



EUROPEAN COUNCIL

Brussels, 14 December 2012

European Council conclusions on completing EMU<sup>1</sup>  
adopted on 14 December 2012

*Roadmap for the completion of EMU*

1. In the light of the fundamental challenges facing it, the Economic and Monetary Union needs to be strengthened to ensure economic and social welfare as well as stability and sustained prosperity. Economic policies must be fully geared towards promoting strong, sustainable and inclusive economic growth, ensuring fiscal discipline, enhancing competitiveness and boosting employment, and in particular youth employment, in order for Europe to remain a highly competitive social market economy and to preserve the European social model.
2. The consolidation of EMU rests not only on completing its architecture but also on pursuing differentiated, growth-friendly and sound fiscal policies. While fully respecting the Stability and Growth Pact, the possibilities offered by the EU's existing fiscal framework to balance productive public investment needs with fiscal discipline objectives can be exploited in the preventive arm of the SGP.

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<sup>1</sup> This text will be included in the final version of the European Council conclusions.

3. Further to the interim report submitted in October 2012, the President of the European Council, in close collaboration with the Presidents of the Commission, the European Central Bank and the Eurogroup, has drawn up a specific and time-bound road map for the achievement of genuine Economic and Monetary Union. The European Council notes the "Blueprint" issued by the Commission which provides a comprehensive analysis of the relevant issues combined with an assessment of their legal aspects. It also notes the contributions made by the European Parliament. The European Council sets out the next steps in the process of completing EMU, based on deeper integration and reinforced solidarity for the euro area Member States.
4. The process of completing EMU will build on the EU's institutional and legal framework. It will be open and transparent towards Member States not using the single currency. Throughout the process the integrity of the Single Market will be fully respected, including in the different legislative proposals which will be made. It is also important to ensure a level playing field between Member States which take part in the SSM and those which do not.
5. The immediate priority is to complete and implement the framework for stronger economic governance, including the "six-pack", the Treaty on Stability, Coordination and Governance (TSCG) and the "two-pack". Following the decisive progress achieved on the key elements of the "two-pack", the European Council calls for its rapid adoption by the co-legislators.
6. It is equally urgent to advance towards a more integrated financial framework, which will help restore normal lending, improve competitiveness and help bring about the necessary adjustment to our economies.
7. The Single Supervisory Mechanism constitutes a major qualitative step towards a more integrated financial framework. The European Council welcomes the agreement reached within the Council on 13 December and calls on the co-legislators to rapidly agree as to allow its implementation as soon as possible. It also reiterates the importance of the new rules on capital requirements for banks (CRR/CRD), which are of the utmost priority so as to develop a single rule book, and calls on all parties to work towards their agreement and rapid adoption.

8. The European Council urges the co-legislators to agree on the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive before June 2013; the Council for its part should reach agreement by the end of March 2013. Once adopted, these Directives should be implemented by the Member States as a matter of priority.
9. The European Council looks forward to the Commission's rapid follow up to the proposals of the high level expert group on the structure of the EU banking sector.
10. It is imperative to break the vicious circle between banks and sovereigns. Further to the June 2012 euro area Summit statement and the October 2012 European Council conclusions, an operational framework, including the definition of legacy assets, should be agreed as soon as possible in the first semester 2013, so that when an effective single supervisory mechanism is established, the European Stability Mechanism will, following a regular decision, have the possibility to recapitalise banks directly. This will be done in full compliance with the Single Market.
11. In a context where bank supervision is effectively moved to a single supervisory mechanism, 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. Therefore, work on the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive should be accelerated so that they can be adopted in line with paragraph 8. In these matters, it is important to ensure a fair balance between home and host countries. The Commission will submit in the course of 2013 a proposal for a single resolution mechanism for Member States participating in the SSM, to be examined by the co-legislators as a matter of priority with the intention of adopting it during the current parliamentary cycle. It should safeguard financial stability and ensure an effective framework for resolving financial institutions while protecting taxpayers in the context of banking crises. The single resolution mechanism should be based on contributions by the financial sector itself and include appropriate and effective backstop arrangements. This backstop should be fiscally neutral over the medium term, by ensuring that public assistance is recouped by means of *ex post* levies on the financial industry.

12. In order for the EMU to ensure economic growth, competitiveness in the global context and employment in the EU and in particular in the euro area, a number of other important issues related to the coordination of economic policies and economic policy guidelines of the euro area will need to be further examined, including measures to preserve the integrity of the Single Market. To this end, the President of the European Council, in close cooperation with the President of the Commission, after a process of consultations with the Member States, will present to the June 2013 European Council possible measures and a time-bound roadmap on the following issues:

- a) coordination of national reforms: the participating Member States will be invited to ensure, in line with Article 11 of the TSCG, that all major economic policy reforms that they plan to undertake will be discussed *ex ante* and, where appropriate, coordinated among themselves. Such coordination shall involve the institutions of the EU as required by EU law to this end. The Commission has announced its intention to make a proposal for a framework for *ex ante* coordination of major economic policy reforms in the context of the European Semester;
- b) the social dimension of the EMU, including social dialogue;
- c) the feasibility and modalities of mutually agreed contracts for competitiveness and growth: individual arrangements of a contractual nature with EU institutions could enhance ownership and effectiveness. Such arrangements should be differentiated depending on Member States' specific situations. This would engage all euro area Member States, but non euro Member States may also choose to enter into similar arrangements;
- d) solidarity mechanisms that can enhance the efforts made by the Member States that enter into such contractual arrangements for competitiveness and growth.

13. Governance within the euro area should be further improved, building on the TSCG and taking into account the euro area Summit statement of 26 October 2011. The euro area Heads of State or Government will be invited to adopt rules of procedure for their meetings at their meeting in March 2013, fully respecting Article 12.3 TSCG.

14. Throughout the process, the general objective remains to ensure democratic legitimacy and accountability at the level at which decisions are taken and implemented. Any new steps towards strengthening economic governance will need to be accompanied by further steps towards stronger legitimacy and accountability. At national level, moves towards further integration of the fiscal and economic policy frameworks would require that Member States ensure the appropriate involvement of their parliaments. Further integration of policy making and greater pooling of competences must be accompanied by a commensurate involvement of the European Parliament. New mechanisms increasing the level of cooperation between national parliaments and the European Parliament, in line with Article 13 of the TSCG and Protocol No 1 to the Treaties, can contribute to this process. The European Parliament and national parliaments will determine together the organisation and promotion of a conference of their representatives to discuss EMU related issues.
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