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NOTE

from:	General Secretariat of the Council
to:	Delegations
Subject:	Summary record of the meeting of the European Parliament **Committee on Economic and Monetary Affairs (ECON)**, held in Brussels on 26 February 2013

The meeting was chaired by Ms Bowles (ALDE, UK) and Ms McCarthy (S&D, UK).

1. Adoption of the agenda

The agenda was adopted.

2. Approval of minutes of meeting

The minutes of the meeting of 4 February were approved.

3. Chair's announcements

Ms Bowles (ALDE, UK) announced that the deadline set by the Secretariat for objections to the delegated acts on the Alternative Investment Fund Managers Directive (AIFMD) level 2 had expired with no members coming forward. She explained that under Rule 87(a) of the Rules of Procedure of the European Parliament (EP), a motion to object could still be tabled until 19 March.

Ms Bowles informed the committee that a third trilogue on credit agreements for residential property had taken place on 20 February, during which new provisions introduced by the EP such as property evaluation, foreign currency loans, arrears and repossessions and knowledge and competence requirements had been discussed. Progress had been made on several issues and further meetings were planned for the 6 and 19 March.

She told the committee that a political trilogue on the Capital Requirements Directive and Regulation (CRDIV) had been held on 19 February, at which updates provided by the technical working groups on prudential filters, coops and deductions, and definitions of investment firms were discussed. She said that the Irish Presidency had listed the issues that required revision by the Council such as remuneration, macro-prudential flexibility, additional capital buffers for domestic systemically important financial institutions and the European Banking Authority (EBA) mediation powers, and that the EP wanted to find a satisfactory solution on country-by-country reporting of profits, taxes and subsidies for institutions in individual countries. She explained that the EP negotiating team aimed to settle these standing issues at the next political trilogue scheduled for 27 February. She noted that after ten months of negotiations it was time to proceed to plenary.

She also mentioned that the seventh trilogue on the Single Supervisory Mechanism (SSM) files had taken place on 21 February. It had been devoted to the EBA file and progress had been made on several articles. The next meeting would take place on 26 February and would deal with the European Central Bank (ECB) Regulation.

She also told the committee that the committee coordinators had decided on 14 January to distribute new files among the political groups: the Financial Transaction Tax (FTT), the European Central Bank (ECB) annual report for 2012 and the European Investment Bank (EIB) opinion to the S&D group; the horizontal State aid regulation on public passengers transport services by rail and road, the Union programme in the field of financial reporting and auditing, the Regulation laying down detailed rules for the application of Article 93, and the adoption by Latvia of the Euro to the EPP; recovery and resolution of financial institutions to the ECR; the annual competition report 2012, the gender balance of non-executive directors of companies listed on the stock exchange and the follow-up on delegation of legislative powers and the control by Member States to ALDE; and the budget 2014 opinion to the Greens/EFA.

Mr Langen (EPP, DE) reminded Ms Bowles that the Commission had promised a letter regarding the Commission delegated regulations supplementing Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR), and that the EP had not yet received it.

4. Exchange of views on the prospects of euro adoption by Latvia with Andris Vilks, Minister of Finance and Ilmārs Rimšēvičs, Governor of the Central Bank of Latvia.

ECON/7/11887

In his opening remarks, Mr Rimšēvičs illustrated the factors that enabled Latvia to escape from the economic crisis, such as speedy decision-making, strong political will, and social dialogue. He pointed out that Latvia was currently the fastest-growing economy in Europe, that the Latvian currency had been pegged to the euro since 2005 and that this factor had provided stability for Latvia's small open economy. He noted that Latvia fulfilled all the Maastricht criteria and that the Latvian experience would be useful for other euro area economies in crisis. Mr Vilks reminded the committee that Latvia had lost 20% of its GDP in one and a half years at the height of the crisis. He explained that thanks to the support of the Commission and the International Monetary Fund (IMF) and to a combination of austerity measures and growth-enhancing reforms and social dialogue, confidence had been restored.

In the exchange of views that followed, several speakers welcomed Latvia's commitment to join the euro and congratulated the government's efforts to tackle the crisis. Some focused on the measures adopted by Latvia to exit the crisis (Mr Balz (EPP, DE)), others on the sustainability of the reforms (Ms Ferreira (S&D, PT) and Mr Kariņš (EPP, LV)), on Latvia's role vis-à-vis countries which were moving towards closer cooperation with the euro area but were still largely excluded from mechanisms such as the Single Supervisory Mechanism (SSM) (MS Goulard (ALDE, FR)), on recommendations for non-euro area countries on the same path as Latvia (Mr Cutaş (S&D, RO)), on the level of public support for Latvia's accession to the Euro (Mr Gauzès (EPP, FR) and Mr Balz), on the links between Latvian and Cypriot banks, on eurobonds and the Financial Transaction Tax (FTT) (Mr Klinz (ALDE, DE)), on the independence of the Latvian Central Bank (Mr Mitchell (EPP, IE)), on the solidity of the Latvian banking sector and the assistance provided by the European institutions (Ms Wortmann-Kool, (EPP, NL)).
Mr Vilks praised the social dialogue with trade unions and entrepreneurs which had secured the acceptance of austerity measures amounting to 17% of the Gross Domestic Product over a three-year period (two-thirds as spending cuts and one-third in tax rises).

Mr Rimšēvičs assured the committee that inflation was stable and lending would go hand in hand with growth. He underlined the similarities between the structural reform impetus in the euro area and in Latvia. He added that public opinion remained positive, especially in the light of the economic situation in the rest of the EU, noting that roughly one-third of the population supported the euro, one third opposed it and the rest remained undecided. He was confident that the government campaign designed to raise awareness would increase support for the euro.

Mr Vilks underlined that the figures from 2011 to 2013 showed a remarkable degree of stability and compliance with the Maastricht criteria. He explained that fiscal instruments had been adopted to prevent over-spending, unemployment was shrinking fast, down from 27.3% to almost 10%, structural unemployment was being tackled through reforms in education and the requalification of labour and that he expected single digit figures for unemployment by the autumn.

Mr Vilks expressed to Mr Tehro (EFD, FI) Latvia's readiness to become a bridge between euro area and non-euro area countries and part of the decision-making process in the euro area. He gave details to Mr Zīle (ECR, LV) on the government's plan to redress social inequality by increasing the minimum wage and by doubling the allowances for dependants. Mr Rimšēvičs considered the link between the Latvian and Cypriot banking sectors to be residual. He stressed to Mr Mitchell the independence of the Latvian Central Bank and admitted that some liquidity had not found its way to the real economy due to uncertainty over future growth. He noted nevertheless that growth in the corporate sector was resuming and, consequently, so was lending. He also pointed out how growth in Latvia today was no longer based on the bubble of the real estate sector as it had been in the 2004-2007 period, but was now based on sustainable growth in the industrial, textile and communication sectors.

As regards external support, Mr Rimšēvičs believed that structural funds had been instrumental in supporting the real economy. He told Mr Chountis (GUE/NGL, EL) that the crisis in Latvia had been caused by speculative attacks on its economy which could have been avoided if the country had already belonged to the euro area. Mr Vilks highlighted Latvia's commitment to participating in the FTT's enhanced cooperation, whilst Mr Rimšēvičs considered eurobonds or equivalent debt-sharing instruments as subsidies that could reduce the motivation for countries to reform, thus harming fiscal recovery.

****** Voting time ******

5. Common system of value added tax, as regards the treatment of vouchers

ECON/7/09537 2012/0102(CNS)
Rapporteur: Ms Ildikó Gáll-Pelcz (EPP)
Adoption of draft report

The draft report was approved, with 43 votes in favour, 0 against and 0 abstentions.

6. An Agenda for Adequate, Safe and Sustainable Pensions

ECON/7/10678 2012/2234(INI)
Rapporteur for the opinion: Mr Thomas Mann (EPP)
Adoption of draft opinion

The draft opinion was approved, with 43 votes in favour, 1 against and 0 abstentions.

7. 2011 Discharge: EBA - European Banking Authority

ECON/7/10612 2012/2207(DEC)
Rapporteur for the opinion: Mr Werner Langen (EPP)
Adoption of draft opinion

The draft opinion was approved, with 43 votes in favour, 1 against and 0 abstentions.

8. 2011 Discharge: European Securities and Markets Authority - ESMA

ECON/7/10616 2012/2209(DEC)
Rapporteur for the opinion: Mr Werner Langen (EPP)
Adoption of draft opinion

The draft opinion was approved, with 43 votes in favour, 0 against and 1 abstention.

9. 2011 Discharge: European Insurance and Occupational Pensions Authority - EIOPA

ECON/7/10616 2012/2209(DEC)
Rapporteur for the opinion: Mr Werner Langen (EPP)
Adoption of draft opinion

The draft opinion was approved, with 44 votes in favour, 0 against and 1 abstention.

****** End of vote ******

10. Reforming the structure of the EU banking sector

ECON/7/11609 2013/2021(INI)
Rapporteur: Ms Arlene McCarthy (S&D)
First exchange of views

In her initial address, Ms McCarthy (S&D, UK) outlined the 5 basic elements in the Liikanen Report aiming at reforming the European banking sector and complementing reforms at international, European and national levels. These included: the mandatory separation of retail and investment activities in credit institutions, additional separation of activities conditional on recovery and resolution plans, the use of bail-in instruments as a resolution tool, the review of capital requirements on trading assets and real estate related loans, and the strengthening of the governance and control of banks. She explained that the group had considered two approaches as possible ways forward: additional non- risk-weighted capital requirements on trading activities and banks' credible recovery and resolution plans, subject to supervisory approval; and compulsory separation of retail and investment banking activities.

She noted that the group had concluded that the only way to restore public confidence and to ensure that tax payers no longer provided implicit or explicit subsidies was through mandatory separation. She felt it important to focus on the current reasons for structural reforms, stressing that Member States kept bailing out banks with tax payers still bearing the cost of excessive risk-taking and that a lack of trust and confidence in the European banking sector prevailed. She proposed establishing a minimum set of targets in her report such as establishing a stable and resilient banking system, preventing public money covering private losses, limiting the misallocation of financial and human resources away from non-bank sectors in the economy and the banks' incentives to take excessive risk with insured deposits, reducing the interconnectedness between shadow banking and banking activities and tackling banks that are too big to fail. She pointed out that some countries were implementing national reforms that diverged from the separation approach.

Ms McCarthy proposed addressing the structures necessary to achieve stability, resilience, efficiency, better risk management and the competitiveness of the European banking sector. She also suggested focusing on the degree and types of structural separation and ring fencing, on bans, and on the activities to be separated. She added that it was vital to safeguard the essential banking activities. In her opinion it was necessary to change the high-risk culture of investment banking which had infiltrated and contaminated retail banking and to reflect on the issues of compensation, deferrals and linking them with the credit cycle, the availability of credit for growth, on competition, concentration and diversification issues, on the development of additional banking models and on the portability of accounts. Finally she recommended supporting the banks that were advocating a change in culture.

In the subsequent debate, most speakers welcomed the rapporteur's suggestions aimed at rendering the banking sector more stable and resilient and at facilitating the availability of credit to the real economy . Ms Wortmann-Kool (EPP, NL) defended a common European approach regarding structural reforms which in her opinion would influence the culture in the banking industry. She considered it essential to promote the dialogue between the main stakeholders and the legislators and to establish a European banking code. Mr Klinz (ALDE, DE) thought it would be difficult to find a common approach, adding that only a partial level playing field could be ensured at European level. He regretted the banking sector's resistance to change and pointed out that at present there were no viable and credible alternatives to public bail-outs. Mr Lamberts (Greens/EFA, BE) wanted to curb excessive market power, to stimulate competition, to encourage the separation of banking activities, to reduce the size of banks and of the derivatives market and to improve the monitoring of banking and shadow banking.

In his opinion, some Member States had engaged in timid regulatory reforms to pre-empt developments at European level. Mr Kamall (ECR, UK) underlined the existing consensus across the political spectrum. He noted that it was essential to tackle the fundamental problem of how to avoid tax payers' exposure to excessive risk-taking. With that objective in mind, he proposed focusing on a viable system that would ensure an orderly system for winding down failing banks

and to guarantee basic banking activities. He opposed the notion of too big to fail institutions and suggested addressing direct liability regarding poor management, revising accounting and auditing standards to ensure loss provisions and exposures as well as enhancing transparency on deposits.
Mr Hoang Ngoc (S&D, FR) mentioned differences between the Liikanen Report and the Volcker Rule regarding the separation of bank activities, whilst Ms Bowles (ALDE, UK) called for more simplification and clarity.
Ms Berès (S&D, FR) felt that the concept of separation could affect other legislative proposals. She noted that in addition to safeguarding the banking sector it was vital to secure adequate funding to the real economy.

The Commission representative informed the committee that the Commission would take into account the European Parliament's own initiative report and should present its proposal sometime in the summer.

Ms McCarthy reiterated the need to protect the retail sector, to change the current culture in the industry and to ensure a common minimum set of standards in the single market.

Consideration of draft report: 21 March 2013. Deadline for amendments: 15 April 2013.
Consideration of amendments: 7 May 2013. Vote in ECON: 28 May 2013.

11. Annual Tax report: how to free the EU potential for economic growth

ECON/7/11579 2013/2025(INI)
Rapporteur: Ms Ildikó Gáll-Pelcz (EPP)
Consideration of draft report

In her initial address, Ms Gáll-Pelcz (EPP, HU) noted that the Financial Transaction Tax (FTT) would be introduced in 11 Member States and that a European tax policy action plan had been drawn up for the 2014-2020 period. She pointed out that at present stringent fiscal regulations rendered the promotion of economic growth difficult.

She mentioned the existence, since 2000, of a growth-oriented taxation policy in the EU, which in her opinion should be further promoted by introducing smart tax cuts and shifting taxation from production to consumption so that surplus income could be channelled to savings or consumption. She thought that tax policy should follow a two-stage model aiming at revitalising the economy, creating long-term demands by introducing tax cuts on exports and subsequently correcting taxations to stimulate job creation. She also considered it more useful to broaden existing taxes instead of introducing new taxes or increasing tax rates and mentioned the proposal for the introduction of a coordinated "tax snake". She considered it essential to combat aggressive tax policies, tax fraud and tax haven abuses because they induced losses in the budgets of Member States.
Furthermore, Ms Gáll-Pelcz proposed improving the tax collection capacity, enhancing the transparency of tax regimes and improving administrative cooperation, and supported the 2012 Commission action plan on combating tax fraud and evasion. Finally, she noted that the Commission should soon draw up and publish the follow-up mechanisms of measures and scoreboards.

In the debate that followed, Mr Ludigsson (S&D, SE) welcomed the report as it focused on links between taxes and growth. He thought it was important to intensify efforts to address tax fraud and tax evasion. He deemed it necessary for tax policy to provide favourable conditions for long-term sustainable growth. He also pointed out that stronger public finances and fairer competition rules would create less incentives for fraud and deception. He recommended introducing a social perspective and addressing the effects of taxation on class structures and growth. He noted that taxes on consumption had a greater impact on lower-income households and feared widening social gaps. He considered environmental taxation to be vital for sustainable growth and proposed revising the energy taxation Directive. He also suggested eliminating tax barriers at European level and asked for some clarifications regarding the "tax snake" and the two-step model suggested in the report.

Mr Tremosa I Balcells (ALDE, ES) highlighted the fact that structural reforms should go hand-in-hand with fiscal consolidation. He considered the adjustment of public budgets to be a precondition for economic growth and favoured the FTT as well as tax competition. He proposed harmonising the base of the corporate tax but not the tax rate. He explained that unlike the US, the EU did not have harmonised labour and capital markets and consequently recommended addressing this issue. As regards fraud he thought it essential to implement the best practices of European countries. He mentioned that there was less fraud in small countries and federal states, adding that the bigger the administrative territory, the higher the tax fraud. He therefore informed the committee that he would table amendments in this respect.

Mr Lamberts (Greens/EFA, BE) disagreed with the notion of fiscal competition since he thought big companies were the ones that benefited the most from this type of system and so he proposed some restrictions. He asked the rapporteur to refer to the area of corporate taxation in her text and noted that taxation should internalise environmental externalities which were not factored-in in market prices. Finally he proposed pushing the Council to move forward on energy taxation.

Mr Strejček (ECR, CZ) welcomed the report and suggested downsizing the report on own resources and focusing instead on tax fraud as the most adequate tool to increase budgets.

Ms Gáll-Pelcz proposed taking definite measures in small steps instead of having high ambitions. She promised to give further explanations on the notion of the "tax snake" and to give some consideration to the social dimension. She disagreed with calls to incorporate the notion of environmental taxation and felt that the current report was not the appropriate place to deal with that issue. She explained that there was another report on tax fraud and tax evasion and had therefore decided to leave those aspects out of the report.

Deadline for amendments: 5 March 2013. Consideration of amendments: 11 April 2013.
Vote in ECON: 24 April 2013. Vote in plenary: May 2013.

12. Date of next meeting

The next meeting will be held in Strasbourg on 11 March 2013.