

**Letter from Rt Hon Mark Hoban MP, Financial Secretary to the Treasury, HM
Treasury**

Thank you for your letter regarding the European Stability Mechanism (ESM).

A statement was released by euro area Member States on 9 December 2011 stating their intention to accelerate the entry into force of the ESM Treaty to July 2012. Euro area Member States signed the ESM Treaty on 2 February 2012. It states that the ESM Treaty will enter into force as soon as Member States representing 90 per cent of the capital commitments have ratified it. The ESM Treaty is an intergovernmental agreement between euro area Member States; the UK is not a signatory and is not required to ratify it.

The proposed amendment to Article 136 TFEU recognises and clarifies the existing ability of euro area Member States to establish a financial stability mechanism. In doing so, it removes any doubt that might have existed as regards the legality of the euro area Member States acting in this respect, outside the framework of the EU Treaties. Let me be clear that the Government has no concerns about the legality of the ESM Treaty or its compatibility with the EU Treaties. It is not legally necessary for the Article 136 Treaty change to have been made before the ESM can come into force.

The December 2010 European Council agreed that the amendment to Article 136 TFEU, subject to ratification by all 27 Member States, should enter into force on 1 January 2013. This target date is included in the Decision itself and has not been amended as a result of euro area Member States' agreement to bring forward the entry into force of the ESM Treaty. We are working to introduce the necessary legislation to gain Parliamentary approval of the Treaty amendment and deliver ratification by this deadline.

I am copying this letter to Lord Roper, Chairman of the House of Lords European Committee; the Clerk to the Commons Committee; the Clerk to the Lords Committee; the Clerk to Lords Sub-Committee A; and the Cabinet Office.

13 March 2012