



**COUNCIL OF
THE EUROPEAN UNION**

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ADDENDUM TO THE "I/A" ITEM NOTE

from : General Secretariat of the Council
to : COREPER / COUNCIL

No. Cion prop.: 17230/11 ECOFIN 805 UEM 335 CODEC 2112

Subject : Proposal for a 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 (**first reading**)
- Adoption of the legislative act (LA + S)
= Statements
COMMON GUIDELINES
Consultation deadline for Croatia: 10.5.2013

Statement by the United Kingdom

The UK reiterated its clear understanding that there would be no new commitments from the European Financial Stabilisation Mechanism (EFSM) following entry into force of the European Stability Mechanism (ESM) Treaty on 27 September 2012, recalling the commitment in the European Council Decision of 25 March 2011, which states that as the ESM is designed to safeguard the financial stability of the euro area as whole, Article 122(2) of the TFEU will no longer be needed for such purposes. The Heads of State or Government therefore agreed that it should not be used for such purposes.

Statement by the European Commission

Once legislation proposed by the Commission on the two-pack is adopted, the Commission intends to take steps in the short-term towards a deep and genuine EMU as outlined in the blueprint. Short-term steps (6 to 12 months) will include:

- In its Blueprint for a Deep and Genuine EMU, the Commission considered that, in the medium-term, a redemption fund and eurobills could be possible elements of deep and genuine EMU under certain rigorous conditions. The guiding principle would be that any steps to further mutualisation of risk must go hand-in-hand with greater fiscal discipline and integration. The required deeper integration of financial regulation, fiscal and economic policy and corresponding instruments must be accompanied by commensurate political integration, ensuring democratic legitimacy and accountability.

The Commission will establish an Expert Group to deepen the analysis on the possible merits, risks, requirements and obstacles of partial substitution of national issuance of debt through joint issuance in the form of a redemption fund and eurobills. The Group will be tasked to thoroughly assess, what could be their features in terms of legal provisions, financial architecture and the necessary complementary economic and budgetary framework. Democratic accountability will be a central issue to be considered.

The Group will take into account the on-going reform of the European economic and budgetary governance and assess the added value for such instruments in this context. The Group will pay particular attention to recent and on-going reforms, such as the implementation of the two-Pack, the ESM and any other relevant instruments.

In its analysis the Group will pay particular attention to sustainability of public finances, to the avoidance of moral hazard, as well as to other central issues, such as financial stability, financial integration and monetary policy transmission.

The members of the Group will be experts in law and economics, public finances, financial markets and sovereign debt management. The Group will be invited to present its final report to the Commission not later than March 2014. The Commission will assess the report and, if appropriate, make proposals before the end of its mandate.

- An exploration of further ways within the preventive arm of the Stability and Growth Pact to accommodate under certain conditions, non-recurrent, public investment programmes with a proven impact on the sustainability of public finances made by the Member States in the assessment of their Stability and Convergence Programmes; this will be done in spring-summer 2013 in the context of the publication of its Communication on calendar of convergence towards the Medium-term Objective;
- After the decision on the next Multi-annual Financial Framework for the EU and before the end of 2013, the Commission will to put forward the following proposals to complement the existing framework for economic governance: (i) measures to ensure greater ex-ante coordination of major reform projects and (ii) the creation of a "convergence and competitiveness instrument" to provide financial support for the timely implementation of sustainable growth enhancing structural reforms. This new system, fully in line with the Community method, would build on the existing EU surveillance procedures. It would combine deeper integration of economic policy with financial support and thereby respect the principle according to which steps towards more responsibility and economic discipline are combined with more solidarity. It would in particular aim at enhancing the capacity of a Member State to absorb asymmetric shocks. This instrument would serve as the initial phase towards the establishment of a stronger fiscal capacity.
- Furthermore, the Commission commits to following up in a speedy and comprehensive manner on: (i) its action plan to strengthen the fight against tax fraud and tax evasion, in particular with view to the revision of the directives identified in the action plan as well as on (ii) the measures and proposals announced by the Commission on its 2012 package on the employment and social policy area.

- Following the adoption of the Single Supervisory Mechanism, the presentation of a proposal for a Single Resolution Mechanism, which would be in charge of the restructuring and resolution of banks within the Member States participating in the Banking Union;
- Before the end of 2013, the presentation of a proposal under Article 138(2) TFEU to establish a unified position to achieve an observer status of the euro area in the IMF executive board, and subsequently for a single seat.

Building on the short-term steps announced in its Blueprint that can be realised by secondary legislation, the Commission is committed to put forward explicit ideas for Treaty changes in time for a debate before the next European Parliament elections in 2014 with a view to setting the legislative basis for the steps envisaged in the medium-term, which foresees the creation of a substantially reinforced economic and budgetary surveillance and control framework, a further developed European fiscal capacity supporting solidarity and the implementation of sustainable growth enhancing structural reforms, as well as the deeper integration of decision making in policy areas like taxation and labour markets as an important solidarity instrument.
