

Proposal for the extension of the Master Financial Assistance Facility Agreement between the European Financial Stability Facility and the Hellenic Republic

1. Background

Under the current Master Financial Assistance Facility Agreement (MFFA) between the Hellenic Republic and the European Financial Stability Facility (EFSF), the availability period of the Loan Facility expires on 28 February 2015. Despite the extension granted in December 2014, the 5th review of the 2nd Economic Adjustment Programme for Greece cannot be completed before the end of February 2015.

Following an application for another extension of the availability period of the Loan Facility under the MFFA by Greece, the Eurogroup decided - on the basis of the request, the commitments by the Greek authorities as spelled out in the Eurogroup statement of 20 February 2015, and the advice of the Institutions - that the euro area Member States are favourably disposed to a further extension of the MFFA of up to 4 months.

The purpose of the extension is the successful completion of the review on the basis of the conditions in the current arrangement, making best use of the given flexibility which will be considered jointly with the Greek authorities and the Institutions. This extension would also bridge the time for discussions on a possible follow-up arrangement between the Eurogroup, the Institutions and Greece.

The Eurogroup - in view of the assessment of the Institutions – agreed also that the funds, so far available in the HFSF buffer, should be held by the EFSF, free of third party rights for the duration of the MFFA extension. The funds will continue to be available for the duration of the MFFA extension and can only be used for bank recapitalisation and resolution costs. They will only be released on request by the ECB/SSM.

2. Proposal

Following the political approval provided by the Eurogroup on 20 February 2015, the EFSF proposes that the availability period of the MFFA shall be extended until 30 June 2015.

It is also proposed that the funds available in the HFSF buffer are returned to the EFSF by 27 February 2015. The funds will be held by the EFSF and will continue to be available for the duration of the extension of the MFFA. These funds can solely be used for bank recapitalisation and resolution costs and will not be released by the EFSF unless EFSF receives a request by the ECB/SSM.