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Dear President,
Dear colleagues,

Let me take this opportunity to share with you the German position on the support programme for Greece.

The situation is difficult. A return by Greece to the capital markets within 2012, as assumed by the current programme, seems more than unrealistic. This means that the volume of the current programme is insufficient to cover Greece's financial needs over the programme period. As we know, this creates problems regarding the participation of the IMF. While the concrete volume of the additional financial needs will only be identified in the upcoming review by the Troika, I expect the increase to be substantial. At the same time, without another disbursement of funds before mid-July, we face the real risk of the first unorderly default within the Eurozone.

Against this background, I see the need to agree on a new programme for Greece in order to close the financing gap and prevent default. However, any additional financial support for Greece has to involve a fair burden sharing between taxpayers and private investors and has to help foster the Greek debt sustainability.

This means that any agreement on 20 June has to include a clear mandate – given to Greece possibly together with the IMF – to initiate the process of involving holders of Greek bonds. This process has to lead to a quantified and substantial contribution of bondholders to the support effort, beyond a pure Vienna initiative approach. Such a result can best be reached through a bond swap leading to a prolongation of the outstanding Greek sovereign bonds by seven years, at the same time giving Greece the necessary time to fully implement the necessary reforms and regain market confidence.

With a scheme as suggested above, there is a realistic chance to minimize the negative impact on financial markets while at the same time reaching the necessary burden sharing between taxpayers and investors. While I am aware that there is still some ongoing discussion regarding the involvement of the private sector, I am confident that this can be resolved in a constructive way before our 20 June meeting.

I would be grateful for your support of these cornerstones in our coming discussions.

Best regards

A handwritten signature in blue ink, appearing to read 'Schmidt', is positioned below the text 'Best regards'.