



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 17 March 2011

7840/11

**Interinstitutional File:
2010/0279 (COD)**

**ECOFIN 145
UEM 47
SOC 246
CODEC 433**

NOTE

From: General Secretariat of the Council
To: Delegations
Subject: A draft Regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area

A draft Regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area.

Encl.:

DRAFT**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL****on enforcement measures to correct excessive macroeconomic imbalances in the euro area****THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,**

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 136, in combination with Article 121(6) thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the European Central Bank,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The coordination of the economic policies of the Member States within the Union, as provided for by the Treaty, should entail compliance with the guiding principles of stable prices, sound public finances and monetary conditions and a sustainable balance of payments.
- (2) There is a need to build upon the experience gained during the first decade of functioning of economic and monetary union.
- (3) In particular, surveillance of the economic policies of the Member States should be broadened beyond budgetary surveillance to prevent excessive macroeconomic imbalances and help the Member States affected devise corrective plans before divergences become entrenched. This broadening should go in step with deepening of fiscal surveillance.

¹ OJ C , , p. .

- (4) To help address such imbalances, a procedure laid down in legislation is necessary.
- (5) It is appropriate to supplement the multilateral surveillance referred to in Article 121(3) and (4) of the Treaty with specific rules for detection, prevention and correction of macroeconomic imbalances. The procedure should be embedded in the annual multilateral surveillance cycle.
- (6) Enforcement of Regulation (EU) No [.../...]¹ should be strengthened by establishing fines for Member States whose currency is the euro in case of repetitive non-compliance with the recommendation to address excessive macroeconomic imbalances.
- (7) Repeated failure to comply with Council recommendation to address excessive macroeconomic imbalances should, as a rule, be subject to a yearly fine, until the Council establishes that the Member State has taken corrective action to comply with its recommendation.
- (8) Moreover, repeated failure of the Member State to draw up a corrective action plan to address the Council recommendation should be equally subject to a yearly fine as a rule, until the Council establishes that the Member State has provided a corrective action plan that sufficiently addresses its recommendation.
- (9) To ensure equal treatment between Member States, the fine should be identical for all Member States whose currency is the euro and equal to 0.1% of the gross domestic product (GDP) of the Member State concerned in the preceding year.
- (10) The procedure for the application of the fines on the Member States which fail to take effective measures to correct excessive macroeconomic imbalances should be construed in such a way that the application of the fine on those Member States would be the rule and not the exception.

¹ OJ L [...], [...], [...]

- (11) Fines referred to in Article 3 of this Regulation shall constitute other revenue, as referred to in Article 311 of the Treaty, and shall be assigned to stability mechanisms to provide financial assistance, created by Member States whose currency is the euro in order to safeguard the stability of the euro area as a whole.
- (12) The power to adopt individual decisions for the application of the fine provided for in this Regulation should be conferred on the Council. As part of the coordination of the economic policies of the Member States conducted within the Council as specified in Article 121(1) of the Treaty, these individual decisions are an integral follow-up to the measures adopted by the Council in accordance with Article 121 of the Treaty and Regulation (EU) No [.../...].
- (13) Since this Regulation contains general rules for effective enforcement of Regulation (EU) No [.../...], it should be adopted in accordance with the ordinary legislative procedure referred to in Article 121(6) of the Treaty.
- (14) Since an effective framework for detection and prevention of macroeconomic imbalances cannot be sufficiently achieved by the Member States because of the deep trade and financial inter-linkages between Member States and the spillover effects of national economic policies on the Union and the euro area as a whole and can be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity, as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in the same Article, this Regulation does not go beyond what is necessary to achieve those objectives.

HAVE ADOPTED THIS REGULATION:

Article 1

Subject matter and scope

1. This Regulation sets out a system of fines for effective correction of excessive macroeconomic imbalances in the euro area.
2. This Regulation shall apply to Member States whose currency is the euro.

Article 2

Definitions

For the purposes of this Regulation, the definitions set out in Article 2 of Regulation (EU) No [.../...] shall apply.

In addition, the following definition shall apply:

– ‘exceptional economic circumstances’ means

circumstances where an excess of a government deficit over the reference value is considered exceptional within the meaning of the second indent of Article 126(2)(a) of the Treaty and as specified in Council Regulation (EC) No 1467/97¹.

¹ OJ L 209, 2.8.1997, p. 6.

Article 3

Fines

1. A yearly fine shall be imposed by the Council Decision, acting on a recommendation by the Commission, if:

- (1) two successive Council recommendations are adopted in accordance with Article 8(3) of Regulation (EU) No [.../...],
- (2) two successive Council recommendations are adopted in accordance with Article 10(4) of Regulation (EU) No [.../...],

The decision shall be deemed adopted by the Council unless it decides, by qualified majority, to reject the recommendation within ten days the Commission adopting it. The Council may amend the recommendation acting by qualified majority

2. The Commission recommendation for a Council decision shall be issued within twenty days of the conditions referred to in paragraph 1 being met.

3. The yearly fine to be recommended by the Commission shall be 0.1% of the GDP of the Member State concerned in the preceding year.

4. By derogation from paragraph 3, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within ten days of the conditions referred to in paragraph 1 being met, propose to reduce the amount of the fine or to cancel it.

5. If a Member State has paid a yearly fine for a given calendar year and the Council thereafter concludes, in accordance with Article 10(1) of Regulation (EU) No [.../...] that the Member State has taken the recommended corrective action in the course of the given year, the fine paid for the given year shall be returned to the Member State *pro rata temporis*.

Article 4

Distribution of the fines

Fines referred to in Article 3 of this Regulation shall constitute other revenue, as referred to in Article 311 of the Treaty, and shall be assigned to the European Financial Stability Facility. By the moment another stability mechanism to provide financial assistance is created by Member States whose currency is the euro in order to safeguard the stability of the euro area as a whole, the fines shall be assigned to that last mechanism.

Article 5

Voting within the Council

For the measures referred to in Article 3, only members of the Council representing Member States whose currency is the euro shall vote and the Council shall act without taking into account the vote of the member of the Council representing the Member State concerned.

A qualified majority of the members of the Council mentioned in the previous paragraph shall be defined in accordance with Article 238(3)(b) of the Treaty.

Article 6

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Brussels,

For the European Parliament
The President

For the Council
The President
