported by structural-fiscal measures, aimed at setting the debt/GDP ratio on a downward path in the medium term;
- Structural reforms to boost potential growth, create jobs, and improve competitiveness; and
- Stabilisation of the financial sector strategy based on recapitalisation and deleveraging, with efforts to safeguard the financial sector against disorderly deleveraging through market based mechanisms supported by backstop facilities.

➤ **D5 – How were the funds used by the Portuguese government?**

The majority of total programme amount (€66 billion) was used for budget financing needs, while €12 billion was assigned to Bank Solvency Support Facility for the purpose of recapitalisation of banks.

➤ **D6 – Has Portugal achieved the objectives of its macroeconomic adjustment programme?**

The programme has put the Portuguese economy on a path towards sound public finances, financial stability and improved competitiveness, according to a statement issued on 2 May 2014 by the European Commission, ECB and IMF following the 12th and final review of Portugal's economic adjustment programme. Targets were adjusted in the course of the programme, which achieved its overall objective. During the past three years, the external current account has moved from a substantial deficit into surplus, the budget deficit has been more than halved, and public debt continues to be seen as sustainable. There have been ambitious reforms across all the main sectors of the economy, and bank capitalisation has been considerably strengthened. Portugal has started to regain access to long-term debt financing amid sharply declining yields.

➤ **D7 – Why is it important that Portugal can now issue long-term bonds again?**

Falling yields (from 16.6% in January 2012 to 3.5% in May 2014 for 10-year bonds) have enabled Portugal to return to long-term bond issuance. This means that financial markets positively assess the country's creditworthiness, based on the favourable prospects for the Portuguese economy and the ability to service debt. As a result, Portugal has returned to self-reliance in terms of financing its budget. This is also a consequence of the reforms implemented by the government, and the hardships endured by the Portuguese people have started to pay off. With continued determination to complete necessary reforms, recovery can be completed and economic gains can become visible to all parts of the population.

➤ **D8 – When will Portugal have to repay the loans?**

Portugal will repay the principal of the loan tranches starting from 2025, and the repayment is scheduled to end in 2040. Initially, the average maturity of loan tranches was up to 15 years, but this period was extended in June 2013 (following a decision by members of the Eurogroup) by 7 years.

➤ **D9 – Has the Portuguese government requested a follow-up programme from the ESM?**

No, in May 2014 the Portuguese government announced that it would exit the 3-year financial assistance programme without seeking a follow up programme from the ESM. This decision was fully supported by other euro area Member States, as well as by the European Commission, ECB and IMF.

➤ **D10 – Will the Portuguese economy be subject to surveillance now that the financial assistance programme is over?**

A new system of post-programme monitoring for Member States emerging from adjustment programmes or precautionary assistance was introduced by the “Two-Pack” regulation.¹⁰ Euro area countries will remain subject to post-programme monitoring until they have paid back a minimum of 75% of the assistance received. The European Commission (in liaison with the ECB) will carry out missions twice a year to assess the economic, fiscal and financial situation of the post-programme country. The European Commission is required to communicate its assessment to the European Parliament, the EFC, the parliament of the Member State concerned and will assess, in particular, whether corrective measures are needed.

➤ **D11 – What will be the ESM's role in Portugal from now on?**

The ESM will continue to work closely with the Portuguese authorities in the framework of the ESM's early warning system. This is a procedure foreseen in the ESM Treaty (which also applies to EFSF programmes) aimed at ensuring timely loan repayments by detecting repayment risks and allowing for corrective actions.¹¹ Acting under the early warning system, the ESM protects its claims on behalf of all the euro area Member States until all loan repayments are completed. In order to avoid an additional reporting burden for Portugal, the ESM will join the European Commission twice a year when it performs its post-programme surveillance.

Section E – The programme for Greece

➤ **1 – What is the second programme for Greece?**

At the Eurozone summit held on 26 October 2011, Heads of State or Government agreed to a second financial assistance programme for Greece. The first financial support programme for Greece (April 2010) involved bilateral loans from euro area Member States (known as the Greek Loan Facility, or GLF) amounting to €52.9 bn, and a €20.1 bn loan from the IMF. It did not involve the EFSF.

➤ **2 – What is the policy conditionality agreed in the Memorandum of Understanding (MoU)?**

The Greek authorities' economic program aimed at restoring competitiveness and growth, attaining fiscal sustainability and financial stability. To achieve this goal, measures were taken: to

¹⁰ See Article 14 of Regulation (EU) No 472/2013 of 21 May 2013 "on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability"

¹¹ For more information on the ESM's early warning system, please consult <http://www.esm.europa.eu/pdf/2014-04-02%20FAQ%20EWS.pdf>

make the labour market more dynamic to improve competitiveness, and reduce unemployment; to improve the fiscal position by improving tax collection, reducing the size of government and more efficiently targeting social transfers; to strengthen the framework for bank resolution and recapitalization and for financial sector oversight; to reduce the level of public and private sector debt.

➤ 3 – What is the amount of financial assistance committed to Greece by the EFSF in the second programme?

The details and amounts of financial assistance committed by the EFSF are outlined in the table below. In addition, the International Monetary Fund (IMF) committed €28 billion under the second programme.

Purpose	Amount (€ bn)
Budgetary financing (cash)	49.5
Bank recapitalisation (cashless)	48.2
PSI facility (cashless)	29.7
Bond interest facility (cashless)	4.9
Debt buy-back (cashless)	11.3
Total	143.6¹²

➤ 4 – What was the objective of Private Sector Involvement (PSI)?

The objective was to secure the decline of the Greek debt to GDP ratio with an objective of reaching 120% by 2020. Due to the high take-up of the bond swap, Greece's debt is expected to fall below 120% of GDP in 2020.

➤ 5 – What are the details of the PSI?

The public offer for the PSI was launched by the Hellenic Republic on 24 February and closed on 8 March. On 9 March, it was announced that bondholders holding 85.8% of Greece's Greek law bonds agreed to the bond swap¹³. The activation of Collective Action Clauses lifted the participation rate to 95.7%. This led to a 53.5% reduction in the nominal face value of Greek debt held by private investors which corresponds to a reduction in the debt stock of approximately €107 billion for Greece.

➤ 6 – What were the PSI and bond interest facilities?

PSI facility: as part of the voluntary debt exchange, Greece offered investors EFSF bonds (1 and 2 years). These EFSF bonds, provided to holders of bonds under Greek law, were subsequently rolled over into longer maturities.

Bond interest (accrued interest) facility: to enable Greece to repay accrued interest on outstanding Greek sovereign bonds under Greek law which will be included in the PSI. Greece

¹² Initially, the amount committed by the EFSF was €144.6 billion. However, around €1 bn committed to Greece under the PSI and bond interest facilities was not requested by Greece before the availability period ended, therefore this amount was cancelled.

¹³ Further details are available on <https://www.bondcompro.com/greeceexchange/genDocuments.asp>

offered investors EFSF 6-month bills. The bills were subsequently rolled over into longer maturities to ensure smooth market operations.

➤ **7 – How did EFSF fund the financial assistance for Greece?**

The EFSF has used a flexible, diversified funding strategy to ensure that amounts funded are spread over the entire length of the programme. This also means that EFSF is able to take advantage of the best possible market conditions.

The PSI contribution, accrued interest and loan programme (excluding the amount earmarked for bank recapitalisations) were financed through the markets. The collateral enhancement for the Eurosystem was a cashless operation. This was also the case for the recapitalisation of Greek banks which was financed by the provision of EFSF bonds.

➤ **8 – What decisions were taken by the Eurogroup in November 2012?**

Following an assessment by the European Commission, ECB and IMF that Greece had in a satisfactory manner implemented all the previously agreed policy reforms, the Eurogroup formally approved the second disbursement under the second economic adjustment programme for Greece.

The Eurogroup noted that the outlook for the sustainability of Greek government debt had worsened compared to March 2012 when the second programme was concluded, mainly due to a deteriorated macro-economic situation and delays in programme implementation. Therefore, the Eurogroup approved a set of measures (first proposed on 27 November 2012) designed to ease Greece's debt burden and bring its public debt back on a sustainable path, so that a level of debt-to-GDP of 124% could be achieved in 2020. These measures included:

- **Reduction of the Greek Loan Facility (GLF – bilateral loans to Greece) interest margin:** A lowering by 100 basis points of the interest rate charged to Greece on the loans provided under the GLF (Member States under a full financial assistance programme are not required to participate in the lowering of the GLF interest rates for the period in which they receive themselves financial assistance). This measure is estimated to lower the financing needs of the country by €1.9 billion by 2016.
- **Cancellation of the EFSF guarantee commitment fee** (conditional upon the continued implementation of reforms by Greece): Cancellation of the guarantee commitment fee, amounting 10 basis points, paid by Greece on the EFSF loans. This measure is estimated to save a total of € 2.7 billion over the entire period of EFSF lending to Greece.
- **Maturity extension of GLF and EFSF loans*:** Even though the maturities of both loans by the GLF and the EFSF are long-term, this still creates an amortisation hump for Greece in 2020s, which could have hampered the country's return to market financing. An extension of the maturities of the bilateral and EFSF loans by 15 years does not per se have an impact on the reduction of debt by 2020 or beyond, but significantly improves the country's debt profile and improves conditions for a return to market financing.
- **Deferral of EFSF interest rate payments*:** A deferral of interest payments on EFSF loans by 10 years will allow Greece to reduce substantially its financing needs. This operation will not create additional costs for the EFSF since Greece will have to pay interest charges on the deferred interest. This measure is estimated to lower the financing needs of the country by a total of €12.9 billion by 2016.

* Applies only to loans under EFSF Master Financial Assistance Facility Agreement, i.e. does not apply to PSI Facility or Bond Interest Facility

- **SMP Income:** A commitment by Member States to pass on to Greece's segregated account an amount equivalent to the income on the ECB's Securities Markets Programme (SMP) portfolio accruing to their national central bank as from budget year 2013 (Member States under a full financial assistance programme are not required to participate in this scheme for the period in which they receive themselves financial assistance).
- **Foregoing the previously programmed decline in the stock of T-Bills:** The decisions made by policymakers envisage maintaining a T-Bill stock of €15 billion through the end of the programme, thus reducing the financing needs of the country by €9 billion in the period 2012-2014 (or 1% of GDP).
- **Postponing part of the Treasury cash buffer build-up:** The March programme had foreseen a build-up of the Treasury cash buffer by €5 billion to provide some flexibility to the Greek treasury. Decisions taken in Eurogroup meetings suggest that the cash buffer build-up is partially postponed after the expiration of the programme. Over the 2012-2014 period, the cash buffer build-up is now reduced to €1.5 billion, and it is set to increase by an additional €2 billion in 2015-2016.
- **Other contingent measures:** Greece and other euro area Member States will consider further measures and assistance, including inter alia lower co-financing in structural funds and/or further reduction of the interest rate on the Greek Loan Facility, if necessary, to ensure that Greece can reach a debt-to-GDP ratio of 124% in 2020, and in 2022 a debt-to-GDP ratio substantially lower than 110%. This is contingent on Greece reaching an annual primary surplus, as envisaged in the current MoU and full implementation of all conditions contained in the programme.

The Eurogroup also stressed that the benefits of the above-mentioned measures would accrue to Greece in a phased manner and conditional upon the continued implementation of agreed reforms.

➤ [9 – How were these measures related to the buy-back of Greek debt?](#)

Final approval for the above measures was conditional upon the success of a debt buy-back operation conducted by the Greek government. The buy-back applied to the new Greek sovereign bonds (NGGBs) issued in the context of the Private Sector Initiative (PSI) operation of March 2012. It was conducted through a tender operation open to all market participants holding NGGBs of any outstanding series. The debt buy-back (announced by the Greek Ministry of Finance on 3 December and completed on 11 December 2012) reduced the amount of the country's nominal debt by approximately €21 billion (in net terms).

➤ [10 – How was the debt buy-back financed?](#)

The EFSF is providing a loan, within the envelope of the second financial assistance programme to Greece, to finance the buy-back operation. For this purpose, the EFSF issued six-month notes for a total nominal amount of €11.3 billion, which were transferred to the Greek government on December 19, 2012.

➤ [11 – What are the other components in the current disbursement of financial assistance to Greece?](#)

The EFSF will provide funds to the Greek government for the Hellenic Financial Stability Fund (HFSF) to finance the recapitalization and resolution costs of selected banks. In addition, the EFSF will provide funds to the Greek government for its budgetary financing needs.

➤ [12 – Are there any specific transferability restrictions on the EFSF notes disbursed in the](#)

context of bank recapitalisation?

No. In what concerns the EFSF notes disbursed in the context of bank recapitalizations, there are no specific transferability restrictions upon note holders other than those generally applicable pursuant to the terms and conditions of any notes issued under the EFSF Debt Issuance Programme.

The EFSF may only impose additional transferability restrictions on the basis of contractual agreements in place between the EFSF and a note holder which then would restrict only such note holder.

In case a market participant acquires legal title to EFSF notes – for example, in the context of a repo transaction with a recapitalised bank – and in the absence of an additional contractual arrangement, only the terms and conditions of such EFSF notes would apply.

➤ 13 – The EFSF financial assistance programme for Greece was due to end on 31 December 2014. Why was it extended?

The EFSF Board of Directors decided on 19 December 2014 today to grant Greece a two-month technical extension of its second Economic Adjustment Programme, financed by the EFSF. Instead of ending on 31 December 2014, the EFSF programme was extended until 28 February 2015. The decision follows a request from the Greek Finance Minister.

On 27 February 2015, the EFSF Board of Directors extended further the Greek MFFA's availability period by four months until 30 June 2015. Without the extension, Greece would not be able to receive the final disbursement from the EFSF of €1.8 bn. The disbursement of this last loan tranche is conditional on the successful conclusion of the final review under the current arrangement and a unanimous decision by the EFSF Board of Directors.

The availability of €10.9 billion held by the Hellenic Financial Stability Fund (HFSF) in EFSF bonds was also extended until 30 June 2015. These bonds had been transferred to the HFSF in the past as part of the current arrangement for the recapitalisation and resolution of Greek banks. According to the amended MFFA, the bonds were returned to the EFSF. They can be released to Greece only on request by the European Central Bank (ECB) / Single Supervisory Mechanism (SSM). The purpose of these bonds is to cover bank recapitalisation and resolution costs.