



The ESM is the **crisis resolution mechanism** for countries of the euro area. It is based in Luxembourg and has been operating since 8 October 2012. Its purpose is to provide stability support through a number of financial assistance instruments to ESM Member States which are experiencing, or are threatened by severe financing problems. For this purpose, the ESM raises funds by issuing capital market instruments and engaging in money market transactions. **ESM financial assistance is therefore not funded with taxpayer money.**

Since 1 July 2013, the **ESM** is the sole mechanism for responding to **new requests** for financial assistance by euro area Member States.

The initial rescue fund for the euro area – **the EFSF** – provided loans to **Ireland, Portugal and Greece**. The EFSF will not provide any further financial assistance.

The EFSF continues to operate in order to:

- receive loan repayments from beneficiary countries;
- make interest and principal payments to holders of EFSF bonds;
- roll over outstanding EFSF bonds, as the maturity of loans is longer than the maturity of bonds issued by the EFSF.

ESM financial assistance instruments:

- loans to countries experiencing or threatened by severe financing problems
- the purchase of bonds of an ESM Member State in primary and secondary debt markets
- precautionary financial assistance in the form of a credit line: Precautionary Conditioned Credit Line (PCCL) and Enhanced Conditions Credit Line (ECCL)
- loans to countries for the recapitalisation of financial institutions
- direct recapitalisation of financial institutions under certain conditions

*All ESM financial assistance to its Member States is linked to the implementation of **policy conditions** specified in a Memorandum of Understanding (MoU) concluded by the European Commission, the ECB, the IMF (where applicable) and the beneficiary Member State.*

ESM financial assistance

- **Greece** (loans subject to macroeconomic adjustment programme): €45.9 bn disbursed, including €5.4 bn for bank recapitalisation; total amount committed: up to €86 bn; ongoing programme until August 2018;
- **Cyprus** (loans subject to macroeconomic adjustment programme): €6.3 bn was disbursed, including €1.5 bn for bank recapitalisation; the programme was concluded on 31 March 2016;
- **Spain** (loan to government for bank recapitalisation): €41.3 bn was disbursed. The financial assistance programme was concluded on 31 December 2013.

ESM key facts

Legal structure	Intergovernmental institution under public international law
Duration	Permanent institution
Capital structure	Authorised capital stock of €704.8 bn: €80.5 bn paid-in capital €624.3 bn committed callable capital
Max. lending capacity	€500 bn
Current lending capacity	€383 bn
Amount of assistance disbursed	€93.5 bn by ESM €279 bn by ESM and EFSF

Pricing of financial assistance

The cost of the financial assistance provided by the ESM to beneficiary Member States is **several times lower** than the cost of comparable borrowing via financial markets.

There is no single interest rate that is applied to loans for beneficiary Member States. The ESM **passes on to beneficiary countries its cost of funding** (issuing bonds and bills), which is variable. In addition, there are small fees to cover the ESM's operational costs, and a margin, which reflects the varying risk profile of financial assistance instruments.

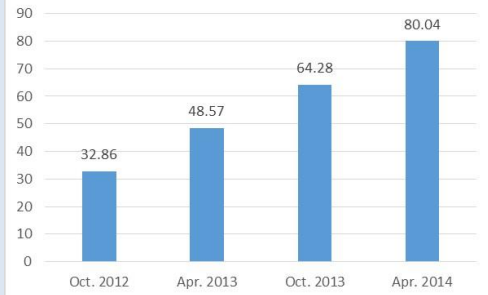
The cost of loans and other types of financial assistance is determined separately for each tranche of loan or assistance. The interest is paid by the beneficiary Member State on an annual or semi-annual basis, and the principal (the amount borrowed) is repaid in full at maturity, i.e. the date of final repayment. The maturity varies between each loan tranche.

ESM's capital structure (€ bn)



- Unpaid (callable) capital may be called in to restore the level of paid-in capital if the latter is reduced by the absorption of losses
- Paid-in capital is **not available for lending** to ESM Members - it is invested in high quality liquid assets. Paid-in capital supports the financial strength and high creditworthiness of the ESM as an issuer

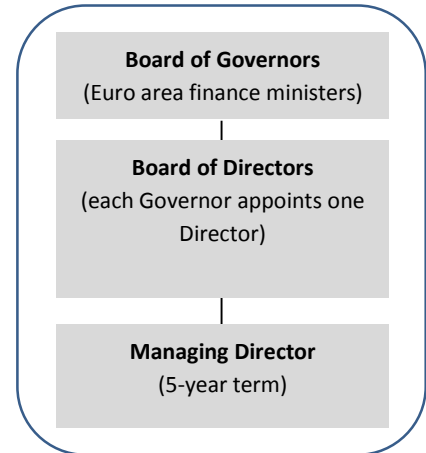
Progression of total paid-in capital payments by ESM Members (€ bn)



Capital contribution of ESM Member States

ESM Member	ESM key (%)	Capital subscription (€ bn)	Paid-in capital (€ bn)
Austria	2.7644	19.48	2.23
Belgium	3.4534	24.34	2.78
Cyprus	0.1949	1.37	0.16
Estonia	0.1847	1.30	0.15
Finland	1.7852	12.58	1.44
France	20.2471	142.70	16.31
Germany	26.9616	190.02	21.72
Greece	2.7975	19.72	2.25
Ireland	1.5814	11.14	1.27
Italy	17.7917	125.40	14.33
Latvia	0.2746	1.93	0.22
Lithuania	0.4063	2.86	0.33
Luxembourg	0.2487	1.75	0.20
Malta	0.0726	0.51	0.06
Netherlands	5.6781	40.02	4.57
Portugal	2.4921	17.56	2.01
Slovakia	0.8184	5.77	0.66
Slovenia	0.4247	2.99	0.34
Spain	11.8227	83.33	9.52
Total	100	704.80	80.55

ESM governance structure



ESM's credit rating

	Long-term	Short-term
Moody's	Aa1	P-1
Fitch Ratings	AAA	F1+

ESM funding

- Diversified funding strategy: ESM may issue bills, bonds and other funding instruments with maturities up to 45 years
- Funds raised are pooled and not attributed to a particular country
- Issues may be made via syndications, auctions, private placements or taps of existing lines

ESM staff

- Managing Director: Klaus Regling
- Currently 175 staff members
- 42 different nationalities

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