

Liquidity measures for the Public Administration and the financial sphere

On 14 July 2012 the Official State Gazette published Royal Decree-law 21/2012, of 13 July, on liquidity measures for the Public Administration and the financial sector ("RDL 21/2012").

1. Creation of the Autonomous Community Liquidity Fund, without legal personality and financed by the General State Budget

RDL 21/2012 creates the Autonomous Community Liquidity Fund as a mechanism for supplying liquidity, in the form of a fund without legal personality, to the Autonomous Communities that sign up for it, on a temporary and voluntary basis. The Fund is ascribed to the Ministry of Finance and Public Administration via the Secretariat of State for Public Administration, and it is managed in financial terms by the *Instituto de Crédito Oficial*, which will also provide the technical implementation, accounting, cash, payment agent and monitoring services. The fund will be financed by the General State Budget for the 2012 financial year, to the tune of 18 billion euros raised by Public Debt.

2. Calendar

The application must be presented to the Ministry of Finance and Public Administration no later than 31 December 2012. Once approved, the Governing Council of the Autonomous Community will have to adopt a Resolution. Within fifteen calendar days as of the approval of said resolution, the Autonomous Community will present a recovery plan approved by the Ministry of Finance and Public Administration to said Ministry in order to ensure fulfilment of the objectives of stability and public debt.

There will be one recovery plan which will be dynamic over time and adapt to the different commitments assumed by the Autonomous Community and the evolution of income and expenditure. In the case of Autonomous Communities who already have a recovery plan in force, having signed up for other liquidity support mechanisms implemented by the State, they will make the corresponding modifications to their recovery plan in order to ensure fulfilment of the new commitments they assume.

3. Financial and fiscal conditions of the support mechanism: use of the funds

- Autonomous Communities signing up for the mechanism will be subject to the principles of financial prudence set by a Resolution of the Secretariat General of the Treasury and Financial Policy.
- Use of the funds: the liquidity granted with this mechanism will be used to cover the maturity of instruments issued, the maturity of loans granted by European institutions of which Spain is a member, those transactions that cannot be refinanced or novated by the Autonomous Communities, as the case may be, and the financing needs of the public deficit.
- Autonomous Communities signing up will not carry out transactions based on securities or credit transactions abroad without the prior express authorisation of the Secretariat General of the Treasury and Financial Policy and will notify the Secretariat General of the Treasury and Financial Policy of the financial conditions of any credit transactions carried out by the Autonomous Community, both short- and long-term, which are not subject to authorisation.

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- As part of the recovery plan, the Autonomous Communities will send the Ministry of Finance and Public Administration a treasury plan and breakdown of outstanding debt operations which will be updated monthly. A failure to do so or an unfavourable assessment of the recovery plan will result in the rejection of the application to join the mechanism.

4. Operation of the fund and guarantee

- The State will arrange credit operations, charged to the Autonomous Community Liquidity Fund, with each of the Autonomous Communities that sign up for the mechanism for an amount that will not exceed the resources necessary to cover the maturity of the financial debt issued by the Autonomous Community, as well as the amounts necessary to finance the debt permitted by the rules on budgetary stability.
- The State, acting for and on behalf of the Autonomous Community and using the funds from the credit granted, will manage payment of the maturity of public debt of the Autonomous Community, via the *Instituto de Crédito Oficial*, which will be the payment agent appointed to that end.
- Guarantee: the resources of the financing system of the standard regime Autonomous Communities that sign up for this mechanism will cover the obligations assumed vis-à-vis the State, by means of withholdings in accordance with the provisions of the eighth additional provision of Organic Law 8/1980, of 22 September, on the Financing of the Autonomous Communities. The above is notwithstanding fulfilment of the obligations derived from the debt operations with multilateral financial institutions.

CONTACT

Madrid Office

Paseo de la Castellana 110-Planta 12 (28046 Madrid)
Tel.: +34 91 590 75 00

Juan José Lavilla

Partner & Head of the Administrative Law Department
juanjose.lavilla@cliffordchance.com

Alberto Manzanares

Partner & Head of the Banking & Finance Department
alberto.manzanares@cliffordchance.com

José Guardo

Partner of the Banking & Finance Department
jose.guardo@cliffordchance.com

José Luis Zamarro

Counsel of the Administrative Law Department
joseluis.zamarro@cliffordchance.com

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