



Bundesministerium
der Finanzen

POSTANSCHRIFT Bundesministerium der Finanzen, 11018 Berlin

President of the Economic and
Financial Affairs Council of the European Union
Mr Rimantas Šadžius
Minister of Finance of the Republic of Lithuania
Lukiskiu str. 2
01512 VILNIUS
LITAUEN

Dr. Wolfgang Schäuble
Bundesminister
Mitglied des Deutschen Bundestages

HAUSANSCHRIFT Wilhelmstraße 97, 10117 Berlin

TEL +49 (0) 30 18 682-42 93
FAK +49 (0) 30 18 682-12 44
E-MAIL poststelle@bmf.bund.de
DATUM 12. Dezember 2013

DKK 2013/1153724
(bei Antwort bitte DKK angeben)

Dear Rimantas,

Coming back to our last Ecofin meeting I want to congratulate you for the remarkable progress made on SRM. I believe we have now reached a stage of discussion that gives us a real chance to conclude on the general approach for the SRM regulation in our next week's Ecofin, to be followed by the trilogue with EP and our intergovernmental negotiations running in parallel next year.

On this basis I am looking forward to the draft legal text on SRM which is expected to be distributed soon. In order to efficiently prepare the Ecofin next week we agreed to mandate our deputies to discuss and agree as far as possible on solutions before our meeting. To ensure that they have enough time to structure the process and since not all points could be discussed last Tuesday (especially on the last two papers) I thought it would be helpful to recall few priorities from the German perspective.

First we have to implement the essentials of our compromise package on the SRM regulation, especially voting modalities, scope and contributions including proportionality principle. We also have to get the balance right between SRM regulation and our future intergovernmental agreement as an international Treaty, which will have to be ratified. As discussed I agree that the Art. 114 regulation can provide for a sufficient basis to cover the scope of the SRM, the governance and decision making of the SRM Board as well as interactions with the SRF, while the agreement itself will specify the set-up and functioning of the Single Fund including transfer of national funds, decision making for fund usage and gradual mutualisation between

² national compartments. As long as we still have to rely on national levies, it is crucial for us to design our agreement according to constitutional and accountability standards. In this context I would like to come back to a problem I referred to relating to the second paragraph of the backstop declaration. In my view inserting the words "under all circumstances" can be interpreted as violating the budgetary sovereignty of member states. This should be avoided.

Second we discussed in Berlin and Brussels that for the build-up phase the SRF (i.e. until it is fully paid in) will have to consist of national compartments, to be backed by national guarantees which would enable the ESM to play the important role of a case by case backstop and as a lender of last resort according to our agreed rules. To ensure that the ESM can play this role on an ongoing basis, national compartments have to be kept until the fund reaches the target funding level. I hope you agree that otherwise we would create significant operational risks for the overall system and lose an important element in our overall compromise package.

Together with predictable bail-in rules the SRF having reached its target level, fully funded by the industry and finally fully mutualized between national compartments, will be the backstop to safeguard stability and protect taxpayers. At the same time we thirdly could agree on a clear revision clause, based on implementation experience, on when and how to further improve and develop the future mechanism and the backstop. The revision clause should be anchored in the intergovernmental agreement and should give an outlook for the steady state after 10 years' time, reasonably embedded in a more comprehensive perspective for the governance and stability of the Eurozone as a whole.

I hope you find my comments helpful to facilitate our discussions next week. I may copy our colleagues from France, Spain, Italy and the Netherlands including Commission in.

Best regards,

