

ESM implements short-term debt relief measures for Greece

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04/12/2017

Press releases

ESM

Luxembourg – The European Stability Mechanism (ESM) has successfully implemented the short-term debt relief measures for Greece over the course of 2017. The package is intended to reduce the interest rate risk on Greece's outstanding loans with the European Financial Stability Facility (EFSF) and ESM. It is expected to substantially reduce the country's debt burden over the longer term.

“The ESM is delivering the package of short-term debt relief measures for Greece that euro area finance ministers endorsed a year ago. This will help the country in its efforts to regain the confidence of markets. Greece must now continue reforming its economy, so that it can successfully exit its third assistance programme by August 2018,” said Klaus Regling, the Managing Director of the ESM.

The ESM now estimates that the total package of short-term debt relief measures will reduce the country's debt-to-GDP ratio by about 25 percentage points by 2060, and the gross financing needs-to-GDP ratio by around six percentage points. This is a bigger reduction than foreseen in the original estimate of 20 percentage points and five percentage points respectively over that period.

The package consists of three measures. The first was completed at the beginning of 2017: the extension of the weighted average maturity and the smoothing of Greece's repayment profile.

The second measure, reducing Greece's interest rate risk, consists of three different schemes. Under the first, a bond exchange, floating-rate notes held by Greek banks are ultimately exchanged for cash. These funds are raised by issuing longer-dated

EFSF and ESM bonds. The EFSF and ESM have completed the issuance to fund the scheme.

The second scheme foresees the ESM entering into swap arrangements to stabilise the cost of funding charged to Greece. The programme has now been put in place, and the interest rate risk of all outstanding loans to Greece has been reduced as planned. As planned from the beginning, the ESM will continue to be active in the derivatives market for maintenance of this programme.

The third scheme, known as matched funding, will be implemented as planned in 2018, subject to market conditions. The scheme matches long-term funding transactions to future loan disbursements to Greece.

The third measure consisted of the waiver of a step-up margin for 2017, related to the EFSF debt buy-back loan. The waiver was formally approved at the beginning of this year.

Euro area finance ministers endorsed these measures at the Eurogroup meeting on 5 December 2016, and the Board of Directors of the ESM and the EFSF adopted them on 23 January of 2017.

For further information on the short-term debt relief measures for Greece, please consult the [explainer](#) on the ESM website.

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