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EU Said to Near Collateral Deal, Removing Greek Bailout Obstacle
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(See EXT4 <GO> for more on the European debt crisis.)

By James G. Neuger and Rebecca Christie

Oct. 3 (Bloomberg) -- European governments are close to resolving Finland's demand for collateral to underpin bailout loans, removing an obstacle to Greece's second rescue package, three people familiar with the discussion said.

Finance ministers meeting in Luxembourg today will consider whether the proposal is acceptable to all 17 euro countries. The goal is a package with relatively unattractive terms so that Finland would be the only country to force Greece to put up collateral, said the people, who declined to be identified because the talks are private.

Under the proposal, Greece would put up collateral in exchange for Finland's loans, the people said. Finland in turn will forgo potential earnings from the Greek rescue deal, such as profits earned by the European Financial Stability Facility, and the collateral might have junior status in case of a default, the people said.

Deals on collateral have been close before. Finland reached an arrangement with Greece on Aug. 16, only to see it rejected by other euro countries.

Greece still faces hurdles to winning the 109 billion-euro (\$146 billion) follow-up package, including doubts over its ability to squeeze additional savings out of a population weary of two years of budget cuts and tax increases.

Finland's plea for collateral prompted Slovakia, Slovenia, Austria and the Netherlands to consider demanding similar treatment, adding to the nuisances that dogged Europe's effort at crisis-fighting unity.

The collateral clash pitted Greece against AAA rated Finland, home to a euro-skeptic movement that catapulted to third place in April elections by opposing further bailouts.

While the party now known as "The Finns" didn't make it into the ruling coalition, it captured the Finnish mood and hardened the stance of new Prime Minister Jyrki Katainen in the euro-rescue bartering.

Tonight's meeting was scheduled to start at 5 p.m. in Luxembourg.

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