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3027th Council meeting

Economic and Financial Affairs

Brussels, 13 July 2010

President **Mr Didier REYNDERS**
Deputy Prime Minister and Minister for Finance and Institutional Reforms of Belgium

P R E S S

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Main results of the Council

The Council adopted a political guideline for continuing negotiations with the European Parliament on the reform of ***financial supervision*** *in Europe.*

A package of proposals is intended to reform the European framework for supervision of the financial system in the wake of the global financial crisis. In particular, this involves the creation of a European Systemic Risk Board and three European supervisory authorities for the banking, insurance and securities sectors. It is intended that negotiations with the Parliament will allow these new bodies to be established on 1 January 2011.

The Council took a decision authorising ***Estonia to adopt the euro*** *as its currency with effect from 1 January 2011, and to this end definitively fixed the conversion rate between the Estonian kroon and the euro. This decision will expand the euro area from 16 to 17 member states, and will allow Estonia almost six months to prepare for the changeover.*

The Council established ***broad economic policy guidelines*** *under the new Europe 2020 strategy. In the context of initiatives under way with the aim of improving the* ***economic governance*** *of the European Union, it gave the go-ahead for the introduction of a "European semester" for the surveillance of the budgetary and structural policies of the Member States.*

The Council also opened excessive deficit procedures in relation to ***Bulgaria****,* ***Cyprus****,* ***Denmark*** *and* ***Finland****, making recommendations on the measures to be taken to reduce their deficits to below the reference value of 3 % of gross domestic product.*

Twenty-four of the 27 Member States are now subject to the excessive deficit procedure, a circumstance which should be seen in the context of the global financial crisis and the economic slowdown in 2008 and 2009. In this situation, the EU stability and growth pact (which includes the excessive deficit procedure) is the framework supporting the policies of the Member States for a rapid return to sound fiscal positions.

The Council has also completed the legislative procedure relating to the SWIFT agreement, by concluding an ***agreement with the United States on the transfer of financial messaging data*** *for the purposes of the Terrorist Finance Tracking Program.*

CONTENTS[1]

[1] Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
Documents for which references are given in the text are available on the Council's Internet site (http://www.consilium.europa.eu).
Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

PARTICIPANTS

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Mr Tomáš ZÍDEK	Deputy Minister for Finance
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Mr Wolfgang SCHÄUBLE	Minister for Finance
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Mr Charilaos STAVRAKIS	Minister for Finance
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Mr Olli REHN	Member
Mr Algirdas ŠEMETA	Member
Mr Michel BARNIER	Member

Other participants:	
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Mr Vítor CONSTÂNCIO	Vice-President of the European Central Bank
Mr Philippe MAYSTADT	President of the European Investment Bank
Mr Thomas WIESER	Chairman of the Economic and Financial Committee
Mr Lorenzo CODOGNO	Chairman of the Economic Policy Committee

ITEMS DEBATED

PRESIDENCY WORK PROGRAMME

The Council took note of the presentation by the Belgian Presidency of a work programme on economic and financial affairs for the duration of its term of office, which runs from July to December 2010 (*11767/1/10 REV 1*).

Important steps have been taken over the past few months in order to attenuate the impact of the economic and financial crisis, to restore the confidence of investors and consumers, and to enable a return to economic growth. Under the Belgian Presidency, the Council will follow implementation of flagship initiatives launched under the new Europe 2020 strategy for jobs and growth, and examine further measures to revitalise the EU's internal market.

The current context is however characterised by difficulties in the financial sector, by low economic growth in Europe and by a deterioration of public finances in many Member States. Additional measures are therefore needed to ensure financial stability and to consolidate public finances, and the Belgian Presidency will oversee these.

Regarding financial sector reforms, the Council under the Belgian Presidency will strive to ensure the establishment of new supervisory mechanisms by the end of the year. It will further examine legislative initiatives, such as those relating to the regulation of hedge funds and private equity firms, as well as derivatives, the short selling of credit default swaps and deposit guarantee systems.

As concerns the consolidation of public finances, the Council will ensure that, where necessary, plans for fiscal consolidation and structural reforms are speeded up. And it will make sure that the appropriate follow-up is given to the final report, expected in October, of the Task force on economic governance chaired by the President of the European Council, Herman Van Rompuy.

In order to fulfil its programme, the Belgian Presidency will build on the work undertaken in the first half of the year by the Spanish Presidency, in line with the joint programme of the three-Presidency team (Spain, Belgium, Hungary).

REFORMING FINANCIAL SUPERVISION

The Council adopted a political guideline with a view to continuing negotiations with the European Parliament on a package of measures which are intended to reform the European framework for supervision of the financial system, in the wake of the global financial crisis.

The proposals, presented by the Commission in the autumn of 2009, are:

– draft Regulations on Community macro prudential oversight of the financial system and establishing a European Systemic Risk Board, and entrusting the European Central Bank with specific tasks concerning the functioning of that Board;

– draft Regulations establishing a European Banking Authority, a European Insurance and Occupational Pensions Authority and a European Securities and Markets Authority;

– a draft Directive intended to amend existing legislation[1] in respect of the powers of these three new authorities.

Most of these texts[2] are subject to the procedure involving codecision between the Parliament and the Council. The negotiations with the Parliament are intended to allow them to be adopted at first reading, so that the European Systemic Risk Board and the three new supervisory authorities can be operational from 1 January 2011.

There is now a large degree of convergence between the two institutions, thanks to the negotiations which have already taken place, but it has not proven possible to find an overall agreement in time to enable the Parliament to hold its first reading on 8 July, as originally intended[3]. The Parliament has therefore decided to postpone the vote to a subsequent plenary session.

On the basis of the general approaches already defined [4], the Council has agreed on the compromise proposals submitted by the Presidency with a view to facilitating continuing negotiations. It has thus strengthened the negotiating mandate given to the Presidency, while allowing it the necessary degree of flexibility.

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1 Directives 1998/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC, and 2009/65/EC.

2 All of them except the draft Regulation entrusting the European Central Bank with specific tasks.

3 The next plenary sessions are due to take place from 6 to 9 September and from 20 to 23 September.

4 General approaches defined in October 2009 for the macro-financial part of the package, in December 2009 for the micro-financial part (i.e. the setting up of the three supervisory authorities) and in April 2010 as regards the amendments to existing legislation.

FOLLOW-UP TO THE EUROPEAN COUNCIL IN JUNE

The Council

- took note of the presentation by the Commission of a communication on the steps to be taken to enhance economic policy coordination in the EU (*11807/10*).
- held an exchange of views on the advisability of introducing a "*European semester*" in the course of which there would be surveillance of Member States' budgetary and structural policies;
- was briefed by the presidency on its intentions with regard to the organisation of proceedings for the rest of the year on the areas dealt with by the European Council on 17 June 2010.

The communication presented by the Commission will contribute to the work of a task force established at the request of the European Council in March to consider ways of improving economic governance in the EU [1]. It suggested the schedule for and content of the legislative proposals envisaged in order to implement the orientations emerging from the task force.

At its meeting on 17 June 2010, the European Council welcomed the progress report from the President of the Task Force, Herman Van Rompuy. It invited the task force and the Commission to rapidly develop the first set of orientations further and make them operational *(EU/CO 13/10*). The task force envisages presenting a final report to the European Council in October.

One of the first initiatives to emerge from the task force's proceedings is the introduction of a "*European semester*" as from 2011. In that connection, the Council invited the Economic and Financial Committee to prepare for the adoption of the necessary modifications to the code of conduct on the implementation of the stability and growth pact as soon as possible. That will make it possible to specify the new submission calendar for the stability and convergence programmes and the information requirements with which they should comply.

[1] The task force held its third meeting in the margins of the Council. See page 15.

BROAD ECONOMIC POLICY GUIDELINES

The Council adopted a recommendation on new broad guidelines for the economic policies of the Member States and of the EU (*11646/10*).

It thus took an important step in the implementation of the new Europe 2020 strategy for jobs and growth.

The recommendation, together with a draft Decision on guidelines for employment policies [1], forms "*integrated guidelines*" for structural reforms which will have to be carried out over the next few years under the new strategy.

For details, see *press release12082/10*.

[1] The adoption of the Decision on employment policies is planned for October, following consultation of the European Parliament.

EXCESSIVE DEFICIT PROCEDURES

Bulgaria, Denmark, Cyprus and Finland

The Council opened excessive deficit procedures for Bulgaria, Denmark, Cyprus and Finland and issued recommendations on the corrective action to be taken.

It adopted:

– decisions, under Article 126(6) of the Treaty on the Functioning of the EU, on the existence of excessive government deficits in those four Member States which have exceeded the 3 % reference value set by the treaty for the ratio of deficit to gross domestic product (GDP);

– recommendations, under article 126(7) of the treaty, on action to be taken by them to bring their deficits back below the 3 % of GDP threshold.

According to the data notified by the Member States concerned, the 3 % bar was effectively exceeded by Bulgaria and Cyprus in 2009 and is expected to be exceeded by Denmark and Finland in 2010.

With regard to corrective action:

– in the case of Cyprus and Denmark, the Council found that, on the basis of economic prospects as presented by the Commission, there were special circumstances, on account of the impact of the global economic crisis, warranting correction of the deficit in the medium term rather than the short term;

– in the case of Bulgaria and Finland, on the other hand, it concluded that there was no reason to depart from the normal timetable for remedying the deficit.

Thus, in its recommendations the Council called on Bulgaria and Finland to bring their deficits below the 3 % of GDP threshold by 2011, on Cyprus to do so by 2012 and on Denmark to do so by 2013. For all four Member States, it set 13 January 2011 as the deadline for taking corrective measures.

Belgium, the Czech Republic, Germany, Ireland, Spain, France, Italy, the Netherlands, Austria, Portugal, Slovenia, Slovakia and the United Kingdom

The Council examined a communication from the Commission assessing the action taken by Belgium, the Czech Republic, Germany, Ireland, Spain, France, Italy, the Netherlands, Austria, Portugal, Slovenia, Slovakia and the United Kingdom to bring their government deficits below the 3 % reference value set by the Treaty for the ratio of deficit to gross domestic product (GDP).

The Council shared the Commission's view that, according to the information currently available:

– those thirteen Member States had up to now acted in accordance with its recommendations;

– no additional step in the excessive deficit procedure is therefore necessary at this stage.

Belgium, the Czech Republic, Germany, Italy, the Netherlands, Austria, Portugal, Slovenia and Slovakia have been subject to an excessive deficit procedure since December 2009, as have Ireland, Spain and France since April 2009 and the United Kingdom since July 2008.

In the recommendations addressed to them on corrective action to be taken, the Council required Belgium and Italy to bring their deficits below the 3 % of GDP threshold in 2012 at the latest and the Czech Republic, Germany, the Netherlands, Austria, Portugal, Slovenia and Slovakia to do so in 2013.

In the case of Ireland, Spain and France, the Council revised its recommendations in December 2009 following a deterioration in the economic situation in those countries, which had taken appropriate action to comply. It then required Spain and France to bring their deficits below the 3 % of GDP threshold in 2013 at the latest and Ireland to so in 2014.

In the case of the United Kingdom, the Council adopted a decision in April 2009 deeming insufficient the action taken pursuant to its first recommendation and made a new recommendation. In December 2009 it revised the new recommendation in the light of a deterioration in the economic situation in the United Kingdom, which had taken appropriate action to comply. The Council then required that the deficit be brought below the 3 % of GDP threshold in the 2014-15 financial year at the latest.

ADOPTION OF THE EURO BY ESTONIA

The Council decided to allow Estonia to adopt the euro as its currency with effect from 1 January 2011.

It also adopted Regulations setting a permanent conversion rate for the Estonian kroon against the euro, and adapting certain technical provisions on the euro.

The decision will extend the euro area to include a 17th Member State, giving it almost six months to prepare for the changeover. Euro notes and coins will be issued in Estonia at the same time as adoption of the euro.

The conversion rate is set at 15,6466 Estonian kroonid to one euro, which corresponds to the current central rate of the kroon in the EU's exchange rate mechanism (ERM II).

Sixteen of the 27 Member States of the EU currently have the euro as their currency.
Euro banknotes and coins were introduced:

– on 1 January 2002 in Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Austria and Finland;

– on 1 January 2007 in Slovenia;

– on 1 January 2008 in Cyprus and Malta; and

– on 1 January 2009 in Slovakia.

OTHER BUSINESS

Public finances

The Council took note of the outcome of the Economic and Financial Committee's discussions on an annual report from the Commission on public finances in the EU. It agreed to take account of the key messages contained in that report in the context of budgetary surveillance.

MEETINGS IN THE MARGINS OF THE COUNCIL

The following meetings were held in the margins of the Council:

– ***Task Force on Economic Governance***

On 12 July the Ministers participated in a meeting of a Task Force on Economic Governance chaired by Herman Van Rompuy, President of the European Council;

– ***Euro Group***

Ministers from the euro area Member States attended a meeting of the Euro Group on 12 July.

– ***Working breakfast***

At a working breakfast, the Ministers discussed the economic situation and reviewed the stress tests being carried out by the European supervisory authorities in the banking sector, the results of which will be made public in the second fortnight in July. The Ministers also discussed action to be taken on a recent report on the development of the EU's single market by Mario Monti, President of Bocconi University and former member of the European Commission in charge of the single market. They also discussed the introduction of a "European semester" during which there would be surveillance of Member States' budgetary and structural policies (see page 9).

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During luncheon, the Ministers discussed the outcome of the G-20 Summit held in Toronto on 26 and 27 June in relation to issues of relevance to the Council.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Simplified rules for VAT invoicing

The Council adopted a directive aimed at simplifying value-added tax (VAT) invoicing requirements, in particular as regards electronic invoicing (*10858/10* + *11339/10 ADD 1*).

The new directive sets out to ensure the acceptance by tax authorities of e-invoices under the same conditions as for paper invoices, and to remove legal obstacles to the transmission and storage of e-invoices.

For details see press release *12122/10*.

Decommissioning of Kozloduy nuclear power plant

The Council adopted a regulation providing EU financial assistance of EUR 300 million for the decommissioning of units 1 to 4 of the Kozloduy nuclear power plant in Bulgaria for the period from 1 January 2010 to 31 December 2013 (*11557/10*).

JUSTICE AND HOME AFFAIRS

EU-US agreement on financial messaging data (SWIFT)

The Council took the final step in the legislative procedure regarding the "SWIFT agreement", the EU-US agreement on financial messaging data for the purposes of the US Terrorist Finance Tracking Programme (TFTP).

It adopted the decision on the conclusion of the agreement as set out in *11222/1/10 REV 1* + *REV 1 COR 1* + *REV 1 COR 4*. Accompanying declarations can be found in […].

The agreement is meant to allow the US Department of the Treasury to receive financial messaging data stored in the EU in order to allow targeted searches for counter-terrorism investigations, while ensuring an adequate level of data protection. The agreement will run for five years. It will automatically be extended for subsequent periods of one year unless one of the parties notifies the other of its intention not to extend the agreement.

Under the TFTP, the US Department of the Treasury seeks to identify, track and pursue suspected terrorists and their providers of finance. It was set up shortly after the terrorist attacks of 11 September 2001. Relevant results of the US analysis have been shared with EU member states and have contributed to effective investigation and prevention of terrorist attacks, including attacks on EU citizens.

Eurojust – Joint Supervisory Body annual report

The Council took note of the annual report of the Joint Supervisory Body of Eurojust for the year 2009 (*11544/10*).

http://www.eurojust.europa.eu/

TRANSPORT

Maritime safety – Marine equipment

The Council decided not to oppose the modification by the Commission of directive 96/98/EC on marine equipment, in order to align it with international standards as recently updated *(10072/10)*.

ENVIRONMENT

Marine waters – Standard quality assessment criteria

The Council decided not to oppose the adoption by the Commission of a decision setting out criteria and methodological standards to be used by the member states when evaluating the environmental status of marine waters *(11357/10)*.