

Klaus Regling at Eurogroup Press Conference

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Transcript of remarks by ESM Managing Director Klaus Regling Press conference after Eurogroup meeting, Brussels, 24 May 2018

Good evening. A few words on Greece. Obviously I also welcome the staff-level agreement of last week. This will open the possibility for a final disbursement from the ESM, but I want to remind you that there is still €1 billion outstanding from the last tranche, which is subject to arrears reduction and good progress of the system of e-auctions. This money is available until the middle of June, and we are waiting for the data on arrears developments for the end of April—they should be available early next month. So hopefully then we can disburse that €1 billion, and then we work on the final disbursement.

So, there's a lot of work ahead of us, between now and the June Eurogroup. On the Greek side, it's all about implementation; the institutions will monitor that closely. On the debt side, the work will intensify, but we had a good discussion on that. We are now able to prepare a final debt-sustainability analysis based on the staff-level agreement and the projections that are agreed in that context, and then we will

have the basis for an assessment of what is needed to reach debt-sustainability, which of course is the objective of that debate.

And finally, there's work, as the Commissioner said, on good post-programme arrangement. So those are the three areas where we need to work.

On deepening EMU, Banking Union, the banking package, that will come up in the ECOFIN council tomorrow so I will not say anything on that except that this is really an item that is important for the financial stability of the euro area. This is what I hear again and again when I have contacts with investors, which is part of my business to sell ESM bonds. They look at Banking Union and the completion of Banking Union as a priority in our discussions.

The other debate we had today, you heard about that—development of the ESM—you can imagine that this is of particular interest for me and my institution. The Chairman already mentioned the main items that we discussed today, and on which we will continue to work.

One is that there was today a broad consensus that the backstop to the Single Resolution Fund should be provided by the ESM.

The second one is the review of our toolkit, existing instruments, several of them have not been used so we are looking what is the reason for that? Do we need to adapt them to make them more usable? Or are they useless? I would also not object if we decide to drop something that is not needed. That is all part of the review of the toolkit, including the question whether additional tools might be useful for the stability of the euro area, so that's a broad area. The Commissioner and the Chairman already talked about that issue of how to deal with debt in the euro area also will come up in that context. It is already mentioned lightly in the ESM Treaty today, so there may be some more work on that.

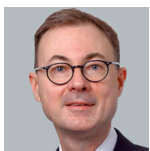
And then there's the broad consensus that the ESM will play a broader role in future comprehensive adjustment programmes, together with the Commission, of course, fully respecting the different mandates of the different institutions, and very clearly the Commission has the mandate and competence according to the EU Treaty on economic policy coordination, on supervising the Stability Pact, and the MIP. So that's not something where the ESM will get into, but I think that there are

complementarities where we can very usefully work together. And the MoU that Pierre Moscovici and Mr. Dombrovskis and I signed in Sofia that deals with today's cooperation shows that we are able to work together well. I knew that from work on the ground and it's the basis to think about future cooperation if we get additional mandates from our Member States.

I want to mention one other point that's different. There's good news from Spain. I was in Madrid yesterday and had a meeting with the Finance Minister Escolano, who is also Spain's Governor at the ESM. It just happens that previously-agreed additional new repayment from Spain to the ESM happened yesterday. So Spain repaid yesterday €3 billion to the ESM. This was already the eighth early repayment by Spain—the second this year—and after this additional repayment of €3 billion, now the outstanding debt to the ESM is at €26.7 billion from Spain, compared to an initial disbursement of €41.3 billion that Spain received between December 2012 and February 2013 for the recapitalisation of the country's banking sector.

I think this is truly a win-win situation: Spain can repay early, which means the ESM, importantly, regains fire power because if money flows back we again have the ability to lend more. We still have more than €400 billion anyway, but as a crisis-fighting institution it's important to demonstrate to markets that our firepower is really sufficient and quite big. Thank you.

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