

# Resolution on the European Financial Stability Facility and European Financial Stabilisation Mechanism and future actions

2010/2749(RSP) - 07/07/2010 - Text adopted by Parliament, single reading

The European Parliament adopted by 377 votes to 225, with 48 abstentions, a resolution tabled on the Committee on Economic and monetary Affairs on the European Financial Stability Facility and European Financial Stabilisation Mechanism and future actions. It notes that the authors of the Maastricht Treaty had not foreseen the possibility of a sovereign debt crisis inside the euro area. The spreads of sovereign debt issued by Member States of the euro area widened more rapidly during autumn 2009, and the situation in the sovereign debt market for certain Member States worsened considerably during spring 2010 and reached a critical stage in May 2010. Members recall that on 7 June 2010, the euro area Member States established the European Financial Stability Facility (EFSF) as a limited liability company under Luxembourg law, with euro area Member States providing guarantees for EFSF issuance up to a total of EUR 440 billion on a pro-rata basis.

The resolution welcomes the recent actions taken at EU level and at national level to safeguard the stability of the euro, but regrets that European policymakers did not take decisive action earlier, despite the steady worsening of the financial crisis. However, these actions are merely of a temporary nature and that real progress will have to be made on **fiscal and structural policies in the individual Member States**, and on establishing a **stronger framework for economic governance**, geared to preventing future occurrences of similar crises, as well as increasing growth potential and sustainable macroeconomic rebalancing in the EU. Parliament considers that the current crises cannot be resolved in the long run by simply pouring new debt into highly indebted countries. All Member States, in particular those that are part of the economic and monetary union (EMU), should, when developing their economic policies, take into account both the effects of those policies domestically and their implications for the Union. Parliament feels that **economic policies are a matter of common concern** and should be coordinated within the Council in accordance with the procedures in the Treaty. Parliament takes note of Commission communication on reinforcing economic policy coordination as an important contribution to stronger economic policy coordination in the EU. It considers that legislative proposals on enhanced economic surveillance should include new secondary legislation on the basis of Article 121(6) of the Treaty.

Members ask the Commission to:

- provide an assessment of the impact of the European Financial Stabilisation Mechanism, in particular on the EU budget and other EU financial instruments and loans by the EIB;
- provide an assessment of the impact of the European Financial Stability Facility on the functioning of the euro bond markets and their spreads;
- to assess, in addition, the practicability and accountability of the decision-making procedure for this special purpose vehicle (SPV), with a view to a longer-term solution;
- provide more detail about how the coordination between the EFSF and the IMF will work, including whether the allocation between funds will be determined on a parallel basis maintaining the 2:1 ratio; whether the interest rate will be coordinated with the IMF rate in any way, presuming that the IMF rate will be fixed according to standard practice; what the projected interest rate will be, over and above German bunds, and whether it is likely to be around 1%; asks whether the IMF and EFSF loans will rank *pari passu*, as this would automatically give the EFSF the privilege of non-inclusion in any restructuring of borrowers' obligations – as otherwise the EFSF would, in effect, have first-loss exposure;
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state if any measures are envisaged to ensure equal treatment. Members note that the interest rate for the EFSF appears different from the package agreed for Greece because EFSF borrowers will pay the net all-in cost to the SPV for raising the funds, and they ask how fairness can be assured for non-EMU members if the EFSF operates only after the EUR 60 billion facility has been used up;

- analyse a range of options for a long-term system to prevent and resolve potential sovereign debt problems in an efficient and sustainable way, while reaping the full benefit of the single currency;
- undertake an independent feasibility study by the end of 2010 on the question of innovative financing instruments, such as the joint issuance of Eurobonds as a means of reducing spreads and increasing liquidity in euro-dominated debt markets. The issuance of Eurobonds for EU-relevant infrastructure could be consistent with adherence to the Stability and Growth Pact.

Parliament asks the ECB to give a detailed explanation of its recent decisions to buy government bonds on the secondary market, and considers that the ECB should prepare an exit strategy with a clear timetable for ceasing this practice.

It takes the view that a stronger EU framework for economic governance should encompass a **permanent EU sovereign debt crisis-resolution mechanism**, such as a European Monetary Fund, a coordinated approach for macroeconomic rebalancing, and enhanced synergies between the EU budget and Member States' budgets, complementing sustainable fiscal consolidation.

Lastly, it considers that, when establishing new EU instruments and procedures, account needs to be taken of the respective roles of the European institutions, including the legislative and budgetary role of Parliament and the independent role of the ECB in decision making on monetary policy. It takes note that, despite the potentially significant impact of this mechanism on the EU budget, **Parliament is given no role in the decision-making process**, as the facility has been established by Council regulation under Article 122(2) TFEU. Accordingly, it is necessary to ensure that Parliament, as budgetary authority, is involved in an issue with such potentially far-reaching budgetary consequences.