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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Partial summary record of the meeting of the **Committee on Economic and Monetary Affairs (ECON)** of the European Parliament, held in Brussels on 22 and 23 September 2014 - Items 2-5 and 11

- **ECON held a monetary dialogue with ECB President Mario Draghi, during which MEPs gave their reactions to the news of a low take-up for the ECB's Targeted Longer-Term Refinancing Operations, expressing different views on the factors that were hampering the credit process.**
- **The committee also discussed with the Commission the forthcoming "level 2" acts on bank contributions to the resolution funds, giving its first reactions to the latest Commission proposals.**
- **During the discussion with Commissioner for Competition, Mr Almunia, issues related to the Google case attracted particular attention.**

- **Representatives of national parliaments, who participated in the debate on the European Semester, called for their better and earlier involvement in the discussion of CSRs**.

2. Monetary Dialogue with Mario Draghi, President of the European Central Bank
ECON/8/00521

In his opening statement Mr Draghi gave an overview of the preparations related to the separation between the ECB's monetary policy and future supervisory functions, which the ECB will take up from 4 November. He then elaborated on the details of the ECB monetary policy measures announced on 4 September and on the first TLTRO operation, stressing that the latter had to be assessed in combination with the December operation and that the different ECB programmes together were designed to bring about credit easing. Mr Draghi pointed out that with the purchase programmes, the ECB was starting a transition from a passive provision of central bank credit to a more active and controlled management of its balance sheet. Mr Draghi also confirmed that the ECB stood ready to use additional unconventional instruments, if necessary, but added, however, that the success of the ECB's measures depended critically on a number of factors outside the realm of monetary policy, such as structural reform and improvements in the competitiveness of the corporate sector, which would improve the business environment and foster urgently needed investment and demand for credit.

In their statements MEPs across the political spectrum highlighted the problem of weak credit flows and the limited impact of ECB's measures. Speaking on behalf of their political groups, Mr ZALBA BIDEGAIN (EPP, ES) and Mr LUCKE (ECR, DE) wondered in general about the different causes of this problem, including structural weaknesses and a lack of confidence in the banking sector. Ms FERREIRA (S&D, PT) and Ms MATIAS (GUE/NGL, PT), on the other hand, asked more specifically what could be done to boost demand and investment. Mr TREMOSA I BALCELLS (ALDE, ES) raised the issue of high capital charges on SME lending, while Mr GIEGOLD (Greens, DE) took the view that eurozone governance had to be strengthened.

MEPs also raised concerns about the possible risks and side-effects, such as the creation of bubbles, of the ECB's very accommodative monetary policy. Mr GIEGOLD (Greens, DE) and Mr ANNEMANS (NA, BE) asked for clarifications on the ABS programme going ahead without state guarantees.

In his replies Mr Draghi suggested that the lack of bank lending was partly due to banks raising capital before the AQR and the stress tests, stressing however the importance of this exercise and that the ECB was not supposed to internalize the supervisory aspects in its monetary policy. Regarding the demand side, he recalled his Jackson Hole speech. He agreed that there was a cyclical component to unemployment in the euro area which had to be addressed and that a return to investment was important. He said that in this context it was important to distinguish between countries that have fiscal space and those that have not. He maintained that the former would have to follow the policy recommendations in their CSRs while the latter would have to review their budget composition to give more priority to productive investment. He stressed also, however, that there was no 'grand bargain' between the ECB and the governments, and that all the ECB could do was to make sure that when demand came, there would be money available.

On the risks related to the ECB's monetary policy, Mr Draghi said that the ECB did not see any significant signs of excesses which could threaten financial stability. If this were to be the case, they would be localized phenomena, for which macro prudential instruments would have to be used and not monetary policy, which was rather for the euro area as a whole. Mr Draghi also explained that, as far as the ABS programme was concerned, the ECB would only buy 'senior' tranches without government guarantees and would not touch the more risky 'mezzanine' tranche.

Answering to a question from Ms FERREIRA (S&D, PT) on why the Troika had not spotted problems with Banco Espirito Santo, Draghi stressed that the ECB was not responsible for banking supervision as part of the Troika. He argued instead that the ECB had helped to create better supervisory standards in Portugal which allowed the Portuguese authorities to investigate the problems with this bank.

3. Scrutiny of delegated acts and implementing measures: Exchange of views with Michel Barnier, Commissioner of internal market and services, on the implementation of BRRD/SRM and other files

ECON/8/01078

Mr BARNIER used his last appearance in the committee as an opportunity to take stock of his activities over the past years. He took the view that although much had been achieved, it was important to remain vigilant, as the financial markets were changing quickly, as exemplified by the area of online payments. Mr Barnier also underlined the importance of properly implementing the agreed texts, pointing out that in 2015 around 175 "level 2" measures were scheduled to be adopted by the Commission. He elaborated on three files:

- CRD IV, where the Commission had scheduled to adopt a delegated act in early October, including detailed rules on short-term liquidity ratio;
- Solvency II, where the Commission was going to submit a delegated act in early October;
- BRRD and SRM regulation, where the Commission was going to shortly adopt a delegated act and a draft proposal for a Council implementing act on bank contributions to national resolution funds and to the Single Resolution Fund (bearing in mind that for legal reasons the implementing act could not be submitted formally until 1 November).

Regarding bank contributions, Ms BARNIER stressed that the Commission was trying to strike the right balance between the requirement for all banks to contribute and the need to limit the administrative and financial burden for the smallest banks, adding that this was going to be done by means of a system of lump sum contributions for small banks. Regarding adjustment of contributions based on risk, he said that the Commission proposed a range of 0.8 to 1.5, bearing in mind that some MEPs were asking for a bigger range, while some member states wanted to have it narrowed down even further. He expressed optimism that a compromise on the different points of concern for the EP and national experts was going to be found soon.

In the following debate many MEPs concentrated on bank contributions. Mr FERBER (EPP, DE) expressed satisfaction with the system proposed for small banks and, as regards other issues, referred to the letter sent to the Commission by 14 MEPs. Like Mr LAMBERTS (Greens, EFA, BE), he stressed that the risk factor had to remain the most essential for calculating contributions also at "level 2". Mr VAN OVERTVELDT (ECR, BE) raised the issue of equal treatment for banks within and outside the Banking Union and Mr TORVALDS (ALDE, FI) that of tax dedications for bank levies in some member states and not others. Ms HÖKMARK (EPP, SE) stressed that the delegated act on BRRD had to remain within the mandate decided, i.e. be proportionate with size and with risk assessment. Ms HÜBNER (EPP, PL) took the view that membership of an institutional protection system (IPS) had to be taken into account as a risk mitigator. Several MEPs also raised the issue of derivatives.

More broadly, Ms FERREIRA (S&D, PT) stressed the need to move forward with the ratification of the inter-governmental agreement and the work on deposit guarantee schemes and on the borrowing capacity of the Single Resolution Fund. Mr DE MASI (GUE, IT) raised the issue of banks that are too big to fail. Regarding the delegated act designed to implement the Solvency II directive, Mr GIEGOLD (Greens/EFA, DE) wanted to know more specifically why the calibration of ABS products had been lowered several times over time.

In his answers Mr BARNIER assured the MEPs that the Commission was going to follow strictly the mandate given by the co-legislators and explained in detail Commission's approach. He argued that the calculation of contributions proposed by the Commission was properly proportionate, in the sense that banks corresponding to 85% of total assets in the euro area were going to pay 90% of the contributions. He also confirmed that membership of an IPS was going to be taken into account as long as the relationship between IPS members was comparable to that of a group. He added that he was also going to ensure non-discrimination between member states, noting that there was a need to find a balance in the implementing act between Banking Union level and national level. Regarding tax deductibility, he mentioned that DG MARKT was examining the matter.

Mr BARNIER also agreed that it was important to push forward work on bank structural reform as well as the other files currently still on the table.

The committee continued with more detailed discussions on bank contributions the following day, based on concrete proposals presented by Mr GUERSENT, Deputy Director General of DG Internal Market and Services.

During the debate several MEPs asked for more information on the financial impact of excluding intragroup liabilities and of the netting of derivatives. Different views were expressed on the exclusion of IPS intragroup liabilities. Mr LAMASSOURE (EPP, FR) again raised the issue of distortions between banking sectors, noting that on the basis of the proposed text France was going to pay more than Germany, in comparative terms. Regarding the latter point Mr GUERSENT explained that the most substantial financial impact on contributions was resulting from moving to a European target level, which had already been agreed in level 1. However, he also pointed out that the co-legislators had foreseen in the SRM regulation that if results were going to distort banking sectors compared to BRRD, there was going to be a possibility to address this in the implementing act. He added that when the financial consequences of the delegated act were going to be clear, the Commission would assess whether corrections were needed and how this could be done (by "capping" the deviation).

Mr GUALTIERI concluded by indicating that the MEPs were going to continue analysing Commission's proposals over the coming days to see whether they were satisfactory. He stressed that the EP considered the two "level 2" acts on bank contributions a package and that the EP needed to be consulted also on the Council implementing act.

4. Exchange of views with Mr. Joaquín Almunia, Commissioner for Competition

ECON/8/00524

Mr ALMUNIA, for whom this was also the last appearance in ECON as a Commissioner, gave an overview of the main achievements of his mandate. He stressed the importance of competition policy in creating conditions for growth and elaborated on the measures taken as regards three more specific aims of his mandate: dealing with the situation of EU banks hit by the crisis, modernizing state aid control and adopting a directive on damages actions for competition law infringements. Mr Almunia also gave an overview of the achievements in some other areas, such as inter-bank fees (the cases against Mastercard and Visa), telecoms, e-books, smart phones (Motorola and Samsung cases) and pharmaceuticals. He finished with comments on the state of play regarding Google.

The MEPs thanked Mr Almunia for good cooperation with the committee, especially on the damages actions directive, which was the only co-decision file for the committee in the field of competition. On behalf of the political groups, Mr BALZ (EPP, DE) wondered whether under the new Commission the EP could be more involved in the co-decision procedure on competition issues. FERNÁNDEZ (S&D, ES) and Mr MESSERSCHMIDT (ECR, DK) brought up the issue of state aid to banks during the crisis and Mr THEURER (ALDE, DE) asked about the areas where, in Mr Almunia's view, competition policy could not solve problems and legislation was needed. Citing examples from Spain, Ms LÓPEZ (GUE/NGL, ES) expressed her general dissatisfaction with the results in the field of competition, while Mr REIMON (Greens/EFA, AT) wanted to know whether the Commission was indeed going to give a green light to UK state aid to the Hinkley Point nuclear plant.

Mr BALZ, Mr MESSERSCHMIDT and Mr THEURER, as well as several individual speakers also queried the Commissioner on how the Commission had been managing the Google case. Among other issues, Mr ROSATI (EPP, PL) wondered about the state of play regarding Gazprom.

Mr Almunia replied on co-decision by referring to the limits set by the treaties, which the Commission could not change. On state aid to banks, he took the view that it was important for the Commission, as well as the EP, to monitor very carefully in the coming years how public money injected into the banking system was going to be recovered and what was going to happen to the public guarantees. He noted that there wasn't any official information available on those issues, except for some data gathered by Eurostat and the Commission's services. Among areas where legislation was needed to complement competition policy, Mr Almunia mentioned privacy, intellectual property rights and taxation. He recognized, however, that in the latter field the unanimity requirement under the treaties considerably limited progress.

Commenting on the Hinkley Point nuclear power plant, Mr Almunia recalled that under the treaties decisions on the energy mix were the remit of the national authorities and not up for discussion by the Commission. He said that the case was close to the final decision and that he was going to bring it to the College of Commissioners before the end of his term.

Regarding the proceedings against Gazprom, Mr Almunia explained that the Commission had been approached by Gazprom and the Russian government in 2013 with the aim of finding an agreement based on commitments. He said that these talks had stopped when the Ukraine crisis started, stressing however that the investigations continued and that the Commission was preparing a statement of objections on that basis.

Mr Almunia also commented at length on the Google case explaining that the Commission had asked Google for improvements to the commitments the company had proposed in February on the basis of the arguments of the plaintiffs, and not external pressure. He said that it was now for Google to provide an answer and that the Commission was going to decide on that basis whether to continue with the commitments procedure or to prepare a statement of objections. Mr Almunia also argued that the four year long duration of the process was justified, given that this was a very complex investigation in an area in which the Commission had never applied competition policy before and which was constantly changing. He stressed that for him it was important, above all, that the process would end well, i.e. achieve its objectives, in terms of making sure that people could use Google for private or entrepreneurial purposes without any distortions of competition. He added that other investigations into Google's activities would probably be launched, ruling out, however, any need, at this stage, for legislative measures or for breaking up the company.

5. European Semester for economic policy coordination: implementation of 2014 priorities

ECON/8/00849, 2014/2059(INI)

Rapporteur: Mr DE BACKER (ALDE, BE)

- Consideration of amendments and debate with representatives of national parliaments

Mr DE BACKER (ALDE, BE) welcomed the representatives of national parliaments and said that his aim was to give a few clear and strong messages with his report, avoiding a Christmas tree approach. He explained that the report now referred to the more difficult economic situation and rested on four pillars:

- upholding the agreed economic governance framework, using the flexibility built within it, based on conditionality, i.e. carrying out structural reforms;
- the need to complement monetary policy with a regulatory framework making sure that banks and financial markets could inject the means made available into the economy;

- focus on competitiveness, investment and innovation, including a mention of the need to tackle the high private debt levels in Europe; and
- economic governance and democratic accountability, including a reference to the EP report on the Troika.

On behalf of the political groups:

- Mr ROSATI (EPP, PL) said that for his group the report was going in the right direction.
- Mr SZANYI (S&D, HU) referred to the amendments tabled by his group and took the view that compromises taking shape were promising. He flagged up the following points, however: the S&D group didn't agree that the policy based on structural reforms combined with restrictions was going to bring the EU ahead; the report attached too much importance to the role of private investment, neglecting public investment; and the group attached particular importance to describing the position of women in the labour market in the report.
- Mr TERHO (ECR, FI) reiterated his group's position that it agreed with the general approach in the report, except any proposals trying to make the CSRs more binding.
- Ms MATIAS (GUE/NGL, PT) said that for her group there was no space for compromise regarding the report, given the deep differences in the way the report and her group analysed the situation.
- Mr EICKHOUT (Greens/EFA, NL) stressed that it was important to have the left on board to have a pro-economic governance majority, taking the view that the report was indeed too optimistic on recovery and that both, private and public investment were important. He also mentioned the points more specifically important for the Greens: referring in the report to capital costs and resource efficiency and to making CSRs more specific on tax evasion.
- Mr O'FLYNN (EFDD, UK) expressed himself against the European Semester process and the euro in general.

During the debate several EPP members (Ms HÜBNER (PL), Ms MALETIĆ (HR) and Mr HAYES (IE)) referred to their amendments which aimed at better linking CSRs and ESI funding, reminding that there was a link between support from the ESI Funds and the respect of sound economic governance and calling on the Commission and member states to ensure from the programming stage that the ESI Funds would address the challenges identified in the relevant CSRs.

Regarding the participation of national parliaments, Mr LUCKE (ECR, DE) and Mr MARIAS (NA, EL) noted the absence of representatives from Germany and Greece, while Ms NEUWENHUIZEN (ALDE, NL) more generally regretted that, as the year before, many countries were missing, wondering what could be done to improve the situation.

Altogether representatives of eight national parliaments intervened in the debate. Responding to a specific request by the EP, several of them gave an overview of how they handled the European Semester progress, describing mainly their involvement in the preparation of stability programmes and national reform programmes, and in discussing the CSRs after their adoption. In this context several representatives pleaded for a more active participation of parliaments, and member states in general, in the preparation of CSRs, given that some recommendations by the Commission were controversial in the member states concerned (HU, AT, BE) and bearing in mind that member states had an exclusive right to adopt their budgets. The representative of the Irish parliament more specifically asked for the timeframe between the publication of CSRs and their adoption by the European Council to be extended, to allow for more time for parliaments to scrutinize and review their CSRs.

Mr GUALTIERI concluded on the basis of this debate that there was a pressing need to involve national parliaments better and earlier in the discussion of CSRs, both at the European and national level.

11. Next meetings

The committee meetings on 30 September and 7 October were cancelled. The next regular committee meeting will take place on 13 October.