DRAFT PRICING GUIDELINE

DISCLAIMER: this draft document is part of the ESM reform package agreed in principle at the Eurogroup meeting of 4 December 2019, subject to the conclusion of national procedures. It is made available for information purposes only. This document can be formally adopted by the relevant ESM decision-making body only after the entry into force of the ESM Treaty, as amended by the draft Amending Agreement.
European Stability Mechanism  
ESM Pricing Guideline

**Objective**

The main objective of this guideline is to specify the pricing elements of the ESM financial assistance to beneficiary ESM Members and of the backstop financing to the Single Resolution Board (“SRB”) to cover uses of the Single Resolution Fund (“SRF”). When granting stability support to the beneficiary ESM Members and backstop financing to the SRB for the SRF, the ESM shall aim to fully cover its financing and operating costs and shall include an appropriate margin (Article 20 of the ESM Treaty). The pricing guideline will be reviewed every three years taking into account the financial position of the ESM.

**Element of Pricing and Calculation of Interest Rate**

1. **Base Rate**

The pricing of ESM is intended to cover the cost of funding and operations incurred by ESM. The ESM may not be able to obtain all financing at competitive rates for the long maturities of its lending operations, and may have to roll over short-term funding instruments. Generally, the funds raised by ESM will be assigned to a long-term pool (see Borrowing Guidelines Section 2.1) and a short-term pool (see Borrowing Guidelines Section 2.2), from which disbursements are made and a certain liquidity buffer is maintained.

Exceptionally, certain drawdowns (in particular when the disbursement is made by ESM in the form of delivery of ESM Notes) will be sourced from individual funding operations that are not integrated into the short-term and long-term pools (back-to-back silos).

The ESM will “pass through” its cost of funding, along with any costs and commissions described below, to the beneficiary ESM Member and/or to the SRB (each, a “Beneficiary” and collectively, the “Beneficiaries”). The pricing strategy adopted by the ESM is based on a daily computation of the actual interest accrued on all its funding instruments. In the general case of disbursements sourced from the pool, the accrued interest are allocated to each drawdown on the basis of the outstanding amounts. In the exceptional cases of disbursements sourced from back-to-back silos, the daily allocation of interest obviously only takes into consideration the funding instrument of the silo.

**Calculation of interest accrued amounts**

ESM will compute the daily amount of interest accrued in each of the pools of funding instruments, including the impact of any related hedging. For the avoidance of doubt, such daily interest amounts will be equally applied to the disbursements or uses of all relevant ESM facilities that had the pools as their funding source (no discrimination amongst Beneficiaries).

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1 Further amendments to the pricing guideline as necessary to reflect the cancellation of DRI could be approved following the Board of Governors resolution to cancel the DRI.
First step: Calculation of the interest amounts accrued for, respectively, the short-term pool and the long-term pool.

- The calculation of the interest amount accrued for each of the pools is done on a daily basis. The interest is calculated as the daily equivalent of the actual (cash) interest payment for each of the funding operations, including those aiming to fund collateral needs. It is important to highlight that all computations are carried out on the basis of amounts, not interest rates. It is nevertheless possible to - for illustration and comparative purposes only - provide an indicative level of what would be the equivalent annualised interest rates in any particular date.

- The calculation is done daily, and the respective amount of daily accrued interest is expected to remain relatively constant as it would only change if the composition of the ESM funding operations in the pools changes (e.g. when new funding is raised, when some instrument matures and must be rolled).

Second step: Assignment of proceeds from the long-term pool to the outstanding facilities

- Also on a daily basis, ESM will calculate the aggregate of the outstanding amounts under, on the one hand, all ESM facilities that had the pools as their funding source (“lending”) and, on the other hand, all the funding operations (nominal amounts) that were placed to feed the long and short term pools (“funding”). To complete this step, the ESM services will carry an allocation exercise between the funding and the lending, where the full amount available under the long term pool is allocated to the outstanding amounts made available in the ESM facilities, and any shortfall will be assigned to nominal amount from the short-term pool. Any excess of funds in the short term pool that cannot be assigned to outstanding amounts is considered as Liquidity Buffer.

Third step: Transfer of costs

- The daily accrued interest in the long and short term pools will be taken as the interest applied to the outstanding amounts where the pools were used as their source. That means these disbursed amounts will also have a daily adjusted rate which is identical to the daily funding costs. All disbursed amounts funded by ESM from the pools will have the same rate at the same day, independent from the Beneficiary and independent from when they have been disbursed.

Back-to-back silos – example of disbursements in specie

There may be situations where particular drawings under specific facilities require ad-hoc terms. Such drawings cannot be sourced from the pools. An example is situations where ESM disbursements are made through the delivery of ESM notes, and not cash (in this case, the source cannot be the pools as the pools only contain cash). Also, under some facilities (such as the backstop facility), disbursements in specie are expected to prevail. A further explanation of these examples is as follows:

Beneficiaries could receive ESM notes instead of cash. The application of interest accrued daily from a pool of funding instruments would not be correct in this case, as these Beneficiaries are likely to receive a limited or unique set of maturities and applying the weighted interest cost of several funding sources could distort the costs for other Beneficiaries receiving ESM financing. Therefore, the
Beneficiaries receiving ESM notes shall pay the interest rate of the notes received, and in addition all negative carry if applicable, the service fees and other fees described.

2. **Commitment Fee - Coverage of the Negative Cost of Carry and Issuance Costs**

The liquidity buffer entails the possibility of Negative Carry for the period from the raising of the funds until their disbursement to the Beneficiary or for the period from the refinancing of the relevant funding instrument until its maturity. Negative Carry is the negative difference between the interest rate at which ESM raises funds and the return obtained from short-term investments of those funds in high quality assets. The Commitment Fee will be applied to Beneficiaries for the purpose of recovering the Negative Carry. The Commitment Fee will also include a "pass through" of commitment commissions under committed credit lines from banks or DMOs and any Issuance Costs of instruments issued as part of the prefunding activity.

The Commitment Fee will be applied ex-post on the basis of the Negative Carry actually incurred.

The procedure proposed for the calculation and allocation of Negative Carry is as follows:

1. The Negative Carry for all ESM operations actually incurred for any given year ("n") is accrued throughout the year (from 1 January until 31 December) and deliver a "Total Negative Carry for year “n” (in EUR) accumulated by 31 December. Negative carry incurred on specific amounts prefunded for a facility shall not be included in the Total Negative Carry for year “n”, but passed on directly to the relevant Beneficiary as part of its Commitment Fee.

2. The Total Negative Carry in any given year (“n”) is recovered in the following year ("n+1") by allocating such amount amongst all of the Beneficiaries.

3. The allocation by Beneficiary is done on the basis of the proportion (the “Allocation Share of the ESM Negative Carry”) that represents the Programme Amount\(^2\) for that Beneficiary, as related to the aggregate of all the Programme Amounts for all the Beneficiaries. The Programme Amount is the maximum amount of the facility, from which any amount explicitly cancelled, including any disbursed amount which has been repaid, is deducted. The calculation of the Allocation Share of the ESM Negative Carry for each Beneficiary is made on 31 December for any given year, and the sum of all the Allocation Shares of the ESM Negative Carry is 100%.

4. The amount to be recovered from any given Beneficiary in year “n+1” shall be the product of: i) the Total Negative Carry for year “n” and ii) the Allocation Share of the ESM Negative Carry of that Beneficiary in year “n”. Such amount will be paid to ESM via the Commitment Fee.

5. The payment of the Commitment Fee by each Beneficiary will be done within 5 days of receipt of the corresponding invoice, unless the beneficiary ESM Member indicates that, for reasons of e.g. national accounting, it prefers that the payment is made via the introduction of a % Commitment Fee as part of the ESM Cost of Funding. For the avoidance of doubt, the amount to be recovered when the Negative Carry is paid via a % Commitment Fee shall be the exact amount that would be otherwise paid upon receipt of an invoice. In this event, the allocated Commitment Fee will be

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\(^2\) For precautionary credit lines, programme amount is defined for this purpose as the total amount outstanding on 31 December of the given year plus the maximum agreed amount of an available single disbursement. For the backstop facility, the Programme Amount is defined as total amount outstanding on 31 December of the given year.
payable on the first Interest Payment Date following the calculation (and issuance of the invoice to other Beneficiaries).

For precautionary credit lines, the Commitment Fee applies to the amount outstanding on 31 December of the given year “n” plus the maximum agreed amount of a single disbursement still available for a drawdown at short notice, as liquidity provisions have to be made for these amounts.

For the backstop facility, the Programme Amount is defined as total amount outstanding on 31 December of the given year “n” under the backstop facility.

For secondary market purchases, the Commitment Fee is charged on an amount to be set by the ESM Board of Directors.

3. Service Fee – coverage of ESM overheads

The Service Fee is applied to Beneficiaries and represents the source of general revenues and resources to cover the ESM operational costs.

1. The Service Fee for beneficiary ESM Members has two components:

   o Up-front Service Fee component: Up-front payment applied at the time of a disbursement and paid generally via a deduction on the drawn amount. Alternatively, should ESM be required to disburse by delivery of ESM securities, the Up-front Service Fee will be deducted from the next cash disbursement made under any facility ESM may have with that beneficiary ESM Member or may be invoiced separately to the beneficiary ESM Member.

   o Annual Service Fee component: Annual payment applied over the outstanding principal amounts. It is paid on the interest payment date or invoiced separately.

   At the time of each disbursement, an Up-Front Service Fee of 50 bps over the disbursed amount is charged. An Annual Service Fee of 0.5 bps per annum payable in arrears from the 1st anniversary of the signature of the facility. A lower level of Up-front Service Fee may be applied to facilities provided for a short-term loan.

   Under precautionary credit lines (PCCL, ECCL) the up-front service fee will be invoiced at the inception of the programme based on the maximum agreed amount under a single disbursement. This up-front fee, already paid, will be deducted from any new up-front service fee obligations which become due as a result of an actual draw-down under the PCCL or ECCL. The annual service fee will be calculated based on the amounts actually drawn under the credit lines.

   For secondary market purchases, an upfront service fee of up to 50 million will be invoiced initially. The precise amount will be determined by the Board of Directors. Upon any actual use of the facility, the fee will be invoiced in line with the amounts spent taking into account the upfront payment.

2. The Service Fee for the backstop facility has two components:

   o A fixed annual component to cover the operational costs of the ESM (“SRB Annual Service Fee component”). The SRB Annual Service Fee component is paid for a given year during the month
of January of said year and within 5 Business Days of receipt of the invoice provided by the ESM.

- An additional annual fixed service fee component to cover additional operational costs will apply when funds are disbursed and outstanding or prefunded as agreed with the SRB (“SRB Additional Service Fee component”). The fee will accrue on a daily basis starting on the date when SRB sends a notification of prefunding or a loan is disbursed. It is paid for any given year or part of year (“n”) in the following year (“n + 1”) during the month of January and within 5 Business Days of receipt of the invoice provided by the ESM.

The Board of Governors will determine the annual amounts of the two Service Fee components, when granting the backstop facility to the SRB.

4. Other Costs and fees of ESM

The other costs and fees that are part of the ESM’s pricing:

Margin

The ESM Treaty envisages the application of an appropriate margin to the ESM lending. The margin accrues annually on outstanding amounts and is paid at the same time of interest payments.

a) The margin paid by the ESM Members shall differ across the financial support instruments to reflect varying risk profiles of each instrument.

- For loans, the margin will be 10 bps, which corresponds to the guarantee commitment fee applied under the EFSF and is not expected to impact the sustainability of the public finances of a beneficiary ESM Member.
- A higher margin of 30 bps will be applied to facilities for the recapitalisation of financial institutions reflecting, among others, the substantive rates charged under state aid rules.
- For primary market purchases (PMPs), a margin of 35 bps will be applied under a precautionary credit line and a margin of 10bps under facility accompanying a macro-economic adjustment programme. For secondary market purposes, a margin of 5bp will be applied, as the ESM may participate in capital gains and receives market rates.
- For precautionary credit lines a margin of 35 bps will be applied, which will increase by 50 bps (“Step-Up Margin”) if the maturity set in the financial assistance facility agreement is extended. If a report pursuant to Article 13(7) of the ESM Treaty concludes that the beneficiary ESM Member does not comply with the conditionality attached to the precautionary credit line an additional margin of 50 bps, increasing by further 65 bps after six months (“Additional Margin”), shall apply from the date the report is sent to the Board of Directors. The Additional Margin shall not apply, if the Board of Directors assesses on the basis of the report pursuant to Article 13(7) of the ESM Treaty that non-compliance is due to events beyond the control of the ESM Member.

b) The margin paid by the SRB on outstanding amounts will be 35 bps during the first three years of each loan and is thereafter increased by 15 bps. However, the margin paid by SRB on outstanding amounts that finance liquidity shall be 35 bps during the first six months and is thereafter increased by 15 bps every three months (the “Step-up Margin for Liquidity”). The
Board of Directors may, by mutual agreement, waive the Step-up Margin for Liquidity, in part or in full.

**Issuance costs, and other costs and expenses** in respect of ESM Debt Securities - Issuance costs and all other commissions, fees and costs which are related to back-to-back silos are paid by the Beneficiary. They are either deducted from the disbursed amount, invoiced separately or are part of the Base Rate. Issuance costs and all other commissions, fees and costs that are incorporated in the pools are aggregated and treated in the same manner as the negative carry and invoiced as part of the Commitment Fee (cf. Section 2 above). Syndication fees relating to instruments assigned to the pools and deducted from the issue price of those instruments are passed on to Beneficiaries as part of the Base Rate (cf. Section 1 above). Ad hoc costs incurred by the ESM e.g. in managing currency risk in respect of instruments assigned to the pools shall be allocated per Beneficiary on the basis of the proportion of the Programme Amount for each Beneficiary, as related to the aggregate of all the Programme Amounts for all Beneficiaries as defined in Section 2(3) above. The Issuance costs and all other commissions, fees and costs incurred by the ESM shall be promptly paid by the Beneficiaries within five Business Days following the receipt of invoices which ESM will periodically provide on a quarterly or annual basis.

**Penalty Interest:** A Penalty Interest may be applied on overdue amounts (a charge of 200 bps over the higher of (a) the EURIBOR rate or a market standard successor benchmark rate applicable to the relevant period selected by ESM and (b) the interest rate which would have been payable). A floor of zero bps applies to the Penalty Interest.

5. **The Treatment of Profit and Interest Rates under PMSF and SMSF**

Any capital gains (profit) which is realised under the Primary Market Support Facility (PMSF) and the Secondary Market Support Facility (SMSF) will be retained by ESM.

When the beneficiary ESM Member enters into the PMSF, ESM will pay the excess into the reserve buffer attributable to the respective ESM Member when the interest received on the purchased bonds exceeds the ESM funding costs, other costs and the margin of the facility. At the end of the Facility, 75% of the accumulated reserve buffer will be retroceded to the beneficiary ESM Member. In case of the SMSF, the ESM will maintain any interest surplus.

Under PMSF and SMSF, in case of a shortfall between interest received on bonds purchased and the ESM funding and related costs of financing its PMP or SMP position (such as hedging costs and transaction costs including back office, custodian costs, agent fees and service fees), the beneficiary ESM Member will reimburse the shortfall to the ESM. Under PMSF, any such shortfall shall be firstly paid out of the above mentioned reserve buffer of the respective ESM Member.

6. **Early repayment arrangement for ESM Members receiving funds under the recapitalisation of financial institutions**

An early repayment event of the funds to recapitalize financial institutions has occurred and the ESM Member is required to repay part of its loan to the ESM in case the beneficiary ESM Members receives funds from its equity or other investments in one or more financial institution(s) (such as common shares, contingent convertibles or such other instruments which qualify as bank regulatory capital) and/or its participation (s) in an asset purchase programme (“bad bank programme”). Funds comprise cash payments by the financial institution(s) in relation to the securities (such as dividend, interest) and proceeds generated by the sale of ESM securities or other investment or by the sale of bank assets (which have been isolated as part of an asset purchase programme). Under an early repayment event, the beneficiary ESM Member has to repay part of the loan up to the full outstanding amounts under
all ESM facilities. The ESM Board of Directors may agree not to request an early repayment, if the European Commission in liaison with ECB and EBA confirms to ESM that the funds received by the beneficiary Member State are still required for (a) additional unforeseen capital injections (for countries under financial assistance for the recapitalisation of financial institutions) or (b) ensuring the respect of the adjustment path where there is an unexpected significant deterioration of the fiscal situation (for countries under financial assistance under a macroeconomic adjustment programme). ESM claims may be reduced if and to the extent the early repayment of the ESM loan triggers a proportionate prepayment of any other official sector financing or the initial financing needs have been identified and reduced by taking into account these returns.

ESM will issue requests for early repayment on a quarterly basis in line with the review cycle under a programme.

Contractual arrangements in the financial facility agreements with individual Member States can deviate from the provisions in this section, if they would lead to undesirable, unintended consequences, are inconsistent with national laws and/or international commitments or preclude necessary policy measures.

7. Pricing in conjunction with Financial Assistance for the Direct Recapitalisation of Institutions

The pricing applied to the stability support instrument granted in accordance with the Guideline on Financial Assistance for the Direct Recapitalisation of Institutions (DRI) includes the following elements:

1. Cost of funding
For the purposes of financial assistance under a DRI, the cost of funding and operations incurred by the ESM is allocated to and recovered from the investee institution established in an ESM Member by way of the coupons or other distributions payable in respect of the capital instruments which are issued by the investee institution under the DRI operation and subscribed to or (as the case may be) provided by the ESM. For any guarantees issued as authorised by the ESM Board of Governors, the ESM will charge an appropriate guarantee fee as set out in the relevant Institution Specific Agreement or Financial Assistance Facility Agreement, as applicable.

In determining the relevant ESM funding costs, interest is calculated according to Section 1 (Base Rate) of this Pricing Guideline.

As a safeguard, in the event that the distributions or coupons received on the instruments referred to in the first paragraph of this section are not sufficient to cover the cost of funding in full from the investee institution, the beneficiary ESM Member will provide a non-recourse, non-interest bearing facility to the ESM throughout the life of the investment to cover the remaining funding costs. Such remaining costs of funding will, as a rule, be paid annually by the ESM Member unless the ESM Board of Directors decides to defer the payment.

The deferral of the payment by the ESM Member of the funding costs will bear interest at the ESM Base Rate. This deferred payment of the cost of funding, including the funding costs and expenses incurred by the ESM in financing the deferral, shall be capitalised and repaid at the latest at the time of exit from the DRI operation by the ESM.
At the time of exit from the DRI operation by the ESM, any net profits\(^3\) realised by the ESM out of the DRI operation will be used to reimburse any costs of funding paid by the ESM Member including the accrued interest at ESM funding cost.

Any loan or financial assistance deemed to be made by the ESM to the ESM Member under or in conjunction with a DRI operation in accordance with the Guideline on Financial Assistance for the Direct Recapitalisation of Institutions will bear interest as calculated according to Section 1 (Base Rate) of this Pricing Guideline.

2. Commitment Fee
The Commitment Fee as specified under Section 2 (Commitment Fee – Coverage of the Negative Costs of Carry and Issuance Costs) of this Pricing Guideline will be recovered from the investee institution out of amounts received by way of distributions or coupons payable under the capital instruments which are issued by the investee institution under the DRI operation and subscribed to or (as the case may be) provided by the ESM to the investee institution.

As a safeguard, in the event that the distributions or coupons received on the instruments referred to in the first paragraph of this section are not sufficient to cover the Commitment Fee in full from the investee institution, the beneficiary ESM Member will provide a non-recourse, non-interest bearing facility to the ESM throughout the life of the investment to cover the Commitment Fee. Such fee will, as a rule, be paid annually by the ESM Member unless the ESM Board of Directors decides to defer the payment in cases where it has decided to allow the ESM Member to defer the payment of the funding costs under section 7(1).

The deferral of the payment by the ESM Member of the Commitment Fee will bear interest at the ESM Base Rate. This deferred payment of the Commitment Fee, including the funding costs and expenses incurred by the ESM in financing the deferral, shall be capitalised and repaid at the latest at the time of exit from the DRI operation by the ESM.

At the time of exit from the DRI operation by the ESM, any net profits\(^4\) realised by the ESM out of the DRI operation will be used to reimburse any Commitment Fee paid by the ESM Member including the accrued interest at ESM funding cost.

3. Service Fee
The ESM Member pays a Service Fee in line with this Pricing Guideline as specified under Section 3 (Service Fee – coverage of ESM overheads) of this Pricing Guideline. No Service Fee is payable by the investee institution. For the purposes of financial assistance under a DRI, the Service Fee will not form part of the definition of ‘ESM Cost of Funding’, which, as a rule, are allocated to and recovered from the investee institution.

4. Margin
The ESM Member pays a margin of 75 bps of the total invested or guaranteed amount in the investee institution established in the ESM Member. Up to 45 bps of these 75 bps will be reimbursed by the ESM to the ESM Member following the exit of the ESM from the DRI operation, provided that the DRI operation generates sufficient net profits\(^5\) to the ESM.

\(^3\) The concept of net profits to be detailed in the ESM Standard Facility Specific Terms for ESM Financial Assistance Facility Agreements.

\(^4\) See previous footnote.

\(^5\) See previous footnote.
5. Issuance costs, and other costs and expenses
The paragraph entitled ‘Issuance costs, and other costs and expenses’ in Section 4 (Other Costs and fees of ESM) of this Pricing Guideline is applicable to the DRI. These costs are directly invoiced to and payable by the investee institution, as specified in the institution-specific agreement. In addition, costs related to the actual implementation of a DRI operation, such as the necessary due diligence, valuation, legal and restructuring process, professional and financial advisory fees, are directly invoiced to and paid by the investee institution as specified in the relevant institution-specific agreement, as a condition precedent to the actual DRI operation.

6. Penalty interest
The paragraph entitled ‘Penalty Interest’ in Section 4 (Other Costs and fees of ESM) of this Pricing Guideline is applicable to the DRI, in situations where the ESM is deemed to have made a loan to the ESM Member under or in conjunction with a DRI operation in accordance with the Guideline on Financial Assistance for the Direct Recapitalisation of Institutions.
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<td>X</td>
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1) Base Rate = Cost of funding and operations incurred by ESM, derived by a daily computation of the actual interest accrued on all of the ESM funding instruments.
2) Commitment Fee = Negative Cost of Carry and Issuance Costs, charged for the period from raising funds by the ESM until disbursement to the Beneficiary or for the period from the refinancing of relevant funding instrument until its maturity.
3) Penalty rate has to be paid on overdue amounts.
4) Lower upfront fee for short-term loans.
5) If undrawn, fee reflects the max. agreed amount of single disbursement; if drawn, fee reflects the max. agreed amount of single disbursement and in addition the outstanding amount under the precautionary credit line.
6) Up-front fee calculated on max. agreed amount of single disbursement.
7) 35 bps initial margin, 85 bps following an extension of maturities (Margin plus Step-Up Margin), and in addition an Additional Margin of...
50 bps (115 bps after 6 months) in case of non-compliance with conditionality not due to events outside the beneficiary ESM Member’s control as assessed by the Board of Directors.

8) Surplus (interest on bonds purchased exceeds base rate+other costs+margin) put in a reserve buffer, shortfall (interest on bonds purchased below base rate+other costs+margin) covered by ESM Member. At the end of the Facility, 75% of the reserve buffer will be repaid to the beneficiary ESM Member.

9) 10 bps are applicable to disbursement via Primary Market Purchases (PMP) under a loan facility; 35bps for using PMPs for draw-downs under a precautionary credit line.

10) Surplus (interest on bonds purchased exceeds base rate+other costs+ margin) retained by ESM, shortfall (interest on bonds purchased below base rate + other costs+margin) covered by ESM Member.

11) To be determined by the Board of Directors, upfront and on actual purchases.

12) Base Rate is allocated to and recovered from the investee institution out of distributions or coupons payable under the capital instruments subscribed to or (as the case may be) provided by the ESM. For the purposes of financial assistance under DRI, ‘ESM Cost of Funding’ does not include the annual Service Fee. In the event that the distributions or coupons received on the capital instruments are not sufficient to cover the cost of funding in full, any shortfall will, as a rule, be paid annually by the ESM Member unless the ESM Board of Directors decides to defer the payment. At the time of exit, any net profits (if any) realised by the ESM will be used to reimburse any costs of funding.

13) Commitment Fee is applicable except to the extent that such amounts have been fully recovered from the investee institution by distributions or coupons received by the ESM in respect of capital instruments. The ESM Board of Directors may decide to defer the payment. At the time of exit, any net profits (if any) realised by the ESM will be used to reimburse the commitment fee.

14) The ESM Member pays a margin of 75 bps of the total invested or guaranteed amount in the investee institution in the ESM Member. Up to 45 bps of the 75 bps will be reimbursed by the ESM to the requesting ESM Member following the exit of the ESM from the DRI operation, if and to the extent that the DRI operation generates sufficient net profits to the ESM.

15) SRB Annual Service Fee component and SRB Additional Service Fee component (applicable after disbursement and prefunding). The amount of both components per year will be determined by the Board of Governors.

16) 35 bps margin during the first three years of each loan, 50 bps thereafter.

17) In case of loans provided for liquidity support from the SRF, 35 bps during the first six months, thereafter increased by 15 bps every three months.