Explanations as to the segmentation of the text of the European Stability Mechanism Treaty

Version: 14 February 2012

ESM

EUROPEAN STABILITY MECHANISM

(temporal validity: treaty without limit of time)

BETWEEN

(List of contractual parties within the Euro-zone)

Preamble

CHAPTER 1: MEMBERSHIP AND PURPOSE

ARTICLE 1: Establishment and members (ESM Bank, Euro countries as shareholder)

ARTICLE 2: New members

ARTICLE 3: Purpose (bailout and/or *control* and *looting* of Europe)

CHAPTER 2: GOVERNANCE

ARTICLE 4: Structure and voting rules (exceptionally negative for Germany) **ARTICLE 5:** Board of Governors (BoG = Board of Governors), *inter alia* Dr. W.

Schäuble

ARTICLE 6: Board of Directors (competent acquaintances of the Governors)
ARTICLE 7: Managing Director (here: 1st Director, possibly Jean-Claude Juncker)

CHAPTER 3: CAPITAL

ARTICLE 8: Authorised capital stock (700 000 million)

ARTICLE 9: Capital calls (within 7 days)

ARTICLE 10: Changes in the authorised capital stock (thousands of millions –

unlimited!)

ARTICLE 11: Contribution key (Germany pays most of all – and unlimited!)

CHAPTER 4: OPERATIONS

ARTICLE 12: Principles

ARTICLE 13: Procedure for granting stability support

ARTICLE 14: (A) ESM precautionary financial assistance (= overdraft facility)

ARTICLE 15: (B) Financial assistance for the re-capitalisation of financial institutions (=

Bankenhilfe)

ARTICLE 16: (C) ESM loans (= granting of loans to Euro countries)
ARTICLE 17: (D) Primary market support facility (= direct acquisition of government bonds)

ARTICLE 18: (E) Secondary market support facility (= indirect acquisition of

government bonds)

ARTICLE 19: (F) Review of the list of financial assistance instruments (= further

measures?)

ARTICLE 20: (G) Pricing policy ¹ (= manipulation of the market) **ARTICLE 21:** (H) Borrowing operations (= <u>ESM Eurobonds!</u>)

CHAPTER 5: FINANCIAL MANAGEMENT

ARTICLE 22: Investment policy **ARTICLE 23:** Dividend policy

ARTICLE 24: Reserve and other funds

ARTICLE 25: Coverage of ESM losses (unlimited obligation to make additional

contributions, see Art. 10)
ARTICLE 26: Budget

ARTICLE 27: Annual accounts **ARTICLE 28:** Internal audit

ARTICLE 29: External audit (auditors are appointed by the BoG, not independent!)

ARTICLE 30: Board of Auditors (only auditing, no material examination!)

CHAPTER 6: GENERAL PROVISIONS

ARTICLE 31: Location (Luxembourg)

ARTICLE 32: Legal status, privileges and immunities (of Governors etc.: whatever

comes to mind)

ARTICLE 33: Staff of the ESM

ARTICLE 34: Professional secrecy (unlimited obligation to secrecy)

ARTICLE 35: Immunities of persons (absolute for Governors, Directors etc.)

ARTICLE 36: Exemption from Taxes (Governors, Directors etc. exempt from any kind

of taxes)

ARTICLE 37: Interpretation and dispute settlement

ARTICLE 38: International cooperation

CHAPTER 7: TRANSITIONAL ARRANGEMENTS

ARTICLE 39: Relation with EFSF lending **ARTICLE 40:** Transfer of EFSF supports

ARTICLE 41: Payment of the initial capital (see Art. 8)

ARTICLE 42: Temporary correction of the contribution key (Germany pays in addition)

ARTICLE 43: First appointments (of Governors, e.g. Dr. Schäuble)

CHAPTER 8: FINAL PROVISIONS

ARTICLE 44: Accession ARTICLE 45: Annexes

1) Annex I: Contribution key of the ESM;

2) Annex II: Subscriptions to the authorised capital stock

ARTICLE 46: Deposit

ARTICLE 47: Ratification, approval or acceptance

(Parliament/Federal Council/Federal President)

ARTICLE 48: Entry into force

¹ In the former ESM version of 23 January 2012 still addressed as "Interest fixing policy"