



14 August 2015

## **ESM proposal for the terms of the first tranche of €26 billion under the Financial Assistance Facility Agreement for Greece**

### **1. Proposal**

On 8 July 2015, the Hellenic Republic ('Greece') made an official request for stability support from the ESM - in the form of a loan facility - to the Chairperson of the Board of Governors (BoG), to be used for the purposes of meeting debt obligations and to ensure stability of its financial system. A separate request for financial assistance was sent to the International Monetary Fund (IMF) on 23 July 2015.

Following the approval of the Managing Director's proposal for a financial assistance facility agreement (FFA) by the Board of Governors on [19 August 2015], the ESM submits – along with the Financial Assistance Facility Agreement (FFA) - to the Board of Directors the terms of the disbursement of the first Tranche under the Greek FFA. The first tranche amounts to €26 billion, will be divided in two sub-tranches and will be used for budget financing, debt servicing needs and to cover bank recapitalisation and/or resolution costs.

The Memorandum of Understanding ('MoU') prepared by the European Commission, in liaison with the ECB, and approved by the Board of Governors on [19 August 2015], specifies the conditions to be met for the disbursement of the ESM loan. The policy package aims to restore fiscal sustainability, safeguard financial stability, boost growth, competitiveness and investment and reform public administration.

On this basis, the ESM proposes the approval of this first tranche of €26 billion, subject to compliance with prior actions as set out below.

### **2. Specific terms of the sub-tranches**

#### **A. Amounts to be disbursed and usage:**

##### **Sub-tranche A**

- Sub-tranche A amounts to €16 billion in cash and is to be used for budget financing and debt servicing needs.
- This sub-tranche would provide for a first disbursement to Greece to be transferred immediately on 20 August 2015, comprising around €13 billion.
- The €3 billion which will remain under sub-tranche A following the first disbursement would be disbursed in one or more further disbursements.
- The size of each of the remaining disbursements will be determined closer to the disbursement date taking into account the relevant financing needs.



- Each of the remaining disbursements would be subject to the satisfaction of prior actions.
- The latest date for a disbursement will be 30 November 2015 .

#### **Sub-tranche B**

- Sub-tranche B amounts to €10 billion in ESM Notes and is to be used to cover bank recapitalisation and/or resolution costs .
- The ESM Notes will be created immediately and will be held in a segregated account at the ESM.
- The latest date for a disbursement under this sub-tranche will be 31 January 2016.
- The procedure for disbursing from the segregated account to Greece is specified in the FFA.

#### **B. Instruments**

The ESM proposes to disburse the amounts requested in cash and/or in the form of ESM Notes. This will be defined in the relevant Acceptance and Confirmation Notices.

#### **C. Main characteristics of the first tranche**

- An up-front Service Fee of 50 bps will be deducted directly from a cash disbursement. Otherwise this fee will have to be paid by Greece following the receipt of an invoice sent by the ESM.
- An Annual Service Fee of 0.5 bps will accrue day to day, to be paid in arrears with effect from the first interest payment date of each disbursement, as part of the ESM Cost of Funding. It will follow the interest payment schedule.
- A Margin of 10 bps will accrue day to day, to be paid in arrears with effect from the date of each disbursement. It will follow the interest payment schedule.



- The Commitment Fee allocated to Greece, in accordance with the Diversified Funding Strategy and applied in line with the applicable guidelines, will be payable each year following the receipt of an invoice at the beginning of the following calendar year, as part of the ESM Cost of Funding.
- The term/Maturity will be determined at the time of issuance of the Confirmation Notice, taking into account the overall maximum average maturity of 32.5 years.
- The repayment profile for the disbursements will be bullet or amortising, as may be defined in the relevant Confirmation Notices.

For the avoidance of doubt, all elements affecting the pricing may be adjusted throughout the life of the loan in line with the FFA.

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