

Eurogroup statement on Spain

The Eurogroup supports the efforts of the Spanish authorities to resolutely address the restructuring of its financial sector and it welcomes their intention to seek financial assistance from euro area Member States to this effect.

The Eurogroup has been informed that the Spanish authorities will present a formal request shortly and is willing to respond favourably to such a request. The financial assistance would be provided by the EFSF/ESM for recapitalisation of financial institutions. The loan will be scaled to provide an effective backstop covering for all possible capital requirements estimated by the diagnostic exercise which the Spanish authorities have commissioned to the external evaluators and the international auditors. The loan amount must cover estimated capital requirements with an additional safety margin, estimated as summing up to EUR 100 billion in total.

Following the formal request, an assessment should be provided by the Commission, in liaison with the ECB, EBA and the IMF, as well as a proposal for the necessary policy conditionality for the financial sector that shall accompany the assistance.

The Eurogroup considers that the Fund for Orderly Bank Restructuring (F.R.O.B.), acting as agent of the Spanish government, could receive the funds and channel them to the financial institutions concerned. The Spanish government will retain the full responsibility of the financial assistance and will sign the MoU.

The Eurogroup notes that Spain has already implemented significant fiscal and labour market reforms and measures to strengthen the capital base of the Spanish banks. The Eurogroup is confident that Spain will honour its commitments under the excessive deficit procedure and with regard to structural reforms, with a view to correcting macroeconomic imbalances in the framework of the European semester. Progress in these areas will be closely and regularly reviewed also in parallel with the financial assistance.

Beyond the determined implementation of these commitments, the Eurogroup considers that the policy conditionality of the financial assistance should be focused on specific reforms targeting the financial sector, including restructuring plans in line with EU state-aid rules and horizontal structural reforms of the domestic financial sector.

We invite the IMF to support the implementation and monitoring of the financial assistance with regular reporting.