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## UPDATE 2-German court suspends parliament's bailout committee

Fri, Oct 28 2011

- \* Nine-person body formed to decide on key euro funding matters
- \* Constitutional Court to probe if body infringes MPs' rights
- \* Key Merkel MP assures this will not affect EFSF implementation
- \* Ruling could prevent EFSF from secondary bonds purchases

By [Alexandra Hudson](#) and [Sarah Marsh](#)

BERLIN, Oct 28 (Reuters) - A German court on Friday suspended a parliamentary committee's right to approve urgent actions by the euro zone's bailout fund, potentially delaying decision-making in Europe's top economy on key moves to tackle the bloc's crisis.

A spokeswoman for the Constitutional Court said it would investigate whether the planned use of a small closed-door committee of 9 German lawmakers to consider urgent matters relating to the European Financial Stability Facility (EFSF) infringed on lawmakers' rights.

The parliamentary leader of Chancellor Angela Merkel's conservative bloc, Peter Altmaier, said the suspension meant parliament's entire lower house would need to decide on urgent matters relating to the EFSF.

But he said the court's action -- pending a final ruling on a complaint from two opposition lawmakers alleging the committee's powers breach Germany's basic law -- would not tie the hands of either the Bundestag or the EFSF.

"The German parliament will ensure that, until the main ruling, Germany's ability and the EFSF's ability to act are secured," he said.

Germany has frequently been accused of dragging out its decision-making, most recently when Chancellor Angela Merkel had to obtain a mandate from parliament to negotiate on the EFSF at a summit in Brussels on Wednesday.

Lawmaker Otto Fricke, a budget expert for Merkel's junior coalition partners the Free Democrats (FDP), said the suspension of the committee made it de facto impossible for the EFSF to buy bonds in secondary markets, as such purchases must be agreed in secret. Germany's parliament cannot meet in plenary in secret.

"The instrument of secondary bond market purchases is as good as dead for now," he said.

Analysts gave a measured response to the court ruling, noting that while it brought added complications the EFSF would be subject to all kinds of teething problems, and they were sure parliament and the government would find a way around it.

"I think the Germans have been quite difficult for some time so it is not a particular surprise," said Guillaume Menuet, an economist at Citigroup. "It is certainly not helpful because it means the European Central Bank has to hold the buck for longer (on bond market intervention)."

But he reminded that the details of how the EFSF could be used had not been determined and getting the bailout fund up and running was still weeks if not months away.

"I don't think [the court ruling] is going to be a big thing for markets, just a blip on radar screen of getting everything sorted and up and running. There are a few hurdles to jump through, but we will get there eventually."

A court spokeswoman said a final ruling could come by late December.

### PARLIAMENT'S POWER

The Constitutional Court said in a statement on Friday it was temporarily suspending the use of the special committee after two lawmakers lodged a complaint on Thursday.

"The second senate of the Constitutional Court has decided ... that until a full decision is taken, the Bundestag's right of participation may not be replaced by the new committee," the Court said in a statement.

A ruling by the same court last month resulted in a bigger say to German lawmakers on matters involving the bailout fund, obliging the government to seek approval from parliament's 41-member budget committee or from the chamber as a whole on participation in euro zone bailouts.

Ironically the idea of using a 9-member committee came about as a way of trying to speed up decision-making.

Analyst Christian Schulz from Berenberg Bank said if parliament as a whole had to approve changes to the EFSF it would make things more cumbersome, but he expected there would be a way to work around it.

"This issue is not of immediate concern but I am sure they will find a way to get around it. This isn't a decision that the committee is not legal, it is a statement that it may not be legal and therefore cannot be used for the time being," he added.

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