



## Preparation of Economic and Finance Ministers Council, Brussels, 13 November 2012

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### Preparation of Economic and Finance Ministers Council, Brussels, 13 November 2012

The EU's Council of Economic and Finance Ministers will start on Tuesday, 13 November at 11.00. The European Commission will be represented by Olli Rehn, Vice President and Commissioner for Economic and Monetary Affairs and the Euro, Joaquín Almunia, Vice President and Commissioner for Competition, Michel Barnier, Commissioner for Internal Market and Services and Algirdas Semeta, Commissioner for Taxation and Customs Union, Audit and Anti-Fraud. A press conference is expected to take place after the meeting.

#### Economic governance – "two-pack" (SOC)

The two Regulations proposed by the Commission on 23 November 2011 to strengthen fiscal discipline in the euro area – the so called "two-pack" – (see [MEMO/11/822](#)) are an indispensable step towards a genuine Economic and Monetary Union. Ministers will discuss the state of play regarding the legislative process. The Commission welcomes the progress achieved so far in the recent "trilogues" with the European Parliament and the Council of Ministers. The Commission stands ready to assist the Cyprus Presidency in order to achieve a first reading agreement at the latest by the end of 2012 as called for by the October European Council last month.

The first Regulation of the "two-pack" aims to strengthen budgetary surveillance for all euro area Member States and to reinforce the monitoring of those under the Excessive Deficit Procedure. It is also a concrete way to apply in EU law some of the commitments of the Treaty on Stability, Coordination and Governance, in particular those of the Fiscal Compact.

The second Regulation aims to establish a common timeline and common rules to allow for more active prior on *ex ante* monitoring and assessment of the budgets of euro area Member States.

#### Revised Capital requirements rules (CRD IV) (SdR)

On 21 July 2011, the Commission tabled a proposal aimed at strengthening the resilience of the EU banking sector while ensuring that banks continue to finance economic activity and growth ([IP/11/915](#)).

The EU was the first jurisdiction in the world to publish a legislative proposal implementing the Basel III agreements that all G20 members have committed to adopt and implement. The Commission proposal aims to respect the timelines agreed in the Basel Committee on banking supervision, namely entry into force of the new legislation on 1 January 2013, with full implementation of all measures by 1 January 2019.

Substantial progress was made on this text under the Danish Presidency of the Council in the first half of 2012, with a revised text adopted at 2 May 2012 Economic and Finance Ministers Council meeting. Numerous trilogues gathering the Commission, Parliament and Council have taken place. The next trilogue will take place on 12 November, and the Presidency will present the state of play of the proposal at the 13 November Economic and Finance Ministers Council. Key outstanding issues include the use of national flexibility and remuneration.

More information:

[http://ec.europa.eu/internal\\_market/bank/regcapital/index\\_en.htm](http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm)

#### Banking Supervision Mechanism (SdR)

In order to put into action the conclusion of the European Council and Euro Area summit of June 2012, the Commission adopted on 12 September 2012 a package of legislative proposals on the establishment of a single supervisory mechanism for banks led by the European Central Bank and on a revision of the regulation on the establishment of the European Banking Authority (EBA) ([IP/12/953](#)) in order to strengthen the Economic and Monetary Union

These proposals are a first step towards an integrated "banking union" which includes further components such as a single rulebook, common deposit protection and a single bank resolution mechanism. The proposals were accompanied by a Communication on a roadmap for completing the banking union over the coming years.

Various meetings have been held to date in Council by the ad hoc working group created to deal with the proposals on the single supervisory mechanism; the last was held on 5-6 November 2012. Ministers will have an orientation debate. It is recalled that the European Council has called on the Council and the European Parliament to reach an agreement on these proposals by the end of this year.

More information:

[http://ec.europa.eu/internal\\_market/finances/committees/index\\_en.htm](http://ec.europa.eu/internal_market/finances/committees/index_en.htm)

#### **Financial Transaction Tax (ET)**

Following the Commission's proposal on 23 October to authorise setting up a common financial transaction tax (FTT) under enhanced cooperation ([see IP/12/1138](#)), the Commission will present its proposal to the Council. It must be adopted by a qualified majority of Member States and receive the Parliament's consent, in order for the 11(+) Member States to move forward with a common FTT. Later in the year, the Commission intends to table the substantive proposal on the harmonised FTT, for discussion and adoption by the participating Member States. That proposal will be very much along the lines of the original FTT proposal tabled by the Commission in September 2011 ([see IP/11/1085](#)).

#### **Mandate for negotiations of amendments to the saving taxation agreements with third countries (ET)**

The Council will hold an orientation debate on giving the Commission a mandate to start negotiations with Switzerland, Liechtenstein, Monaco, Andorra and San Marino on the revision of agreements signed with these countries on taxation of savings. The aim of such negotiations is to ensure that these 5 countries apply measures equivalent to those foreseen in the revised Savings Directive. The Commission proposed to revise the Savings Directive to close the loopholes of the current legislation by better ensuring the taxation of interest payments and by covering a wider range of savings products such as innovative financial products, pensions and life insurance products ([see IP/08/1697](#), [MEMO/08/704](#)). Since 2005, the Savings Directive has ensured that interest on savings income in other EU Member States is either reported to the relevant tax administration or subject to a transitional withholding tax. The mandate to start negotiations would be an important step in promoting good governance in taxation and combat tax evasion which can have a negative impact on national budgets.

#### **Follow-up to the European Council on 18-19 October 2012 (SOC)**

Ministers will exchange views on the outcome of the European Council that took place on 18-19 October. The main focus of the meeting was on economic policy. EU Heads of State or Government took stock of progress on the Compact for Growth and Jobs and discussed the completion of the Economic and Monetary Union. With regard to the latter the European Council called for swift progress on the proposals on the Single Supervisory Mechanism as a matter of priority with the objective of agreeing on the legislative framework by 1 January 2013.

#### **Follow-up to the Annual meeting of the IMF and World Bank Group in Tokyo on 12-14 October 2012 and the G20 Finance Ministers and Governors meeting in Mexico City on 4-5 November 2012 (SOC)**

Ministers will exchange views on the outcome of the IMF Annual Meetings in Tokyo on 12-14 October and the G20 Finance Ministers and Governors meeting in Mexico City on 4-5 November 2012.

During the meetings of the International Monetary and Financial Committee (IMFC) and the G20, discussion focused on global economic and financial market developments and the risks to the global outlook. There was broad agreement that currently the main risks come from remaining instability in the euro area, fiscal uncertainty in the US and slowing growth in major emerging economies. At both meetings, it was agreed to continue to act cooperatively to break negative feedback loops and restore the global economy to a path of strong, sustainable and balanced growth. The new steps taken since the summer in Europe, and in particular the entry into force of the European Stability Mechanism (ESM), the ECB's decision on the ECB Outright Monetary Transactions (OMT), and the first steps towards a banking union were welcomed as positive developments for the resolution of the sovereign debt crisis.

The discussion on the IMF policy agenda at the IMF Annual Meetings and at the G20 focused on the implementation of the 2010 IMF quota and governance reform, and the ongoing review of the IMF quota formula. Many IMFC and G20 members regretted that the 2010 IMF quota and governance reform had not become effective, yet, and urged members who have yet to complete the process to do so speedily. The EU has delivered. Most EU Member States have ratified the reform in time (so far, 24 have ratified; two more will follow shortly).

#### **Preparation of the 18th Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Qatar from 26 November to 7 December 2012 (SOC)**

Ministers are expected to adopt Council conclusions on climate finance, which are in view of the 18th Conference of the Parties to the UNFCCC (United Nations Framework Convention on Climate Change). They include provisions on long-term finance and Green Climate Fund issues as well as the endorsement of a report on the EU and its Member States' contribution to fast-start finance, i.e. the main issues after the Cancún conference in December 2010 that are related to international climate finance. The EU is on track to meet its fast-start finance commitment for the period 2010-2012 and will continue to provide support for developing countries beyond 2012.

#### **EU state aid modernisation (AC)**

On 8 May 2012, the Commission launched an integrated strategy to reform its state aid control (State Aid Modernisation) [see IP/12/458](#). The main objectives are: (1) fostering sustainable, smart and inclusive growth in a competitive internal market; (2) focussing on cases with the biggest impact on the internal market whilst strengthening Member States cooperation in State aid enforcement; and (3) streamlining rules and providing for faster decisions. The Council is due to discuss the broad implications of the reform plan.

#### **Autumn statistical package (ET)**

This point will be due to be approved by the Council without discussion.

The Commission will report to the Council on the state of play on EU statistics. The Commission will present progress made in building a European Statistical System which is independent, strong and efficient for the production of high quality European statistics. In this respect, the Commission has

tabled a proposal to revise the EU Regulation on Statistics to further strengthen in law the independence, reliability and quality management of statistics coming from Member States and compiled at EU level (see [IP/12/375](#)). The recently adopted Commission Decision on Eurostat applies to the Commission the same standards as those expected from Member States (see [IP/12/969](#)). Discussions on the revised European System of National Accounts (ESA2010) are well advanced. Responding to the call from the Council in November 2011, the Commission is preparing a solid legal framework and procedures for the statistical indicators underlying the Macro-economic Imbalances Procedure.

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