

To whom it may concern:

The CMFB opinion on the recording in national accounts of the European Stability Mechanism (ESM) should be read within the context in which it was taken.

The euro area Finance Ministers agreed in November 2010 to establish a new permanent crisis mechanism, the European Stability Mechanism (ESM). An expert group preparing the features of the ESM asked at an early stage Eurostat for advice in order to understand fully the statistical implications of the future ESM. Eurostat decided to seek the opinion of the CMFB in February 2011.

The *ex-ante* nature of the consultation was underlined throughout the CMFB consultation process, i.e. the CMFB Opinion is based on the information, which was available to the CMFB members during the period 28 February 2011 to 4 March 2011. The CMFB reserves its right, because of the *ex-ante* nature of the consultation, to re-examine the statistical accounting in national accounts depending on the final features of the ESM.

(Signed)

João Cadete de Matos
CMFB Chairman

Lisbon, 23 March 2011

CMFB opinion

on the recording in national accounts of the European Stability Mechanism (ESM)

1. At Eurostat's request the CMFB Chairman, with the assistance of the CMFB Executive Body, asked the CMFB Members on 28 February 2011 to state their opinion on the recording in national accounts¹ of the "European Stability Mechanism" (ESM). The deadline for the replies was 4 March 2011. Twenty-four (24) national statistical institutes and twenty-five (25) national central banks from the EU Member States returned the questionnaire by 4 March 2011. The ECB also provided its opinion. The IMF provided comments.
2. A CMFB Opinion on the recording in national accounts of the "European Financial Stability Facility" (EFSF) was finalised on 25 January 2011. The EFSF has been created as a temporary institution and it will be liquidated on the earliest date after 30 June 2013 when all outstanding amounts have been repaid in full. The euro area Finance Ministers agreed in November 2010 to establish a new permanent crisis mechanism, the European Stability Mechanism (ESM), to replace the EFSF and the European Financial Stability Mechanism (EFSM).
3. The preparatory work for setting up the ESM is under way. In this context, the CMFB examined the recording in national accounts of the ESM on the basis of the possible main features of the future ESM, see annex.
4. The results of the consultation were as follows:
 - 4.1 A very large majority of the CMFB considers that the ESM would have the status of an international organisation;
 - 4.2 A majority of the CMFB considers that the possible features of the ESM constitute a sufficient set of criteria for the classification of ESM as an institutional unit. In particular, the ESM may enter into legal agreements, may issue liabilities and own assets on its own account, will publish complete set of accounts, has a considerable amount of paid-in capital implying a capability of the ESM to bear risks, and has a large range of types of intervention, similar to existing international financial institutions. Specifically regarding the governance structure, a majority of the CMFB considered that it would provide the ESM with autonomy of decision. Nevertheless, a number of members expressed concerns that the governance structure could jeopardize the "*decision making autonomy in respect of its principal function*" as required by ESA-95 for institutional units (paragraph 2.12 and related paragraphs).
- 5 Further details on these considerations are provided in the background document prepared in support of this CMFB consultation.

¹ Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community as amended.

6. The CMFB reserves its right, because of the *ex-ante* nature of the consultation, to re-examine the statistical accounting in national accounts depending on the final features of the ESM.
7. This opinion has been transmitted to Eurostat and will be kept in the records of the CMFB secretariat.

(Signed)

João Cadete de Matos
CMFB Chairman

Lisbon, 10 March 2011

Annex

This annex outlines *possible* main features of the future ESM as available to the CMFB at the time of the consultation and the related references in National Accounts manuals.

Relating to paragraph 4.1 of Opinion

SNA 1993 (4.164) specifies two conditions for international organisations: (1) they are entities established by formal political agreements between their members that has the status of international treaties and their existence is recognised by law in their member countries; (2) they are accorded sovereign status; that is they are not subject to the laws or regulations of the country, or countries, in which they are located.

The CMFB assumed that the new ESM would be permanent and established by a treaty among Euro area member states as an intergovernmental organisation under public international law.

Relating to paragraph 4.2 of Opinion

SNA 1993 says that "Certain international organisations have all the essential attributes of institutional units". This implies that not all international organisations have these essential attributes.

The CMFB assumed that the possible structure of the ESM would have some characteristics of an institutional unit as listed in paragraph 2.12 of ESA 95. In particular, ESM would have a full set of accounts, ownership of assets and ability to incur liabilities on own behalf, and it would have a very significant capital and the range of types of financing envisaged for the ESM would be large and similar to existing international financial organisations.

Furthermore, paragraph 2.12 of ESA-95 mentions the necessary "*decision making autonomy in respect of its principal function*". The CMFB assumed that decisions to grant and to adjust the terms and conditions of financial assistance would be taken by the Board of Governors on the basis of unanimity, and that the Board of Governors would replicate the composition of the Eurogroup.