European Sovereign Bond Protection Facility launched

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Press releases
EFSF

Luxembourg – Today the European Sovereign Bond Protection Facility (ESBPF) was launched.

On 26 October 2011, Heads of State or Government of the euro area Member States agreed on two options for the purpose of leveraging the resources of EFSF. The first option will provide partial risk protection certificates to newly issued sovereign bonds of a euro area Member State.

Under the partial risk protection, ESBPF would provide a partial risk protection certificate to a newly issued bond of a Member State. The certificate could be detached after initial issue and could be traded separately. It would give the holder an amount of fixed credit protection of 20-30% of the principal amount of the sovereign bond. The partial risk protection is to be used primarily under precautionary programmes and is aimed at increasing demand for new issues of Member States and lowering funding costs.

Klaus Regling, CEO of EFSF stated “Following discussions with investors worldwide, we have encountered broad interest and willingness to acquire partial risk protection certificates issued by ESBPF. However, even though the ESBPF is now ready, it will only be activated following a request by a euro area Member State”.

ESBPF is a company incorporated on 5 January 2012 in Luxembourg as a société anonyme.

The second option for leveraging the resources of the EFSF is a Co-Investment Fund which would allow the combination of public and private funding. The Co-Investment Fund would purchase bonds in the primary and secondary markets and would comprise a first loss tranche which would be financed by EFSF.

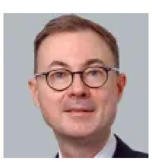
This option will be ready for deployment shortly and will also only be activated following a request by a Member State.

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 area backed by guarantees given by euro area Member States of up to €780 billion. EFSF has a lending capacity of €440 billion.

EFSF is part of the European financial stability package. Its funds are 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). Any financial assistance by EFSF, EFSM and IMF to a country in need is linked to strict policy conditions.

Contacts



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