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**COUNCIL OF
THE EUROPEAN UNION**



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3115th Council meeting

Economic and Financial Affairs

Luxembourg, 4 October 2011

President	Jacek ROSTOWSKI Minister for Finance of Poland
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P R E S S

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Main results of the Council

*The Council agreed a general approach on a draft regulation aimed at increasing transparency and reducing risk in the **over-the-counter derivatives** market.*

The draft regulation calls for reporting of all derivative contracts to trade repositories (i.e. central data centres) and the clearing of standardised OTC derivative contracts through central counterparties (CCPs), in order to reduce counterparty risk. This is aimed at preventing the default of one market participant causing the collapse of other market players, thereby putting the financial system at risk.

*The Council also approved the text recently voted by the European Parliament on a package of six legislative measures designed to strengthen **economic governance** in the EU.*

*It adopted a recommendation on the nomination of Jörg Asmussen to the executive board of the **European Central Bank**, to succeed Jürgen Stark.*

*In preparation for a meeting of **G-20 finance ministers** and central bank governors on 13-16 October, the Council approved the EU's position. It also adopted conclusions on **climate finance**, ahead of the UN conference in Durban, South Africa, at the end of November.*

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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.

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Permanent Representative

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Denmark:

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Minister for Economics and the Interior

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Estonia:

Mr Jürgen LIGI

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Mr Michael NOONAN

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Greece:

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Finland:

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Minister for Finance

United Kingdom:

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Chancellor of the Exchequer

Mr Mark HOBAN

Financial Secretary

Commission:

Mr Olli REHN

Member

Mr Michel BARNIER

Member

Other participants:

Mr Philippe MAYSTADT

President of the European Investment Bank

Mr Vittorio GRILLI

Chairman of the Economic and Financial Committee

Mr Lorenzo CODOGNO

Chairman of the Economic Policy Committee

ITEMS DEBATED

DERIVATIVES - CLEARING AND REPORTING REQUIREMENTS

The Council agreed a general approach on a draft regulation aimed at increasing transparency and reducing risk in the over-the-counter¹ (OTC) derivatives market ([15148/11](#)).

This all-inclusive agreement will enable the presidency, on behalf of the Council, to start negotiations with the European Parliament, with a view to reaching agreement at first reading.

The compromise proposed by the presidency allows room² for further technical work, in the context of trilogue negotiations with the Parliament, on third country provisions.

The draft regulation calls for reporting of all derivative contracts to trade repositories (i.e. central data centres) and the clearing of standardised³ OTC derivative contracts through central counterparties (CCPs)⁴ in order to reduce counterparty risk (i.e. the risk of default by one party to the contract). This is aimed at preventing the default of one market participant causing the collapse of other market players, thereby putting the entire financial system at risk. To be authorised, a CCP would have to hold a minimum amount of capital.

The regulation is aimed at implementing commitments made by G-20 leaders in September 2009. It would apply from the end of 2012.

For details, see press release [14996/11](#).

¹ A derivative not traded on an exchange but instead privately negotiated between two counterparts.

² Through a statement to the minutes.

³ Those that have met predefined eligibility criteria

⁴ CCPs are entities that interpose themselves between the two counterparties to a transaction and thus become the 'buyer to every seller', as well as the 'seller to every buyer'

ECONOMIC GOVERNANCE

The Council agreed to a compromise text on a package of six legislative proposals on economic governance. It will formally adopt the proposals without further discussion once the texts have been finalised in all official languages.

Following intensive negotiations with representatives of the European Parliament, provisional agreement was reached on 20 September. The text was voted by the Parliament on 28 September.

The so-called "six-pack" of measures is aimed at strengthening economic governance in the EU – and more specifically in the euro area – as part of the EU's response to the current turmoil on sovereign debt markets.

The measures set out to ensure the degree of coordination necessary to avoid the accumulation of excessive imbalances and to ensure sustainable public finances, thus enabling the EU's monetary union to function properly in the long term.

More specifically, the measures set out to:

- enhance budgetary discipline under the EU's Stability and Growth Pact, in order to ensure a satisfactory decline of public debt in the member states (four proposals). This will involve enhancing the surveillance of fiscal measures, introducing provisions on national fiscal frameworks, and applying enforcement for non-compliant member states more consistently and at an earlier stage;
- broaden the surveillance of the member states' economic policies, so as to cater adequately for macroeconomic imbalances (two proposals). An alert mechanism will be introduced for the early detection of imbalances, to be assessed using a "scoreboard" of economic indicators, as well as an "excessive imbalance procedure" with enforcement for non-compliant member states.

For details, see press release [14998/11](#).

EUROPEAN CENTRAL BANK: NOMINATION OF AN EXECUTIVE BOARD MEMBER

The Council adopted a recommendation on the nomination of Jörg Asmussen to the executive board of the European Central Bank, to succeed Jürgen Stark, who announced his resignation on 9 September.

The Council's recommendation will be submitted for a decision to the European Council, after consulting the European Parliament and the ECB's governing council.

The executive board of the ECB is responsible for implementation of monetary policy for the euro area, as laid down by the governing council. It is composed of the President, a vice-president and four other members, all nominated for a non-renewable term of eight years. The governing council is composed of the six members of the executive board and the governors of the national central banks of the member states of the euro area.

EXIT STRATEGIES: FISCAL MEASURES

The Council reviewed implementation of the exit strategy it approved in December 2009 with regard to fiscal measures applied in support of the economy. It adopted [conclusions](#).

In 2008-09, member states made fiscal interventions on an unprecedented scale in order to stabilise the financial sector and support the broader economy. In October 2009, the Council agreed on the need for a strategy for the coordinated withdrawal of the measures.

IMPLEMENTATION OF THE EXCESSIVE DEFICIT PROCEDURE

The Council was briefed by the Commission on implementation of the EU's excessive deficit procedure. It held an exchange of views.

In conclusions adopted in July, the Council welcomed the fact that the fiscal strategies envisaged by member states were broadly in line with the priorities agreed for fiscal consolidation. However it noted that, while in most member states fiscal consolidation had started, others would need additional fiscal efforts.

INTERNATIONAL MEETINGS

Follow-up to G-20 finance ministers' meeting and IMF/World Bank annual meetings

The Council was informed by the presidency and the French delegation, in its capacity as G-20 presidency, of the outcome of the following meetings:

- Meeting of G-20 finance ministers and central bank governors in Washington D.C. on 22-23 September;
- IMF and World Bank annual meetings in Washington D.C on 24-26 September.

Preparation of G-20 ministerial meeting

The Council endorsed EU terms of reference for a meeting of G-20 finance ministers and central bank governors that is due to take place in Paris on 14-15 October, ahead of the G-20 summit in Cannes on 3-4 November.

The terms of reference constitute a common position for EU representatives and those member states that participate in the G-20.

The G20 ministerial meeting is expected to cover five main topics: global economy/framework for growth; financial regulation; reform of the international monetary system; commodity markets; "other issues", including climate change financing and sources of innovative financing for development.

The EU terms of reference emphasise the need for determined action to maintain financial stability, restore confidence and support growth. They endorse the adoption of an ambitious action plan at the Cannes summit to address economic challenges and to rebalance global growth over the medium-term. The terms of reference also call for convergence of financial market reforms and policies aimed at ensuring fair and orderly commodity markets.

CLIMATE CHANGE

The Council adopted the following conclusions:

"The Council:

1. WELCOMES the progress made this year in the implementation of the Cancún Agreements; RECOGNISES the need to address the remaining challenges and REITERATES the readiness of the EU and its Member States to fully cooperate with other developed and developing countries to make important headway during the approaching 17th session of the Conference of the Parties (COP 17) in Durban.
2. RECALLS the Council conclusions of 17 May 2011 on climate change, confirming the latest figures on fast-start finance provided for climate mitigation and adaptation measures in developing countries, and assessing the prospects for scaled-up financing after 2012.
3. In light of severe fiscal constraints facing many governments, EMPHASISES that a public finance contribution to the commitment made needs to be consistent with sound and sustainable public finances, and sound public financial management through careful evaluation of needs, effective disbursement and an open attitude toward innovative sources of finance and approaches to broaden private sector involvement. These are prerequisites for coherent and mutually supportive solutions to global challenges, including those related to climate change.
4. REAFFIRMS the commitment by the EU and its Member States to provide EUR 7.2 billion cumulatively over the period 2010-12 as a part of the collective commitment by developed countries under the Cancun Agreements; STRESSES the importance of fast-start finance for the swift implementation of the Cancun Agreements and to build confidence in the negotiations.
5. RECALLS the commitment under the Cancun Agreements to submit information to the UNFCCC Secretariat on the resources provided to fulfil the fast start finance (FSF) commitments by developed country Parties and UNDERLINES the necessity of providing a transparent report on fast start finance to ensure trust among parties; CONFIRMS that the EU will report in Durban on the delivery of its commitment on FSF; INVITES the Commission and Member States to update data in the FSF report submitted to the UNFCCC in May 2011, in order to reflect any further information received before the Durban UNFCCC session.

6. EMPHASISES that a combination of public finance including innovative sources and private sources, alongside increased lending and leveraging by financial institutions is essential for mobilising USD 100 billion per year by 2020 in the context of meaningful mitigation actions and transparency on implementation as determined in the Cancun Agreements, including to reduce emissions from deforestation and forest degradation (REDD+), adaptation, technology development and transfer and capacity building, while recognizing it comes at an opportunity cost; ACKNOWLEDGES the important role of Multilateral Development Banks and other public financial institutions, including the EIB in facilitating the mobilisation of these flows; REAFFIRMS the role of the private sector in providing finance for climate-related investments in developing countries and STRESSES that this role should be strengthened by further efforts to address regulatory barriers and to develop policy frameworks necessary to leverage private climate finance, including an efficient international carbon market; in this context HIGHLIGHTS that a robust carbon market is required, which drives the carbon price necessary for low-carbon investment, to achieve global mitigation objectives in an efficient way and to support the level of private and public sources required; UNDERLINES that a stable, attractive and competitive risk – return profile of climate relevant investments is a prerequisite to mobilize private sector capital. ACKNOWLEDGES the importance of developing and implementing cost-effective and non-distortive tools in cooperation with relevant private sector actors in order to leverage private capital at scale.
7. RECOGNISES the importance of public finance in supporting climate-related investments in developing countries, including adaptation measures in the most vulnerable and least developed countries; EMPHASISES the importance for accomplishing progress in the identification of sources of long-term finance. RECALLS the need to mobilize stable, predictable and additional revenues without putting fiscal consolidation and sustainability at risk, and STRESSES that it will be up to each Member State to determine the use of such public revenues in accordance with EU and national budget rules and in consistency with sound and sustainable public finances policy framework; In this context LOOKS FORWARD to the publication of the Final Report prepared for the G20 Finance Ministers meeting on Climate Finance Sources; RECOGNIZES the importance of this work aimed at progressing towards the implementation of options for expanding the flow of climate change finance to developing countries in pragmatic and cost-effective ways, and highlighting the important role that Multilateral Development Banks can play in leveraging greater private finance for climate change. INVITES the COP Presidency to seek agreement on a process to address conclusions and recommendations in an open and transparent manner to secure progress at COP17.
8. EMPHASISES the readiness of the EU and Member States to contribute, together with other parties, its fair share to mobilise the USD 100 billion per year by 2020, complementing developing countries' own efforts to implement their Cancun pledges as well as their low emission development strategies and national adaptation plans taking into account the respective capabilities of developing countries; UNDERLINES the necessity to work towards the identification of a path for scaling up climate finance from 2013 towards 2020 in the context of meaningful mitigation actions and transparency on implementation with a view to reducing global greenhouse gas emissions so as to hold the increase in global average temperature below 2 °C above preindustrial levels.

9. REITERATES that the carbon pricing of global aviation and maritime transportation is a potential source of revenues that would also generate the price signal necessary to efficiently achieve emission reductions from these sectors; CONSIDERS that further work is urgently needed in IMO and ICAO to develop without delay a global policy framework that avoids competitive distortions or carbon leakage in accordance with the principles and customary practices of ICAO and IMO; STRESSES the need of taking into account national budgetary rules and the principles and provisions of the UNFCCC in the use of potential revenues.
10. TAKES NOTE of the report by the OECD on the Measurement, Reporting and Verification (MRV) of climate finance and the report of the Commission analyzing the current reporting of public and private financial support in Member States and INVITES the Commission, in cooperation with Member States, to work towards developing a common European position, in view of contributing towards the rules being developed in the UNFCCC on monitoring, reporting and verification of support. EMPHASISES that the transparency of finance streams constitutes an essential element for information exchange on international climate finance; STRESSES the importance of ensuring effectiveness of climate finance.
11. WELCOMES the progress made in the Transitional Committee and LOOKS FORWARD to a proposal of an effective design for the Green Climate Fund as an element of an ambitious and balanced outcome in Durban; INVITES the Transitional Committee to be ambitious in its further work towards the operationalization of the Fund, by presenting a document that covers all elements included in the terms of reference; STRESSES that transparent rules for the selection of projects and programmes, and clear control procedures are essential for the smooth functioning of the Fund; HIGHLIGHTS that the Fund, as an important expenditure channel, should be complementary to existing institutions and play a catalytic role in assisting developing countries in their efforts to pursue transformational low-carbon and climate-resilient development paths, including through effective and efficient mobilization of private capital, and provide support for adaptation.
12. EMPHASISES the importance of the Standing Committee's advisory role; CONSIDERS that the Standing Committee should assist the COP in providing guidance with respect to the financial mechanism of the Convention aiming at improving coherence, encourage synergies and coordination in the delivery of international climate change financing; in this context, the Standing Committee should review the distribution of climate finance, identify finance gaps and provide a regular overview of climate financing provided to developing countries. In this context PROPOSES that the UNFCCC Secretariat should support the Standing Committee's work, and regularly collate comprehensive information on both public and private climate finance flows."

EVENTS IN THE MARGINS OF THE COUNCIL

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

- Macroeconomic dialogue with the social partners

A dialogue on macroeconomic issues was held on 3 October between the presidency, the Commission, the European Central Bank and the president of the Euro Group, on the one hand, and the social partners (employers and trade unions at EU level and representatives of public enterprises and SMEs), on the other.

- Euro Group

Ministers of the euro area member states attended a meeting of the Euro Group on 3 October.

- Ministerial breakfast meeting

Ministers held a breakfast meeting to discuss the economic situation, as well as the lowering of pricing for the European Financial Stabilisation Mechanism (EFSM) and maturity extension issues with regard to Ireland and Portugal.

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Over lunch, ministers discussed impact assessments of proposals for European legislation.

OTHER ITEMS APPROVED**EMPLOYMENT****Globalisation adjustment fund - Germany and Portugal**

The Council adopted decisions mobilising a total amount of EUR 5.8 million under the EU globalisation adjustment fund, providing support for workers made redundant in Germany and in Portugal.

An amount of EUR 4.3 million will be allocated to workers made redundant in the German motor vehicles manufacturing sector, arising from a decline in demand for new vehicles as a consequence of the global economic crisis. An amount of EUR 1.4 million is mobilised for dismissed workers in the enterprise Rohde Sociedade Industrial de Calçado Luso-Alemã, following a decline in demand for clothing and footwear in the context of the crisis.
