ESM and EFSF statement following Moody's rating decision

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Luxembourg - European Stability Mechanism (ESM) and European Financial Stability Facility (EFSF) take note of the decision by Moody's to change both entities' long-term rating from Aaa to Aa1. Moody's decision follows the recent change of France's long term rating from Aaa to Aa1. ESM and EFSF continue to be assigned the best possible long-term by Fitch (AAA) and the best and short-term credit rating by Fitch and Moody’s. This underlines ESM's uniquely robust capital structure and the solidity of EFSF.

Klaus Regling, Managing Director of the ESM and CEO of EFSF said: “Moody's rating decision is difficult to understand. We disagree with the rating agency's approach which does not sufficiently acknowledge ESM's exceptionally strong institutional framework, political commitment and capital structure."

Jean-Claude Juncker, President of the Eurogroup and Chairman of the ESM and the EFSF Board of Governors said: "The 17 euro area Member States are fully committed to ESM and EFSF in political and financial terms and stand firmly behind both institutions."

ESM will have the largest paid-in capital amount of any multilateral lending institution with €80 billion by 2014 (currently €32 billion). Furthermore it has €620 billion of callable capital with a unique and highly reliable capital call mechanism. Also, the Heads of State or Government have stated that ESM loans will enjoy preferred creditor status. EFSF benefits from of an irrevocable guarantee mechanism with a volume of up to €780 billion by the 17 euro area Member States.

"In its rating decision even Moody's stresses the credit strengths of ESM and EFSF due to their low leverage and the creditworthiness of its Member States", Klaus

Regling said. "This rating action does not inhibit ESM or EFSF in any way to act or emit."

Only on Tuesday, November 27, EFSF demonstrated its attractiveness as an issuer by placing a €7 billion one-year benchmark bond that was met with exceptionally strong demand with close to €9 billion in orders received from investors around the world.

About ESM

The European Stability Mechanism (ESM) is an inter-governmental institution which was inaugurated on 8 October 2012. Its mandate is to preserve financial stability of Europe's Economic and Monetary Union by providing financial assistance to euro area Member States in difficulty. In order to fulfil its mission, the ESM is authorised to issue bonds or other debt instruments on the market to raise funds needed to provide loans to countries in financial difficulties, intervene in the debt primary and secondary markets, act on the basis of a precautionary programme and finance recapitalisations of financial institutions through loans to governments including in non-programme countries. All financial assistance to Member States is linked to appropriate conditionality.

The shareholders of the ESM are the 17 euro area Member States. It has a total subscribed capital of €700 billion which comprises €80 billion in paid-in capital and €620 billion in committed callable capital. The ESM's effective lending capacity is €500 billion.

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 by providing financial assistance to euro area Member States in difficulty. In order to fulfil its mission, the EFSF is authorised to issue bonds or other debt instruments on the market to raise funds needed to provide loans to countries in financial difficulties, intervene in the debt primary and secondary markets, act on the basis of a precautionary programme and finance recapitalisations of financial institutions through loans to governments including in non-programme countries. All financial assistance to Member States is linked to appropriate conditionality. EFSF issues are backed by guarantees given by euro area Member States of up to €780 billion. EFSF has a lending capacity of €440 billion.

Contacts

Cédric Crelo

Head of Communications and Chief Spokesperson

+352 260 962 205

c.crelo@esm.europa.eu

Anabela Reis

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

a.reis@esm.europa.eu

Juliana Dahl

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

j.dahl@esm.europa.eu