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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Summary record of the meeting of the **Committee on Economic and Monetary Affairs (ECON)** of the European Parliament, held in Brussels on 23 September 2015

A one-day meeting dominated by the monetary dialogue with ECB President Mario Draghi. The debate focused on the 'Five Presidents' report', the impact and effectiveness of the ECB's monetary policy, and the ECB's role in managing the Greek crisis. The Committee also discussed the proposed repeal of the 2003 Savings Directive, supporting the idea of following the simplified procedure requested by the Council and the Commission. Other items included two initial debates, the first on the EP's legislative initiative report on bringing transparency, coordination and convergence to corporate tax policies in the Union, and the second on its own-initiative report on the EU's role in the framework of international financial, monetary and regulatory institutions and bodies.

1. Adoption of agenda

The agenda was adopted with the following change:

- Consideration of the draft opinion on "Towards a Digital Single Market Act" by rapporteur Renato Soru (S&D, IT) was added to the agenda after the Monetary Dialogue with ECB President Mario Draghi.

2. Chair's announcements

The Chair announced that a new date would be scheduled as soon as possible for an ad hoc exchange of views with Jeroen Dijsselbloem, President of the Eurogroup, on the new financial assistance programme to Greece.

4. Proposal for a Council Directive repealing Council Directive 2003/48/EC

2015/0065(CNS)

Rapporteur: Ms Scott Cato (Greens/EFA, UK)

- Consideration and possible approval of legislative act (Rule 50: Simplified procedure)

The rapporteur gave a recap of the process she and the shadows had gone through. An external expert had alerted her to the fact that repealing the 2003 Savings Directive could open up potential loopholes related to the scope of the existing Directive, the impact of the repeal on bilateral agreements with third countries and overseas territories, the scope of the financial products to be reported on and the timelines for entry into force. These concerns had been discussed with external experts and the Commission. As a result of that process, the rapporteur and the shadows had now moved to accepting the repeal and following the simplified procedure, as wished by the Council and the Commission. However, they had also proposed three amendments, criticising the fact that the Commission had not carried out a cost-benefit analysis, calling for a stronger role for the Commission in the negotiation of bilateral agreements with overseas territories, and requesting that the Commission submit a report by 1 July 2016 and again a year later on the potential loopholes raised.

The shadows expressed their full support for the rapporteur's approach, including the amendments and the proposal to follow the simplified procedure. The Commission representative explained, with regard to the negotiation of agreements with third countries, that it would need a mandate from the Member States to be able to play a larger formal role. As regards reporting to the EP, the Commission would cover the issues related to the transition between reporting under the Savings Directive and the new reporting standards in the report which is to be submitted to the EP by 1 July 2017 under Directive 2014/107/EU. It is also prepared to share with the EP any information it obtains in the process of preparing this report.

5. Agreement between the European Community and the Swiss Confederation providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments

2015/0076(NLE)

Rapporteur: Mr Kofod (S&D, DK)

- Consideration of amendments

The rapporteur stressed the importance of the agreement and his support for its objectives. The shadows agreed with Mr Kofod's generally positive appraisal. Mr Schwab (EPP, DE) and Mr Loones (ECR, BE) expressed disappointment about the fact that no amendments could be tabled to the explanatory statement to the report, which includes recommendations regarding similar future agreements. In reply to the rapporteur's suggestions, the Commission representative said that the Commission was prepared to keep the EP informed on progress regarding the implementation of the agreement with Switzerland and the negotiations on other similar agreements. The Chair, Mr Gualtieri (S&D, IT), pointed out that he considered the correct procedure for the agreements concerned to be Article 218(6)(a)(iii) or (iv) (consent) rather than Article 218(6)(b) (consultation).

6. Bringing transparency, coordination and convergence to corporate tax policies in the Union

2015/2010(INL)

Co-rapporteurs: Ms Dodds (S&D, UK), Mr Niedermayer (EPP, CZ)

- Consideration of draft report

The Committee held an initial exchange of views on the draft ECON report which complements the report of the TAXE special Committee. The rapporteurs gave an overview of their proposals, stressing that they had focused on unfair tax competition rather than broad taxation issues. They had sought to take a well-considered approach which included an examination of the possible side effects of their proposals, and had aimed to be precise, so as to keep things moving. Given that this was a legislative initiative report, it was restricted to legislative measures, excluding any informal measures or measures to be adopted by the Member States.

The Chair of the TAXE Committee, Mr Lamassoure (EPP, FR), stressed the need for the TAXE and ECON reports to be well coordinated. He considered it disconcerting that, at the TAXE hearing the day before, finance ministers had expressed their wish to hastily adopt the Directive on automatic exchange of information on tax rulings, but had not been as expeditious as regards the other parts of the tax package. TAXE co-rapporteur Ms Ferreira (S&D, PT) considered that the TAXE and ECON reports should also be very coherent in focusing more closely on the files on the table, such as automatic exchange of information, country-by-country reporting and CCCTB, so as to put more pressure on these elements.

In response to questions from the shadows, Ms Dodds explained that the rapporteurs had different views on whether country-by-country reporting should be public. When mentioning the OECD, the report more specifically referred to the OECD templates, without stating whether the reporting should be public or not. There were also political differences between the rapporteurs regarding the role of tax advisers, which is why any relevant proposals had to be made during the amendment process.

Mr Niedermayer stressed that, based on his preparatory work, he considered CCCTB to be key to making progress towards more efficient, transparent and fair tax competition. The EP should therefore be very precise in its proposals in this regard.

Timetable:

- Deadline for amendments: 6 October at noon
- Consideration of amendments: 9 or 10 November
- Vote in ECON: 1 December
- Plenary vote: January 2016 session.

7. Agreement between the European Community and the Swiss Confederation providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments

2015/0076(NLE)

Rapporteur: Mr Kofod (S&D, DK)

- Adoption of draft report

The draft report was adopted as amended with 46 votes in favour and two abstentions.

8. The EU's role in the framework of international financial, monetary and regulatory institutions and bodies

2015/2060(INI)

Rapporteur: Ms Goulard (ALDE, FR)

- Consideration of draft report

Ms Goulard explained that the aim of her report was to draw attention to the need for more transparency and accountability in the work of the large number of international organisations involved in supra-national decision-making and standard-setting in the financial sector. Stricter enforcement of the rules and standards they develop is also needed. She considered that the EU should contribute to raising the bar in this regard.

The shadows from the EPP, S&D and Greens/EFA groups largely supported the approach of her report.

- Ms Pietikäinen (EPP, FI) called for more transparency as regards the activities of the different organisations and the EU's role within them, as well as for better accountability to the EP and national parliaments. She considered that the EP could give more policy guidance at a general level regarding the EU's role in these organisations. More coherent EU representation in these organisations was also needed.
- Ms Delvaux (S&D, LU) stressed that it was important to ensure that private sector organisations work in the public and general interest and involve not just industry, but also NGOs and consumer organisations in their work. She supported the rapporteur's idea of setting up a formal 'financial dialogue' in the EP to discuss issues related to the work of the international organisations with the EU institutions, the Member States, and, as appropriate, the heads of the organisations concerned.

- Mr Giegold (Greens/EFA, DE) also supported the rapporteur's idea of a Code of Conduct on transparency and accountability, designed to guide the actions of EU representatives in international organisations. He stressed that, in addition to the G20 and the IMF, other organisations and bodies, such as the Financial Stability Board and the Basel Committee, merited much more attention.
- On behalf of the ECR group, Mr Fox (UK) was strongly opposed to the idea of increasing the role of the EU and the EP in the external representation of the EU.

In the debate, Mr Marias (ECR, EL) called for the report to also cover the issue of the transparency and accountability of the IMF as part of the Troika.

In reply to Mr Fox, Ms Goulard pointed to the principle of sincere cooperation enshrined in the treaties and to Article 121 TFEU, which asserts that the Member States consider their economic policies to be a matter of common concern. It is important to ensure that decisions taken internally will be respected outside the EU. She also stressed the benefits of a coordinated approach in terms of the EU's influence, while considering that the report might have to distinguish more clearly between short-term and long-term measures.

Timetable:

- Deadline for amendments: 14 October at noon
- Consideration of amendments: 9 or 10 November
- Vote in ECON: 30 November or 1 December
- Plenary vote: January 2016 session.

9. Monetary Dialogue with Mario Draghi, President of the European Central Bank

President Draghi made the following introductory remarks:

- On economic developments and monetary policy, he noted that renewed downside risks to the outlook for growth and inflation had emerged, due to slowing growth in emerging market economies, a stronger euro and the fall in oil and commodity prices. The ECB was closely monitoring all relevant incoming information. Should some of the downward risks weaken the inflation outlook over the medium term more fundamentally than presently projected, it would not hesitate to act. The asset purchase programme had sufficient in-built flexibility and could be adjusted in its size, composition and duration as appropriate.

- Regarding the effect of the low interest rate environment on financial stability, the ECB was closely monitoring the risks, but did not see them materialising for the moment. In any case, macro-prudential policy – not monetary policy – would be the tool of choice to address such risks. Given the current developments, the coverage of this framework needed to be extended from the banking sector to shadow banking.
- Regarding the follow-up to the Five Presidents' report, the crisis has shown that monetary union required a political centre that could take the relevant fiscal, economic and financial decisions for the euro area as a whole in a swift and transparent manner, with full democratic legitimacy. This was in line with his repeated calls for a move from rules-based coordination to sharing of sovereignty within common institutions, such as a euro area treasury. With regard to policies, it was important to complete the Banking Union through a common backstop for the Single Resolution Fund and through a European deposit insurance scheme. In addition, a stronger governance over structural reforms and a tighter control of national fiscal policies were needed.

In the debate, a number of questions focused on EMU policy issues and the Five Presidents' Report. Mr Balz (EPP, DE) wondered about Mr Draghi's reply to those who requested a flexible interpretation of SGP rules. Ms Ferreira (S&D, PT) and Ms Berès (S&D, FR) called for quicker progress towards creating a fiscal policy and a fiscal capacity for the eurozone, considering that the ECB's actions alone might not suffice in the near future. Ms Ferreira, Ms Hübner (EPP, PL) and Mr Mavrides (S&D, CY) also called for a European bank deposit guarantee scheme. Ms Goulard (ALDE, FR) raised the issue of the external representation of the eurozone and the accountability and transparency of the ECB's activities in the Financial Stability Board and the Basel committee.

Regarding monetary policy, Mr Monot (ENF, FR) considered that the ECB's measures had not really worked well to support the economy and Mr Tang (S&D, NL) asked how its quantitative easing programme contributed to investment. Mr Simon (S&D, DE) and Mr Martusciello (EPP, IT) worried about the impact of the ECB's monetary policy - together with that of financial regulation - on the margins of smaller banks.

The ECB's role in crisis management and programmes was also brought up by several MEPs. Mr Marias (ECR, EL) considered that the ECJ's OMT decision obliged the ECB to quit the Troika. Mr De Masi (GUE/NGL, DE) inquired about ECB external legal studies on reasons for not accepting more Greek government bonds as collateral. Mr Urtasun (Greens/EFA, ES), Mr Niedermayer (EPP, CZ) and Mr Mavrides wondered about the possibly political nature of the decisions on Emergency Liquidity Assistance (ELA) provision. Mr Coburn (EFDD, UK) wanted to discuss the ECB's role in the Irish programme, but the Chair reminded him that the topic would be discussed in November.

In his replies, Mr Draghi made the following points:

- To build a stronger political union, trust was needed and for that, rules needed to be respected, including as regards the SGP. Otherwise it was not possible to share more sovereignty and institutions.
- For a complete return of confidence, the agenda of further integration, including the Banking Union (BU), had to be implemented. That meant that member states had to stick to the commitments as regards the completion of the BU, including the European deposit guarantee scheme.
- As regards progress with integration towards a Eurozone fiscal capacity and treasury, short-term commitments had to be undertaken first, paving the way for a long-term vision, as suggested in the Five Presidents' report.
- Regarding external representation of the eurozone, this was up to member states and the EP to decide, except for monetary policy. In that field, external representation should stay with the ECB. The ECB was ready to inform ECON about its positions in international organisations.
- As regards monetary policy, the ECB's measures were working. There were positive developments on the credit market side, with the dispersion between big and small lenders and stress and non-stress countries narrowing down. There were also very moderate improvements in the labour markets.
- As to small banks, the ECB's mandate was to reach price stability and not to make sure that banks were profitable. If they were well capitalised, lent well and managed risks, then they had a future.
- Concerning the Troika, the ECB's actions were in line with existing legislation and the ECJ had not said it had to leave it, as suggested by Mr Marias.

- As to decisions on ELA, Mr Draghi reiterated that they were not political. First, the competent supervisory authority had to take a decision on the solvency of the bank concerned and collateral acceptance was based on pre-existing rules. As the collateral of Greek banks happened to be in Greek government bonds, it was inevitable for the economic policy decisions of the Greek government to have an impact on the value of the bonds, i.e. the collateral, and the decisions to increase or decrease ELA.
- Regarding the situation in Greece in general, the Governing Council acknowledged that considerable progress had been undertaken in Greece both on the fiscal side and on the implementation of reforms. Greece needed to comply with the third bailout plan, adopt prior actions to show its ownership of the programme and to complete the first review. That would pave the way for reinstating the waiver on Greek government bonds and reviewing the issue of its debt sustainability.

10. Towards a Digital Single Market Act

2015/2147(INI)

Rapporteur: Mr Soru (S&D, IT)

- Consideration of draft opinion
- Responsible committees: ITRE and IMCO

The rapporteur gave an overview of his draft opinion, stressing in particular the need to deal with the issue of cross-border taxation to facilitate e-commerce, to provide for financing for an adequate infrastructure in Europe to support the Digital Single Market, to substantially reduce the digital divide between different regions, and to ensure a sufficient level of competition and a plurality of service providers.

Timetable:

- Deadline for amendments: 15 October
- Consideration of amendments: 30 November
- Vote in ECON: 1 December
- Vote in the lead committees: 10 December
- Plenary vote: January 2016 session.

12. Next meetings

Tuesday 13 October 2015, full day
