



Debt relief: What was the private sector debt restructuring in March 2012?

Also known as the PSI (private sector involvement) or private sector haircut, it was a restructuring of Greek debt held by private investors (mainly banks) in March 2012 to lighten Greece's overall debt burden. About 97% of privately held Greek bonds (about €197 billion) took a 53.5% cut of the face value (principal) of the bond, corresponding to an approximately €107 billion reduction in Greece's debt stock.

The EFSF encouraged bondholders to participate in the restructuring. It provided EFSF bonds as part of two facilities to Greece. These were the:

- PSI facility – as part of the voluntary debt exchange, Greece offered investors 1- and 2-year EFSF bonds. These EFSF bonds, provided to holders of bonds under Greek law, were subsequently rolled over into longer maturities.
- Bond interest (accrued interest) facility – to enable Greece to repay accrued interest on outstanding Greek sovereign bonds under Greek law which were included in the PSI. Greece offered investors EFSF 6-month bills. The bills were subsequently rolled over into longer maturities.