

EU's Rehn Says Euro-Area a Debt Restructuring Would Cause `Chain Reaction`

2011-04-18 14:29:12 by webmaster

18 APR 2011

By Rainer Buergin | Bloomberg

European Union Economic and Monetary Affairs Commissioner Olli Rehn said a debt restructuring in the euro area would cause a "chain reaction" in the banking industry and he ruled out such an operation for Greece.

"We see that in a still-fragile situation in the European economy there is a risk that debt restructuring would cause a chain reaction through the banking sector," Rehn said today at an event in Washington. "That would have a serious negative impact" on lending and negative ramifications for households and citizens and could endanger the recovery, he said.

"Nobody should underestimate the risk of contagion to other sovereigns," Rehn said.

"I'm aware of the public debate and recent statements as regards the debt sustainability of Greece," Rehn said. "We do not see debt restructuring as an option."

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