



EUROPEAN
COMMISSION

Brussels, 19.12.2012
COM(2012) 792 final

2012/0367 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

**amending Implementing Decision 2011/77/EU on granting Union financial assistance to
Ireland**

{SWD(2012) 456 final}

EXPLANATORY MEMORANDUM

Upon a request by Ireland, the Council granted financial assistance to Ireland on 7 December 2010 (Implementing Decision 2011/77/EU) in support of a strong economic and financial reform programme aiming at restoring confidence, enabling the return of the economy to sustainable growth, and safeguarding financial stability in Ireland, the euro area and the EU.

In line with Article 3(9) of Decision 2011/77/EU, the Commission, together with the IMF and in liaison with the ECB, has conducted the eighth review of the Irish authorities' progress on the implementation of the agreed measures as well as of the effectiveness and economic and social impact of the agreed measures.

Taking into account the revised economic outlook, as well as intervened information, the Commission proposes to modify the economic policy conditions underpinning the assistance as explained below. The Commission views the proposed changes to the economic policy conditions as necessary to ensure the smooth implementation of the programme and secure the programme's objectives.

Proposal for a

COUNCIL IMPLEMENTING DECISION

amending Implementing Decision 2011/77/EU on granting Union financial assistance to Ireland

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism¹, and in particular Article 3(2) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) Upon a request by Ireland, the Council granted financial assistance to it (Implementing Decision 2011/77/EU²) in support of a strong economic and financial reform programme aiming at restoring confidence, enabling the return of the economy to sustainable growth, and safeguarding financial stability in Ireland, the euro area and the Union.
- (2) In line with Article 3(9) of Implementing Decision 2011/77/EU, the Commission, together with the International Monetary Fund (IMF) and in liaison with the European Central Bank (ECB), has conducted the eighth review of the Irish authorities' progress on the implementation of the agreed measures as well as of the effectiveness and economic and social impact of the agreed measures.
- (3) Significant progress has been achieved towards the programme's bank deleveraging objectives. Specifically, two domestic banks have either already met or are well advanced towards meeting the 122.5% loan-to-deposit ratio (LDR) target, originally envisaged to be met by end 2013. The remaining domestic bank has completed some non-core asset disposals and its programme deleveraging requirements will be reassessed following a decision on its restructuring plan by the European Commission.
- (4) Considering the substantial progress, a modification of the programme's monitoring framework for banks' deleveraging towards nominal non-core asset disposal targets and advanced monitoring designed to ensure that banks improve their net stable funding ratios (NSFRs) and their liquidity coverage ratios (LCRs) would contribute to avoiding any undue distortion in banks' deposit pricing and prepare them for compliance with Basel III liquidity requirements.

¹ OJ L 118, 12.5.2010, p. 1.

² OJ L 30, 4.2.2011, p. 34.

- (5) In light of these developments and considerations, Implementing Decision 2011/77/EU should be amended,

HAS ADOPTED THIS DECISION:

Article 1

Article 3 of Implementing Decision 2011/77/EU is amended as follows:

- (1) in paragraph 8, point (c) is replaced by the following:

"(c) the deleveraging of the domestic banks towards the nominal targets for non-core asset disposals and amortisation established under the 2011 PLAR, unless otherwise agreed with the European Commission in the context of ongoing assessments of banks' restructuring plans, and the monitoring of banks' progress towards the relevant Basel III liquidity and net-stable-funding ratio requirements in line with the advanced monitoring framework agreed under the programme.";

- (2) paragraph 10 is replaced by the following:

"10. Ireland shall adopt the following measures during 2013, in line with specifications in the Memorandum of Understanding:

(a) The completion of bank stress tests, aligned to the EBA exercise, building on the outcomes from PCAR 2011 and the Financial Measures Programme 2012. The stress test shall be rigorous and continue to be based on robust loan-loss forecasts and a high level of transparency. The publication of the results shall be aligned with the timing of the next EBA exercise.

(b) the deleveraging of the domestic banks towards the end-2013 nominal targets for non-core asset disposals and amortisation established under the 2011 PLAR, unless otherwise agreed with the European Commission in the context of ongoing assessments of banks' restructuring plans, and the monitoring of banks' progress towards the relevant Basel III liquidity and net-stable-funding ratio requirements in line with the advanced monitoring framework agreed under the programme.".

Article 2

This Decision is addressed to Ireland.

Article 3

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

For the Council
The President