



JEAN-CLAUDE JUNCKER
President of the Euro Group

OLLI REHN
Member of the European Commission

Brussels, 22 March 2011

Dear Mr Brok, Dear Mr Gualtieri,

We hereby wish to inform you of the outcome of the negotiations on the setting up of European Stability Mechanism, as this will be of importance for the European Parliament when it decides on its opinion on the draft amendment to the Treaty on the functioning of the European Union, based on your report.

An intergovernmental ministerial meeting finalised yesterday, 21 March, a Term Sheet on the European Stability Mechanism (ESM). You will find attached the final text of this Term Sheet.

As you can see, according to the Term Sheet, the ESM will be established by a treaty among the euro-area Member States as an intergovernmental organisation under public international law and will be located in Luxembourg. The ESM will have a Board of Governors consisting of the Ministers of Finance of the euro-area Member States (as voting members), with the European Commissioner for Economic and Monetary Affairs and the President of the ECB as observers. Non euro area Member States can participate on an ad hoc basis alongside the ESM in financial assistance operations for euro area Member States.

The role of the Commission in the running of operations of the ESM is central, and the link of the ESM with EU institutions clearly established.

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As described in the Term Sheet, it will be for the Commission to assess, in liaison with the ECB, the existence of a risk to the financial stability of the euro area as a whole, and to undertake analysis of the sustainability of the public debt of the Member State concerned, together with the IMF and in liaison with the ECB. Further it will be for the Commission to take the lead in assessing the actual financing needs of the beneficiary Member State, as well as the nature of the required private sector involvement.

On the basis of this assessment, the Board of Governors will mandate the Commission to negotiate, together with the IMF and in liaison with the ECB, a macro-economic adjustment programme with the Member State concerned, detailed in a Memorandum of Understanding (MoU).

It will be for the Commission to propose to the Council a decision endorsing the macro-economic adjustment programme. The Board of Governors will decide on the granting of financial assistance and the terms and conditions under which assistance is provided. When the programme has been adopted by the Council, the Commission will sign the MoU on behalf of the euro area Member States subject to prior mutual agreement by the Board of Governors. The Board of Directors will then approve the financial assistance agreement which would contain the technical aspects of the financial assistance to be provided.

The Commission, together with the IMF and in liaison with the ECB, will be responsible for monitoring compliance with the policy conditionality required by a macroeconomic adjustment programme. It will report to the Council and to the Board of Directors. On the basis of this report, the Board of Directors will decide by mutual agreement on the disbursement of the new tranches of the loan.

After discussion in the Board of Governors, the Council can decide, on a proposal by the Commission, to implement post-programme surveillance, which can be maintained for as long as a specified amount of the financial assistance has not been repaid.

The policy conditionality established under an enhanced surveillance or a macroeconomic adjustment programme will be consistent with the EU surveillance framework and must guarantee the respect of EU procedures, and thereby also the role of the European Parliament.

To this end, the Commission intends to propose a Regulation of the European Parliament and of the Council based on Article 136 of the Treaty, clarifying the necessary procedural steps in order to enshrine the policy conditionality in Council decisions and ensure consistency with the EU multilateral surveillance framework. The Council and the Commission will inform the European Parliament on a regular basis about the establishment and the operations of the ESM.

We trust this information will be helpful for the European Parliament for its consideration of the draft amendment to Article 136 TFEU with regard to a stability mechanism for Member States whose currency is the euro.

Yours sincerely,



Olli Rehn
Member of the European Commission



Jean-Claude Juncker
President of the Euro Group

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