



**COMMISSION EUROPÉENNE**

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**Vice-President Rehn's remarks at the Eurogroup**

Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort

Eurogroup - Bruxelles  
**10 juillet 2012**

I would like to start by underlining the importance of the decisions taken at the Euro Area Summit on 29 June. We made significant progress tonight in taking those decisions forward in concrete terms:

First of all, I confirmed today to the Eurogroup that the Commission will come forward with legislative proposals for the creation of a Single Supervisory Mechanism for banks in the euro area, involving the ECB. We will present our proposal early September in order to allow for the Council to consider these as a matter of urgency by the end of the year – as decided, requested, insisted by the Euro Area Summit.

Secondly, we have agreed that work will also start in September on the preparation for the direct recapitalisation instrument for banks, so that the ESM can adopt this new instrument by regular decision once the Single Supervisory Mechanism is established. Direct bank recapitalisation will enable us to break the vicious circle between banks and sovereign risk.

Thirdly, the ECB has signed an agency agreement with the EFSF, which is another step towards ensuring that our existing instruments can be used effectively and efficiently to stabilise markets.

## **SPAIN**

Concerning Spain, this evening, the Eurogroup reached a political understanding on the programme for the recapitalisation of Spain's financial institutions. This is an important decision, which has been made possible thanks to the intense work carried out by the staff of the Commission, the ECB, the European Banking Authority, the IMF and the EFSF and the good cooperation in this process with the Spanish authorities. We will continue to work with the same intensity so that the Memorandum of Understanding can be finalised and, I trust, definitively approved on 20 July. In terms of conditionality, this will be both bank-specific for those banks unable to meet their capital shortfall without public support, and sector-wide, with measures aimed at strengthening the regulatory and supervisory framework in Spain. In parallel, Spain will have to comply fully with its commitments and obligations under the Excessive Deficit Procedure and the recommendations to address macroeconomic imbalances.

As I indicated on 30 May, the circumstances under which the Commission would be ready to propose an extension by one year of Spain's deadline for the correction of its excessive deficit do exist. We have now adopted a proposal to that effect which will be discussed, and I trust, decided, at tomorrow's ECOFIN. Under our recommendation to the Council, Spain's deficit targets will be 6.3% for 2012, 4.5% for 2013, and 2.8% for 2014. The key actions asked of Spain to ensure the achievement of these new targets are: the implementation of the measures adopted in the budget of this year and in the rebalancing plans in the Autonomous Communities; the rapid adoption of additional measures to ensure the achievement of the fiscal target for this year, given the challenges to meet this objective; and the adoption by the end of this month of the announced bi-annual budget plan for 2013-14. This budget plan will have to fully specify the structural measures necessary to achieve the correction of the excessive deficit by 2014.

This is a challenging but achievable objective. Above all, it is a necessary objective. It is essential that the multiple challenges Spain is facing – the repair of its banking sector, structural reforms to boost growth and jobs and tackle imbalances, and action to restore sustainability to its public finances – are addressed with equally strong determination.

Regarding Ireland, the seventh review of the programme is currently underway. The Commission will take forward technical work on improving the sustainability of Ireland's well-performing adjustment programme, in particular as regards its financial sector, together with our partners in the troika and the relevant Irish authorities. We will prepare concrete proposals for the Eurogroup to consider in September, with a view to reaching a final decision at the Eurogroup meeting in October.