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THE EUROPEAN UNION

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3294th Council meeting

Economic and Financial Affairs

Brussels, 18 February 2014

President **Ioannis Stournaras**
Minister for Finance of Greece

PRESS

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Main results of the Council

The Council confirmed an agreement with the European Parliament on a recast of rules on ***deposit guarantee schemes*** *(DGSs). Maintaining a coverage level of EUR 100 000 per deposit, the draft directive harmonises the framework for DGSs across the EU and enhances depositor protection, simplifying coverage and pay-out arrangements.*

The Council adopted conclusions on the Commission's ***annual growth survey****, confirming the broad priorities outlined for 2014, which are the same as those identified last year. It noted that despite recent improvements, the recovery remains fragile. The legacy of the crisis, high unemployment and persisting fragmentation in the financial industry are likely to continue weighing on economic growth.*

The Council adopted conclusions on ***macroeconomic imbalances****, welcoming progress made by member states in correcting both external and internal imbalances. Further progress is however needed to address those imbalances that give rise to sustainability concerns. The Commission is due to publish in-depth reviews of the situation in 16 member states.*

The Council adopted a recommendation to the European Parliament on the discharge to be given for implementation of the ***EU's general budget*** *for 2012, and conclusions setting priorities for negotiations with the EP on the budget for 2015.*

It postponed to 1 August 2014 the end-date for migration to credit transfers and direct debits based on ***SEPA*** *(single euro payments area) standards. This will enable an exceptional and temporary extension of the use of existing standards alongside SEPA schemes, so as to enable the rate of migration to be raised to the required level whilst keeping disruptions to a minimum.*

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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.

ENLARGEMENT

FISHERIES

APPOINTMENTS

PARTICIPANTS

Belgium:	
Mr Koen GEENS	Minister for Finance, with responsibility for the Civil Service
Bulgaria:	
Mr Dimiter TZANTCHEV	Permanent Representative
Czech Republic:	
Mr Radek URBAN	Deputy 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
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
Croatia:	
Mr Slavko LINIĆ	Minister for Finance
Italy:	
Mr Fabrizio SACCOMANNI	Minister for Economic Affairs and Finance
Cyprus:	
Mr Kornelios KORNELIOU	Permanent Representative
Latvia:	
Mr Andris VILKS	Minister for Finance
Lithuania:	
Mr Rimantas ŠADŽIUS	Minister for Finance
Luxembourg:	
Mr Pierre GRAMEGNA	Minister for Finance
Hungary:	
Mr Gábor ORBÁN	State Secretary for the National Economy
Malta:	
Mr Edward SCICLUNA	Minister for Finance
Netherlands:	
Mr Jeroen DIJSSELBLOEM	Minister for Finance
Austria:	
Mr Michael SPINDELEGGER	Vice-Chancellor and Federal Minister for Finance
Poland:	
Mr Jacek DOMINIK	Deputy State Secretary, Ministry of Finance
Portugal:	
Ms Maria Luís ALBUQUERQUE	Minister for Finance
Romania:	
Mr Liviu VOINEA	Minister with responsibility for the Budget

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 Ivan ROGERS	Permanent Representative

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

Other participants:	
Mr Vitor CONSTÂNCIO	Vice President 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

ITEMS DEBATED

ANNUAL GROWTH SURVEY

The Council adopted the following conclusions:

"I THE 2014 EUROPEAN SEMESTER

1. WELCOMES the Commission's Annual Growth Survey 2014, which takes stock of the economic and social situation in Europe and sets out broad policy priorities for the EU and its Member States, and marks the starting point of the 2014 European semester; and RECALLS the conclusions of the European Council in December 2013 on the main areas for coordination of economic policies and reform.

2. BROADLY SHARES the Commission's analysis of the economic situation and policy challenges in the EU. The EU and its Members States have made significant progress in many policy areas over recent years and there are now encouraging signs of economic recovery. Despite recent improvements, recovery remains fragile and the legacy of the crisis, high unemployment and persisting financial fragmentation, together with remaining deleveraging needs in the public and private sectors, and necessary sectoral restructuring and adjustment, are likely to continue to weigh on growth. If not addressed, these factors will significantly weaken Europe's growth potential, thereby making it harder to achieve societal goals.

3. Against this background, UNDERLINES the need to preserve the competitiveness of the EU economies vis-à-vis the rest of the world; EMPHASISES the need for continued determined and ambitious implementation of agreed policies at EU level and reform commitments set out in National Reform Programmes and as identified by country-specific recommendations, and for close monitoring of their implementation; AGREES on the five broad policy priority areas outlined by the Commission on which national and EU level efforts should concentrate in 2014.

   These priorities are the same as in 2013 and provide appropriate policy continuity. Efforts should in particular focus on pursuing differentiated growth-friendly fiscal consolidation and ensuring long-term sustainability of public finances; restoring lending to the economy; and promoting sustainable and inclusive growth and jobs and competitiveness, while tackling the social consequences of the crisis.

II FISCAL AND MACROECONOMIC POLICY ORIENTATIONS

Pursuing differentiated growth-friendly fiscal consolidation and ensuring long-term sustainability of public finances

4. WELCOMES the considerable progress made with fiscal consolidation and TAKES NOTE that EU and euro area aggregate debt levels are expected to peak in 2014 and to start decreasing in 2015. The aggregate planned fiscal effort in the EU is envisaged to decline in 2014, compared to 1% on average in 2011-2013.

5. ACKNOWLEDGES that, at the same time, public debt levels in most Member States remain high and continue to increase. Therefore STRESSES that it is crucial for all Member States to stay on course with the agreed growth friendly, differentiated fiscal consolidation strategy in order to ensure the sustainability of public finances, and EMPHASISES that Member States should continue to implement their fiscal policies in line with the Stability and Growth Pact, which allows the automatic stabilizers to work around the agreed path of structural adjustment, while ensuring the long term sustainability of public finances. These policies should be anchored in effective national governance frameworks to enhance confidence.

6. RECALLS euro area Member States' commitment made on 22 November to address the risks identified by the Commission in its opinions on the draft budgetary plans for 2014; and INVITES them to continue monitoring closely the aggregate fiscal stance of the euro area, on the basis of the Commission’s economic forecasts.

7. STRESSES that more attention should be paid to the quality and composition of fiscal adjustment as well as to the influence of fiscal policy on growth, by ensuring an appropriate mix of revenue and expenditure measures, including ensuring that tax systems support competitiveness, business, job creation and employability through tax shifts away from labour; better and more efficient public spending and modernisation of public administrations; and giving priority to public spending aimed at increasing the growth potential.

Restoring lending to the economy

8. UNDERLINES that financial stability, including a healthy banking sector, and restoring lending to the economy, is key for underpinning productive activity and sustaining the economic recovery.

9. CONFIRMS that the signs of improvement in financial conditions detected last year have become more solid and financial markets more robust. Risks nevertheless remain, lending conditions for businesses are not yet normalised, financial market fragmentation remains high, and SMEs in particular – continue to face financing constraints in some parts of the EU. While significant progress has been achieved with banking restructuring as well as with improving bank regulation and supervision, further efforts are needed to complete the balance sheet repair of the banking sector where necessary as soon as possible and to ensure that the banking sector, which plays a prominent role in financial intermediation in Europe, functions correctly in providing finance for productive activity and effectively sustains the economic recovery.

10. IS CONFIDENT that the upcoming AQRs and stress tests will provide the necessary assurances in this respect and that the establishment of a fully-fledged Banking Union, together with continued financial sector reforms, will contribute to an efficient functioning of financial markets, a further reduction of market fragmentation and to ensuring the integrity of the internal market.

11. EMPHASISES that, simultaneously, priority should be given to developing alternatives to bank funding in Europe; and RECALLS its decision of April 2013 to set up a High Level Expert Group (HLEG) to this end and WELCOMES the November 2013 report of the HLEG and the recommendations therein as a basis for further reflection and action at the EU and national levels as appropriate.

12. RECALLS that specific (legislative and structural funds) measures have been and are being taken at the EU level to facilitate access to finance for SMEs in addition to a great number of national measures; and STRESSES the need for a close monitoring of private debt levels and associated financial risks in a number of countries.

Promoting sustainable growth, competitiveness, and tackling unemployment

13. RECALLS that fiscal consolidation and restoring lending to the economy need to go hand-in-hand with well-designed structural reforms aimed at promoting sustainable growth and jobs, competitiveness and a sustained correction of macroeconomic imbalances, through productivity increases and strengthening the adjustment capacity of Member States' economies; and UNDERLINES that a more coordinated approach to reforms at Member State and EU levels could provide positive synergies both in economic terms and by creating political momentum facilitating reforms, in line with recent steps taken to enhance the European semester process and EU economic governance.

14. EMPHASISES that priority should be given to the implementation of structural reforms that can encourage much needed sustainable investment and to the strengthening of the internal market, notably through competitiveness- and competition-enhancing reforms in product and services markets, including increasing competition and infrastructure investment in network industries, and a more diligent implementation of the Services Directive and ambitious opening up of services sectors, including regulated professions by removing unjustified barriers. In this context, WELCOMES the Commission's "2014 Single Market Report"[1], pointing to key areas of the Single Market where growth potential is the strongest.

15. HIGHLIGHTS the need to support and simplify the overall business environment, removing unwarranted regulatory and administrative burden on companies and improving the quality of legislation at all levels of government, including through comprehensive impact assessments, efficient implementation and ex-post evaluation; and speedy implementation of the REFIT (regulatory fitness) programme; and STRESSES the role of effective public administration in support of growth strategies, which points to the need for further efforts to modernise; ensuring interoperable, user-friendly provision of services, including through eGovernment tools; and the quality of the judicial system plays an important role for investment decisions. Improving administrative capacity should also ensure a better use and speedier deployment of EU Structural funds.

16. To build a lasting recovery, STRESSES that Member States should focus on establishing appropriate framework conditions for strong, smart, sustainable and inclusive growth also in the longer term, which includes strengthening the digital single market, focusing on conditions driving innovation, including entrepreneurship, new technologies and public and private R&D investment; raising performance in education and training systems and overall skills levels; and tapping the potential of a sustainable economy, so as to increase both overall resource efficiency and environmental protection.

17. UNDERLINES that, despite recent progress, current account deficit countries, and countries with high external debt, should continue their efforts to improve competitiveness and reduce current account deficits in a durable manner; and REITERATES that addressing market failures and structural reform needs in surplus countries would contribute to rebalancing within the euro area and support aggregate demand, but RECALLS that unlike large and sustained current account deficits, large and sustained current account surpluses do not raise concerns about the sustainability of external debt or financing capacity that affect the smooth functioning of the euro area. Measures aimed at improving the functioning of specific sectors, such as services, financial intermediation and other non-tradables should be considered in all Member States.

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[1] A single market for growth and jobs: an analysis of progress made and remaining obstacles in Members States - Contribution to the Annual Growth Survey 2014.

While respecting the role of social partners and national systems for wage formation, wage-setting frameworks need to be monitored and where appropriate reformed to increase flexibility; reflect productivity developments; and thus contribute to restoring and safeguarding competitiveness, and reducing imbalances in the euro area. Moreover, indexation mechanisms should be reconsidered and minimum wage levels, where applicable, should strike an appropriate balance between fostering employment creation and sufficient income.

18. To tackle high unemployment in a sustainable manner, increase participation and reduce risks of labour market exclusion, EMPHASISES that reforms should aim at making labour markets more inclusive, flexible and dynamic, thereby providing conditions for a job-rich recovery, and improving employability. Special focus should be on under-represented, hard hit and other vulnerable groups, in particular young people. Well-targeted and cost-effective measures to promote the hiring of hard-hit groups should be considered to reduce the risk of persistence of unemployment and dropping out from the labour force, including through life-long learning, vocational training and other cost-effective active labour market policies. Priority should also be given to early intervention to reduce youth unemployment, including through the full implementation of youth guarantee schemes. Access to child and elderly care is also crucial for female labour market participation."

MACROECONOMIC IMBALANCES

The Council held an exchange of views and adopted the following conclusions:

"The Council

1. WELCOMES the Commission's third Alert Mechanism Report (AMR) providing the starting point of the Macroeconomic Imbalance Procedure (MIP) in the context of the 2014 European Semester. WELCOMES the further progress achieved by Member States in correcting their external and internal imbalances, in particular in relation to current account deficits, competitiveness, fiscal deficits and the financial sectors, thus contributing to the rebalancing in the EU and within the euro area. However, RECOGNISES that important challenges remain and further progress is needed to address imbalances, including high public and private indebtedness as well as high external debt levels that give rise to sustainability concerns. Improvements of price and non-price competitiveness also have to continue in several Member States. At the same time, elevated current account surpluses in a few Member States call for closer examination. These elevated current account surpluses together with the reduction in current account deficits in other Member States mean that the euro area has shifted from a balanced external position to a current account surplus of over 2 per cent of GDP.

2. TAKES NOTE that the Commission selected the Member States warranting further analysis in in-depth reviews (IDRs), on the basis of which imbalances and excessive imbalances may be identified. RECOGNISES the need to further analyse recent developments in the Member States covered by a review in past years to assess the persistence of imbalances, their risks and progress in their unwinding, taking into account the implementation of relevant measures, including those previously recommended.

3. WELCOMES the intention of the Commission to publish the 2014 IDRs in a timely manner, in early March, with the aim of facilitating a multilateral discussion of the findings and suggested procedural follow-up as well as providing an opportunity for Member States to address findings in their National Reform Programmes (NRPs) and Stability or Convergence Programmes (SCPs) as well as enabling a clear identification of MIP-related elements in the country specific recommendations in the context of the European Semester. To ensure the focus and full effectiveness of the procedure, UNDERLINES the need to concentrate on addressing key challenges, including the application of the corrective arm of the MIP where appropriate, while clearly distinguishing between Member States' challenges in terms of different types and degrees of risk and the respective urgency by which they should be addressed in order to avoid negative consequences.

4. EMPHASISES that, as in the previous MIP rounds, the IDRs should encompass a thorough examination of sources of macroeconomic imbalances in the Member States under review, taking due account of country-specific economic conditions and of a wide set of analytical tools, the most up-to-date quantitative and qualitative information of country-specific nature, so that the driving forces behind the observed developments are examined in detail and consistently; CALLS ON the Commission to pay special attention to possible spillover effects linked to the economic policies and imbalances in Member States under review; INVITES the Member States and the Commission to cooperate and to provide and exchange all relevant and most recent information. CONSIDERS that there is a need to scrutinise whether in some Member States new challenges have emerged or whether in some Member States there has been sufficient progress and imbalances have been corrected.

5. While programme countries are not assessed in the MIP, as they are subject to specific enhanced surveillance, UNDERLINES the need for sustaining, as part of their adjustment programmes, the good progress achieved so far with reforms aimed at correcting their significant imbalances. Taking into account the successful completion of the Irish economic adjustment programme, CONSIDERS that Ireland should now be fully integrated in the European Semester framework, including the MIP, and INVITES the Commission to consider preparing also an in-depth review for Ireland. In addition, CONSIDERS that this same procedure should be followed for other programme countries once they successfully complete their economic adjustment programmes.

6. TAKES NOTE of the technical changes made by the Commission to the indicators included in the Scoreboard and in the auxiliary indicators; CONSIDERS that the current set of macroeconomic scoreboard indicators covers the most relevant dimensions of macroeconomic imbalances and competitiveness developments. UNDERLINES the need for continuing the technical work with a view to further improving and developing the appropriateness of the scoreboard as well as analytical tools and frameworks for assessing developments and drivers behind the building up and unwinding of imbalances, and supporting transparency of the MIP. NOTES that, in accordance with Regulation 1176/2011 on the MIP, the Commission will more generally review and report on the application of the MIP by December 2014. INVITES the Commission to involve, in a comprehensive and timely manner, the Economic Policy Committee in this review process.

7. TAKES NOTE of the Commission's decision to include auxiliary social indicators in the AMR and to provide an analysis of employment and social aspects in the IDRs. UNDERLINES that the use of auxiliary social indicators will have the sole purpose of allowing a broader understanding of social developments, should carefully preserve the nature of the procedure, while maintaining transparency and consistency among all existing indicators; to ensure this, further technical discussions with Member States, aimed at examining the set of auxiliary social indicators and their use are needed. Also TAKES NOTE of the December European Council Conclusions that further measures to enhance the social dimension in the Euro area is voluntary for those outside the single currency and will be fully compatible with the Single Market in all aspects.

8. Finally, INVITES Member States to address in an ambitious and concrete manner in their upcoming NRPs and SCPs the issues identified in the framework of the MIP."

PREPARATION OF G-20 MINISTERIAL MEETING

The Council endorsed EU terms of reference in preparation for a meeting of G20 finance ministers and central bank governors to be held in Sydney on 22 and 23 February.

The terms of reference constitute a common position for EU representatives and those member states that participate in the G20 on the various issues to be discussed. The meeting will cover the global economy, investment and infrastructure, economic growth, IMF reform, financial regulation and taxation.

EU BUDGET

Discharge for 2012

The Council adopted a recommendation to the European Parliament on the discharge to be given to the Commission for implementation of the EU's general budget for 2012 (*5848/14 ADD 1*).

The recommendation was prepared on the basis of the Court of Auditors' annual report[1].

The Council reaffirmed the importance it attaches to the sound financial management of EU funds and its determination in achieving positive results. It expressed concern that the EU budget continues to be affected by an error rate above the materiality threshold of 2%. However, it also noted that the error rate in 2012 was lower than in the years prior to 2009.

As regards the funds for which management is shared by the Commission and the member states, the Council noted that, according to the Court of Auditors' findings, for a significant part of transactions affected by error, national authorities had enough information to detect and correct the errors concerned. It invited the Commission to provide guidance to member states in order to strengthen the efficiency of their administrative and control structures. As far as the funds directly managed by the Commission are concerned, it acknowledged that the increase in the error rate was mainly due to the harmonisation of the Court's sampling methodology.

The Council called on the Commission and the member states to fully assume their responsibilities in implementing the budget, so as to reassure Europe's citizens and taxpayers that EU funds are used in a responsible and accountable manner. In its view, the EU's new multiannual financial framework and the new financial regulation provide an opportunity to achieve major progress towards simplification and thereby lower the risk of error.

Some delegations emphasised the importance of member states taking full responsibility for putting into place effective and efficient controls for the management of EU funds at national level (*5848/1/14 REV 1*).

Pursuant to article 319 of the Treaty on the Functioning of the European Union, the Council's recommendation serves as the basis for the European Parliament's decision on a discharge to the Commission.

[1] http://www.eca.europa.eu/Lists/ECADocuments/PRAR12/a13_36.EN.pdf

The Council also adopted recommendations on the discharge to be given to the directors of 31 EU agencies, six EU executive agencies and seven joint undertakings for implementation of their 2012 budgets (*5849/14 ADD 1* + *5850/14 ADD 1* + *5851/14 ADD 1*).

In accordance with the EU's budgetary discharge procedure, the recommendations will now be submitted to the European Parliament. The President of the Council is due present them to the European Parliament's Committee on Budgetary Control on 20 February.

Guidelines for 2015

The Council adopted conclusions setting its priorities for the EU's general budget for 2015.

The conclusions can be found in document *5852/14*. They will guide the presidency in negotiations with the European Parliament on the 2015 budget.

The 2015 budget will be the second in the EU's 2014-20 financial programming period. The conclusions emphasise the need to maintain budgetary discipline at all levels, given that despite an improvement of the economic outlook many member states continue to face considerable budget constraints. They call for a balance to be struck between fiscal consolidation and investments to boost growth, to be achieved through the prioritisation of objectives and the allocation of resources to measures that contribute the most to those aims.

From the Council's point of view, commitments and payments should be kept under strict control in next year's EU budget, taking into account real needs. At the same time, the 2015 budget should provide the necessary resources to respect commitments already made and to implement the EU's policy priorities for 2015. The Commission is called upon to make every effort to implement the budget within the allocations agreed in the annual budget and to keep amending budgets to the strict minimum. The conclusions also reflect the Council's concerns about the volume of outstanding commitments ("RAL") which amounted to EUR 221.6 billion at the end of 2013.

BANK SUPERVISION - SINGLE SUPERVISORY MECHANISM

The Council, under "other business", took note of the presentation by the European Central Bank of its first quarterly report on implementation of the single supervisory mechanism for banks (*6237/14*).

The regulations establishing the single supervisory mechanism (SSM) were adopted on 15 October, entering into force on 3 November. The ECB's first quarterly report covers not only the three months to 3 February, but also the preparatory work conducted since the euro area summit of June 2012.

Danièle Nouy, the first-ever chairperson of the ECB supervisory board took up her duties on 27 January, following her appointment for a five-year term. The supervisory board held its first meeting on 30 January. Sabine Lautenschläger, recently appointed to the ECB executive board, was appointed vice-chairperson of the supervisory board on 11 February.

The ECB is currently undertaking a comprehensive assessment of banks over which it will have direct oversight under the SSM.

BANK RESOLUTION - SINGLE RESOLUTION MECHANISM

The Council discussed possible adjustments to its general approach on the establishment of a single resolution mechanism (SRM) for banks, with a view to giving more flexibility to the presidency in its forthcoming "trilogue" negotiations with the European Parliament.

The Council reiterated its firm commitment to reach an agreement acceptable to all parties on the SRM within the deadline set by the European Council, enabling a vote by the European Parliament before the end of its current term.

According to the presidency, the discussion showed that ministers recognise the need for compromises and flexibility towards the Parliament's position. Whilst not diverging from the key elements of the general approach agreed in December, ministers recognised the need to give the presidency some flexibility to explore various ideas in order to identify possible options that might lead to an agreement.

The presidency summarised the scope of such ideas as follows:

– The framing of the role of the plenary session of the single resolution board (SRB);

– A review of the thresholds for the involvement of the plenary, and of voting modalities, especially during the initial transitional phase of the single resolution fund (SRF), to have a balanced solution for the use of the SRF;

– A possibly better framing of the Council's role in order to limit its discretion and the grounds on which it can raise objections to the SRB's decisions, as well as a simplification and, if possible, shortening of the decision-making process;

– A more framed oversight of the SRB over national resolution authorities;

– A central role for the European Central Bank in determining whether a banking institution is failing or likely to fail, while the SRB should ultimately maintain a possibility to effectively influence that function too;

– Agreement that bail-in and not bail-out is the main guiding principle for bank resolution.

The presidency also acknowledged calls from many ministers to increase the pace of mutualisation of national contributions to the SRF. There were however divergent views on how to achieve this, with some ministers linking it with bringing forward the date for completion of the fund. The presidency will explore the possible alternatives and will report back to the Council on this issue.

Many ministers referred to the need to enhance the capacity of the SRF to borrow in the markets during the transitional period in order to reinforce the credibility of the system. The presidency concluded that further work would be needed in this area, which is linked to the establishment of a common backstop to the SRF.

Further work is also needed on the method for calculating individual contributions to the SRF in order to provide as much clarity on this issue as possible.

The presidency will explore these ideas with the European Parliament and report back to the Council as soon as possible, in order to be able to take decisions on specific alternatives.

The discussion confirmed the wish of ministers to assess and most probably decide on all major SRM issues together with the final outcome of the intergovernmental agreement (IGA) on the SRF. The presidency noted that the outcome of the trilogue negotiations would be the result of a global deal covering discussions on both the SRM regulation and the IGA.

The aim is to enable the regulation on the SRM to be adopted at first reading, before the end of the Parliament's current legislature. This will require the Council and Parliament to reach a political agreement in time for the Parliament's plenary session in April.

Background

The SRM will form one of the key elements of Europe's banking union, along with the single supervisory mechanism (SSM) that entered into force in November 2013[1] (see page 18). Creation of a banking union is essential to overcoming market fragmentation and breaking the link between sovereigns and banks.

[1] See press release 14044/13.

In December, the Council agreed on a general approach involving both a draft regulation on the SRM and a commitment to negotiate, by 1 March, an intergovernmental agreement on the functioning of the SRF[1].

The Council's general approach provides for a single resolution board with broad powers in cases of bank resolution.

The intergovernmental agreement would include arrangements for the transfer of national contributions to the SRF and their progressive mutualisation over a 10-year transitional phase.

Contributions would be financed by bank levies raised at national level. The fund would initially consist of national compartments that would be gradually merged. During the 10-year transition, mutualisation between national compartments would progressively increase. So while during the first year any costs outstanding for resolving banks – after use of bail-in provisions – would mainly come from the compartments of the member states where the banks are located, the share would gradually decrease as the contribution from other countries' compartments increases.

The SRM would cover all member states participating in the SSM, namely the euro-area countries and those non-eurozone countries that decide to join. Under the Council's general approach, the SRM would enter into force on 1 January 2015 whereas bail-in and resolution functions would apply from 1 January 2016.

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

[1] Press release *17602/13*.

OTHER BUSINESS

The Council:

– took note of the presentation by the European Central Bank of its first quarterly report on implementation of the **single supervisory mechanism** (see page 18);

– took stock of on-going work on **current legislative proposals**.

MEETINGS IN THE MARGINS OF THE COUNCIL

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

– ***Eurogroup***

Ministers of the euro area member states attended a meeting of the Eurogroup on 17 February.

– ***Intergovernmental agreement on the single resolution fund***

Ministers held a special meeting on 17 February to discuss progress and outstanding issues in relation to a draft intergovernmental agreement on a single resolution fund (SRF) for banks.

An intergovernmental conference on the SRF, at the level of experts, was held on 18 February.

– ***Breakfast meeting***

Ministers held a breakfast meeting on 18 February to discuss the economic situation.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Deposit guarantee schemes

The Council approved a political agreement reached with the European Parliament on a draft directive aimed at recasting rules on deposit guarantee schemes (DGSs) (*6162/14*).

Maintaining a coverage level of EUR100 000 per deposit, the directive harmonises the framework for DGSs across the EU and enhances depositor protection, simplifying coverage and pay-out arrangements.

For details, see press release *6562/14*.

SEPA - Single euro payments area

The Council adopted a regulation postponing to 1 August 2014 the end-date for the migration to credit transfers and direct debits based on the new SEPA (single euro payments area) standard (*PE-CONS 9/14* + *6255/1/14 REV 1* + *6255/1/14 REV 1 ADD 1*).

The regulation amends regulation 260/2012, which had set a migration deadline of 1 February 2014. Postponement of the deadline will enable an exceptional and temporary extension of the use of existing standards, alongside the SEPA schemes, so as to enable the rate of migration to be raised to the required level whilst keeping disruptions to a minimum.

For details, see press release *6554/14*.

Portugal - Economic adjustment programme

The Council adopted a decision modifying the conditions underpinning financial assistance to Portugal under the European Financial Stabilisation Mechanism, with a view to disbursement of the next instalment (*5894/14* + *5888/14* + *5928/14* + *5889/14*).

The decision modifies decision 2011/344/EU as regards the economic policy conditions, taking into account a revised economic outlook, so as to ensure a smooth implementation of Portugal's economic adjustment programme.

This follows a tenth review by the Commission and the IMF, in liaison with the European Central Bank, of progress by Portugal on implementing the programme.

Own funds requirements for banks

The Council decided not to object to the adoption by the Commission of a regulation on supplementing regulation 575/2013 on regulatory technical standards for own funds requirements for banking institutions (*5799/14*).

The regulation is a delegated act based on article 290 of the Treaty on the Functioning of the European Union. It can enter into force now that the Council has given its consent, unless the European Parliament objects.

Hedge funds

The Council decided not to object to the adoption by the Commission of a regulation supplementing directive 2011/61/EU on regulatory technical standards determining types of alternative investment fund managers (*6053/14*).

The regulation is a delegated act based on article 290 of the Treaty on the Functioning of the European Union. It can enter into force now that the Council has given its consent, unless the European Parliament objects.

DEVELOPMENT COOPERATION

ACP-EU partnership agreement

The Council extended the validity of decision 2012/96/EU on the ACP-EU partnership agreement until 1 November 2014.

ENLARGEMENT

Former Yugoslav Republic of Macedonia - Stabilisation and association agreement

The Council adopted a decision authorising the signing and provisional application of a protocol to the EU's stabilisation and association agreement with the former Yugoslav Republic of Macedonia in order to take account of the accession of Croatia to the EU.

It also adopted decisions requesting the consent of the European Parliament and approving the conclusion of the protocol by the Commission, on behalf of the European Atomic Energy Community.

FISHERIES

EU-Mauritania fisheries partnership agreement

The Council adopted a decision authorising the Commission to open negotiations on behalf of the EU for a renewal of the protocol to the fisheries partnership agreement with Mauritania.

The current protocol should apply until December 2014. The new protocol should be in line with the Council's conclusions of 19 March 2012 on the Commission's communication of July 2011 on the external dimension of the Common Fisheries Policy (CRP), as well as regulation 1380/2013 on the CRP[1].

APPOINTMENTS

Committee of the Regions

The Council appointed Mr Tomáš HUDEČEK (Czech Republic) as a member of the Committee of the Regions for the remainder of the current term of office, which runs until 25 January 2015 *(6156/14)*.

[1] OJ L 354/2013, p. 22.