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THE EUROPEAN PARLIAMENT

THE COUNCIL

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Subject: REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability
COMMON GUIDELINES
Consultation deadline for Croatia: 10.5.2013

REGULATION (EU) No .../2013
OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of

**on the strengthening of economic and budgetary surveillance
of Member States in the euro area
experiencing or threatened with serious difficulties
with respect to their financial stability**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 136 in combination with Article 121(6) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank¹,

Acting in accordance with the ordinary legislative procedure²,

¹ OJ C 141, 17.5.2012, p.7.

² Position of the European Parliament of 12 March 2013 (not yet published in the Official Journal) and decision of the Council of

Whereas:

- (1) The unprecedented global crisis that has hit the world since 2007 has seriously damaged economic growth and financial stability and has given rise to a strong deterioration in the government deficit and debt position of the Member States, leading a number of them to seek financial assistance within and outside the framework of the Union.
- (2) Article 9 of the Treaty on the Functioning of the European Union (TFEU) provides that, in defining and implementing its policies and activities, the Union is to take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.
- (3) Full consistency between the Union multilateral surveillance framework established by the TFEU and the possible policy conditions attached to financial assistance should be enshrined in Union law. The economic and financial integration of all Member States, in particular those whose currency is the euro, calls for enhanced surveillance to prevent contagion from a Member State experiencing or threatened with serious difficulties with respect to its financial stability to the rest of the euro area and, more broadly, to the Union as a whole.

- (4) The intensity of economic and budgetary surveillance should be commensurate with, and proportionate to, the severity of the financial difficulties encountered and should take due account of the nature of the financial assistance received, which may range from mere precautionary support based on eligibility conditions to a full macroeconomic adjustment programme involving strict policy conditionality. Any macroeconomic adjustment programme should take into account the national reform programme of the Member State concerned in the context of the Union strategy for growth and jobs.
- (5) A Member State whose currency is the euro should be subject to enhanced surveillance under this Regulation when it is experiencing or is threatened with serious financial difficulties, with a view to ensuring its swift return to a normal situation and to protecting the other euro area Member States against potential adverse spill-over effects. Such enhanced surveillance should be proportionate to the seriousness of the problems and should be adjusted accordingly. It should include wider access to the information needed for a close monitoring of the economic, fiscal and financial situation and a regular reporting to the competent committee of the European Parliament and to the Economic and Financial Committee (EFC) or to any sub-committee the latter may designate for that purpose. The same arrangements for surveillance should apply to Member States requesting precautionary assistance from one or several other Member States or third countries, the European Financial Stabilisation Mechanism (EFSM), the European Stability Mechanism (ESM), the European Financial Stability Facility (EFSF), or another relevant international financial institution such as the International Monetary Fund (IMF).

- (6) A Member State subject to enhanced surveillance should also adopt measures aimed at addressing the sources or potential sources of its difficulties. To that end, all recommendations addressed to it in the course of an excessive deficit procedure or of an excessive macroeconomic imbalance procedure should be taken into account.
- (7) Economic and budgetary surveillance should be strongly reinforced for Member States subject to a macroeconomic adjustment programme. Because of the comprehensive nature of the latter, the other processes of economic and budgetary surveillance should be suspended or, where appropriate, streamlined for the duration of the macroeconomic adjustment programme, with a view to ensuring consistency of economic policy surveillance and to avoiding duplication of reporting obligations. However, when preparing the macroeconomic adjustment programme, all recommendations addressed to the Member State in the course of an excessive deficit procedure or an excessive macroeconomic imbalance procedure should be taken into account.
- (8) The challenge posed by tax fraud and evasion has increased considerably. Globalisation of the economy, technological developments, the internationalisation of fraud and the resulting interdependence of Member States reveal the limits of strictly national approaches and reinforce the need for joint action.
- (9) The problems presented by tax fraud and evasion in Member States subject to a macroeconomic adjustment programme should be tackled by improving revenue collection in those Member States and enhancing cooperation between the revenue administrations in the Union and in third countries.

- (10) Rules should be laid down to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability. The parliament of a Member State subject to a macroeconomic adjustment programme or to enhanced surveillance should be kept informed in accordance with national rules and practice.
- (11) Member States should involve the social partners and civil society organisations in the preparation, implementation, monitoring and evaluation of financial assistance programmes, in accordance with national rules and practice.
- (12) Before a Council decision relating to a macroeconomic adjustment programme under this Regulation is adopted, the relevant bodies of the ESM and of the EFSF should have the opportunity to hold a discussion on the outcome of negotiations between the Commission – acting on behalf of the ESM or the EFSF, in liaison with the ECB and, where appropriate, the IMF – and the beneficiary Member State on the possible policy conditions attached to that Member State's financial assistance. Memoranda of understanding setting down the detailed conditions for granting financial assistance are to be adopted under the Treaty establishing the European Stability Mechanism and the European Financial Stability Facility Framework Agreement.
- (13) Unless otherwise provided, references to financial assistance in this Regulation should also cover financial support granted on a precautionary basis and loans for the recapitalisation of financial institutions.

- (14) The decision of the Commission to subject a Member State to enhanced surveillance under this Regulation should be taken in close cooperation with the EFC, the European Systemic Risk Board (ESRB) established by Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board¹, the European Supervisory Authority (European Banking Authority) established by Regulations (EU) No 1093/2010², the European Supervisory Authority (European Insurance and Pensions Authority) established by Regulation (EU) No 1094/2010³ and the European Supervisory Authority (European Securities and Markets Authority) established by Regulation (EU) No 1095/2010⁴ (collectively referred to as 'the ESAs'). The Commission should also cooperate with the EFC when deciding on whether to prolong enhanced surveillance.
- (15) Following a reasoned request by the Member State concerned or, where appropriate, on grounds of exceptional economic circumstances, the Commission is able to recommend reducing or cancelling any existing interest-bearing deposit, non-interest-bearing deposit or fine imposed by the Council in the framework of the preventive or corrective part of the Stability and Growth Pact for a Member State subject to a macroeconomic adjustment programme.

¹ OJ L 331, 15.12.2010, p. 1.
² OJ L 331, 15.12.2010, p. 12.
³ OJ L 331, 15.12.2010, p. 48.
⁴ OJ L 331, 15.12.2010, p. 84.

- (16) Access to information on the preparatory work undertaken before the adoption of a recommendation under this Regulation should be subject to Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents¹.
- (17) Where a decision is taken under this Regulation that a Member State does not comply with the requirements contained in its macroeconomic adjustment programme, and events and analyses clearly show that a mechanism is needed to ensure respect for the obligations towards its creditors and the stabilisation of its economic and financial situation, the Commission is invited to make proposals for such mechanism.
- (18) The power to adopt recommendations on the adoption of precautionary corrective measures and on the preparation of a macroeconomic adjustment programme; the power to approve macroeconomic adjustment programmes; the power to adopt decisions on the main policy requirements which the ESM or the EFSF plan to include in the conditionality for financial assistance granted on a precautionary basis, loans for the recapitalisation of financial institutions or any new financial instrument agreed within the framework of the ESM; and the power to recommend the adoption of corrective measures to Member States under post-programme surveillance, should be conferred on the Council. Those powers are of particular relevance to the policy of economic coordination of Member States, which, pursuant to Article 121 TFEU, is to take place within the Council,

HAVE ADOPTED THIS REGULATION:

¹ OJ L 145, 31.5.2001, p. 43.

Article 1

Subject matter and scope

1. This Regulation lays down provisions for strengthening the economic and budgetary surveillance of Member States whose currency is the euro, where those Member States:
 - (a) experience or are threatened with serious difficulties with respect to their financial stability or to the sustainability of their public finances, leading to potential adverse spill-over effects on other Member States in the euro area; or
 - (b) request or receive financial assistance from one or several other Member States or third countries, the European Financial Stabilisation Mechanism (EFSM), the European Stability Mechanism (ESM), the European Financial Stability Facility (EFSF), or another relevant international financial institution such as the International Monetary Fund (IMF).
2. This Regulation also lays down provisions for enhanced economic policy coordination.
3. This Regulation shall apply to Member States whose currency is the euro.

4. In applying this Regulation, the Council, the Commission and the Member States shall fully observe Article 152 TFEU. In applying this Regulation and the recommendations adopted hereunder, the Council, the Commission and the Member States shall take into account national rules and practice and Article 28 of the Charter of Fundamental Rights of the European Union. Accordingly, the application of this Regulation and of those recommendations does not affect the right to negotiate, conclude and enforce collective agreements or to take collective action in accordance with national law.

Article 2

Member States subject to enhanced surveillance

1. The Commission may decide to subject to enhanced surveillance a Member State experiencing or threatened with serious difficulties with respect to its financial stability which are likely to have adverse spill-over effects on other Member States in the euro area.

When assessing whether a Member State is threatened with serious difficulties with respect to its financial stability, the Commission shall use, among other parameters, the alert mechanism established under Article 3(1) of Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances¹ or, where available, the latest in-depth review. The Commission shall also conduct a comprehensive assessment, taking into account, in particular, the borrowing conditions of that Member State, the repayment profile of its debt obligations, the robustness of its budgetary framework, the long-term sustainability of its public finances, the importance of its debt burden and the risk of contagion from severe tensions in its financial sector on its budgetary situation or on the financial sector of other Member States.

The Member State concerned shall be given the opportunity to express its views before the Commission adopts its decision to subject that Member State to enhanced surveillance. Every six months, the Commission shall decide whether to prolong the enhanced surveillance on that Member State.

2. Where the Commission decides to subject a Member State to enhanced surveillance under paragraph 1, it shall duly inform the Member State concerned of all the results of the assessment and shall notify the European Central Bank (ECB), in its supervisory capacity, the relevant ESAs and the ESRB accordingly.

¹ OJ L 306, 23.11.2011, p. 25.

3. Where a Member State is in receipt of financial assistance on a precautionary basis from one or several other Member States or third countries, the EFSM, the ESM, the EFSF, or another relevant international financial institution such as the IMF, the Commission shall subject that Member State to enhanced surveillance.

The Commission shall make public its decisions taken in accordance with paragraph 1 and this paragraph.

4. Paragraph 3 shall not apply to a Member State receiving financial assistance on a precautionary basis in the form of a credit line, which is not conditional on that Member State adopting new policy measures, provided that the credit line is not drawn.
5. The Commission shall publish, for information purposes, a list of the instruments providing precautionary financial assistance, as referred to in paragraph 3 and shall keep it updated to take into account possible changes in the financial support policy of the ESM, the EFSF or of another relevant international financial institution.

Article 3
Enhanced surveillance

1. A Member State subject to enhanced surveillance shall, after consulting, and in cooperation with, the Commission, acting in liaison with the ECB, the ESAs, the ESRB and, where appropriate, the IMF, adopt measures aimed at addressing the sources or potential sources of difficulties. In so doing, the Member State shall take into account any recommendations addressed to it under Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of budgetary positions and the surveillance and coordination of economic policies¹, Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure², or Regulation (EU) No 1176/2011 concerning its national reform programme and its stability programme.

The Commission shall inform the competent committee of the European Parliament, the EFC, the Eurogroup Working Group, and the parliament of the Member State concerned, where relevant and in accordance with national practice, of the measures referred to in the first subparagraph.

¹ OJ L 209, 2.8.1997, p. 1.

² OJ L 209, 2.8.1997, p. 6.

2. The closer monitoring of the fiscal situation laid down in Article 10(2), (3) and (6) of Regulation (EU) No .../2013 of the European Parliament and of the Council of ... [on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area]^{*1} shall apply to a Member State subject to enhanced surveillance, irrespective of the existence of an excessive deficit in that Member State. The report drawn up in accordance with Article 10(3) of that Regulation shall be submitted on a quarterly basis.
3. On a request from the Commission, a Member State subject to enhanced surveillance pursuant to Article 2(1) shall:
 - (a) communicate to the ECB in its supervisory capacity, and, where appropriate, to the relevant ESAs, in accordance with Article 35 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010, at the requested frequency, disaggregated information on developments in its financial system, including an analysis of the results of any stress test exercises or sensitivity analyses carried out under point (b) of this paragraph;
 - (b) carry out, under the supervision of the ECB in its supervisory capacity, or, where appropriate, under the supervision of the relevant ESAs, stress test exercises or sensitivity analyses, as necessary, to assess the resilience of the financial sector to various macroeconomic and financial shocks, as specified by the Commission and the ECB, in liaison with the relevant ESAs and with the ESRB;

*
1 OJ please insert number, date and title of the document (COD(2011)0386).
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- (c) be required to submit to regular assessments of its supervisory capacities over the financial sector in the framework of a specific peer review carried out by the ECB, in its supervisory capacity, or, where appropriate, by the relevant ESAs;
- (d) communicate to the Commission any information needed for the monitoring of macroeconomic imbalances in accordance with Regulation (EU) No 1176/2011.

On the basis of the analysis of the results of the stress test exercises and sensitivity analyses referred to in point (a) of the first subparagraph, and taking into account the conclusions of the assessment of the relevant indicators of the scoreboard for macroeconomic imbalances established in Regulation (EU) No 1176/2011, the ECB, in its supervisory capacity, and the relevant ESAs shall prepare, in liaison with the ESRB, an assessment of the potential vulnerabilities of the financial system and shall submit that assessment to the Commission, at the frequency indicated by the latter, and to the ECB.

4. On a request from the Commission, a Member State subject to enhanced surveillance pursuant to Article 2(3) shall:
- (a) communicate to the Commission, the ECB and, where appropriate, the relevant ESAs, in accordance with Article 35 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010, at the requested frequency, disaggregated information on developments in its financial system, including an analysis of the results of any stress test exercises or sensitivity analyses carried out under point (b);

- (b) carry out, under the supervision of the ECB, in its supervisory capacity, or, where appropriate, under the supervision of the relevant ESAs, stress test exercises or sensitivity analyses, as necessary, to assess the resilience of the financial sector to various macroeconomic and financial shocks, as specified by the Commission and the ECB, in liaison with the relevant ESAs and with the ESRB, and share the detailed results with them;
- (c) be required to submit to regular assessments of its supervisory capacities over the financial sector in the framework of a specific peer review carried out by the ECB, in its supervisory capacity, or, where appropriate, by the relevant ESAs;
- (d) communicate to the Commission any information needed for the monitoring of macroeconomic imbalances in accordance with Regulation (EU) No 1176/2011.

The Commission, the ECB and the relevant ESAs shall treat any disaggregated information communicated to them as confidential.

5. The Commission, in liaison with the ECB and with the relevant ESAs and, where appropriate, with the IMF, shall conduct regular review missions in the Member State subject to enhanced surveillance to verify the progress made by that Member State in the implementation of the measures referred to in paragraphs 1, 2, 3 and 4.

Every quarter, the Commission shall communicate its assessment to the competent committee of the European Parliament and to the EFC. In that assessment, it shall examine, in particular, whether further measures are needed.

The review missions referred to in the first subparagraph shall replace the on-site monitoring provided for in Article 10a(2) of Regulation (EC) No 1467/97.

6. When preparing the assessment referred to in paragraph 5, the Commission shall take into account the results of any in-depth review under Regulation (EU) No 1176/2011, including the evaluation of spill-over effects of national economic policies on the Member State subject to enhanced surveillance, in accordance with Article 5(2) of that Regulation.
7. Where the Commission concludes that, on the basis of the review missions provided for in paragraph 5, further measures are needed and the financial and economic situation of the Member State concerned has significant adverse effects on the financial stability of the euro area or of its Member States, the Council, acting by a qualified majority on a proposal from the Commission, may recommend to the Member State concerned to adopt precautionary corrective measures or to prepare a draft macroeconomic adjustment programme.

The Council may decide to make its recommendation public.

8. Where a recommendation referred to in paragraph 7 is made public:
 - (a) the competent committee of the European Parliament may offer the opportunity to the Member State concerned and to the Commission to participate in an exchange of views;

- (b) representatives of the Commission may be invited by the parliament of the Member State concerned to participate in an exchange of views.
 - (c) the Council shall inform the relevant committee of the European Parliament in due time about the content of the recommendation.
9. During the course of the enhanced surveillance process, the competent committee of the European Parliament and the parliament of the Member State concerned may invite representatives of the Commission, the ECB and the IMF to participate in an economic dialogue.

Article 4

*Reporting in the event of financial support
for the recapitalisation of financial institutions*

Member States subject to enhanced surveillance or to a macroeconomic adjustment programme receiving financial support for the recapitalisation of their financial institutions shall report twice a year to the EFC on the conditions imposed on those financial institutions, including the conditions relating to executive remuneration. Those Member States shall also report on the credit conditions offered by the financial sector to the real economy.

Article 5

Information on envisaged financial assistance requests

A Member State intending to request financial assistance from one or several other Member States or third countries, the ESM, the EFSF, or another relevant international financial institution, such as the IMF, shall immediately inform the President of the Eurogroup Working Group, the member of the Commission responsible for Economic and Monetary Affairs and the President of the ECB of its intention.

After receiving an assessment from the Commission, the Eurogroup Working Group shall hold a discussion about the intended request with a view to examining, *inter alia*, the possibilities available under existing Union or euro area financial instruments before the Member State concerned addresses potential lenders.

A Member State intending to request financial assistance from the EFSM shall immediately inform the President of the EFC, the member of the Commission responsible for economic and monetary affairs and the President of the ECB of its intention.

Article 6

Evaluation of the sustainability of the government debt

Where a Member State requests financial assistance from the EFSM, the ESM, or the EFSF, the Commission shall assess, in liaison with the ECB and, where possible, with the IMF, the sustainability of that Member State's government debt and its actual or potential financing needs. The Commission shall submit that assessment to the Eurogroup Working Group where the financial assistance is to be granted under the ESM or the EFSF, and to the EFC where the financial assistance is to be granted under the EFSM.

The assessment of the sustainability of the government debt shall be based on the most likely macroeconomic scenario or a more prudent scenario and budgetary forecasts using the most up-to-date information and taking proper account of the outcome of the reporting referred to in point (a) of Article 3(3) as well as any supervisory task exercised in accordance with point (b) of Article 3(3). The Commission shall also assess the impact of macroeconomic and financial shocks and adverse developments on the sustainability of government debt.

The Commission shall make public the macroeconomic scenario, including the growth scenario, the relevant parameters underpinning the assessment of the sustainability of the government debt of the Member State concerned, and the estimated impact of the aggregate budgetary measures on economic growth.

Article 7

Macroeconomic adjustment programme

1. Where a Member State requests financial assistance from one or several other Member States or third countries, the EFSM, the ESM, the EFSF or the IMF, it shall prepare, in agreement with the Commission, acting in liaison with the ECB and, where appropriate, with the IMF, a draft macroeconomic adjustment programme which shall build on and substitute any economic partnership programme under Regulation (EU) No .../2013* [on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area] and which shall include annual budgetary targets.

The draft macroeconomic adjustment programme shall address the specific risks emanating from that Member State for the financial stability in the euro area and shall aim at rapidly re-establishing a sound and sustainable economic and financial situation and restoring the Member State's capacity to finance itself fully on the financial markets.

The draft macroeconomic adjustment programme shall be based on the assessment of the sustainability of the government debt referred to in Article 6, which shall be updated to incorporate the impact of the draft corrective measures negotiated with the Member State concerned, and shall take due account of any recommendation addressed to that Member State under Articles 121, 126, 136 or 148 TFEU and of its actions to comply with any such recommendation, while aiming at broadening, strengthening and deepening the required policy measures.

* OJ please insert number of the Regulation in document (COD(2011)0386.

The draft macroeconomic adjustment programme shall take into account the practice and institutions for wage formation and the national reform programme of the Member State concerned in the context of the Union strategy for growth and jobs.

The draft macroeconomic adjustment programme shall fully observe Article 152 TFEU and Article 28 of the Charter of Fundamental Rights of the European Union. The Commission shall orally inform the Chair and Vice-Chairs of the competent committee of the European Parliament of the progress made in the preparation of the draft macroeconomic adjustment programme. This information shall be treated as confidential.

2. The Council, acting by a qualified majority on a proposal from the Commission, shall approve the macroeconomic adjustment programme prepared by the Member State requesting financial assistance in accordance with paragraph 1.

The Commission shall ensure that the memorandum of understanding signed by the Commission on behalf of the ESM or of the EFSF is fully consistent with the macroeconomic adjustment programme approved by the Council.

3. The Commission shall ensure consistency in the process of economic and budgetary surveillance with respect to a Member State under a macroeconomic adjustment programme to avoid duplication of reporting obligations.

4. The Commission, in liaison with the ECB and, where appropriate, with the IMF, shall monitor the progress made by a Member State in the implementation of its macroeconomic adjustment programme.

Every three months, the Commission shall inform the EFC of such progress. The Member State concerned shall fully cooperate with the Commission and with the ECB. It shall, in particular, provide the Commission and the ECB with all the information that they consider to be necessary for the monitoring of the implementation of the macroeconomic adjustment programme in accordance with Article 3(4).

The Commission shall inform the Chair and Vice-Chairs of the competent committee of the European Parliament orally of the conclusions drawn from the monitoring of the macroeconomic adjustment programme. That information shall be treated as confidential.

5. The Commission, in liaison with the ECB and, where appropriate, with the IMF, shall examine with the Member State concerned the changes and updates that may be needed to its macroeconomic adjustment programme in order to take proper account, *inter alia*, of any significant gap between macroeconomic forecasts and realised figures, including possible consequences resulting from the macroeconomic adjustment programme, adverse spill-over effects and macroeconomic and financial shocks. The Council, acting by a qualified majority on a proposal from the Commission, shall decide on any change to be made to that programme.

6. The Member State concerned shall consider, in close cooperation with the Commission, whether to take all necessary measures to invite private investors to maintain their overall exposure on a voluntary basis.
7. Where the monitoring referred to in paragraph 4 highlights significant deviations from a Member State's macroeconomic adjustment programme, the Council, acting by a qualified majority on a proposal from the Commission, may decide that the Member State concerned does not comply with the policy requirements contained in its programme. The Commission, in its proposal, shall assess explicitly whether such significant deviations are due to reasons that are not within the control of the Member State concerned.

The budgetary consolidation efforts set out in the macroeconomic adjustment programme shall take into account the need to ensure sufficient means for fundamental policies, such as education and health care.

Where a decision is taken under this paragraph, the Member State concerned shall, in close cooperation with the Commission and in liaison with the ECB and, where appropriate, with the IMF, take measures aimed at stabilising markets and preserving the good functioning of its financial sector.

8. A Member State subject to a macroeconomic adjustment programme experiencing insufficient administrative capacity or significant problems in the implementation of the programme shall seek technical assistance from the Commission, which may constitute, for this purpose, groups of experts composed of members from other Member States and other Union institutions or from relevant international institutions. The objectives and the means of the technical assistance shall be explicitly outlined in the updated versions of the macroeconomic adjustment programme and focus on the area where major needs are identified. Technical assistance may include the establishment of a resident representative and supporting staff to advise authorities on the implementation of the programme.

The macroeconomic adjustment programme, including its objectives and the expected distribution of the adjustment effort, shall be made public.

The conclusions of the assessment of the sustainability of the government debt shall be annexed to the macroeconomic adjustment programme.

9. A Member State subject to a macroeconomic adjustment programme shall carry out a comprehensive audit of its public finances in order *inter alia* to assess the reasons that led to the building up of excessive levels of debt as well as to track any possible irregularity.

10. The competent committee of the European Parliament may offer the opportunity to the Member State concerned and to the Commission to participate in an exchange of views on the progress made in the implementation of the macroeconomic adjustment programme.

11. Representatives of the Commission may be invited by the Parliament of the Member State concerned to participate in an exchange of views on the progress made in the implementation of its macroeconomic adjustment programme.
12. This Article shall not apply to instruments providing financial assistance on a precautionary basis, to loans made for the recapitalisation of financial institutions, or to any new ESM financial instrument for which the ESM rules do not provide for a macroeconomic adjustment programme.

For information purposes, the Commission shall establish a list of the financial assistance instruments referred to in the first subparagraph and shall keep it updated to take into account possible changes in the financial support policy of the ESM.

Concerning these instruments, the Council, acting on a recommendation from the Commission, shall, by a decision addressed to the Member State concerned, approve the main policy requirements which the ESM or the EFSF plans to include in the conditionality for its financial support, to the extent that the content of those measures falls within the competence of the Union as laid down by the Treaties.

The Commission shall ensure that the memorandum of understanding signed by the Commission on behalf of the ESM or the EFSF is fully consistent with such a Council decision.

Article 8

Involvement of social partners and civil society

A Member State shall seek the views of social partners as well as relevant civil society organisations when preparing its draft macroeconomic adjustment programmes, with a view to contributing to building consensus over its content.

Article 9

Measures to safeguard tax revenue

A Member State shall, where necessary, take measures in close cooperation with the Commission and in liaison with the ECB and, where appropriate, with the IMF, aiming to reinforce the efficiency and effectiveness of revenue collection capacity and the fight against tax fraud and evasion, with a view to increasing its fiscal revenue.

Article 10

Consistency with the Stability and Growth Pact

1. Where a Member State is subject to a macroeconomic adjustment programme, and the changes thereto, under Article 7 of this Regulation, it shall be exempt from submitting a stability programme, under Article 3 of Regulation (EC) No 1466/97, and shall integrate the content of such a stability programme into its macroeconomic adjustment programme.

2. Where a Member State subject to a macroeconomic adjustment programme is also the subject of a recommendation under Article 126(7) TFEU or of a decision to give notice under Article 126(9) TFEU for the correction of an excessive deficit:
- (a) it shall be exempt from submitting, as appropriate, the reports under Article 3(4a) and Article 5(1a) of Regulation (EC) No 1467/97;
 - (b) the annual budgetary targets in each macroeconomic adjustment programme shall be integrated into the recommendation or decision to give notice, respectively under Article 3(4) and Article 5(1) of Regulation (EC) No 1467/97, and, where the Member State concerned is subject to a decision to give notice under Article 126(9) TFEU, the measures conducive to those targets in the macroeconomic adjustment programme shall be integrated into the decision to give notice in accordance with Article 5(1) of Regulation (EC) No 1467/97;
 - (c) with regard to the monitoring provided for by Article 7(4) of this Regulation, it shall be exempt from monitoring under Article 10(1) and Article 10a of Regulation (EC) No 1467/97 and monitoring underlying any decision under Article 4(2) and 6(2) of that Regulation.

Article 11

Consistency with Regulation (EU) No 1176/2011

Where a Member State is subject to a macroeconomic adjustment programme, Regulation (EU) No 1176/2011 shall not apply to that Member State for the duration of that programme, save that the indicators in the scoreboard established in Regulation (EU) No 1176/2011 shall be integrated into the monitoring of that programme.

Article 12

Consistency with the European Semester for economic policy coordination

Where a Member State is subject to a macroeconomic adjustment programme, it shall be exempt from the monitoring and assessment of the European Semester for economic policy coordination under Article 2-a of Regulation (EC) No 1466/97 for the duration of that programme.

Article 13

Consistency with Regulation (EU) No .../2013 [on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area]*

Where a Member State is subject to a macroeconomic adjustment programme, Regulation (EU) No .../2013* [on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area] shall not apply to that Member State for the duration of that programme, with the exception of Articles 1 to 5 and 13 to 18 of that Regulation.

Article 14

Post-programme surveillance

1. A Member State shall be under post-programme surveillance as long as a minimum of 75 % of the financial assistance received from one or several other Member States, the EFSM, the ESM or the EFSF has not been repaid. The Council, on a proposal from the Commission, may extend the duration of the post-programme surveillance in the event of a persistent risk to the financial stability or fiscal sustainability of the Member State concerned. The proposal from the Commission shall be deemed to be adopted by the Council unless the Council decides, by a qualified majority, to reject it within 10 days of the Commission's adoption thereof.

* OJ please insert number of the Regulation.

2. On a request from the Commission, a Member State under post-programme surveillance shall comply with the requirements under Article 3(3) of this Regulation and shall provide the information referred to in Article 10(3) of Regulation (EU) No .../2013* [on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area].
3. The Commission shall conduct, in liaison with the ECB, regular review missions in the Member State under post-programme surveillance to assess its economic, fiscal and financial situation. Every six months, it shall communicate its assessment to the competent committee of the European Parliament, to the EFC and to the parliament of the Member State concerned and shall assess, in particular, whether corrective measures are needed.

The competent committee of the European Parliament may offer the opportunity to the Member State concerned to participate in an exchange of views on the progress made under post-programme surveillance.

4. The Council, acting on a proposal from the Commission, may recommend to a Member State under post-programme surveillance to adopt corrective measures. The proposal from the Commission shall be deemed to be adopted by the Council unless the Council decides, by a qualified majority, to reject it within 10 days of the Commission's adoption thereof.

* OJ please insert number of the Regulation.

5. The parliament of the Member State concerned may invite representatives of the Commission to participate in an exchange of views on the post-programme surveillance.

Article 15

Voting within the Council

For the measures referred to in this Regulation, only members of the Council representing Member States whose currency is the euro shall vote and the Council shall act without taking into account the vote of the member of the Council representing the Member State concerned.

A qualified majority of the members of the Council referred to in the first paragraph shall be calculated in accordance with Article 238(3)(a) TFEU.

Article 16

Application to Member States in receipt of financial assistance

Member States in receipt of financial assistance on...* shall be subject to this Regulation as from that date.

* OJ: please insert the date of entry into force of this Regulation.

Article 17

Transitional provisions

Notwithstanding Article 14, Member States that are under post-programme surveillance on ...* shall be subject to the post-programme surveillance rules, conditions and procedures applicable to the financial assistance from which they benefit.

Article 18

Informing the European Parliament

The European Parliament may invite representatives of the Council and of the Commission to enter into a dialogue on the application of this Regulation.

* OJ: please insert the date of entry into force of this Regulation.

Article 19
Reports

By 1 January 2014, and every five years thereafter, the Commission shall submit to the European Parliament and to the Council a report on the application of this Regulation, accompanied, where appropriate, by a proposal to amend this Regulation. The Commission shall make that report public.

The reports referred to in the first subparagraph shall evaluate, *inter alia*:

- (a) the effectiveness of this Regulation;
- (b) progress in ensuring closer coordination of economic policies and sustained convergence of economic performance of the Member States in accordance with the TFEU;
- (c) the contribution of this Regulation to the achievement of the Union strategy for growth and jobs.

Article 20
Entry into force

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at ...,

For the European Parliament
The President

For the Council
The President
