

Luxembourg, 25 January 2017

## Summary of decisions

### Board of Directors

### Meeting of 23 January 2017

#### ESM short-term debt measures for Greece: specification of rules

After the ESM Board of Governors approved the ESM short-term debt measures, the Board of Directors agreed on the rules that enable the ESM to implement them.

##### 1. Common rules for short-term debt measures

The Board of Directors approved the rules needed for the ESM to implement the short-term debt measures, which are related to funding, pricing, and the '[Greek Compartment](#)'.

The funding of the ESM short-term debt measures will be carried out separately (silo-based) from the pools that are used to fund most of the ESM's lending activity (more details on the ESM funding strategy can be found [here](#)).

The decision also applied the principles of the [ESM Pricing Policy](#) to each specific measure.

Finally, this decision approved rules regarding the Greek Compartment, a portfolio containing the proceeds from the operations conducted in the context of the short-term debt measures.

##### 2. Bond exchange

The Board of Directors authorised the funding operations needed to implement the bond exchange, including the issuance of fixed-rate notes and the raising of cash. New fixed-rate notes will be issued and cash will be raised to replace the floating-rate notes issued in the past to recapitalise certain Greek banks. Given that the new bonds will be issued at fixed rates, Greece's interest rate risk will be reduced.

##### 3. Interest rate swaps

The Board of Directors further detailed the Board of Governors' authorisation to implement this measure. The ESM may enter into derivative transactions to hedge its interest rate risk on the funding of past or future pool-funded disbursements made to Greece. This will be done with a view to stabilising the cost of Greece's loans. This decision authorises the ESM to raise the funds required to service the derivative transactions and their collateral management.



#### **4. Matched funding**

Future disbursements to Greece may be funded by long-term notes that closely match the maturity of the Greek loans. To this end, the Board of Directors approved the issuance of funding instruments corresponding to the expected disbursements in late 2017 and 2018. This decision does not preclude the ESM from sourcing future disbursements to Greece from the existing funding pools.

In addition, the Managing Director was entrusted with the implementation of these measures, taking into consideration their impact on Greece's debt sustainability.

#### **Background**

*In its statement of 25 May 2016, the Euro Group mandated the ESM to work on a first set of debt relief measures aimed at Greece, referred to as short-term debt measures. On 5 December 2016, the ESM presented detailed plans for the short-term measures.*

*On 20 January 2017, the [Board of Governors approved the ESM short-term debt measures](#). The decisions taken by the Board of Directors on 23 January 2017 specified the rules necessary for the implementation of these measures.*

*Further information may be found in the [Explainer on ESM short-term debt relief measures for Greece](#).*

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