

Statement by the President of the Eurogroup

ESM direct recapitalisation instrument

Euro area Member States have today reached a political understanding on the operational framework of the ESM direct recapitalisation instrument, on the basis of the proposal I presented at the May 5 Eurogroup meeting and building on the main features agreed at the June 2013 Eurogroup. Following the relevant national procedures and the formal adoption by the ESM Board of Governors, the instrument is expected to be added to the toolkit of the ESM by the start of the SSM supervision in November of this year.

The instrument may be activated in case a bank fails to attract sufficient capital from private sources and if the ESM Member concerned is unable to recapitalise it, including through the instrument of indirect recapitalisation of the ESM.

For a transitional period until 31 December 2015, a bail-in of 8% of all liabilities will be a precondition for using the instrument, as well as the use of the resources available in the ESM Member's national resolution fund. From 1 January 2016, bail-in in line with the rules of the Bank Recovery and Resolution Directive will be required.

The financial assistance will be provided in accordance with EU State aid rules and the ESM Member will be asked to invest alongside the ESM.

With its maximum recapitalisation capacity of 60 billion euros, this new instrument of the ESM will be another important pillar of the Banking Union, alongside the Single Supervisory Mechanism and the Single Resolution Mechanism.