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3238th Council meeting

Economic and Financial Affairs

Brussels, 14 May 2013

President **Michael Noonan**
Minister for Finance of Ireland

P R E S S

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Main results of the Council

The Council adopted a mandate for the Commission to negotiate updated ***savings tax*** *agreements with Switzerland, Liechtenstein, Monaco, Andorra and San Marino.*

The aim is to ensure that the five countries continue to apply measures that are equivalent to the EU's directive on the taxation of savings income, which is being amended.

The Council adopted conclusions on ***tax evasion and tax fraud****, highlighting the need for a combination of efforts at national, EU and global levels, and confirming support for work within the G8, the G20 and the OECD on the automatic exchange of information.*

These issues will be reviewed by the European Council at its meeting on 22 May.

The Council reached a political agreement on ***draft amending budget*** *no. 2 for the EU's 2013 budget.*

It adopted conclusions on:

– ***macroeconomic imbalances****, in the light of in-depth reviews of imbalances in 13 member states;*

– ***SEPA****, the single euro payments area;*

– *the fast-start financing of* ***climate change*** *measures.*

The Council also welcomed a compromise reached with the European Parliament on a draft directive on ***mortgage credit****.*

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.

TAXATION

JUSTICE AND HOME AFFAIRS

ENVIRONMENT

APPOINTMENTS

PARTICIPANTS

Belgium:	
Mr Koen GEENS	Minister for Finance
Bulgaria:	
Mr Kalin HRISTOV	Minister for Finance
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 Michael NOONAN	Minister for Finance
Mr Brian HAYES	Minister of State with responsibility for Public Service Reform and the OPW (Department of Public Expenditure and Reform)
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 Fabrizio SACCOMANNI	Minister for Economic Affairs and Finance
Cyprus:	
Mr Charis GEORGIADES	Minister for Finance
Latvia:	
Mr Andris VILKS	Minister for Finance
Lithuania:	
Mr Rimantas ŠADŽIUS	Minister for Finance
Luxembourg:	
Mr Luc FRIEDEN	Minister for Finance
Hungary:	
Mr Mihály VARGA	Minister for the National Economy
Malta:	
Mr Edward SCICLUNA	Minister for Finance
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	Ministro de Estado, Minister for Finance
Romania:	
Mr Liviu VOINEA	Minister Delegate for Budget, Ministry of Public Finance
Slovenia:	
Mr Uroš ČUFER	Minister for Finance
Slovakia:	
Mr Peter KAŽIMÍR	Deputy Prime Minister and Minister for Finance
Finland:	
Ms Jutta URPILAINEN	Deputy Prime Minister, Minister for Finance
Sweden:	
Mr Anders BORG	Minister for Finance
United Kingdom:	
Mr George OSBORNE	Chancellor of the Exchequer

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

Other participants:	
Mr Jörg ASMUSSEN	Board Member 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 RECOVERY AND RESOLUTION

The Council discussed a proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms, focusing in particular on the design of the bail-in instrument.

Following the discussion, the presidency concluded that to reach an agreement, a balance would have to be struck between establishing a harmonised approach to bail-in and allowing for limited national flexibility in its application. The presidency stated its intention to re-submit the dossier to the Council at its meeting on 21 June, with the aim of reaching an agreement on the directive.

In summarising the discussion, the presidency noted convergence around the following points:

– general agreement on a broad scope for bail-in, with a limited list of defined exclusions;

– general agreement that the level of loss absorbing capacity must be adapted to match the scope of exclusions;

– noting that deposits under EUR 100.000 are always fully guaranteed by the deposit guarantee schemes, there was agreement amongst most member states that the deposit guarantee schemes should also benefit from depositor preference;

– overall considerable support for depositor preference (i.e. last category of assets to be bailed in) for deposits over EUR 100.000, with some reservations raised on giving preference to large corporate deposits.

The presidency also recognised that some country-specific concerns should be addressed, in particular as regards euro area vs. non-euro area issues.

The proposed directive is aimed at providing national authorities with common powers and instruments to pre-empt bank crises and to provide an orderly resolution for any financial institution in the event of failure, whilst preserving essential bank operations and minimising taxpayers' exposure to losses. It establishes a range of instruments to tackle potential bank crises at three stages: preparatory and preventative, early intervention, and resolution.

The bail-in tool, at the resolution stage, would enable resolution authorities to write down or convert into equity the claims of the shareholders and creditors of institutions that are failing or are likely to fail.

The directive would also require member states to set up *ex-ante* resolution funds to ensure that the resolution instruments can be applied effectively.

The proposal is aimed at transposing into EU law commitments made at the G20 summit in Washington D.C. in November 2008, when leaders called for a review of resolution regimes and bankruptcy laws "to ensure that they permit an orderly wind-down of large complex cross-border financial institutions."

Based on article 114 of the Treaty on the Functioning of the European Union, the directive requires a qualified majority for adoption by the Council, in agreement with the European Parliament.

EU BUDGET - DRAFT AMENDING BUDGET NO. 2 FOR 2013

The Council reached a political agreement on draft amending budget no. 2 for 2013, on the basis of a proposal from the Irish presidency (*9359/13*).

Draft amending budget no. 2 for 2013 is about meeting outstanding payment needs in the 2013 EU budget. The Council agreed to provide EUR 7.3 billion initially and to focus this amount on measures to support economic growth, create jobs and tackle unemployment, especially among young people.

The Council also adopted a statement confirming its willingness to take all necessary additional steps to ensure that the EU's obligations are honoured in a second phase, when the Commission has more information on implementation, the possibilities for redeployment and on budget revenues.

In a second statement the Council stressed the political nature of the agreement and declared that it would formally adopt its position on this draft amending budget at a later stage in parallel with the conclusion of the talks on the EU's multiannual financial framework (MFF) for 2014-2020. Ministers stressed that nothing is agreed until everything is agreed.

The 2013 EU budget, as agreed by the Council and the European Parliament at the end of last year, amounts to EUR 132.8 billion in payments and EUR 150.9 billion in commitments.

TAXATION OF SAVINGS INTEREST

- Agreements with third countries

The Council approved a mandate for the Commission to negotiate amendments to the EU's agreements with Switzerland, Liechtenstein, Monaco, Andorra and San Marino on the taxation of savings income.

The aim is to ensure that the five countries continue to apply measures that are equivalent to the EU's directive on the taxation of savings income, which is being amended. The Commission will negotiate on the basis of a draft directive amending the savings directive (2003/48/EC), aimed at improving its effectiveness and closing certain loopholes so as to prevent its circumvention.

For details, see below.

- Draft directive

The Council discussed a draft directive aimed at strengthening the EU's directive on the taxation of savings income (2003/48/EC).

It agreed to revert to the matter at a forthcoming meeting, in the light of comments made by ministers.

Draft amendments to directive 2003/48/EC reflect changes to savings products and developments in investor behaviour since the directive came into force in 2005. They are aimed at enlarging the directive's scope to include all types of savings income, as well as products that generate interest or equivalent income, and at providing a "look-through" approach for the identification of beneficial owners[1].

Directive 2003/48/EC requires the member states to exchange information automatically so as to enable interest payments made in one member state to residents of other member states to be taxed in accordance with the laws of the state of tax residence. During a transitional period, Luxembourg and Austria can impose a withholding tax on interest paid to savers resident in other member states, instead of providing information on savers[2].

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[1] i.e. "reasonable steps" shall be taken "to establish the identity of the beneficial owner".

[2] Luxembourg has recently announced that as from 1 January 2015, it will no longer make use of the transitional arrangements and will exchange information automatically under directive 2003/48/EC.

Under EU agreements signed in 2004, Switzerland, Liechtenstein, Monaco, Andorra and San Marino apply measures equivalent to those provided for in the directive. Guernsey, Jersey, the Isle of Man and seven Caribbean territories[1], do the same, under bilateral agreements concluded with each of the member states.

Equivalent measures in the current agreements involve either automatic exchange of information or a withholding tax on interest paid to savers resident in the EU. A proportion of the revenue accrued from the withholding tax is transferred to the country of the saver's tax residence.

Based on article 115 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] Dependent and associated territories of the Netherlands and the United Kingdom

TAX EVASION AND TAX FRAUD - *Conclusions*

The Council adopted the following conclusions:

"The Council:

1. REAFFIRMS that "all Member States recognise the importance of taking effective steps to fight tax evasion and tax fraud", and RECOGNISES the need to tackle aggressive tax planning.

2. RECOGNISES the need for an appropriate combination of efforts at the national, EU and at global levels to combat tax fraud and tax evasion and also aggressive tax planning.

3. In this context, SUPPORTS further efforts at national, EU, G8, G20, OECD and global level on automatic exchange of information and on improving the implementation and enforcement of standards of beneficial ownership information that is relevant for tax purposes. NOTES that this could make a difference in the area of corporate secrecy.

4. NOTES that Member States are negotiating inter-governmental agreements with third countries to exchange a large scope of information on an automatic basis.

5. WELCOMES in that context that France, Germany, Italy, Spain and the UK have agreed to work on a pilot multilateral exchange facility using the model agreed with the US as the basis for this multilateral exchange with the aim of contributing to the creation of a new global standard, NOTES that the EU has a key role to play in supporting and promoting the acceptance of such standards globally and further WELCOMES the commitment of the British Overseas Territories and the Isle of Man to joining the pilot initiative; and the strong interest expressed by Guernsey.

6. SUPPORTS further efforts at OECD level on Base Erosion and Profit Shifting (BEPS) and RECALLS the European Council Conclusions of 13 and 14 March 2013 on the need for close cooperation with the OECD and the G20 to develop internationally agreed standards for the prevention of base erosion and profit shifting and in particular NOTES the European Council call for the European Union to coordinate its positions. NOTES that this coordination will take place through the appropriate Council bodies including the High Level Working Party and WELCOMES that progress at international level in this area is being monitored. To this end, the EU should closely monitor its legal framework and identify where common solutions would best ensure effectiveness and efficiency.

7. WELCOMES the work by the Commission on developing measures to combat tax fraud, tax evasion and aggressive tax planning. Specifically, the Council RECOGNISES the useful role the Commission Action Plan (*17637/12*) and the two Recommendations on Aggressive Tax Planning (*17617/12*) and on good governance in tax matters in third countries (*17669/12*) can play in this regard.

8. NOTES the non-binding nature of the Recommendations, in accordance with Article 288 of the Treaty on the Functioning of the European Union which states that "recommendations … shall have no binding force".

9. CONFIRMS the ECOFIN Conclusions of 13 November 2012, in which the Council sets out its priorities, and non-priorities in the field of direct and indirect taxation for certain areas of its work in the short term in the area of tax fraud and tax evasion, which must be taken into account when further examining measures based on the Action Plan (*17637/12*).

10. EMPHASISES that within the European Union measures to combat tax fraud and tax evasion must fully respect the principle of subsidiarity and the competence of Member States in relation to tax matters.

11. RECALLS the ongoing work in the Council in the area of fighting tax fraud and tax evasion and notes that Member States are implementing the existing legal measures in particular Council Directives for Administrative Cooperation in the field of taxation and Council Directive concerning Mutual Assistance for the Recovery of claims relating to taxes, duties and other measures.

12. INVITES the Code of Conduct Group (Business Taxation) to continue its work on developing solutions to the problems caused by mismatched treatments of hybrid entities and instruments and calls on the Group to rapidly develop solutions in this regard and also NOTES the work in other international fora on this issue in this regard and also INVITES the Code of Conduct Group to take into due consideration the work in other international fora on this issue.

13. NOTES the work carried out in Council preparatory bodies to step up the fight against VAT Fraud, as well as the efforts by the Irish Presidency to combat this issue in a comprehensive manner and calls for efforts to continue to find solutions that are acceptable to all Member States.

14. NOTES the fact that the Presidency intends to write to the International Consortium of Investigative Journalists asking them to supply Member States through the relevant competent authorities with the names and details regarding all EU citizens on the "offshore leaks" list.

Recommendation on Aggressive Tax Planning (17617/12)

15. RECOGNISES that aggressive tax planning is a global issue and consists in taking advantage of the technicalities of the tax system or of mismatches between two or more tax systems for the purpose of reducing tax liabilities. Member States find it difficult to protect their national tax bases from erosion through aggressive tax planning. With a view to improving the functioning of the internal market and protecting tax revenues, it is necessary to encourage Member States to take all necessary steps to tackle aggressive tax planning, where appropriate, which would help diminish existing distortions.

16. CALLS upon Member States to consider where appropriate, to what extent their current national legal framework may include a General Anti Avoidance Rule which allows effective action, in compliance with the EU Treaties, against abusive tax arrangements.

17. INVITES Member States to consider the appropriateness of incorporating a General Anti Avoidance Rule, such as that suggested in the Recommendation (*17617/12*), in their national legislation.

18. UNDERLINES the importance of taking concrete action against double non-taxation via the operation of double tax conventions, while fully respecting the competency of Member States in negotiating double tax conventions bilaterally and the principle of subsidiarity, and taking account of all relevant factors over the course of a negotiation.

Recommendation on Good Governance in tax matters in third countries (17669/12)

19. CONFIRMS its wish to promote the principles of good governance in the tax area (transparency, exchange of information and fair tax competition) amongst third countries.

20. COMMITS to further work on how best to ensure that third countries meet appropriate standards of good governance in tax matters; RECALLS the OECD list of non-cooperative jurisdictions and INVITES consideration of whether developing a European list of third country non-cooperative jurisdictions is appropriate.

21. SUPPORTS the ongoing work of the Code of Conduct Group on Business Taxation. ENCOURAGES the Member States and the Commission to work closely with the OECD and the Global Forum on Transparency and Exchange of Information for tax purposes, to devise action plans aimed at combating lack of transparency and harmful tax practices in third countries.

Future Work

22. INVITES incoming Presidencies to work further in order to find the most appropriate ways to tackle tax fraud, tax evasion and aggressive tax planning at national, EU and global level as well as to reinforce efforts in promoting standards of good governance in tax matters to third countries, underlining the importance of strengthening cooperation with the OECD and G20, sharing views, experiences and best practices between Member States."

MACROECONOMIC IMBALANCES - IN-DEPTH REVIEWS - *Conclusions*

The Council discussed in-depth reviews of macroeconomic imbalances in 13 member states, published by the Commission last month. It adopted the following conclusions:

"The Council (ECOFIN):

1. WELCOMES the publication by the Commission of the in-depth reviews (IDRs) for 13 Member States identified in the 2013 Alert Mechanism Report as warranting further analysis, and the accompanying Communication summarising the main results of in-depth reviews; RECOGNISES that the IDRs present a thorough analysis of the sources and nature of imbalances in the Member States under review, consider country-specific circumstances and take into account qualitative information of country-specific nature, and relevant analytical tools; and STRESSES the usefulness of the dialogue between the Commission and the Member States concerned in the preparation of the IDRs, which contributes to ownership at the national level;

2. AGREES that all 13 examined Member States are subject to macroeconomic imbalances of various nature and magnitude; UNDERLINES the need for policy action and commitment to structural reform in all 13 Member States to address imbalances in a durable manner to create conditions for sustainable growth and jobs; CALLS ON the Member States to continue with the timely implementation of policy responses and reforms and RECOGNISES a need for continued monitoring of the action taken by Member States; and INVITES the Commission to come forward with well-focused recommendations to the Member States experiencing macroeconomic imbalances in the context of the European semester.

3. INVITES the Commission, in close co-operation with Member States, to continue the development of analytical tools for the assessment of all types of imbalances and undertake further analysis of economic and financial spill-over effects that may have a negative impact on the smooth functioning of EMU or hinder adjustment in other Member States.

4. EMPHASISES the need to ensure the overall integrity of the EU economic governance framework and the effective implementation of the macroeconomic surveillance procedure, including notably the corrective arm of the Macroeconomic Imbalances Procedure for countries with imbalances that are deemed excessive; ACKNOWLEDGES the Commission view that excessive imbalances exist in Spain and Slovenia; TAKES NOTE of the intention of the Commission to assess the policy measures outlined in National Reform Programmes and Stability Programmes of these Member States, with a view to determine whether the envisaged policy actions are adequate in view of the challenges and INVITES the Commission to consider on the basis of this assessment whether steps are needed under the Excessive Imbalances Procedure."

ECONOMIC AND MONETARY UNION

The Council took note of the presentation by the Commission of two communications on the further development of the EU's economic and monetary union (EMU). It held a brief exchange of views.

The communications relate to:

– introduction of a "convergence and competitiveness instrument" (*6849/13*);

– *ex-ante* coordination of national economic policy reforms (*6849/13*).

They follow up on work carried out by the European Council, which last December called on its president to present in June 2013, after consultations with the member states, possible measures and a timetable for the further development of EMU.

The communication on a convergence and competitiveness instrument sets out options for both contractual arrangements for member states to undertake specific reforms and financial support to help them implement these reforms.

The concept of *ex-ante* coordination of plans for major economic policy reforms was introduced by the so-called Fiscal Compact[1]. The reforms to be coordinated should focus on competitiveness, employment, the functioning of product and services markets, network industries, tax systems, financial stability and fiscal sustainability.

[1] Treaty on Stability, Coordination and Governance in the Economic and Monetary Union.

FOLLOW-UP TO INTERNATIONAL FINANCE MEETINGS

The Council took note of the outcome of international finance meetings held in Washington D.C. on 18-21 April, namely:

– G20 finance ministers' and central bank governors' meeting;

– Annual spring meetings of the IMF and the World Bank.

Discussions in Washington covered the global economic situation, the G20 framework for growth, reform of the international financial architecture, financial regulation and financing for investment.

OTHER BUSINESS

The Council was informed by the presidency of developments with regard to the following legislative dossiers:

– ***Mortgage credit***

– ***Bank supervision*** *(single supervisory mechanism);*

– ***Capital requirements*** *("CRD4")*

– ***Transparency***

– ***Markets in financial instruments*** *("MIFID");*

– ***Market abuse*** *("MAR")*

- ***Anti-money laundering***

It was also informed of a recent initiative by France, Germany, Italy, Spain and the United Kingdom on broadening automatic exchange of information in the area of **taxation** ("G5" pilot project).

MEETINGS IN THE MARGINS OF THE COUNCIL

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

– ***Informal dialogue with the European Parliament***

Representatives of the Council and the European Parliament held an informal meeting on 13 May, focusing on bank recovery and resolution and on markets in financial instruments, as well as on the European Semester process and the further development of the EU's economic and monetary union.

– ***Eurogroup***

Ministers of the euro area member states attended a meeting of the Eurogroup on 13 May.

– ***EIB annual governors meeting***

Ministers met in their capacity as governors of the European Investment Bank for the annual EIB governors' meeting.

– ***Ministerial breakfast meeting***

Ministers held a breakfast meeting to discuss the economic situation, in the light of the Commission's spring forecasts. They also discussed issues related to tax evasion and tax fraud, in preparation for the European Council meeting to be held on 22 May.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Climate finance - fast start finance - *Conclusions*

The Council adopted the following conclusions:

"The Council:

1. NOTES the EU and its Member States' commitment to provide EUR 7.2 billion cumulatively over the period 2010 – 2012 to fast start finance; UNDERLINES that despite the difficult economic situation and tight budgetary constraints, the EU and its Member States have more than fulfilled their commitment by allocating EUR 7.34 billion to fast start finance;

2. ENDORSES the official report on fast-start financing by the EU and its Member States for 2012 which concludes the period of fast-start financing; CONFIRMS that in the year 2012 a total of €2.67 billion has been allocated by the EU and its Member States to meet its FSF commitment, with 48% of the total to fund mitigation action, 28% to support adaptation efforts, 12% to support action to reduce deforestation and forest degradation in developing countries and 12% to cross sectoral activities and activities that cannot be strictly categorised; NOTES that capacity building has been a major aim of the finance provided and that the investments in enhanced capacity are expected to help boost tangible results in mitigation as well as increase the return on further investments in adaptation; REQUESTS the Commission to update the data in the Fast Start Finance report as appropriate in order to reflect any further information received before the submission to the UNFCCC; UNDERLINES the need of continuing to work actively towards common internationally agreed standards for Monitoring Reporting and Verification of climate finance flows; CONFIRMS its commitment to continue to report on the flows of climate finance in accordance with the decisions of the UNFCCC in Doha.

3. WELCOMES the progress made at the COP 18 in Doha towards the goal of adopting a global legally-binding agreement to tackle climate change, applicable to all by 2015; UNDERLINES the importance for the EU, together with other developed countries, of continuing to provide support beyond 2012 as set forth in the Doha decision and; REITERATES that in this respect the EU and its Member States are continuing to provide climate finance support after 2012 ; RECALLS that a number of Member States have already announced total voluntary contributions of EUR 5.5bn to climate finance from their respective financial provisions; WELCOMES the agreement to extend the work programme on long-term finance in 2013 which is expected to provide useful input towards the identification of pathways for mobilizing the scaling-up of climate finance in the context of meaningful mitigation actions and transparency on implementation and, WELCOMES the invitation for submissions from developed country Parties to the UNFCCC in September 2013; ENCOURAGES further analytical work on public interventions to engage private sector participation for adaptation and mitigation activities;

4. RECALLS the Council Conclusions on climate finance of November 2012; REITERATES in this respect that the EU and other developed countries should continue to work in a constructive manner towards the identification of pathways for scaling up climate finance from 2013 to 2020 from a wide variety of sources, public finance and private sector finance, bilateral and multilateral, including alternative sources of finance, as needed to reach the international long term committed goal of mobilising jointly US$100 billion per year by 2020 in the context of meaningful mitigation actions and transparency on implementation; STRESSES the need for fair burden sharing amongst developed countries and REITERATES its call for emerging economies to contribute to financing of adaptation and mitigation of climate change in line with their respective responsibilities and capabilities."

SEPA (Single Euro Payments Area) - *Conclusions*

The Council adopted the following conclusions:

"The Council:

1. REITERATES its support for the aim of the Single Euro Payments Area (SEPA): to achieve an integrated, competitive and innovative internal market for retail payment services in euro in the EU and where no distinction between cross-border and national payments in euro is made.

2. WELCOMES the successful entering into force of Regulation (EU) No 260/2012 on 31 March 2012 which sets an end-date for migration from national credit transfer and direct debit schemes to harmonized SEPA credit transfer (SCT) and SEPA direct debit (SDD) schemes by 1 February 2014 for payments in euro in euro area Member States; and CONFIRMS that this is a significant step towards a truly integrated market for retail payments in euro.

3. REGRETS that the current SEPA migration in Member States, with few exceptions, is far from being complete (as identified by a recent report of the European Central Bank). RECOGNISES that of all SEPA participants SMEs, small public administrations and local authorities are the least aware about SEPA migration and the least prepared for actual migration; and NOTES that some stakeholders seem to be planning for a late SEPA migration and therefore may be exposed to undue operational risks impacting smooth handling of payments.

4. STRESSES that the end date for migration to SCT and SDD is rapidly approaching and that immediate efforts are required by all market participants to complete the SEPA migration in euro area Member States by 1 February 2014, where applicable; UNDERLINES that the provisions of Regulation (EU) No 260/2012 have to be fully respected by all market participants in euro area Member States; and EMPHASISES that competent authorities should cooperate intensively, on a national and international level, to ensure effective and harmonized compliance with the Regulation.

5. UNDERLINES that end-users such as “big billers”, SMEs and public administrations have their own responsibility to ensure SEPA migration. STRESSES that all payment orders which are not submitted in the format requested by Regulation (EU) No 260/2012 after 1 February 2014 may not be processed by all Payment Service Providers in euro area Member States, which otherwise would be sanctioned; and INVITES merchants, corporates, SMEs and public administrations to immediately take the necessary concrete internal steps for becoming ready for SEPA in adapting their information systems accordingly and communicating their IBAN details when invoicing customers, where applicable.

6. CALLS upon all Member States to significantly intensify communication measures primarily at national level to eliminate existing public awareness gaps, especially vis-à-vis SMEs, small public administrations and local authorities; INVITES euro area National Central Banks, Ministries of Finance and other competent authorities, national banking federations and individual banks to enhance Communication activities on SEPA migration before summer 2013 through all relevant media channels, e.g. general press, professional press, billboard advertising, radio or TV, where these have not been successfully initiated already. INVITES the European Commission and the European Central Bank to provide assistance and advice to the best of their abilities to fully support the SEPA migration process and to call on SEPA Council members to step up communications to their constituencies about the importance of respecting the deadline for SEPA migration.

7. STRESSES that concrete and specific actions are of high importance beside general information campaigns in order to ensure that the information really reaches those SEPA participants which are not aware of or prepared for SEPA at this stage.

8. CALLS on banks and other payment service providers to familiarise end-users on technical, business and contractual issues related to SEPA migration (e.g. familiarize consumers with new SEPA features such as the IBAN) and to provide substantial assistance in order to facilitate their migration efforts; and ENCOURAGES banks to provide for individual information letters addressed to their clients, particularly corporates including SMEs, for raising awareness on SEPA and explaining what it entails in terms of necessary adaptations.

9. INVITES chambers of commerce, professional organisations such as e.g. those representing accountants as well as associations representing local authorities or cities to reach out to their constituencies or clients and providing them with specific information about SEPA."

Court of Auditors' Special Report: 2009 Abruzzi earthquake - *Conclusions*

The Council adopted the following conclusions:

"THE COUNCIL OF THE EUROPEAN UNION

1. WELCOMES the European Court of Auditors' Special Report No 24/2012: "The European Union Solidarity Fund's response to the 2009 Abruzzi earthquake: The relevance and cost of operations";

2. NOTES the Court's findings and recommendations regarding the relevance and cost of operations for which a European Union Solidarity Fund (EUSF) contribution was provided;

3. WELCOMES the Commission's detailed reply to the Special Report;

4. NOTES that the CASE (Complessi Antisismici Sostenibili Ecocompatibili) project is a viable example of the recent developments in disaster-response strategies; NOTES the Court's finding that not enough attention was paid to the economy of the CASE project and the Commission's consideration that while economy is to be sought, it has to be considered in the specific context of an emergency situation; and NOTES that the Commission indicated that the inclusion of the CASE project had no impact on the EU Budget;

5. For the benefit of future applicants, WELCOMES the Commission's intention to clarify the formulation of "temporary accommodation";

6. NOTES the agreement between the Court and the Commission that the question of revenue generation by EUSF-funded projects should be part of the forthcoming review of the EUSF regulation;

7. NOTES the Court's recommendation that the Commission should promote Member States' preparedness to act rapidly and effectively in emergencies; and INVITES the Commission to follow up on this recommendation as reflected in the Commission's reply;

8. RECALLS the importance of the efficient use of public resources;

9. ACKNOWLEDGES the Court's recommendation to improve the economy of future EUSF-financed operations; and CONSIDERS that a rapid and effective response is of an utmost importance in a major emergency situation, but also that the efficient use of public finances, as reflected in sound emergency procurement procedures, should continue to be upheld."

Cyprus - Measures to restore financial stability and sustainable growth

The Council adopted a decision, addressed to Cyprus, setting out the elements of a three-year macroeconomic adjustment programme aimed at restoring the soundness of its banking industry, continuing the process of fiscal consolidation and supporting competitiveness and sustainable and balanced growth.

The decision, based on articles 136(1) and 126(6) of the Treaty on the Functioning of the European Union, contains the main elements of policy conditionality for the granting of financial assistance to Cyprus by the European Stability Mechanism, as agreed by the Eurogroup on 25 March.

Adoption of the decision in all remaining languages follows its adoption in an incomplete set of language versions by written procedure on 25 April (*9136/13*).

TAXATION

VAT derogation - Czech Republic and Poland

The Council adopted a decision authorising the Czech Republic and Poland to apply measures derogating from Article 5 of directive 2006/112/EC on the territorial application of VAT as regards the construction and maintenance of border bridges and common road sections between the two member states.

The aim is to simplify the procedure for collecting VAT with respect to the construction and maintenance of the border bridges and of common road sections of the two countries.

JUSTICE AND HOME AFFAIRS

Automated data exchange with Bulgaria

The Council adopted a decision on the launch of automated data exchange with regard to Vehicle Registration Data (VRD) in Bulgaria (*8282/13*). The evaluation procedure required by decision 2008/616/JHA (OJ L 210, 6.8.2008) concluded that the general provisions on data protection are fully implemented by the Republic of Romania and this country is therefore entitled to receive and supply personal data as from the date of the entry into force of this decision.

Automated data exchange with Romania

The Council adopted a decision on the launch of automated data exchange with regard to dactyloscopic data in Romania (*8276/13*). The evaluation procedure required by Council Decision 2008/616/JHA1 concluded that the general provisions on data protection are fully implemented by Romania and therefore this country is entitled to start receiving and supplying personal data for the purpose of prevention and investigation of criminal offences, as from the date of the entry into force of this decision.

ENVIRONMENT

Biocidal products - 1R-trans phenothrin

The Council decided not to oppose the adoption of a Commission directive amending directive 98/8/EC concerning the placing of biocidal products on the market to include 1R-trans phenothrin as an active substance in Annex I thereto (*7773/13*).

The Commission directive is subject to the so called regulatory procedure with scrutiny. This means that now that the Council has given its consent, the Commission may adopt it, unless the European Parliament objects.

[1] OJ L 210, 6.8.2008.

<u>APPOINTMENTS</u>

Economic and Social Committee

The Council appointed Mr John COREY (Ireland) and Mr Emil MACHYNA (Slovakia) as members of the European Economic and Social Committee for the remainder of the current term of office, which runs until 20 September 2015 (*9144/13 and 9146/13*).