



An Roinn Airgeadais
Department of Finance

Fifteenth Report under Section 8 of the European Stability Mechanism Act 2012 (No. 20 of 2012)

Reporting period: 1 July 2019 to 31 December 2019

Prepared by EU and International Division,
Department of Finance
www.gov.ie/finance

Chapter 1

Introduction

In accordance with Section 8 of the European Stability Mechanism Acts 2012 and 2014 the Minister for Finance is laying before Dáil Éireann the following information:

1.1 BACKGROUND

The European Stability Mechanism Act 2012 (No. 20 of 2012) allowed Ireland to ratify the ESM Treaty, in accordance with agreement by the Euro Area Heads of State or Government, on 9 December 2011 on the acceleration of the entry into force of the European Stability Mechanism (ESM) Treaty.

The ESM Treaty set out in the schedule to the Act was signed by Euro Area Member States on 2 February 2012. The original version of the treaty was signed on 11 July 2011, but was subsequently modified to incorporate decisions taken by the Euro Area Heads of State or Government on 21 July and 9 December 2011 aimed at improving the effectiveness of the mechanism.

The ESM performs the same activities as the European Financial Stability Facility (EFSF), which it replaced, that is:

- issue bonds or other debt instruments on the market to raise the funds needed to provide loans to countries in financial difficulties;
- intervene in the primary and secondary debt markets;
- act on the basis of a precautionary programme; and,
- finance recapitalisations of financial institutions through loans to governments including in non-programme countries.

All financial assistance to Member States will be provided under strict conditionality, appropriate to the financial instrument chosen.

On 8 December 2014 the ESM Direct Recapitalisation Instrument (DRI) was adopted by the ESM Board of Governors. This followed the completion by all euro area Member States of their own national approval procedures.

The European Stability Mechanism Act 2012, which enabled Ireland's ratification of the Treaty, was enacted on 3rd July 2012 as Act No. 20 of 2012, and amended by the European Stability Mechanism (Amendment) Act 2014 (No. 32 of 2014) which provided for the Direct Recapitalisation Instrument.

Ireland's instrument of ratification was lodged on 1 August 2012.

The ESM Treaty entered into force on 27 September 2012, when, in accordance with Article 48 of the ESM Treaty, ratification, approval or acceptance was deposited by signatories whose initial subscriptions represented no less than 90% of the total subscription in accordance with ESM Treaty Clause 48.1. It has now been ratified by all 19 Euro area member states.

1.2 PAID-IN CAPITAL

Article 8 of the ESM Treaty provides that the ESM shall have a capital stock of €704,798.70 million divided into paid-in and callable shares, with the value of paid in shares set at €80,548,400,000. The original paid in capital was €80 billion but this was increased following the accession of Latvia and Lithuania to the Euro Area in 2014 and 2015 respectively.

Article 41(1) of the ESM Treaty establishes that payment of paid-in shares of the amount initially subscribed by each Member shall be made in five annual instalments of 20% each of the total amount initially subscribed. Each Member's share is based on the Contribution Key. Ireland's Contribution Key in 2012 was 1.5922% but this decreased to 1.5814% following the accession of Latvia and Lithuania. This has no impact on the paid in shares of the amount initially subscribed.

On 30 March 2012, Euro Area Member States committed in the framework of the Eurogroup to accelerate the payment of paid-in capital¹. This did not however affect the size of each instalment, which remains at 20% of the total amount.

On 13 September 2012, ESM Members (Euro Area Member States) committed, in the framework of the Eurogroup, to pay the first two instalments jointly in October 2012.

On 11 October 2012, under Section 2 of the ESM Act 2012, Ireland paid the first two of five equal instalments towards the paid in shares of the ESM totalling €509,504,000.

On 19 April 2013, under Section 2 of the ESM Act 2012, Ireland paid the third of five equal instalments towards the paid in shares of the ESM totalling €254,752,000.

On 30 October 2013, under Section 2 of the ESM Act 2012, Ireland paid the fourth of five equal instalments towards the paid in shares of the ESM totalling €254,752,000.

On 28 April 2014, under Section 2 of the ESM Act 2012, Ireland paid the fifth and final instalment towards the paid in shares of the ESM totalling €254,752,000.

¹ The Eurogroup agreed at the time that two tranches of capital would be paid in 2012, the first one in July, a second one by October (another two tranches were to be paid in 2013 and a final tranche in the first half of 2014). In line with the ESM Treaty, the payment of the capital was to be further accelerated if needed to maintain a 15% ratio between the paid-in capital and the outstanding amount of ESM issuances, and guarantees a minimum lending capacity of the ESM of Eur. 500,000 million.

As a result of the end of the temporary correction period of the capital contribution key in respect of the Republic of Slovenia, Ireland received a refund of paid in capital amounting to €571, 428 on 19 February 2019. This has reduced the value of Ireland's shareholding by that amount, from a total paid by Ireland under section 2 of the ESM Act 2012 towards the paid in shares of the ESM of €1, 273,760, 000 to the adjusted €1, 273,188, 572.

1.3 LEGISLATION

Section 8 of the European Stability Mechanism Act 2012 reads as follows:

“8.—(1) In respect of each reporting period the Minister shall, as soon as practicable after the end of the period, cause a report to be laid before Dáil Éireann that includes the following information:

- a) the aggregate value of contributions made by the State to the authorised capital stock of the ESM under section 2 during the reporting period,*
- b) the aggregate amount of monies (including dividends) received by the State, to which section 4 relates, during the reporting period,*
- c) the aggregate value of contributions made by the State to the authorised capital stock of the ESM under section 2 up to the end of the reporting period, and*
- d) the aggregate amount of all monies (including dividends) received by the State, to which section 4 relates, up to the end of the reporting period.*

(2) In subsection (1) “reporting period” means—

- a) each of the following periods—*
 - i. the period from the passing of this Act to 31 December 2012,*
 - ii. the period in any year after 2012 from 1 January to 30 June,*
 - iii. the period in any year after 2012 from 1 July to 31 December,*

or

- b) within each period to which paragraph (a) relates, such shorter periods as the Minister may from time to time consider appropriate in the circumstances.”*

Chapter 2

Report Covering the Period 1 July 2019 to 31 December 2019

This chapter provides the report as required in accordance with Section 8 of the European Stability Mechanism Acts 2012 and 2014.

This report is the fifteenth report under this legislation and covers the reporting period 1 July 2019 to 31 December 2019. Each previous report has been laid before Dáil Éireann.

Reporting Period: 1 July 2019 to 31 December 2019

<i>a. the aggregate value of contributions made by the State to the authorised capital stock of the European Stability Mechanism (ESM) under section 2 of the Act during the reporting period is:</i>	<i>a. zero</i>
<i>b. the aggregate amount of monies (including dividends) received by the State, to which section 4 relates, during the reporting period is:</i>	<i>b. Zero</i>
<i>c. the aggregate value of contributions made by the State to the authorised capital stock of the ESM under section 2 up to the end of the reporting period is:</i>	<i>c. €1,273,188,572²</i>
<i>d. the aggregate amount of all monies (including dividends) received by the State, to which section 4 relates, up to the end of the reporting period:</i>	<i>d. €571, 428³</i>

³ As a result of the end of the temporary correction period of the contribution key in respect of the Republic of Slovenia, Ireland received a refund of paid in capital of €571, 428 on 19 February 2019.

² Representing the sum of the five equal instalments by Ireland towards the paid in shares of the ESM amounting to €1,273,760,000 from which the refund of paid in capital of €571,428 has been subtracted.



An Roinn Airgeadais
Department of Finance

Tithe an Rialtas. Sráid Mhuirfean Uacht,
Baile Átha Cliath 2, D02 R583, Éire
Government Buildings, Upper Merrion Street,
Dublin 2, D02 R583, Ireland

T:+353 1 676 7571
@IRLDeptFinance
www.gov.ie/finance