COUNCIL OF
THE EUROPEAN UNION

Brussels, 6 September 2012

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**NOTE**

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| from: | General Secretariat of the Council |
| to: | Delegations |
| Subject: | Summary record of the meeting of the European Parliament **Committee on Economic and Monetary Affairs (ECON)**, held in Brussels on 3 September 2012 |

The meeting was chaired by Ms Bowles (ALDE, UK) and Mr Zalba Bidegain (EPP, ES).

**1. Adoption of agenda**

The agenda was adopted.

**2. The feasibility of introducing Stability Bonds**

ECON/7/08673 2012/2028(INI)
Rapporteur: Ms Sylvie Goulard (ALDE, FR)
Consideration of amendments

During the exchange of views that took place regarding the 352 tabled amendments, Mr Feio (EPP, PT) and Ms Lulling (EPP, LU) suggested establishing a link between budgetary discipline and solidarity.

Mr Feio proposed looking into European safe bonds in the short term and, together with Mr Giegold (Greens/EFA, DE), proposed addressing subsequently debt mutualisation and Treaty change as medium and long term solutions in order to enhance economic and monetary union. Ms Lulling, (EPP, LU) favoured *ex ante* control of national budgetary policies by European institutions.
Mr Lamberts (Greens/EFA, BE), Mr Hoang Ngoc (S&D, FR) and Mr Klinz (ALDE, DE) supported the creation of a redemption fund. Mr Lamberts advocated complementing the redemption fund with adequate democratic supervision and accountability, whereas Mr Hoang Ngoc recommended extending its duration to more than 25 years and having conditionality enlarged to include macroeconomic objectives. Mr Klinz raised concerns on complementing a redemption fund with 100 per cent pooling of debt, questioning in the process the legality of such a move. In his opinion, the European Union should first and foremost focus on the creation of a redemption fund complemented only by the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM).
Mr Lamberts criticized the Commission's current short-termism strategy whereas Mr Ferber (EPP, DE) raised concerns regarding Treaty change, which he judged quite unlikely. He thought the pooling of debt could lead to higher expenditure and moral hazard. Mr Strejček (ECR, CZ), on behalf of Mr Eppink (ECR, BE), proposed first encouraging national structural reforms before considering Eurobonds. He considered the lack of heterogeneity within the European Union and the unanimity requirement for Treaty change as significant hurdles towards reforms at the European level and proposed slowing down the impetus for change.
According to Mr Giegold, the pooling of debt was a *de facto fait accompli* being perpetrated by the European Central Bank (ECB) and he criticized the absence of democratic accountability and supervision.

The rapporteur, Ms Goulard (ALDE, FR), wrapped-up the discussion by stating that it was important to respect the current Treaties and to consider transferring additional competences to the ECB, underlining the importance of using discipline intelligently to assist Member States in difficulty, and adding that the stability of the Eurozone was of interest across the whole European Union.

Vote in ECON: 19 September 2012. Vote in plenary: October 2012.

**3. Towards a genuine Economic and Monetary Union**

ECON/7/10022 2012/2151(INI)
Rapporteur: Ms Marianne Thyssen (EPP)
First exchange of views and debate with:

- Mr Mario Draghi, President of the ECB

The meeting was held in camera.

**4. Towards a genuine Economic and Monetary Union**

ECON/7/10022 2012/2151(INI)
Rapporteur: Ms Marianne Thyssen (EPP)
First exchange of views and debate with:

- Mr Michel Barnier, Commissioner for the Internal Market and Services

The meeting was held in camera.

**5. Approval of minutes of meeting of:**

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|---|---|
| • 20-21 March 2012 | PV – PE487.902v01-00 |
| • 25-26 April 2012 | PV – PE492.824v01-00 |
| • 14 May 2012 | PV – PE494.519v01-00 |
| • 30-31 May 2012 | PV – PE492.823v01-00 |
| • 7 June 2012 | PV – PE492.849v01-00 |
| • 11 June 2012 | PV – PE494.541v01-00 |
| • 18-19 June 2012 | PV – PE492.781v01-00 |
| • 25 June 2012 | PV – PE492.796v01-00 |

The minutes were approved.

**6. Chair's announcements**

There were no announcements.

**7. Adoption of the 2013 draft calendar of ECON committee meetings**

ECON/7/00338

The 2013 draft calendar of the Committee on Economic and Monetary Affairs (ECON) was approved.

**8. General budget of the European Union for the financial year 2013 - all sections**

ECON/7/09530
Rapporteur for the opinion: Mr Ashley Fox (ECR, UK)
Rapporteur for the responsible committee (BUDG): Mr Derek Vaughan (S&D, UK) and Mr Giovanni La Via (EPP, IT)
Consideration of amendments

During the exchange of views that took place before the vote, Mr Fox (ECR, UK) underlined the broad compromise among political groups to prioritize certain areas and, more specifically, to provide additional funding for the European Supervisory Authorities (ESAs), which in his opinion should be matched with corresponding spending cuts in other areas. He expressed some concern regarding the fact that some amendments did not correspond to the wording of the opinion as regards prioritizing, since they implied spending increases in almost every other area and rejected spending cuts.

Mr Gauzès (EPP, FR) regretted the fact that the positions of the European Parliament on the current exercise had been largely ignored. Mr Ludvigsson (S&D, SE) called for an increase in spending on the provision of adequate statistics at European level and for the fight against tax evasion. He thought cuts should be introduced in where there was a lack of efficiency and in unnecessary lines. Mr Torvalds (ALDE, FI) advised against a complete freeze of the European Union budget since the current payment needs resulted from compromises in the previous annual budget and Multi Financial Framework (MFF). Mr Giegold (Greens/EFA, DE) noted that deeper integration required a commensurate European budget and therefore rejected calls to match spending increases with cuts, whereas Mr Tehro (EFD, FI) supported a freeze in the European budget.

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

**9. General budget of the European Union for the financial year 2013 - all sections**

ECON/7/09530
Rapporteur for the opinion: Mr Ashley Fox (ECR, UK)
Rapporteurs for the responsible committee (BUDG): Mr Derek Vaughan (S&D, UK) and Mr Giovanni La Via (EPP, IT)
Adoption of draft opinion

The draft opinion was approved, with 37 votes in favour, 2 against and 2 abstentions.

The committee also voted on several lines of the Budget of the European Union for the financial year 2013 concerning the European Supervisory Authorities, taxation, customs, Fiscalis 2013 and the statistical programme.

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

**10. Towards a genuine Economic and Monetary Union**

ECON/7/10022 2012/2151(INI)
Rapporteur: Ms Marianne Thyssen (EPP)
First exchange of views and debate with:

- Mr Olli Rehn, Commissioner for Economic and Monetary Affairs and the Euro

In his initial address, Commissioner Rehn delivered the speech in the annex, in which he outlined the main elements of the Commission's legislative proposal regarding banking union, notably the creation of a Single Supervisory Mechanism (SMM) open to all other Member States, with an ambitious scope in terms of bank coverage, with the ECB at its heart and including the participation of national supervisors, and with the appropriate mechanisms of democratic accountability. More specifically, he explained that it would be necessary to separate the ECB's supervisory functions from those related to the implementation of monetary policy, and that the creation of the SSM would be followed by the building-up of a Common Deposit Guarantee Scheme and a single European recovery and resolution framework. He also referred to a subsequent move towards a fiscal union which could involve coordinated or even common, but limited, debt issuance, as long as risk sharing was accompanied by commensurate steps towards common decision-making on budgets that safeguarded against moral hazard and free-riding. He noted that further steps towards integration  in the long run, including stronger fiscal integration, possibly coupled with common debt instruments, had to be accompanied by further pooling of decision-making and by Treaty changes with the corresponding steps to ensure political legitimacy.

Mr Rehn concluded by acknowledging the need to increase the involvement of the European and national Parliaments.

In the subsequent exchange of views, Ms Thyssen (EPP, BE) noted that the working paper she had prepared outlined a number of concerns regarding the SSM and the use of Article 127 of the Treaty on the Functioning of the European Union (TFEU) regarding the role of the EP as co-legislator, the opt-in clause for non euro-area countries, the nature of the banking supervisory system and its degree of coverage, the separation of the ECB's competences and the appropriate balance between independence and democratic supervision, the hierarchical relationship between the ECB and the EBA, the role of the European Stability Mechanism (ESM) as a financial backstop and its access to banking capital, the nature and number of funds to protect depositors, the degree of intrusive powers at European level on national budgets, the creation of a redemption fund, the improvement of economic governance, including the European Semester, and the nature of country-specific recommendations.

Apart from Ms Thyssen, other interventions also focused on the need to increase democratic accountability. Mr Hoang Ngoc (S&D, FRR) noted that the six-pack had provided only a slim window for the involvement of the EP and national Parliaments. Ms Goulard (ALDE, FR) insisted on the continued use of the codecision procedure. Mr Lamberts (Greens/EFA, BE) also regretted the minor role of the EP which he considered to be inconsequential and merely consultative. Mr Strecjček (ECR, CZ) pointed out that the deepening of the European Union had to be endorsed by, and include the participation of, European citizens.
Some speakers enquired as to the design, and current and future role of European bodies such as the European Central Bank (Ms Ferreira -S&D, PT-), the European Banking Authority (Ms Thyssen), and the European Systemic Risk Board (Ms Goulard).
Mr Hoang Ngoc welcomed *ex ante* cooperation within the budgetary framework, noting that there was room for improvement, whereas Ms Thyssen and Mr Lamberts proposed enhancing the Commission's powers within the European Semester and, more specifically, in the follow-up of Member States' application of recommendations and European policies such as the EU2020 strategy. Mr Lamberts noted that there could not be a sustainable budget without further and deeper fiscal integration.

Ms Ferreira called for a level social and tax playing field across the European Union. She and Ms Andreassen (EFD, UK) questioned the validity of the Commission's strategy to address the current crisis and its impact on existing imbalances within the European Union, with Ms Andreassen and Ms Podimata (S&D, EL) questioning the effectiveness of a future banking union in tackling unemployment and breaking the link between sovereign debt and banks.

Mr Rehn thanked the EP for its input so far in the current rebuilding process of the EMU and expressed his wish for a significant contribution from the EP in the forthcoming banking union. He informed the committee that the Commission would present in the coming weeks a legislative proposal concerning the SSM and a communication on the banking union, including the creation of a common deposit guarantee scheme and a common resolution fund. He explained that the regulation setting up the SSM would be based on Articles 114 and 127(6) of the TFEU in order to ensure adequate coordination between the ECB, the EBA and Member States not yet participating in the banking union. He pointed out that direct bank recapitalization would only be possible once the SSM became operational. He favoured the creation of a single unified system encompassing banking supervision, with both the common deposit guarantee scheme and the common resolution fund open to non euro area countries. He also highlighted the decision taken during the last European Council meeting in June to increase the capital base of the European Investment Bank (BEI) in order to stimulate growth and boost public and private investment across Europe.

Consideration of draft report: 19 September 2012. Deadline for amendments: 24 September 2012. Consideration of amendments: 8 October 2012. Vote in ECON: 15 October 2012. Vote in plenary: October 2012.

**11. The European Semester for economic policy coordination: Implementation of 2012 priorities**

ECON/7/09626 2012/2150 (INI)
Rapporteur: Mr Jean-Paul Gauzès (EPP)
Consideration of draft report

In his initial address, Mr Gauzès (EPP, FR) mentioned that the report called for the additional involvement of the European Parliament, for the enhancement of the Commission's objectivity when issuing recommendations by taking into account national specificities, for the scrupulous monitoring of the implementation of country-specific recommendations by the Commission, for the compliance of Member States with the Stability and Growth Pact (SGP) rules, and for the swift conclusion of the two-pack negotiations.

Ms Ferreira (S&D, PT) explained that she was not very enthusiastic about paragraphs 3, 9 and 10. She believed it was necessary to emphasise the need to tackle tax evasion and fraud and pointed out that recommendations should be made to all Member States irrespective of their economic situation. She also noted that recommendations should be followed adequately in order to assess their efficiency and they should be more flexible in order to also take account of on-going developments.

Ms Goulard (ALDE, FR) EP underlined the need to link the draft report with that of Ms Thyssen (EPP, BE) on Economic and Monetary Union (EMU) and to ensure consistency with the two-pack. She agreed with suggestions to focus on tax evasion.

Ms Turunen (Greens/EFA, DK) expressed her group's support for the European Semester concept, but believed that some adjustments were necessary, more specifically, that budgetary discipline should be complemented with smart and flexible fiscal consolidation.

In her opinion, recommendations were imbalanced since in most cases they only addressed wage levels, pensions and social expenditure, whereas in her view they should also take account of other areas such as taxes, capital gains, consumption, property and pollution. Finally, she asserted the need to differentiate objectives from measures in order to give some leeway to Member States.

Mr Ludvigsson (S&D, SE) thought collective bargaining and labour rights should remain under national remit. He also agreed with the previous calls to focus on tax evasion.

Mr Giegold (Grens/EFA, DE) noted that promises of reform by some Member States had been only partially implemented. He suggested linking the European Semester and the EU2020 strategy, emphasizing employment and sustainable growth, addressing imbalances in the National Reform programs (NRPs), and involving all stakeholders.

Deadline for amendments: 11 September 2012. Consideration of amendments: 26 September 2012. Vote in ECON: 8 October 2012. Vote in plenary: 22 October 2012.

**12. Date of next meeting**

The next meeting will be held in Strasbourg on 10 September 2012.

**ANNEX**

**Speech by Mr Rehn, Commissioner responsible for Economic and Monetary Affairs and the Euro**

Mme Chair, Honourable Members, Ladies and Gentlemen,

I want to thank you for having initiated this discussion on the deepening of the Economic and Monetary Union, a project on which we have been jointly working on for the past two and a half years – and which will be with us, for sure, for at least two and a half years to come. I believe a profound discussion on these issues makes an appropriate start for what promises to become an exceptionally intensive and busy autumn season.

The EU has in the last few years taken substantial and far-reaching steps to overcome the financial and debt crisis and to improve the governance of EMU. However, tensions in the peripheral sovereign debt markets have intensified over the past year. Continuing financial stress and remaining economic imbalances mean that both the EMU and the future of our citizens' wellbeing remain under pressure.

Further changes to the current EMU architecture are definitely needed to address the weak spots of the original arrangements and to ensure stronger foundations for a sustainable single currency. Action is needed over the short term to contain the crisis, revive growth and unwind imbalances. And this needs to be combined with a long-term vision for EMU and a clear roadmap towards that vision.

Against this background, the June European Council exchanged views on further deepening of the EMU, based on the report "Towards a Genuine Economic and Monetary Union" presented by the President of the European Council, in cooperation with the Presidents of the Commission, Eurogroup and ECB.

The report sets out four essential building blocks for the future of EMU: an integrated financial framework, an integrated budgetary framework, an integrated economic policy framework, and strengthened democratic legitimacy and accountability.

Progress is needed on all these fronts, and the Heads of State or Government gave a mandate to the President of the European Council, in close collaboration with the other three Presidents, to present an interim report by October 2012 and a final report before the end of the year. The interim report, which will be presented to the October European Council, will focus on further measures that could be introduced in the short term.

The final report in December will also examine what can be done within the current Treaty framework and which measures would require Treaty changes.

The Member States and the European Parliament will obviously be closely associated to these reflections and consulted during the preparation of the reports. The aim of the consultation process is to generate consensus on what is feasible in the short term and what is desirable in the longer term, in order to arrive at a comprehensive roadmap for the achievement of a genuine Economic and Monetary Union. Essentially, this means completing the rebuilding of the EMU, and thus creating an EMU 2.0.

Ladies and Gentlemen,

The further development of the financial union or banking union should be seen as a top priority in this context. We want to move without delay, and thus in two stages. At the present we are at the first stage: in line with the Euro Summit statement of 29 June, the Commission has been working on a legislative proposal for establishing a Single Supervisory Mechanism (SSM) for euro area banks as a matter of urgency. This will be presented in less than two weeks, in order to be finalised by the end of the year. Agreement on a Single Supervisory Mechanism should clear the way for the ESM to adopt, by a regular decision, a new instrument to enable the direct recapitalisation of banks.

We are convinced that moving the supervision of banks to the European level, as well as the envisaged further steps towards establishing a fully-fledged banking union, are necessary measures to ensure the stability of the integrated European economy and to break the negative feedback loop between sovereigns and banks.

You have just discussed this strand of our work in detail with my colleague Michel Barnier and it was also a subject of your debate with the President of the ECB Mario Draghi, with both of whom I have worked in very close cooperation. If you want to take this as a sign of unity and mutual understanding, I do not mind. Let me yet outline the main elements of our proposal, as it is a cornerstone of our comprehensive crisis response and of the future of EMU and the euro.

The financial system in Europe is highly integrated. As a consequence, there is great potential for financial instability that originates in one country to spill very rapidly over to other countries. The potential for cross-border contagion in crises is even greater for euro area countries. The Single Supervisory Mechanism will therefore apply to all Euro area Member States, but will be open to the participation of other Member States that wish to embark on a path of deeper integration.

In such cases, the member state concerned is expected to make a legal commitment and give assurances that the decisions taken by the ECB will be binding for their national authorities and banks.

The Single Supervisory Mechanism will need to have an ambitious scope as far as the number of banks covered is concerned. As we have seen in recent years, even small banks can be systemic and cause financial turmoil (Northern Rock, Anglo Irish, Bankia). Our approach therefore envisages an ambitious mechanism with a relatively broad coverage, which will oversee all banks in the euro area, with the ECB at the heart of the system.

The ECB will have to be entrusted with the prime responsibility and with key supervisory tasks to ensure efficient and high-quality supervision. National supervisors, who have accumulated experience and developed expertise in prudential supervision, will continue to play an important role in this system.

We will have to ensure that any risk of conflicts of interest in the decision making bodies of the ECB is excluded, in particular by ensuring the separation of supervisory functions from those related to the implementation of monetary policy.

Finally, appropriate mechanisms of democratic accountability must be constructed: for supervisory duties, the responsibility of the ECB must be strengthened, compared to the independence it enjoys as an institution responsible for monetary policy.

The Commission has already proposed legislation that will reinforce the current national systems for deposit guarantee schemes and bank resolution and recovery, and strengthen the capital requirements for banks. These proposals, which will apply to all the 27 Member States, are crucially important, and they should be adopted by the Council and European Parliament as soon as possible.

At the second stage, we must make decisive progress to build a Common Deposit Guarantee Scheme for the protection of depositors, as well as for a single European recovery and resolution framework.

When presenting the legislative proposals for setting up a Single Supervisory Mechanism, we shall also adopt a Communication which sketches out the roadmap towards a fully-fledged banking union.

Honourable Members,

The very high levels of economic and financial interdependence, particularly in the euro area, call for a qualitative move towards a fiscal union, in order to ensure the smoothest possible functioning of the EMU for the benefit of European citizens.

A fiscal union needs to ensure sound budgetary policies at the national and European levels, so as to contribute to sustainable growth and ensure macro-economic stability.

It should include effective mechanisms to prevent and correct unsustainable fiscal developments in the Member States. It should also include tools to deal with asymmetric shocks and to help prevent contagion in the euro area.

This could in turn involve coordinated or even common – but limited – debt issuance, as long as the risk sharing is accompanied with commensurate steps towards common decision-making on budgets that safeguard against moral hazard and free-riding.

While we need to be ready for bold steps towards integrated financial, fiscal and economic policies, we should not raise the bar too high – at least in the short term – since this would risk, paradoxically, playing into the hands of those seeking to portray a truly integrated EMU as an impossibility.

Therefore, while we reflect and work on the design of a future EMU, we must at the same time make full use of the existing instruments and toolbox and of the governance framework currently in place, improving them where there is room for improvement.

We can still enhance the governance framework, in particular by completing work on the two-pack. We must introduce new dynamism into the ongoing trilogues to allow us to swiftly reach an agreement that respects the original aim of proposals, notably improving budgetary surveillance and coordination in the euro area.

This includes a timely presentation of Member States' draft budgetary plans ahead of parliamentary adoption and a more efficient framework to ensure the correction of excessive deficits.

Further steps towards integration can be pursued in the longer-run, including stronger fiscal integration, possibly coupled with common debt instruments. But it should be clear that such steps would involve significant further pooling of decision-making and would likely require Treaty changes and corresponding steps to ensure political legitimacy.

Honourable members,

Moving towards more decisions made at European level on financial, fiscal and economic policies requires strong mechanisms to legitimise the decisions taken in common and to ensure the necessary democratic accountability and political participation. This is essential to build public support for European-wide decisions that have a far reaching impact on the everyday lives of citizens. Citizens should not only be able to enjoy the benefits in terms of more stability and prosperity but also feel more ownership of the policy processes.

The Economic Dialogue introduced by the Six-Pack is a new inter-institutional instrument ensuring a forum for democratic accountability in the area of economic policy coordination.

A potentially far-reaching aspect of the six-pack are the innovative provisions which allow the Parliament to conduct Economic Dialogues with individual Member States, in particular when they are in breach EU rules. These provisions allow for a national government to be held to account in public at the European level for any failure to respect their European obligations.

But the Economic Dialogue with the European Parliament is probably not enough to respond to broader questions about the democratic accountability of "Brussels" towards European citizens. There also needs to be more and closer co-operation between national parliaments and the European Parliament.

In this context, let me also draw your attention to one of the important proposals within the two-pack. It is the possibility for the Commission to be invited by national parliaments to explain its position on national budgets. Future legislation (for example on ex ante economic policy co-ordination) could include similar provisions.

Ladies and Gentlemen,

Let me conclude with a few observations of more general nature.

I find it positive and important that the needed serious debate on the future of the euro has now begun. Most participants in the debate agree that deeper integration is a central part of that vision. Most agree that this needs to be accompanied by stronger democratic legitimacy and accountability of decision-making.

I believe that in moving ahead with our common vision, Europeans will not and cannot be divided into winners and losers. Either we all win together or we all lose together.

If the impression gains ground that undue advantages are gained by some at the expense of others, the result will not be politically sustainable. We are already seeing some worrying signs of such sentiments.

In this context, we need bridge-building to cross these different views and perceptions. They need to be replaced by a common vision towards a genuine and effective economic and financial union, backed by strong democratic accountability. That is a vision to build a true stability union of responsibility and solidarity, capable of enabling sustainable growth and job creation.

Dear Members of the ECON committee, your contribution to this debate and vision will be crucial, for the benefit of Europe and its citizens.