Amending budget 5/2010: guarantee provided by the EU for financial assistance, new budget item and new article

2010/2120(BUD) - 12/07/2010 - Commission draft budget

PURPOSE: presentation of Draft Amending Budget No. 7 to the 2010 general budget – section III – Commission.

CONTENT: DAB 7/2010 covers the creation of a new budget item 01 04 01 03 for the **guarantee provided by the European Union** in accordance with the provisions of Article 122(2) of the Treaty on the Functioning of the European Union (TFEU) and, correspondingly, a new article 802 on the revenue side.

On 9 May 2010, the Council decided on a comprehensive package of measures to preserve financial stability in Europe, including a European Financial Stabilisation mechanism based on Article 122(2) of the TFEU. This Article foresees financial support for Member States in difficulties caused by exceptional circumstances beyond Member States' control. The mechanism will operate without prejudice to the existing facility providing medium term financial assistance for non euro area Member States' balance of payments.

To grant this financial assistance the Commission will borrow on the capital markets or with financial institutions on behalf of the European Union. In order to honour its obligations should the debtors default, the Commission may draw on its cash resources to service the debt provisionally. Article 12 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 implementing Decision 2000/597/EC, Euratom on the system of the Communities' own resources shall apply. Subsequently, it may be necessary to budget the operation.

Reimbursements after an initial default or any other revenue arising from the exercise of rights in connection with the guarantee may also need to be budgeted as revenue.

It is therefore proposed to **create a new budget item** on the expenditure side and a corresponding new budget article on the revenue side as the budget **structure for the guarantee provided by the European Union**.

As it is of use for budgetary items linked to lending operations without a specific guarantee fund, the new item 01 04 01 03 and new article 8 0 2 will receive a token entry (p.m.). If necessary, the Commission will propose to make available the appropriations needed by means of a transfer or an amending budget.

DAB No 7 to the 2010 general budget has no financial implications.