EU to agree on second Greek bailout by February 6

Friday, 03 February 2012

Euro zone finance ministers aim to agree a second financing package for Greece on Monday, a decision they hope will boost market confidence in euro zone public finances and help contain the two-year-old sovereign debt crisis.

A deal for Greece would include agreement on official new financing, the size of voluntary losses banks and other private bondholders are willing to accept and new reforms Athens must undertake.

This would end months of uncertainty over private sector losses on Greek bonds and over the sustainability of the country's debt, now at 160 percent of GDP, which have increased costs of borrowing in many other euro zone countries.

Senior euro zone officials are expected to meet on Monday between 0800 and 1400 GMT (3 a.m. and 9 a.m. EST) in Brussels to prepare the package, which would then likely be submitted for approval by euro zone finance ministers at an extraordinary meeting at 1600 GMT.

"We are very far in the negotiations and we should be able to close them in the coming days," EU Economic and Monetary Affairs Commissioner Olli Rehn told reporters in The Hague.

"We are negotiating a second program for Greece. The ball is now in the Greek court to agree to do its job concerning the prior actions," Rehn said, referring to Greek reforms.

EU leaders agreed in October they would lend Greece another 130 billion euros, assuming investors would forego half of what Greece owes them in nominal terms. But talks on the terms of those losses - called private sector involvement or PSI - have moved on since then and the chief executive of Deutsche Bank said bondholders were now ready to lose 70 percent of the net present value of their investment.

Luxembourg's Jean-Claude Juncker, the chairman of the Eurogroup countries, described the talks between the Greek government and private sector creditors - banks and insurance companies that own Greek government debt - as "ultra-difficult."

Juncker also said the outcome of the leaders' summit on January 30 was "largely insufficient" when it came to tackling the sovereign debt crisis and that further steps would be needed to tighten fiscal rules for the 17 euro zone countries.

The euro zone leaders called at the summit for rapid agreement on the second package that is to keep Athens financed through 2014 after the previous, 110 billion euro bailout runs out this year.