Medium-term financial assistance for Member States' balances of payment

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OPINION OF THE EUROPEAN CENTRAL BANK on a proposal for a Council Regulation amending Regulation (EC) No 332/2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments.

On 12 November 2008, the European Central Bank (ECB) received a request from the EU Council for an opinion on a proposal for a Council Regulation amending Regulation (EC) No 332/2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments.

The regulation currently in force, adopted in February 2002, lowered the EUR 16 billion ceiling in the previous regulation to EUR 12 billion. The ECB considers that, in the present financial circumstances, non-euro area Member States are more likely to request assistance under the medium-term financial assistance (MTFA) facility than was previously envisaged, and their requests for assistance are likely to involve much higher amounts than was anticipated in 2002. Therefore, the ECB is of the opinion that, in view of international economic and financial developments, the potential demand for assistance might go beyond the current ceiling of EUR 12 billion. It therefore supports an **increase in the ceiling to EUR 25 billion** so as to enable the Community to react to potential requests for financial assistance.

Procedure for amending the ceiling of the facility: the proposal would introduce a new paragraph 3 in Article 1 of Regulation (EC) No 332/2002 which would empower the Commission to revise the ceiling after having received the opinion of the Economic and Financial Committee (EFC) as regards both the urgent need to revise the ceiling and the revised ceiling itself. The ECB has serious concerns as to the appropriateness of the proposed procedure. On the one hand it is of the view that urgency does not justify the introduction of this new procedure. In particular, given that it is planned to adopt the proposed regulation within a very short deadline, the Council would clearly also be in a position to raise the ceiling within a very short deadline in the future. On the other hand, the ECB has doubts as to the legality of the delegation of this power to the Commission. Therefore, the ECB favours deleting the introduction of this new procedure in the Regulation. Such an approach is also suggested by the European Parliament's resolution on this matter and was envisaged during preparatory work on the proposed regulation by the Council.