



**EUROPEAN COUNCIL
THE PRESIDENT**



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**Remarks by President Van Rompuy
following the first session of the European Council**

This is a good week for the European Union, a week to be remembered. On Monday we were in Oslo. This morning the Finance Ministers agreed on a Single Supervisory Mechanism for banks, and a decision was taken on Greece in the Eurogroup.

And tonight, we had a very constructive first evening of this European Council. We took decisions on the way forward for the eurozone, focusing on two areas.

First, strengthening our banking system.

Here the progress achieved this morning with the establishment of the SSM marks a breakthrough. It will strengthen our financial sector. Breaking the vicious circle between sovereigns and banks will help ensure stability and improve lending conditions – both vital for growth and employment in the eurozone and beyond.

We achieved this in the space of just a few months. Back in June, there was nothing. Then the European Council set out the course; right after the summer the Commission had proposals ready; and within three months the finance ministers reached an agreement, while the Parliament has already adopted its position on this question at committee level. Back in June we asked for the SSM to be ready in December, and we delivered. This clearly shows the Union's ability to take timely and decisive action; it is our way, our European way of working.

The agreement on the SSM strikes a good balance. It serves the need of eurozone members, whilst being open to all and taking into account those that choose not to take part. It is a truly single system, with a sensible division of labour between the ECB and national authorities.

P R E S S

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Regarding the ECB, it ensures a clear separation between monetary policy and supervisory tasks. And finally, it preserves the integrity of the single market for financial services. But we do not stop here; we are already looking at the next steps: it's essential for the eurozone's future.

We agreed to establish in the first half of next year an operational framework, including the definition of legacy assets, so that when the SSM is established, the European Stability Mechanism will have the possibility to recapitalise banks directly, following a regular decision.

For the SSM to be more effective, we decided tonight that, when the SSM is in place, "a single resolution mechanism will be required, with the necessary powers to ensure that any bank in participating Member States can be resolved with the appropriate tools". In the course of 2013, the Commission will submit a proposal, which should be examined as a matter of priority, with the intention of adopting it in the current parliamentary cycle. The objective is to reduce risks for taxpayers and for the economy, by making sure that any bank failures are dealt with in a swift and orderly way and in the best interest of all.

This brings me, after the progress on the banking union, to the second area on which we focused tonight: bringing our economic policies closer. The starting point is simple: for countries that share a common currency, economic policies are a matter of common interest.

As President of the European Council, I will present possible measures and a time-bound road map on four issues to the June 2013 European Council, in close cooperation with the President of the Commission, and after a process of consultations with the Member States.

These four issues are:

- the coordination of major economic reforms in the Member States, including through ex ante discussions.
- the social dimension of the EMU
- the feasibility and modalities of mutually-agreed contracts for competitiveness and growth between governments and EU institutions.
- and finally, solidarity mechanisms that can enhance the efforts made by the Member States that enter into such contractual arrangements.

All this is not an end in itself: our overarching aim is a stable EMU, in order to improve growth, competitiveness and employment across Europe.

Looking at the wider situation, even if the worst of the eurozone crisis is behind us, much still needs to be done. But all the hard work is starting to pay off.

In conclusion, a lot has been achieved over the course of a year. Exactly twelve months ago the six-pack entered into force. This year, we agreed the Fiscal Compact, we launched the European Stability Mechanism and the ECB for its part also contributed to taming the crisis.

This morning, as I said, there was the agreement on the single supervisory mechanism, and this evening we decided to put in place a single resolution mechanism.

Since May, we are engaged in a process to address the systemic flaws in the EMU's architecture. Here the reports I presented together with the Presidents of the Commission, ECB and Eurogroup between June and December helped map the way forward. And this work is not over: the dynamic will carry on in the coming year, as we decided tonight.

Finally, let me say a few words on the decision reached this morning on Greece. It marks an important step. The decision will help ensure Greek debt sustainability over the medium term, and allows for supporting Greece in its adjustment efforts. This is strong sign of European solidarity to the people of Greece and a demonstration that the country and its European partners continue to live up to their commitments. It proves the irreversibility of the euro and the eurozone.
