Eurogroup
The President

Brussels, 29 April 2016

To the members of the Eurogroup

Subject: Eurogroup of 22 April 2016

Dear Colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting of 22 April 2016 in Amsterdam. Besides Vice-President Valdis Dombrovskis, Commissioner Pierre Moscovici, Commissioner Lord Jonathan Hill, ECB's President Mario Draghi, and ESM Managing Director Klaus Regling, we welcomed Christine Lagarde, Managing Director of the IMF, who joined us for the discussions on Greece. We were also joined by the Chair of the ECB's Supervisory Board, Danièle Nouy, for her third hearing.

1. Greece – state of play

We were informed by the institutions and the Greek authorities of the state of play of the first review of the Greek ESM programme. We welcomed the substantial progress achieved in the discussions on key elements of the first review, such as an ambitious fiscal package of parametric measures by 2018 – including the pension reform and the income tax reform –, the implementation of the NPL strategy or the establishment of the Privatisation and Investment Fund. On all these areas, the institutions and the Greek authorities are now very close to an agreement, and we urged them to step up efforts in order to come to a full agreement on the entire package in the coming days.

Whilst the European institutions consider that the fiscal package would allow achieving the primary surplus target of 3,5% of GDP in 2018, the IMF reiterated its assessment that there is still a gap of around 2% to deliver the programme target in 2018. Ministers broadly agreed that, given the uncertainties on fiscal projections by 2018, the policy package for the first review should include an additional package of contingent measures of up to 2% that would be implemented only if needed to achieve the primary surplus targets of the programme. Such contingent package would provide reasurance to markets and programme partners that the programme will remain on track. We agreed that this package should be credible, legislated upfront, and its implementation should be automatic and based on objective factors. Therefore, we mandated the institutions and the Greek authorities to discuss and agree on the design and content of such package, including the conditions to trigger the implementation of contingent measures.

We also agreed on the next steps for concluding the discussions on the first review. Once an agreement on the entire policy package, including the contingent measures, is reached between the Greek authorities and the institutions, we will start the discussions on possible debt relief measures based on a debt sustainability analysis with a view to reach a political agreement on all elements of the first review. Regarding possible debt relief, we agreed to work within the framework defined in the agreement reached in the summer 2015 and recalled that nominal haircuts cannot be undertaken.

Overall, we agreed that time is of the essence and that the first review should be concluded as soon as possible. An additional Eurogroup meeting has been tentatively scheduled for Thursday 28 April, and will be confirmed on 27 April depending on the progress achieved in the discussions between the institutions and the Greek authorities. This additional Eurogroup meeting was finally postponed due to insufficient progress in the discussions between the institutions and the Greek authorities.

2. Thematic discussions on growth and jobs – national insolvency frameworks

We exchanged views on the reform of national insolvency frameworks, in the context of our thematic discussions for growth and jobs. A first discussion had already taken place at the Eurogroup meeting of January 2016.

The Commission proposed six common principles which could serve as guidance to improve the efficiency of national insolvency frameworks and highlighted the importance of flanking policies. The Commission also recalled that there is a lack of comparable, systematically updated and objective data to support the process of benchmarking. However, it was in the process of addressing this shortcoming as part of the Capital Markets Union action plan.

We welcomed the Commission's note and in particular the proposed common principles. It was noted that this issue had also an EU-28 dimension due to the link with the Capital Markets Union. We also exchanged our experiences with recent or ongoing reforms of insolvency frameworks. Several Ministers argued that in light of the country-specific circumstances, the objective should not be to pursue harmonisation of insolvency frameworks but rather to attain convergence to a high level of efficiency and transparency. There is also a need to take account of relevant national legal frameworks. We supported the Commission's work to improve data availability and quality and we mandated the EWG to engage with this work as a matter of priority. We agreed to revert to the matter in autumn of this year.

We also adopted a statement to communicate externally our endorsement of core common principles for national insolvency frameworks (see Annex).

3. ECB Supervisory Board Chair hearing

Danièle Nouy presented the main findings of the ECB 2015 annual report on supervisory activities. She updated us on the general state of play of the health of the banking sector in the euro area. She also explained the current work of the ECB towards greater harmonisation of the supervisory options and national discretions (ONDs), which has considerably progressed over the last year (122 supervisory ONDs already addressed) and is expected to continue this year to harmonize remaining supervisory ONDs. Further harmonisation would require ambitious legislative actions from the Commission and Member States. Finally, she briefly presented the five high-level priorities which would guide the work of the ECB Banking Supervision in 2016, namely: business model and profitability risk, credit risk with a focus on NPLs, capital adequacy, risk governance and data quality, as well as liquidity.

The Commission commended the ECB Banking Supervision for the tremendous work carried out so far, in particular as regards options and national discretions. The Commission also informed us that it will finalize the first review of the SSM regulation in the coming months.

We thanked the ECB Banking Supervision for the excellent work done in 2015 and look forward to our next exchange of views in November.

4. Miscellaneous

(a) Update on fiscal surveillance

The Commission briefly updated Ministers on the evolution of budgetary outcomes, following the publication by Eurostat of 2015 notification of public balance and public debt figures. Several Ministers argued that the predictability and consistency of statistical classifications by Eurostat would deserve to be further improved. Spain and Portugal briefly updated the Eurogroup on their fiscal situation. I concluded that we would return to the issue of fiscal surveillance at our meeting in June as part of the European Semester.

(b) Follow-up of G7 meeting

I briefly informed Ministers on the G7 Finance Ministers' and Central Bank Governors' meeting that took place in Washington on 14 April.

Yours sincerely,

Jeroen DIJSSELBLOEM

Annex I

Brussels, 22 April 2016

Eurogroup statement

Thematic discussions on growth and jobs – National insolvency frameworks

The Eurogroup is fully committed to supporting economic growth and jobs and holds regular thematic discussions to explore and define common policy ambitions to this end. The Council recommendation on the economic policy of the euro area in the context of the European Semester clearly indicates the areas where reform is the most pressing.

Since the beginning of the year, we have discussed twice the recommendation to improve national insolvency frameworks, an area explicitly addressed in the Council recommendation to the euro area for 2015 and 2016 as well as in the individual 2015 Country-Specific Recommendations for several euro area Member States.

Private sector debt remains high in a number of euro area countries and contributes to holding back the recovery in investment and consumption. In particular, the high level of non-performing loans in banks' balance sheets constrains the supply of credit, thereby hampering the monetary transmission mechanism, and reduces the efficiency of capital allocation. Having effective and efficient insolvency frameworks in place is key to ensuring a smooth deleveraging process, thereby facilitating adjustment processes within the euro area, while improving the business environment and supporting private investment. It would also support deeper financial integration within the euro area, which will be beneficial for the strengthening of the Banking Union, fostering growth and resilience to asymmetric shocks. It would also contribute to building the Capital Markets Union, recognising that this work takes place in the EU-28 setting.

While a number of euro area Member States have carried out significant reforms in the recent past, the Eurogroup is conscious that more efforts are needed. Today we agreed on a number of core common principles that could serve as guidance for improving the efficiency of national regimes in dealing with insolvency. While we aim to converge to a high level of efficiency and transparency of national insolvency rules and practices within the euro area, we recognise that when applying these common principles, country-specific circumstances – in particular national legal frameworks – need to be taken into account.

Speed, cost and predictability are of the essence for efficient national insolvency regimes, together with clear rules on cross-border insolvency. In order to promote speedy and cost-effective insolvency procedures, debt distress should be identified at an early stage. Early restructuring procedures with limited court involvement – in particular out-of-court settlement – should be developed further as a priority and resorted to where appropriate. Insolvency procedures should be easily accessible and affordable for both debtors and creditors. Honest distressed debtors should also be given a second chance after a certain period of time. Moreover, insolvency frameworks should be governed by predictability. In particular, creditor claims in secured lending should be enforced in an effective manner. Finally, clear rules on cross-border insolvency are of paramount importance in order to encourage cross-border investment. At EU level a Regulation and a Recommendation are in place and a legislative proposal is being developed by the end of 2016.

The Eurogroup also discussed the need for adequate flanking policies. In particular, enhancing the institutional framework for insolvency was recognised as critical to ensure an effective implementation of the insolvency legislation. Supervisory measures can contribute to support an accelerated process of banks' balance sheet clean up.

The Eurogroup intends to regularly take stock of the progress made by euro area Member States in reforming their insolvency regimes in line with these common principles and in coherence with parallel work streams led by EU institutions in the framework of the Commission's Action Plan on building a Capital Markets Union. We underlined the importance of benchmarking our common ambitions. We support the Commission's work to improve data availability and quality and we mandate the EWG to engage with this work as a matter of priority. We agreed to revert to the matter in autumn of this year.