Interview with Christophe Frankel, ESM Deputy Managing Director and CFO

“ESM/EFSF Funding Target For 2015 Seen "Slightly Less" Vs 2014”

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BRUSSELS (MNI) - The European Stability Mechanism (ESM) and the European Financial Stability Facility's (EFSF) funding targets for 2015 are expected to be "slightly less" than this year's respective E34 billion and E15 billion, European Stability Mechanism CFO and Deputy Managing Director Christophe Frankel has told MNI.

Speaking on the sidelines of AFME's European Government Bond Conference in Brussels Monday, Frankel said exact funding target figures will be announced next month but "will be in the range" that was previously announced at the end of last year. For the EFSF, the 2015 target was projected at E14.5 billion while the ESM target was seen at E22 billion.

In terms of maturities, Frankel said a comparison of the structure of the balance sheets of the two issuers shows that the EFSF has provided much longer-term loans, in particular to Greece, compared to the ESM.

"It can be seen from a structural point of view that the EFSF may be a longer issuer compared to the ESM, based on its two programme countries, Spain and Cyprus," he said. "We never commit to maturities because we want to keep the flexibility."

Frankel noted that the last repayment from Greece will take place in 2054, while Spain's loans were for up to 15 years. That highlights the difference between the two issuers, he said.

Asked about ultra-long issuance beyond 30-year maturities, Frankel said "this is something we can consider, as Greece has loans maturing in 2054 and this is the maximum maturity we could propose."

Frankel stressed the EFSF cannot borrow longer than the last date of maturity for loans for each country.

The EFSF, which was established on a temporary basis, is due to close when the last loan matures. It was replaced by the ESM as the permanent rescue body for the 18 Euro area countries. Theoretically, the EFSF could sell a 40-year bond today, but Frankel stressed that this is unlikely for 2014.

For next year, the EFSF will only be able to sell at maturities of 39 years or less for Greece to match the country's 2054 loan maturity.

The EFSF "can sell a bond with a maturity of between 35-year and 39-year if there is good demand for that maturity," Frankel said.

"There is no plan for such a bond at this stage," he added.

Frankel noted the combination of the EFSF and the ESM will make them the fifth largest issuers of Euro-denominated debt in the Euro area in 2014. They will continue to be a major issuer of debt in the longer-term, where its bonds carry average maturities of around six years.

He also said the ESM's bill programme will be important over the long run.

"We manage our 'government-style' funding programme via regular auctions, and whilst the size may vary somewhat, these will be in the range of E1 billion to E2 billion per auction," he said.

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