

Spain requests \$125 billion bailout

Monday, 25 June 2012

Spain formally requested euro zone rescue loans on Monday to recapitalize banks that are laden with bad debts as the euro and shares fell due to investors' skepticism that a European Union summit this week will act decisively on the bloc's debt crisis.

Spanish Economy Minister Luis de Guindos asked for up to 100 billion euros (\$125 billion) in a letter to Euro group chairman Jean-Claude Juncker, saying the final amount of assistance would be set at a later stage.

He confirmed his intention to sign a Memorandum of Understanding for the package by July 9 and said the amount should be enough to cover all banks' needs, plus an additional security buffer.

The EU's top economic official, Olli Rehn, said a deal on terms for the loan from Europe's bailout funds could be concluded in a matter of weeks.

"The policy conditionality of the financial assistance, in the form of an EFSF/ESM loan, will be focused on specific reforms targeting the financial sector, including restructuring plans which must fully comply with EU state aid rules," he said.

The rescue, agreed on June 9, is intended to help Spanish lenders recover from the effects of a burst real estate bubble and a recession, which have piled up bad loans and sinking property portfolios. Prime Minister Mariano Rajoy told business leaders he would soon take new measures to revive economic growth and create jobs. He gave no details but said the government remained committed to cutting the public deficit.

Two independent audits last week put the Spanish banks' capital needs in a severe economic downturn at up to 62 billion euros, and a fuller audit will be delivered in September.