

Klaus Regling at Eurogroup press conference

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Transcript of remarks by ESM Managing Director Klaus Regling

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I think we had an important meeting today, including on budgetary plans, Italy, financial stability in the euro area. It was a good discussion, where it was repeated again that we have to live in a rules-based system to make monetary union work well; these rules were adopted by all member states. And the concept of shared sovereignty that Commissioner Moscovici already mentioned, I think it plays an important role; it's good to remind ourselves that indeed we are not a federation, but we have shared sovereignty in important areas, and that's important for the good functioning of monetary union.

Let me say a few more words on ESM reforms, which obviously is important for my institution. The toolkit and the backstop – we made good progress, that's true. This was today another important step because have been debating this for a while. And it's important now that we make good use of the remaining six weeks to come to some clear conclusions.

Let me also repeat that we are not discussing developing the ESM and broadening the ESM's mandate as a goal in itself. We are discussing it because the shared

objective is to make monetary union more resilient, more robust than it has been, although it is today obviously less vulnerable than in 2010 for example.

On the financial backstop, there is agreement to make the backstop as effective as possible, so that we are better prepared for a big crisis. That's not foreseen any time soon, but one day there will be another crisis, so it's good to be prepared. And to be well-prepared to make the backstop efficient, that relates to the decision-making. As you heard, on the one hand it has to be fast. On the other hand, there has to be a robust process where we can be confident that it really works. It also relates to the relation between the institutions that are involved in this process, information sharing between institutions, and therefore, for the ESM as a creditor this is particularly important, because we need to make the assessment of the repayment capacity of the Single Resolution Fund. But we are working on all that and we are making good progress.

On the ESM's toolkit, as you heard, we focused today on the precautionary credit lines. We have two of them: the Enhanced Conditions Credit Line (ECCL) and the Precautionary Conditions Credit Line (PCCL). It's good to have two instruments because they cover different situations. And they are modelled after what the IMF has – they also have different instruments for similar purpose, and it has been used successfully by the IMF over the last few years – countries like Mexico, Columbia and Poland have used the IMF's precautionary credit lines, and the experience is very positive for those countries, and from the ESM's perspective. In the end, it's like an insurance policy, and the baseline scenario is that the countries that make use of these instruments do not need to draw on them.

So what we are trying to do is on the one hand to make it a bit easier for countries to draw on these precautionary arrangements, but at the same time, we want to maintain an appropriate degree of conditionality in order to lose the stigma problem, and to make it credible as an instrument. I think we are on a good way to find a good balance here.

Response to question on Greece:

Just maybe one word – compliance with the Stability and Growth Pact is indeed very positive, and it's the first time in many years for Greece, so we should really welcome that. And also the commitment to have a primary surplus of 3.5% is not

questioned by anybody in the Greek government – that’s also positive. But there is the additional understanding that previous commitments under the programme should be respected or discussed with the institutions, and we are going through that process.

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