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Economic and Financial Affairs

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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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ITEMS DEBATED

MONEY LAUNDERING

The Commission presented a proposal to strengthen EU rules aimed at preventing money laundering and terrorist financing.

The Council held a preliminary exchange of views.

The proposed directive is a central element of the EU's response to recent terrorist attacks in Europe, as well as the April 2016 Panama Papers revelations. It is part of a Commission action plan to clamp down on terrorist financing, on which the Council adopted conclusions on 12 February 2016.

Technical work on the proposal will start in July 2016, with a view to enabling a Council agreement within months.

The proposal contains provisions dealing with:

- virtual currency exchange platforms;
- anonymous prepaid payment instruments;
- powers granted by the member states to their financial intelligence units;
- the holders of bank and payment accounts;
- access to information on beneficial ownership, i.e. owners of companies and trusts;
- interconnection of national central registers.

It also brings forward the deadline for transposing the previous revision of the EU's money laundering rules (regulation and directive), to 1 January 2017 (instead of 26 June 2017).

[July 2015 proposal on the prevention of money laundering and terrorist financing](#)
[Factsheet on the February 2016 action plan on the prevention of terrorist financing](#)
[February 2016 Commission action plan for strengthening the fight against terrorist financing](#)
[February 2016 Council conclusions on the fight against the financing of terrorism](#)

PRESIDENCY WORK PROGRAMME

The Slovak presidency presented a work programme for the duration of its term, which runs from July to December 2016.

The presidency programme highlights 7 main priorities for economic and financial affairs:

- financial services and banking union: further work in line with Council conclusions adopted on 17 June 2016;
- further development of the EU's capital markets union;
- implementing the 2014 "Investment plan for Europe";
- completing the EU's economic and monetary union;
- agreement on the EU's general budget for 2017, and work on the EU's multiannual financial framework;
- combating tax fraud, tax evasion, tax avoidance and money laundering, as well as work on VAT on the basis of Council conclusions adopted on 25 May 2016;
- reform of the EU's structural and investment funds.

[Work programme of the Slovak presidency of the Council](#)
[Slovak presidency website](#)

TAX TRANSPARENCY

The Commission presented a communication on further measures to enhance tax transparency and the prevention of tax evasion and tax avoidance.

The Council held a preliminary exchange of views. Experts will now examine the communication. The presidency intends to prepare conclusions for adoption in the coming months.

The communication, issued on 5 July 2016, provides an overview of possible action at EU level in response to the April 2016 Panama Papers revelations. It highlights progress made in enhancing transparency and tackling tax evasion and tax avoidance in line with the European Council's conclusions of 26 June 2016.

It sets out further measures to address the remaining challenges:

- harnessing the link between measures to prevent money laundering, on the one hand, and tax transparency rules, on the other;
- improving the exchange of information on beneficial ownership, so as to increase transparency about who owns companies and trusts;
- increased oversight of enablers and promoters of aggressive tax planning;
- promoting good tax governance standards worldwide;
- improving the protection of whistle-blowers.

The communication is accompanied by a proposal for a directive that would enable access for tax administrations to information on beneficial ownership. Council experts will also examine the proposal.

[July 2016 Commission communication on measures to enhance tax transparency](#)
[July 2016 proposal for a directive to enable access to information on beneficial ownership](#)

IMPLEMENTATION OF THE BANKING UNION

The Council took stock briefly of the EU's banking union, as concerns:

- implementation of agreed rules in national laws and regulations;
- ongoing work on financing arrangements for the single resolution fund.

It noted that significant progress had been made since January 2016. The Council has regularly reviewed the situation since mid-2015.

The banking union is aimed at placing Europe's banking industry on a sounder footing, whilst ensuring that non-viable banks are resolved without recourse to taxpayers' money. Launched in 2012, it is part of a longer-term plan for financial integration. Involving a transfer of responsibility from the national to the EU level, it currently comprises the 19 countries of the euro area. Seven other member states have also indicated their intention to join.

The banking union currently consists of two main initiatives, the single supervisory mechanism (SSM) and the single resolution mechanism (SRM). These are based on a regulatory framework, the "single rulebook", which applies to all 28 member states.

On 1 January 2016, the SRM became operational and the single resolution fund (SRF), a component of the SRM, was established.

As of 1 July 2016:

- 20 member states, including all 19 current members of the banking union, had ratified an intergovernmental agreement (IGA) on the SRF;
- the transfer to the SRF of contributions raised in 2015 under a directive on bank recovery and resolution was almost complete;
- 11 of the 19 banking union member states had signed a loan facility agreement on bridge financing for the SRF.

As concerns the single rulebook, on 1 July 2016:

- 25 of the 28 member states had fully transposed the directive on bank recovery and resolution, whilst the three others had partially transposed it;
- 26 of the 28 member states had fully transposed a directive on deposit guarantee schemes (DGSs), and the two others had partially transposed it.

[Banking union](#)

BANKING REFORM - BASEL COMMITTEE

The Council discussed the completion of work on post-crisis banking reform.

It took note of concerns expressed by some member states

The reform has been undertaken by the Basel committee, a forum of supervisory authorities whose objective is to enhance cooperation and improve bank supervision worldwide.

The Council adopted the following conclusions:

"THE COUNCIL OF THE EUROPEAN UNION:

REITERATES its support for the work by the Basel Committee to refine elements of the Basel III framework by the end of 2016 to ensure regulatory certainty, its coherence and effectiveness, while preserving the risk sensitivity of banking regulation.

STRESSES the importance that the Basel Committee carefully assesses the design and calibration of this reform package, on the basis of a comprehensive and transparent quantitative impact analysis, taking into account in its global calibration also the distribution of its impact on the different banking models and across jurisdictions.

NOTES that the reform package would not be expected to result in a significant increase in the overall capital requirements for the banking sector, therefore, not resulting in significant differences for specific regions of the world."

EXCESSIVE DEFICIT PROCEDURE - PORTUGAL AND SPAIN

The Council adopted decisions establishing that Portugal and Spain had not taken effective action in response to its recommendations on measures to correct their excessive deficits.

The two countries' deficits remain above 3% of GDP, the EU's reference value for government deficits.

The Council's decisions will trigger sanctions under article 126(8) of the Treaty on the Functioning of the European Union. In line with legal provisions, they will also be reported to the European Council.

[2016 press release on no effective action by Portugal and Spain to correct their excessive deficits](#)

COUNTRY-SPECIFIC RECOMMENDATIONS

The Council issued recommendations to the member states on their economic, employment and fiscal policies.

It issued explanations in cases where the recommendations differ from those proposed by the Commission.

Adoption of the texts, following their endorsement by the European Council on 29 June, concludes the 2016 "European Semester" policy monitoring process.

[Press release on 2016 country-specific recommendations](#)

BARRIERS TO INVESTMENT

The Council took stock of work on removing barriers to investment.

The chairman of the Economic and Financial Committee (EFC) reported on thematic discussions held on the subject so far.

The EFC has identified three areas where steps could be taken by the member states, and which could have an important impact on the investment environment. These are insolvency frameworks, access to funding and cross-border synergies, particularly in network industries.

The Council asked the EFC to continue its work on the subject and agreed to discuss it again at a future meeting. It considered that actions should be tailored to the specific situation and specific barriers faced in each member state.

Removing investment barriers is the third of the three main strands of the Commission's 2014 "investment plan for Europe": The other two involve:

- mobilising at least €15 billion in new investments between 2015 and 2017 under the European Fund for Strategic Investments (EFSI);
- ensuring that new investment generated under the EFSI meets the needs of the real economy. This involves a European Investment Advisory Hub to provide technical assistance to governments and project promoters, and a European Investment Project Portal to help investors identify projects.

Progress on improving the investment environment has been more elusive than on the other two strands. Since September 2015, the Economic Policy Committee has held six thematic discussions aimed at identifying key bottlenecks and the way forward. But there has been little follow-up so far, as the member states are responsible for deciding what to do with the information gathered.

The Commission has therefore identified possible means for improving the situation, namely:

- enhanced monitoring of structural reforms and technical assistance;
- better assessment of the impact of reforms, including through the use of benchmarking;

- considering the role of EU funds and conditionality in the use of those funds;
- use of the flexibility that exists under the Stability and Growth Pact, the EU's fiscal rulebook.

The EPC's discussions covered the six following themes:

- public investment in transport infrastructure;
- insolvency frameworks;
- best practices with public-private partnerships;
- investment in network industries;
- price regulations and environmentally harmful subsidies in the energy market;
- residential investment in energy efficiency and renewable energies.

[Communication "Taking stock of the Investment plan for Europe and next steps"](#)

G20 MEETING IN CHENGDU

The Council reviewed preparations for a meeting of G20 finance ministers and central bank governors in Chengdu on 23 and 24 July 2016.

The presidency will participate in the meeting on behalf of the EU, together with the Commission and the European Central Bank. Economic developments will be reviewed at the meeting, as well as how best to address global challenges. Other topics include investment, the international financial architecture, financial sector reforms, taxation, climate-related issues and measures to prevent terrorist financing.

The 2016 G20 summit is scheduled to take place in Hangzhou on 4 and 5 September.

ECONOMIC AND MONETARY UNION – CONVERGENCE REPORTS

The Commission and the European Central Bank reported on the readiness for euro membership of the 7 non-eurozone member states that have a derogation from economic and monetary union (EMU).

The reports show that the 7 member states comply with most EMU convergence criteria, but none of them fulfils all obligations at this stage.

Nineteen of the EU's 28 member states currently use the euro as their currency. Of the 9 that do not, 7 have an EMU derogation, which implies that they have not yet fulfilled the conditions for adopting the euro. Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania and Sweden fall into this category, whilst Denmark and the United Kingdom are not required to adopt the euro.

Article 140 of the Treaty on the Functioning of the European Union requires the Commission and the ECB to issue convergence reports at least once every two years.

The reports assess:

- the fulfilment of EMU obligations, including the compatibility of national legislation and central bank statutes with treaty provisions and with the statutes of the European System of Central Banks;
- the fulfilment of convergence criteria as regards price stability, the sustainability of public finances, exchange rates and long-term levels of interest rates.

They also take account of market integration, each country's balance of payments, as well as unit labour costs and other price indices.

[2016 convergence report by the Commission](#)

[2016 convergence report by the ECB](#)

OTHER BUSINESS

– *Financial services*

The Council was updated as concerns work on legislative proposals on financial services.

[July 2016 secretariat note on progress on financial services legislative dossiers](#)

EVENTS IN THE MARGINS OF THE COUNCIL

– ***Eurogroup***

Ministers of the eurozone member states attended a meeting of the Eurogroup on 11 July 2016. They discussed the economic situation in the euro area, the outcome of post-programme surveillance missions to Portugal and Ireland, the budgetary situation in Portugal and Spain, the euro area fiscal stance in 2017, and improving conditions for investment.

[Eurogroup main results](#)

– ***Meeting with the European Parliament***

The presidency, the two next presidencies and the Commission held an informal meeting with representatives of the European Parliament. They discussed the EU's banking union, legislative dossiers (including capital markets union), next steps as concerns economic and monetary union, and issues related to the United Kingdom referendum on EU membership.

– ***Ministerial breakfast***

Ministers held a breakfast meeting to discuss the economic situation.

– ***Taxation agreement with Monaco***

The EU and Monaco signed an agreement aimed at improving tax compliance by owners of savings accounts.

The agreement will contribute to efforts to prevent tax evasion, requiring the EU member states and Monaco to exchange information automatically. This will enable tax administrations to improve cross-border access to information on the financial accounts of each others' residents.

[Press release on the 2016 EU-Monaco taxation agreement](#)

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Corporate tax avoidance

The Council adopted a directive addressing some of the practices most commonly used by large companies to reduce their tax liability.

The directive is part of the Commission's January 2016 package of anti-tax-avoidance proposals. It implements and builds on the OECD's autumn 2015 recommendations to address corporate tax base erosion and profit shifting (BEPS).

The directive addresses situations where corporates, mostly multinational groups, take advantage of disparities between national tax systems. It lays down anti-tax-avoidance rules in five specific fields:

- interest limitation rules, to discourage corporates from artificially shifting their debt to member states with more generous deductibility rules;
- exit taxation rules, to prevent tax base erosion when assets are transferred to a low-tax jurisdiction;
- general anti-abuse rule, to close off abusive tax arrangements not covered by specific anti-abuse rules;
- controlled foreign company rules, reattributing the income of low-taxed foreign subsidiaries to the parent company;
- rules on hybrid mismatches between national tax systems.

Political agreement on the directive was reached on 21 June 2016, following discussion by the Council on 17 June.

[Press release on July 2016 adoption of anti-tax-avoidance rules for large companies](#)

Taxation agreement – Monaco

The Council approved the signing of an agreement with Monaco that will allow tax administrations improved cross-border access to information on owners of savings accounts.

The agreement was signed just after the Council meeting (see page 17).

[Press release on the 2016 EU-Monaco taxation agreement](#)

Markets in financial instruments - Derivatives

The Council decided not to object to the following Commission regulations and directive:

- regulation supplementing regulation 600/2014 on markets in financial instruments with regard to definitions, transparency, portfolio compression and supervisory measures on product intervention and positions ([10554/16](#) + [9165/16](#));
- regulation supplementing directive 2014/65/EU on markets in financial instruments with regard to regulatory technical standards for the level of accuracy of business clocks ([10673/16](#) + [10004/16](#));
- regulation supplementing directive 2014/65/EU on markets in financial instruments with regard to regulatory technical standards concerning the data to be published by execution venues on the quality of execution of transactions ([10722/16](#) + [10065/16](#));
- regulation supplementing directive 2014/65/EU on markets in financial instruments with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution ([10724/16](#) + [10068/16](#));
- regulation supplementing regulation 600/2014 on markets in financial instruments with regard to regulatory technical standards on the volume cap mechanism and the provision of information for the purposes of transparency and other calculations ([10695/16](#) + [10246/16](#));
- regulation supplementing directive 2014/65/EU on markets in financial instruments with regard to regulatory technical standards specifying the requirements on market making agreements and schemes ([10696/16](#) + [10245/16](#));

- regulation supplementing regulation 600/2014 on markets in financial instruments with regard to regulatory technical standards on the direct, substantial and foreseeable effect of derivative contracts within the EU and the prevention of the evasion of rules and obligations ([10698/16](#) + [10243/16](#));
- regulation supplementing regulation 648/2012 on financial derivative products with regard to regulatory technical standards on the clearing obligation ([10681/16](#) + [10189/16](#)).

The regulations are delegated acts pursuant to article 290 of the Treaty on the Functioning of the European Union. They can now enter into force, unless the European Parliament objects.

FOREIGN AFFAIRS

Terrorist list

The Council renewed the list of persons, groups and entities subject to specific restrictive measures with a view to combatting terrorism. No changes were made to the list.

For more information: [EU terrorist list](#)

EU- Indonesia partnership and cooperation agreement

The Council decided on the EU position to be adopted in the Joint Committee established by the Framework Agreement on Comprehensive Partnership and Cooperation between the EU and Indonesia on adopting the Joint Committee's rules of procedure, and setting up specialised working groups.

Central African Republic - Military training

The Council decided to launch the EU military training mission in the Central African Republic (EUTM RCA) on 16 July 2016. This decision follows the agreement by EU ambassadors within the Political and Security Committee of the mission plan and the rules of engagement of EUTM RCA.

The Council also adopted its decision on the signing and the conclusion, on behalf of the Union, of the agreement in the form of an exchange of letters between the EU and the Central African Republic on the status of EUTM RCA.

JUSTICE AND HOME AFFAIRS

Schengen evaluation - Hungary, Netherlands and Poland

The Council adopted two implementing decisions setting out a recommendation on addressing the deficiencies identified in the 2015 evaluation on the application of the Schengen acquis in the field of the Schengen Information System ([11203/16](#)) and in the field of common visa policy ([11204/16](#)) by the Netherlands.

The Council adopted an implementing decision setting out a recommendation on addressing the deficiencies identified in the 2015 evaluation on the application of the Schengen acquis in the field of management of the external borders by Hungary ([11205/16](#)).

The Council adopted and implementing decision setting out a recommendation on addressing the deficiencies identified in the 2015 evaluation on the application of the Schengen acquis by Poland in the field of management of the external land border with Ukraine ([11206/16](#)).

Automated data exchange with Denmark

The Council adopted conclusions stating that for the purposes of automated data exchange with regard to DNA ([10281/16](#)) and dactyloscopyc data ([10283/16](#)), Denmark has fully implemented the general provisions on data protection of Chapter 6 of [Decision 2008/615/JHA](#).

EUROPEAN ECONOMIC AREA

EEA agreement - Financial services

The Council adopted a decision on the position to be adopted, on behalf of the EU, in the EEA joint committee concerning amendments to annex IX (financial services) to the EEA agreement.

By these amendments, regulations on the European Supervisory Authorities (EU ESAs) but also a number of other Union acts pertaining to the financial sector will be incorporated into the EEA agreement.

TRANSPARENCY

Public access to documents

On 12 July 2016, the Council approved:

– the replies to the following confirmatory applications:

a) No 08/c/01/16 ([7382/1/16 REV 1](#))

b) No 12/c/04/16 ([9268/16](#))

c) No 13/c/01/16 ([9503/16](#))
