



Directorate-General for Internal Policies
Directorate A - Economic and Scientific Policy
Committee on Economic and Monetary Affairs

**Questions submitted by ECON to Mr Klaus Regling, Managing Director of the ESM,
ahead of the exchange of views on 24 September 2013**

Questions from ALDE

Questions by MEP Wolf Klinz on behalf of ALDE

- There seems to be consensus that Greece needs a third rescue programme. What is the order of magnitude and does Greece really justify another programme given the implementation progress of current programmes?

It's too soon to say if a third package is needed. What is clear is that Greece is correcting the imbalances that were at the root of its crisis. Given a very difficult starting point, Greece has made a lot of progress. In three years' time the country performed the biggest fiscal adjustment by any country in history and Greece currently has a primary fiscal surplus. Competitiveness has improved and a full range of structural reforms has been implemented. However it is important to note that the adjustment is still very far from complete.

- With the approval of the SSM there is a green light for the ESM recapitalising banks directly. To what extent do you think this possibility will be used and is the amount reserved for that purpose big enough for the likely demand?

The Eurogroup has agreed that the operational framework, including the guideline, of the ESM direct recapitalisation instrument will be finalised as soon as the Bank Recovery and Resolution Directive and the Deposit Guarantee Scheme Directive have been finalised with the European Parliament. The instrument of direct recapitalisation will act as a backstop when a financial institution is unable to attract sufficient capital from private sources and when a Member State is unable to provide capital to the financial institution in full. In this context the Eurogroup has agreed that an amount of up to EUR 60 billion will be available for direct recapitalisations. From today's perspective that seems to be more than sufficient.

Question from the Greens

Question by MEP Sven Giegold on behalf of the Greens

- Member States, such Ireland or Portugal are getting closer to the end their programme. Among other options, these Member States can consider the possibility to ask for a precautionary credit line to the ESM to ensure an eventual support from the ECB's OMT programme. In this case, in how far would there be a coordination between the ESM and the ECB?

The division of labour between the ECB and the ESM under the OMT programme is clear. OMT can occur under an ESM macroeconomic adjustment programme or a precautionary programme (Enhanced Conditions Credit Line), provided that they include the possibility of primary market purchases. However, the existence of an ESM programme is a necessary but not sufficient condition for the activation of OMT. The ECB's Governing Council will consider OMT to the extent that they are warranted from a monetary policy perspective as long as programme conditionality is fully respected, and terminate them once their objectives are achieved or when there is non-compliance with the macroeconomic adjustment or precautionary programme.