



**EUROPEAN COUNCIL
THE PRESIDENT**



Brussels, 26 October 2011
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**Remarks by President of the European Council
Herman Van Rompuy
after the meeting of EU Heads of State or Government**

At today's meeting, I informed the members of the European Council about the state of preparations of the Euro Summit that will take place later in the day.

We discussed the situation and all leaders underlined their common resolve to do their utmost to overcome the crisis and to help face in a spirit of solidarity the challenges confronting the European Union and the Euro area.

The members of the European Council welcomed the consensus on measures to restore confidence in the banking sector reached by the Council (ECOFIN) on 22 October. The banking measures form part of a broader package, alongside the decisions to be taken by today's meeting of the Euro Summit, and are subject to its full approval. The Council (ECOFIN) will finalise the work and adopt the necessary follow up measures.

The consensus concerns both the banks' short-term and longer-term needs. The overarching goal of the exercise is to foster confidence in the European banking sector.

Improved access of the banks' medium- and long-term funding is essential to avoid a credit crunch and to safeguard the flow of credit to the real economy. States will provide guarantees enabling banks to raise term funds. We decided to rely on a truly coordinated approach at EU level regarding the conditions and criteria.

P R E S S

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Short term recapitalisation is needed in the current exceptional circumstances to create a temporary buffer allowing the banking system to withstand shocks in a reliable manner. Agreement has been reached that banks should be required, by 30 June 2012, to have 9 % of the highest quality capital. This figure should take into account a marking down for sovereign bond holdings against current market prices (as of 30 September 2011). Banks should raise capital in the first place from private sources, and only if that is not possible, seek support from national governments. If the latter support is not available without creating systemic risks for the Eurozone, the EFSF should provide the loans for recapitalisation.

Any form of public support, whether at a national or EU-level, will have to comply to the rules of the state aid crisis framework. The Commission has indicated it will be applied with the necessary proportionality in view of the systemic character of the crisis.

With these measures, we restore confidence and put Europe's banking sector on a sound footing.
