Address by Minister of State for European Affairs, Lucinda Creighton T.D.,
Item: Current situation in Cyprus
European Parliament

Strasbourg 17 April 2013

SPEAKING POINTS

President,

Honourable Members,

The agreement of a Cypriot macroeconomic adjustment programme has been the focus of much energy and attention over recent weeks.

I feel it important at the outset to recall that I am here as the representative of the Council and I am happy to be here in that capacity to discuss the matter. However, the discussions surrounding Cyprus were not conducted under the stewardship of the Irish Presidency and so, as I do not speak for the eurogroup, I am clearly greatly constrained in the contribution I can make to this important debate.

I think there is very little if any disagreement but that the situation in Cyprus is extremely regrettable, and the human consequences of it for the Cypriot people are the most regrettable elements of all.

It is important to emphasise and for us to note, I think, that the situation in Cyprus was, and is, exceptional.
A combination of a number of factors, including the size of the financial sector, the nature of risks assumed, and other issues including supervision issues, left the country particularly vulnerable to financial market turbulence. When two of Cyprus’ largest banks ran into trouble, the cost of recapitalizing them was such that Cyprus was left with no alternative but to seek assistance from other euro area member states.

To resolve an exceptional situation, country specific measures for a macroeconomic adjustment programme were agreed by the Troika and the Cypriot authorities and subsequently by the Eurogroup. I do not intend to comment in depth on those measures, but elements of the programme include a restructuring of the banking sector, an audit of the anti money-laundering framework, fiscal consolidation and economic restructuring.

On the basis of the programme, the Euro area agreed - in principle - to provide an amount of up to €10bn in financial assistance to Cyprus subject to the IMFs contribution.

The Eurogroup has since been able to welcome a staff level agreement between Cyprus and representatives of Troika institutions on the policy conditionality underlying the macroeconomic adjustment programme.

National procedures required for the approval of the European Stability Mechanism (ESM) financial assistance can now be launched. I understand that what is now envisaged is that a final agreement by the ESM board of governors should be reached by the end of April and that the first ESM disbursement is scheduled for mid-May.

Mr. President,

Clearly the road ahead for Cyprus will be very challenging. But this should not prevent us recognising that these measures, however difficult, grant real assistance to Cyprus, assistance which is necessary both to allow Cyprus the chance to get its public finances and economy back on a sustainable path, but also to safeguard
stability inside the monetary union. This is both in the Cypriot and in the European interest.

While the news in recent weeks may have been of Cyprus, it is true to say that the wider difficulties which have faced a number of euro area countries have taken place against a backdrop in which financial turmoil has exposed significant weaknesses in our monetary union.

As Presidency, our focus has been in advancing the measures which are designed to redress those shortcomings. This effort goes to the heart of the Union's efforts to restore stability.

Above all, this has meant work on banking union, work in which we would want again to acknowledge the central role and constructive engagement of this Parliament.

In adopting that focus, our Presidency has followed the lines of the priorities outlined by the European Council. Banking Union is important because it will reinforce confidence in the European Banking system and its supervision. It will also help to break the link between sovereigns and banks and foster the reintegration of financial markets.

During the Irish Presidency good progress has been made on the Banking Union dossiers. To date the Capital Requirements Directive (CRD IV) proposal has been finalised and the agreement on the Single Supervisor Mechanism (SSM) is being finalised.

Political agreement on the SSM was reached at the informal ECOFIN council in Dublin last week where Ministers also reaffirmed their commitment to the urgent completion of all the agreed elements of banking union. The setting up of the supervisor will also pave the way for the European Stability Mechanism (ESM) to take on the direct recapitalisation of banks.

The remaining elements of the Banking Union package include the Bank Recovery & Resolution (BRR) proposal, consideration of which has been accelerated by the Irish
Presidency to meet the deadline of June set by the European Council for its agreement with the European Parliament. Bank Recovery and Resolution will lay the foundation for a Single Resolution Mechanism, a detailed proposal on which we expect to see published by the Commission shortly.

Thank you.

ENDS