**COUNCIL OF
THE EUROPEAN UNION**

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PRESS RELEASE

3205th Council meeting

Economic and Financial Affairs

Brussels, 4 December 2012

President **Mr Vassos SHIARLY,**
Minister for Finance of Cyprus

P R E S S

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Main results of the Council

*The Council debated proposals on **bank supervision** that are a key part of a broader plan to establish a banking union. It agreed to hold an extra meeting before the December European Council, in order to reach an agreement that would enable negotiations with the European Parliament to start with the aim of approving the texts before the end of the year.*

The proposals involve the creation of a "single supervisory mechanism" for the oversight of credit institutions, conferring supervisory tasks on the European Central Bank and amending the voting rules of the European Banking Authority.

*The Council was informed of an agreement with the Parliament on amendments to the rules on **credit rating agencies**.*

The new rules are aimed at reducing over-reliance on credit rating agencies, increasing transparency and mitigating conflicts of interest in the industry.

*The Council agreed to adjust fiscal consolidation measures required of **Greece**, granting it an additional two years to correct its excessive budget deficit in the light of an agreement between the Greek government and the "troika" of international creditors.*

*It decided to close the excessive deficit procedure for **Malta**.*

The Council also approved:

– *a report to the European Council **on tax issues**;*

– *a report to the European Council **on tax policy coordination** under the Euro Plus Pact;*

– *a six-monthly report on work carried out under a code of conduct on **business taxation**.*

CONTENTS[1]

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (http://www.consilium.europa.eu).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

TAXATION

PARTICIPANTS

Belgium:	
Mr Steven VANACKERE	Deputy Prime Minister and Minister for Finance and Sustainable Development, with responsibility for the Civil Service
Bulgaria:	
Mr Dimiter TZANTCHEV	Permanent Representative
Czech Republic:	
Mr Miroslav KALOUSEK	Minister for Finance
Denmark:	
Ms Margrethe VESTAGER	Minister for Economic Affairs and the Interior
Germany:	
Mr Wolfgang SCHÄUBLE	Federal Minister for Finance
Estonia:	
Mr Jürgen LIGI	Minister for Finance
Ireland:	
Mr Rory MONTGOMERY	Permanent Representative
Greece:	
Mr Ioannis STOURNARAS	Minister for Finance
Spain:	
Mr Luis DE GUINDOS JURADO	Minister for Economic Affairs and Competitiveness
France:	
Mr Pierre MOSCOVICI	Minister for the Economy and Finance
Italy:	
Mr Vittorio GRILLI	Minister for Economic Affairs and Finance
Cyprus:	
Mr Vassos SHIARLY	Minister for Finance
Latvia:	
Mr Andris VILKS	Minister for Finance
Lithuania:	
Mr Raimundas KAROBLIS	Permanent Representative
Luxembourg:	
Mr Luc FRIEDEN	Minister for Finance
Hungary:	
Mr György MATOLCSY	Minister for the National Economy
Malta:	
Mr Tonio FENECH	Minister for Finance, the Economy and Investment
Netherlands:	
Mr Jeroen DIJSSELBLOEM	Minister for Finance
Austria:	
Ms Maria FEKTER	Federal Minister for Finance
Poland:	
Mr Jacek ROSTOWSKI	Minister for Finance
Portugal:	
Mr Vítor GASPAR	Minister of State, Minister for Finance
Romania:	
Mr Claudiu DOLTU	State Secretary, Ministry of Public Finance
Slovenia:	
Mr Janez ŠUŠTERŠIČ	Minister for Finance

Slovakia:	
Mr Vazil HUDÁK	State Secretary at the Ministry of Finance
Finland:	
Ms Jutta URPILAINEN	Deputy Prime Minister, Minister for Finance
Sweden:	
Mr Anders BORG	Minister for Finance
United Kingdom:	
Mr Greg CLARK	Financial Secretary to the Treasury

Commission:	
Mr Olli REHN	Vice President
Mr Michel BARNIER	Member
Mr Algirdas ŠEMETA	Member

Other participants:	
Mr Vitor CONSTÂNCIO	Vice President of the European Central Bank
Mr Werner HOYER	President of the European Investment Bank
Mr Thomas WIESER	President of the Economic and Financial Committee
Mr Hans VIJLBRIEF	President of the Economic Policy Committee

The Government of the Acceding State was represented as follows:

Croatia:	
Mr Vladimir DROBNJAK	Permanent Representative

ITEMS DEBATED

Bank supervision

The Council held a policy debate on proposals aimed at establishing a single supervisory mechanism (SSM) for the oversight of credit institutions, as part of a broader plan to establish a banking union.

It agreed to hold an extra meeting on a date yet to be set before the European Council on 13 and 14 December in order to reach an agreement that would enable negotiations with the European Parliament to start with the aim of approving the texts before the end of the year.

The proposals involve two regulations: one conferring supervisory tasks on the European Central Bank, the other modifying regulation 1093/2010 establishing the European Banking Authority[1]. The SSM is a key element of the banking union, which also foresees a common resolution authority and a common deposit guarantee scheme.

The October European Council set 1 January 2013 as the deadline for agreeing on the legal framework set out in the two regulations, while indicating that work on operational implementation would take place during 2013 (*see conclusions,EUCO 156/12, and in particular paras 6-10*).

In June, eurozone heads of state and government stated that once the SSM is in place, the European Stability Mechanism, which currently contributes to bank capitalisations via member state treasuries, could have the possibility of recapitalizing banks directly. This will enable the vicious circle between banks and sovereigns – which has been a salient feature of the debt crisis in Europe – to be broken.

Based on article 127(6) of the Treaty on the Functioning of the European Union, the draft ECB regulation requires unanimity for adoption by the Council, after consulting the European Parliament and the ECB. The draft EBA amending regulation is based on article 114 of the TFEU, which requires a qualified majority for adoption by the Council, in agreement with the Parliament.

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[1] docs 13682/12 + 13683/12

Bank capital requirements

The Council was briefed on progress in negotiations with the European Parliament on two proposals – the "CRD 4" package – amending the EU's rules on capital requirements for banks and investment firms (*doc.* *16677/12*).

It confirmed its commitment to reach an agreement with the Parliament before the end of the year.

The two proposals set out to amend and replace the existing capital requirement directives[1] by two new legislative instruments: a *regulation* establishing prudential requirements that institutions need to respect, and a *directive* governing access to deposit-taking activities.

They are, *inter alia*, aimed at incorporating the "Basel 3" agreement, concluded by the Basel Committee on Banking Supervision and endorsed in November 2010 by G-20 leaders.

Numerous political and technical trilogues have been held with the Parliament on the CRD 4 package since the Council agreed a general approach on 15 May. Further political trilogues are scheduled for 11 and 13 December in Strasbourg.

Based respectively on articles 114 and 53(1) of the Treaty on the Functioning of the European Union, the regulation and the directive require qualified majority for adoption by the Council, in agreement with the Parliament.

1 Directives 2006/48/EC and 2006/49/EC

Economic governance - Two-pack

The Council discussed progress in negotiations with the European Parliament on two draft regulations aimed at further improving economic governance in the eurozone.

Noting that an deal with the Parliament is close, the Council asked the Permanent Representatives Committee to finalise agreement once the negotiations had been concluded.

The "two-pack" of proposals includes:

- a regulation for enhanced monitoring and assessment of draft budgetary plans of eurozone member states, especially those subject to an excessive deficit procedure;

- a regulation on enhanced surveillance of eurozone member states that are experiencing severe financial disturbance or request financial assistance.

The proposals were presented by the Commission in November 2011, following adoption of an initial "six-pack" of economic governance measures[1].

Under the two regulations:

- member states would be required to forward to the Council and the Commission by 15 October annually. Closer monitoring would apply to member states in an excessive deficit procedure in order to enable the Commission to better assess whether there is a risk of non-compliance with the deadline to correct the excessive deficit;

- member states experiencing severe difficulties with regard to their financial stability or receiving financial assistance on a precautionary basis would be subject to even tighter monitoring than member states in an excessive deficit procedure.

The Council agreed a general approach on the proposals in February. The Parliament established its negotiating position on 4 July, introducing significant changes to the texts. Negotiations between Council and Parliament started on 11 July.

Based on article 136 of the Treaty on the Functioning of the European Union, the regulations require a qualified majority of the 17 eurozone member states for adoption by the Council, in agreement with the Parliament.

[1] Press release 16446/11.

Macroeconomic imbalances: Alert mechanism report

The Council took note of the presentation by the Commission of its second "alert mechanism report", marking the starting point of the annual macroeconomic imbalances procedure (*16671/12*).

It asked the Economic Policy Committee and the Economic and Financial Committee to prepare draft conclusions for its meeting on 22 January, taking into account the views expressed.

In its report the Commission on the basis of a scoreboard of economic indicators[1], identifies those member states which may have an imbalance, and for which of them in-depth reviews are warranted.

It recommends in-depth reviews of the situation in 14 member states, two more than last year. They are: Belgium, Bulgaria, Denmark, Spain, France, Italy, Cyprus, Hungary, Malta, the Netherlands, Slovenia, Finland, Sweden and the United Kingdom[2].

This is the second annual report on application of regulation 1176/11 on the prevention and correction of macroeconomic imbalances. The regulation is one of the "six-pack" of economic governance measures adopted in November last year in order to ensure smoother functioning of the EU's monetary union. It introduces the possibility of imposing fines on euro area member states found to be in an "excessive imbalance position" and repeatedly failing to comply with recommendations.

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1 Current account balance; net international investment position; export market shares; nominal unit labour costs; real effective exchange rates; evolution of unemployment; private sector debt; private sector credit flow; house prices; general government sector debt.

2 The report does not examine macroeconomic imbalances in countries that are subject to an adjustment programme – Greece, Ireland, Portugal and Romania – as they are already under enhanced economic surveillance.

Annual growth survey

The Council took note of the presentation by the Commission of its annual growth survey, highlighting the main conclusions for 2013 (*16669/12* + *ADD 1* + *ADD 2* + *ADD 3*).

It asked the Economic Policy Committee and the Economic and Financial Committee to prepare draft conclusions for its meeting on 12 February, taking into account the views expressed.

The Commission's survey outlines priority actions to be taken by member states in order to ensure better-coordinated and more effective policies for fostering sustainable economic growth.

According to the survey, the EU economy is slowly starting to recover. To restore confidence and return to growth, the Commission considers it essential that member states maintain a reform momentum, and it recommends focusing on the same five priorities that were identified in last year's survey:

– Pursuing differentiated, growth-friendly fiscal consolidation;

– Restoring normal lending to the economy;

– Promoting growth and competitiveness;

– Tackling unemployment and the social consequences of the crisis;

– Modernising public administration.

The annual growth survey is the starting point for the *European Semester*, which involves simultaneous monitoring of the member states' fiscal, economic and employment policies during a six-month period every year.

The *European Semester* was organised for the first time in 2011, introduced as part of a reform of economic governance with the aim of ensuring smoother functioning of the EU's monetary union.

In March, the European Council will assess implementation of country-specific recommendations made under the 2012 *European Semester* and will provide guidance for 2013.

Economic and monetary union

The Council took note of the presentation by the Commission of a communication proposing a "blueprint" for the further development of economic and monetary union (*16988/12*).

Work is also being undertaken by the President of the European Council on a final report and timetable for the further development of EMU, to be presented to the European Council meeting on 13-14 December.

Excessive deficit procedure - Greece

The Council agreed measures granting Greece an additional two years to correct its excessive budget deficit, following an agreement reached between the Greek government and the "troika" of international creditors[1].

It adopted a decision adjusting the fiscal consolidation measures required of Greece by decision 2011/734/EU under the EU's excessive deficit procedure.

The decision requires Greece to bring its government deficit below the 3% of GDP reference value in 2016, instead of 2014, relaxing the annual adjustment path previously set.

The agreement between Greece and the troika, approved by the Eurogroup on 26 November, will enable the disbursement of the next tranches of financial assistance to Greece under its second economic adjustment programme. It specifies the conditions for that assistance, which will be laid down in a revised memorandum of understanding, to be signed by the Commission which will sign on behalf of the eurozone member states.

For details, see press release *17219/12*.

1 Commission, IMF and European Central Bank.

Financial transaction tax

The Council discussed the latest developments concerning the introduction of a financial transaction tax (FTT) in a number of member states through the "enhanced cooperation" procedure.

On 30 November, the Permanent Representatives Committee decided to send a letter to the European Parliament requesting its consent on a draft decision that would authorise enhanced cooperation.

The Council will continue work on the text once the Parliament has given its consent, and in the light of comments made by delegations.

In October, the Commission presented a proposal for a Council decision that would authorise Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia to introduce an FTT via enhanced cooperation (*15390/12*)[1].

Progress on this dossier is reflected in a report on tax issues to be submitted to the European Council (*16327/12*).

Based on article 329(1) of the Treaty on the Functioning of the European Union, the decision requires a qualified majority for adoption by the Council, with the consent of the European Parliament. A legislative act defining the substance of the enhanced cooperation would be adopted subsequently, requiring unanimous agreement by the participating member states.

In 2011, the Commission proposed a directive aimed at introducing an FTT throughout the EU[2], but Council discussions in June and July this year revealed support for the proposal to be insufficient. In September and October, the aforementioned 11 member states wrote to the Commission requesting a proposal for enhanced cooperation, specifying that the scope and objective of the FTT be based on that of the Commission's original proposal.

That proposal involved a harmonised minimum 0.1% tax rate for transactions in all types of financial instruments except derivatives (0.01% rate). The aim was for the financial industry, which many consider as under-taxed, to make a fair contribution to tax revenues, while also creating a disincentive for transactions that do not enhance the efficiency of financial markets.

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1 Requirements for enhanced cooperation are laid down in article 20 of the Treaty on European Union and articles 326 to 334 of the Treaty on the Functioning of the European Union. It must be established that the objectives cannot be attained within a reasonable period by the EU as a whole. At least nine member states must participate, and the cooperation must remain open for any others that wish to join.

2 14942/11

VAT fraud - Quick reaction mechanism

The Council held a policy debate on a proposal for a directive aimed at enabling immediate measures to be taken in cases of sudden and massive VAT fraud ("quick reaction mechanism")[1].

The debate focused on whether implementing powers under the directive should be conferred on the Commission or on the Council.

The Council asked the Permanent Representatives Committee to oversee further work on the proposal, exploring both alternatives, with a view to enabling it to reach an agreement as soon as possible.

Fraud schemes are evolving rapidly and situations arise that require a rapid response; for instance in cases of "carousel" fraud. Until now, such situations have been tackled either by amendments to the VAT directive (2006/112/EC) or through individual derogations granted to member states under that directive, requiring a proposal from the Commission and a unanimous decision by the Council, a process that can take several months.

The Commission's proposal is aimed at speeding up the procedure for authorising member states to derogate from the provisions of the VAT directive, by providing for implementing powers to be conferred on the Commission under a "quick reaction mechanism".

Based on article 113 of the Treaty on the Functioning of the European Union, the directive requires unanimity for adoption by the Council, after consulting the European Parliament.

[1] 13027/12.

EU budget discharge – Court of Auditors annual report

The Council took note of the presentation by the President of the Court of Auditors, Mr Vitor Caldeira, of the Court's annual report on the management of the EU's general budget[1].

The report, which covers the budget for 2011, gives an unqualified statement of assurance as regards the reliability of the accounts, but qualifies its assessment – as in previous years – for a large part of the underlying transactions in a number of policy areas, including agriculture, cohesion policy and research.

The Council regretted that the statement of assurance remains qualified for such important policy areas. It called on all parties involved in the management of the EU budget to persist in their efforts to improve controls and address the weaknesses observed.

The Council asked the Permanent Representatives Committee to examine the report and to oversee the preparation of a recommendation to the European Parliament on the discharge to be given to the Commission for implementation of the 2011 budget.

It is expected to adopt the recommendation at its meeting on 12 February.

1 Official Journal C 344, 12.11.2012, p. 1

Other business

- *Credit rating agencies*

The Council was informed by the presidency of a political agreement reached with the European Parliament on proposals to amend the EU's rules on credit rating agencies.

The draft directive and regulation are aimed at reducing investors' over-reliance on credit rating agencies, mitigating conflicts of interest and increasing transparency and competition. The texts will be submitted to the Parliament and the Council for approval and adoption.

- *Excessive deficit procedures*

The Council was briefed by the Commission on the implications for fiscal surveillance of its autumn economic forecast, namely as regards a number of member states that are subject to excessive deficit procedures.

- *EU budget for 2013*

The Council was informed of a decision by the European Parliament's budget committee to recommend that the Parliament approve without amendment, at its December plenary session, a "package" agreement on the EU's budget for 2013 concluded on 29 November.

The Permanent Representatives Committee endorsed the package on 30 November.

Meetings in the margins of the Council

The following meetings were held in the margins of the Council:

- ***Informal meeting with the Commission and the European Parliament***

The current and next two presidencies held an informal meeting on 3 December with the Commission and a delegation from the European Parliament. The meeting focused on economic governance, bank capital requirements, bank supervision and Greece's economic adjustment programme.

- ***Eurogroup***

Ministers of the euro area member states attended a meeting of the Eurogroup on 3 December.

- ***Breakfast meeting***

Ministers held a breakfast meeting to discuss the economic situation.

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Over lunch, ministers discussed a report on reform of the structure of EU banking industry, presented by Erkki Liikanen, governor of the Bank of Finland and chairman of an expert group.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Excessive deficit procedure: Malta

The Council adopted a decision closing the excessive deficit procedure for Malta, confirming that it has reduced its deficit below 3% of GDP, the EU's reference value for government deficits.

For details, see press release *17221/12*.

Reform of the European Anti-Fraud Office

The Council approved a political agreement reached with the European Parliament on a reform of the European Anti-Fraud Office (OLAF) aimed at strengthening OLAF's capacity to tackle fraud (*12735/12 ADD 1*).

OLAF was created in 1999 in order to step up the fight against fraud, corruption and any other illegal activity affecting the financial interests of the EU.

The main objectives of the reform are to increase the efficiency of OLAF's investigation, to strengthen cooperation between the office and the competent authorities of the member states and third countries, and to increase OLAF's accountability.

For details see *16922/12*.

Rules of application for the financial rules applicable to the EU budget

The Council decided not to object a Commission regulation on the rules for the application of regulation 966/2012 on the financial rules applicable to the EU budget (*15656/12* + *COR 1*).

The Commission regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. This means that now that the Council has given its consent, the act can enter into force, unless the European Parliament objects to it.

Code of Conduct (Business Taxation) - *Council conclusions*

The Council adopted the following conclusions:

"With regard to the Code of Conduct (Business Taxation), the Council:

– welcomes the progress achieved by the Code Group during the Cyprus Presidency as set out in its report (doc. *16488/12 FISC 173*);

– asks the Group to continue monitoring standstill and the implementation of the rollback as well as its work under the Work Package 2011;

– encourages the Commission to continue discussions with Switzerland as set out in the Group's Report and to keep the Group regularly informed of the progress;

– invites the Group to report back on its work to the Council by the end of the Irish Presidency."

EU joint transfer pricing forum - *Council conclusions*

The Council adopted conclusions on EU joint transfer pricing forum as set out in doc. *16380/12*.

Consumer price indices

The Council decided not to oppose adoption by the Commission of a regulation amending regulation 2214/96 on harmonised indices of consumer prices (docs.*15497/12* and *16649/12*).

It also decided not to oppose adoption by the Commission of a regulation laying down rules for the implementation of regulation 2494/95 (docs. *15496/12* and *16659/12*).

TAXATION

Energy taxation: state of play

The Council endorsed a report (doc. *16595/12*) reflecting the state of play of negotiations and setting out proposals for future work regarding a directive amending the existing energy taxation directive to bring it more closely in line with the EU's energy and climate change objectives.

The Cyprus presidency has presented four compromise proposals, the latest on 12 November. The Council invited the incoming Irish Presidency to continue work, taking as a starting point the latest compromise text.

VAT tax derogation - Poland

The Council adopted a decision authorising Poland, by way of derogation from Article 287 of directive 2006/112/EC, to continue exempting from value added tax taxable persons whose annual turnover is no higher than the equivalent in national currency of EUR 30 000 at the conversion rate on the day of Poland's accession to the EU.

The decision will apply until 31 December 2015.

Euro Plus Pact report on taxation

The finance ministers of the member states participating in the Euro Plus Pact endorsed a report on progress on the coordination of tax policies.

They welcomed the presidency's intention to continue paying particular attention to how tax policy can support economic policy coordination and contribute to fiscal consolidation and growth.

Report to the European Council on tax issues

The Council endorsed a report to the European Council on tax issues.

The report presents the state of play on key legislative proposals such as energy taxation, the common consolidated corporate tax base, the financial transaction tax, the revision of the savings tax directive and the negotiating directives for savings taxation agreements with third countries. It also gives details of discussions in the Council on ways to improve the fight against tax fraud and tax evasion, also in relation to third countries.