

25 September 2012



MINISTRY OF FINANCE FINLAND

PRESS RELEASE**Joint Statement of the Ministers of Finance of Germany, the Netherlands and Finland**

We met today at Königstedt Manor outside Helsinki to discuss the topical issues of the Eurogroup and the ECOFIN Council. Our talks were conducted in a very positive and cordial atmosphere.

We welcome the recent positive reviews of the Irish and Portuguese EU/IMF programs. We look forward to the Troika report on the next review of the Greek EU/IMF program and the completion of the agreed fiscal and structural policy measures that constitute an important precondition for a successful review. We agreed that the implementation of the European Semester, including budgetary discipline and targets, in all countries remains key to ensuring financial stability; the ESM and the other crisis mechanisms can only play a supplementary role to these policies that are decided at the national level. National reform agendas of some Member States are in this context especially important. In this respect we encourage Spain to continue its national reform agenda in due time.

We agreed on the profound importance of the work that is currently being undertaken by the President of the European Council, in close collaboration with the President of the Commission, the President of the Eurogroup and the President of the ECB, to develop a precise and time-bound road map for the achievement of a genuine Economic and Monetary Union. The report will cover three frameworks (financial, budgetary and economic policy) and the strengthening of democratic legitimacy and accountability. To fulfil its role in preparing the Euro Summit meetings, the Eurogroup has to work proactively on these issues.

Regarding financial markets topics, we touched upon the issue of a Single Supervisory Mechanism. We took note of the constructive political discussion that took place at the Informal Ecofin in Nicosia on Sept. 15. We agreed that it is important to achieve rapid progress on this issue, but it cannot happen at a cost of the quality of the new supervision.



Specifically, we discussed the governance, independence, decision making and accountability of the new Single Supervisory Mechanism involving the ECB. The new framework has to ensure that the ECB can continue to conduct effectively and independently its current tasks, and it has to take into account the concerns of non euro area Member States regarding governance of the new supervision. This requires appropriate governance structures and a clear division of responsibilities between a new ECB Supervisory Council, which may include representatives from all Members States, and the Governing Council of the ECB. To ensure the accountability of the new Supervisory Council, it should report on the stability situation and its decisions to European Finance Ministers (Ecofin Council or Eurogroup+) as well as provide reports to the European Parliament and national Parliaments.

Regarding longer term issues, we discussed basic principles for enabling direct ESM bank recapitalisation, which can only take place once the single supervisory mechanism is established and its effectiveness has been determined. Principles that should be incorporated in design of the instrument for direct recapitalization include: 1) direct recapitalisation decisions need to be taken by a regular decision of the ESM to be accompanied with a MoU; 2) the ESM can take direct responsibility of problems that occur under the new supervision, but legacy assets should be under the responsibility of national authorities; 3) the recapitalisation should always occur using estimated real economic values; 4) direct bank recapitalisation by the ESM should take place based on an approach that adheres to the basic order of first using private capital, then national public capital and only as a last resort the ESM.

With a view of the work on the financial framework, we look also forward to the upcoming report by the Commission's high-level expert group, chaired by Governor Erkki Liikanen, on possible reforms to the structure of the EU banking sector.

We discussed issues pertaining to the start-up phase of the European Stability Mechanism, including the upcoming inaugural meeting of the ESM Board of Governors on 8 October.
