

Statement by the Eurogroup

Ministers welcome the request of the Spanish Government for financial assistance from euro-area Member States. Ministers welcome the assessment provided by the Commission, in liaison with the ECB, EBA and the IMF, that the eligibility conditions for access to an EFSF/ESM financial assistance for the re-capitalisation of financial institutions are satisfied. In line with this, Ministers consider that providing assistance to Spain is warranted to safeguard financial stability in the euro area.

The financial assistance could be provided by the EFSF until the ESM becomes available, then it would be transferred to the ESM. The results of the diagnostic exercise, commissioned by the Spanish authorities to external evaluators, indicate that the additional capital needs of the Spanish banking sector as a whole can be currently estimated to be in a range of EUR 51-62 billion. Including an additional safety margin and subject to the forthcoming assessment by the European Commission in liaison with ECB, EBA, and IMF, these capital needs would remain well within the envelope defined by the Eurogroup of up to EUR 100 billion in total.

As required by current EFSF/ESM procedures, the specific amount will be finally determined based on a thorough bottom-up assessment of individual financial institutions, which has already been launched. The Commission, in liaison with the ECB, EBA and the IMF, will also provide a proposal for the necessary policy conditionality for the financial sector that shall accompany the financial assistance. This will include specific reforms targeting the financial sector, including restructuring plans in line with EU State-aid rules and horizontal structural reforms of the domestic financial sector. After an agreement has been reached with the Spanish' authorities, the financial assistance would be endorsed by the Eurogroup, in line with national procedures.

The Fund for Orderly Bank Restructuring (FROB), acting as an agent of the Spanish government, would receive the funds and channel them to the financial institutions concerned. The Spanish government will remain fully liable and will sign the Memorandum of Understanding and the Financial Assistance Facility Agreement.

The Eurogroup reiterates its confidence 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 assistance.

Spain will request technical assistance from the IMF, which will support the implementation and monitoring of the financial assistance with regular reporting.