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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Partial summary record of the meeting of the **Committee on Economic and Monetary Affairs (ECON)** of the European Parliament, held in Brussels on 13 October 2014
- Items 2, 4-8 and 10

- During its half-day meeting ECON considered two draft regulations on the powers of the ECB to collect statistical information and to impose sanctions, calling, with regard to the ECB sanctions, for more transparency, more flexible time limits and a clarification of the role of the ECB and national authorities.
- ECON also adopted its report on the European Semester, with a small majority.
- During the first discussion on Money Market Funds, the political groups supported the idea of the rapporteur to organise a round-table with the stakeholders and a video conference with the US Securities and Exchange Commission representatives to explore the way forward.

2. Chair's announcements

Mr GUALTIERI (S&D, IT) made the following announcements:

- During their meeting, the Group coordinators endorsed the proposal to have an informal hearing with the shortlisted candidates for the EFRAG chair position and, as a second step, a formal hearing for a vote in the Committee. Based on the request by ALDE to have gender balance, the Chair asked the Commission to provide the EP with a shortlist of candidates, rather than a single name.
- The coordinators also endorsed "The Commission's role in the framework of international financial, monetary and regulatory institutions and bodies" as the title of a forthcoming INI report on the subject and agreed to proceed without delay with the relevant authorisation request.
- The coordinators asked the secretariat to send two successive letters to President-designate Juncker asking inter alia clarification on the relation between Vice-Presidents and Commissioners in the area of ECON responsibility. The Committee received two answers from Mr Juncker on this topic.
- The first trilogue on anti-money laundering directive (AMLD) and funds transfer regulation took place on 9 October. A mandate for technical work has been given on the fund transfer regulation, as well as on some provisions of the AMLD. The next trilogue will take place on 4 November.
- On 14 October the first trilogue on European Long-Term Investment Funds will take place. The next trilogue meetings will take place on 5 November, 26 November and 9 December.
- The Coordinators agreed that a new Banking Union working group will take over from the former SSM working group and will also monitor the implementation of the SRM. The working group will include 15 members and its composition will reflect the D'Hondt rule.
- The Coordinators also approved the updated ECON guidelines on the scrutiny of implementing and delegated acts.

4. Collection of statistical information by the European Central Bank

ECON/8/00831, 2014/0808(CNS)

Rapporteur: Mr GUALTIERI (S&D, IT)

- Consideration of draft report

Mr GUALTIERI (S&D, IT) proposed two main amendments to the ECB's recommendation for amending Regulation (EC) No 2533/98. The first was to restrict the empowerment of transmission of confidential data to the ECB only, and not the ESCB, as it was the ECB that received new powers under the SSM regulation. The second was the proposal to balance the transmission of confidential data to other authorities with the requirement for these authorities to take all necessary regulatory, administrative, technical and organisational measures to ensure the protection of the information concerned. Although he didn't address this issue directly in his draft report, Mr GUALTIERI was also interested in the opinion of Committee members on the inclusion of the ESM among the bodies that are entitled to receive this information.

On behalf of the political groups, only EPP, ECR, ALDE and EFDD members intervened. Mr BALZ (EPP, DE) said that his group agreed with Mr GUALTIERI's approach, but wanted to highlight the need for proportionality to be applied and for SMEs not to be overburdened, given that a large amount of information was involved. Ms SWINBURNE (ECR, UK) and Ms VAN NIEUWENHUIZEN (ALDE, NL) said that their groups fully supported the rapporteur's approach. Mr WOOLFE (EFDD, UK) said he had nothing to add to these points. Mr GUALTIERI concluded that he was looking forward to amendments on the principle of proportionality.

Timetable:

- Deadline for amendments: 17 October at 12h
- Consideration of amendments: 3-4 November
- Vote in the Committee: 11 November
- Plenary vote: November II plenary session (tbc)

5. The powers of the European Central Bank to impose sanctions

ECON/8/00746, 2014/0807(CNS)

Rapporteur: Mr VAN OVERTVELDT (ECR, BE)

- Consideration of draft report

Mr VAN OVERTVELDT (ECR, BE), who had been appointed the Minister of Finance of Belgium, was replaced by Ms SWINBURNE (ECR, UK) who said that she was going to probably become the new rapporteur for this file. Ms SWINBURNE outlined three modifications to the ECB's recommendation for amending Regulation (EC) No 2532/98, proposed by Mr VAN OVERTVELDT in his draft report. Firstly, the former rapporteur proposed to increase the transparency of the ECB's decision-making process, obliging the ECB, as a general rule, to publish its decisions to impose sanctions on an entity. Where immediate publication was not appropriate, e.g. could jeopardize the stability of the financial markets or be disproportionate, the ECB was to be given a discretion to delay the publication of such a decision. In this case, however, the ECON bureau could request confidential discussions with the ECB on such decisions, there would be an automatic declassification of information after three years and the ECB would also have an ex post obligation to justify this deviation from the general rule. Secondly, the rapporteur suggested making more clear who was finally competent to take infringement initiatives. Thirdly, the rapporteur suggested amending the time limits for administrative penalties, so that the right to take a decision to impose an administrative penalty on the infringement case would expire three years from the date on which the decision was made to initiate infringement procedures, rather than five years after the infringement took place, to take into account some complex cases when it could take years before an infringement was known.

On behalf of the political groups:

- Mr FERBER (EPP, DE) agreed with the general approach taken by the rapporteur, especially regarding the deadlines. He raised the question, however, whether the sanctions imposed by the ECB would be properly administered by the national authorities. Regarding transparency, he took the view that it was important to find a solution between the ECB's approach and the one proposed by the rapporteur, pointing out that an early publication of sanctions carried the risk that, in case they turned out to be unjust, a penalty was going to be imposed on the entity by the market itself.

- Mr MAVRIDES (S&D, CY) also raised the issue of the relationship between the ECB and national authorities. Moreover, he wondered whether the bigger banking institutions would not be put in an privileged position because of the ECB's right not to publish its decisions in case they could jeopardize the stability of the financial markets.
- Ms VAN NIEUWENHUIZEN (ALDE, NL) wanted more detailed motivation regarding the different time limits proposed by the rapporteur and asked for clarification as to when and how the ECB would have to justify any deviation from the general rule of transparency.
- Ms SCOTT CATO (Greens/EFA, UK) said that her group was going to propose some technical drafting amendments concerning the time limits proposed, as well as an amendment making the upper limit for periodic penalty payments consistent with non-supervisory sanctions and an amendment making clear that the decision to publish administrative sanctions and the manner of their publication were governed by existing EU law, without derogations for SSM.
- Mr WOOLFE (EFDD, UK) took the view that withholding from the public ECB's decisions on sanctions would rather encourage market runs than avoid them, as well as create problems with leakages. He also expressed worries about the relationship between the ECB and national authorities foreseen in the draft regulation.

Ms SWINBURNE promised to discuss those matters with the shadows once she was more familiar with the file.

Timetable:

- Deadline for amendments: 17 October at 12h
- Consideration of amendments: 3-4 November
- Vote in the Committee: 11 November
- Plenary vote: November II plenary session (tbc)

6. European Semester for economic policy coordination: implementation of 2014 priorities
ECON/8/00849, 2014/2059(INI)

Rapporteur: Mr DE BACKER (ALDE, BE)

- Adoption of draft report

The report was adopted as amended, with 20 votes in favour, 18 votes against and 15 abstentions.

7. Money market funds

ECON/8/00218, 2013/0306(COD)

Rapporteur: Ms GILL (S&D, UK)

- First exchange of views

Ms GILL (S&D, UK) gave an overview of the issues related to Money Market Funds (MMFs) and of the Commission proposal. She said that she was going to address the proposal in the light of recent developments, including the US Securities and Exchange Commission (SEC) reform and the options put on the table by the Italian presidency. She also said that she was going to adopt an open and listening approach, meeting with a number of stakeholders. For her, the Commission proposal was a very good starting point and the majority of the proposed articles in it were not very controversial. The political objective had to be to tackle the systemic risk of runs on MMFs and to make the market more stable, transparent and liquid, without killing off the short-term financing industry. She also stressed the need to strike the balance and make sure that the market did not get over concentrated. She then went on to explain that the most controversial point was the Commission's proposal to impose a capital buffer of 3% of the assets under the management of the CNAV MMFs, to increase their stability. She outlined four main options that she was considering for addressing the latter issue:

- implementing the capital buffer as proposed;
- designing a system based on liquid fees and redemption gates (the industry preferred option);
- exploring a variation of the idea of a capital buffer, building a European version of the US reform, possibly carving out government liquid funds;
- following the Italian proposal of a kind of low volatility VNAV.

Ms GILL added that her choice of the avenue to be pursued was going to depend on the discussions in the Committee and during a round-table that she was proposing to organise, to come up with a workable and effective solution.

In the discussions that followed, the idea of organising a round-table with stakeholders gathered large support among the political groups. In addition, on behalf of the political groups:

- Mr HAYES (EPP, IE) said that he supported the goal of the Commission proposal, but expressed serious concerns about the proposal to impose a 3% capital buffer on CNAV MMFs, stressing that they were very important for the EU economy and that the reform had to be proportionate and avoid a harmful impact on the markets. He also proposed hearing directly from the US SEC representatives about their views on MMF reforms.

- Mr KAMALL (ECR, UK), who was a shadow for this file also during the previous legislature, similarly expressed himself against the proposal of a 3% capital buffer for CNAV MMFs, taking the view that it would clearly make them economically unviable. Instead, he preferred to look at other options, such as solutions based on redemption gates, redemption fees and other similar ideas. Mr KAMALL also did not agree with the claim that CNAV MMFs were inherently less safe than VNAV MMFs, arguing that it was much more important to look at what both of them were actually investing in and to impose tough new diversification requirements for them. Finally, Mr KAMALL stressed that banning CNAV MMFs could mean that the money would go to the banking sector, rather than VNAV MMFs, thus increasing the problems of systemic concentration in the banking sector.
- Mr JEŽEK (ALDE, CZ) pointed out that during his meetings with stakeholders very different ideas had been expressed and he strongly supported the idea of a round-table to confront the different views and figures.
- Mr VIEGAS (GUE/NGL, PT) spoke of a profound market failure in the financial sector, which the crisis had demonstrated, and said that his group was prepared to contribute to anything increasing transparency in the MMF market and protecting the small savers in it. He added that for GUE the final solution had to include also some form of public monitoring of the sector.
- Ms JOLY (Greens/EFA, FR) stressed the importance of this regulation for the Greens and said that, as a general principle, the Greens wanted the same kind of service to get the same kind of regulation. She expressed hope that the EP would start its work on a similar basis to the one set by the previous rapporteur, Mr EL KHADRAOUI, and added that the first priority had to be to start a transition phase to put an end to the CNAV MMFs, turning them into VNAV MMFs over a short period of time. She also outlined the following principles supported by the Greens: MMFs should not profit directly or indirectly from a public safety net; during the switchover period, a counter-cyclical buffer had to be established, as CNAV MMFs were extremely pro-cyclical; there should be rules for the payment of managers similar to those that apply for banks; MMFs should set up recovery plans like the ones foreseen in the BRRD; MMFs working in tax havens should not be authorised to sell services in the EU; to reduce default risks, the exposure of MMFs to certain derivatives, such as over-the-counter derivatives, should be limited; EBA should play a bigger role vis-à-vis the MMFs; and there should also be more transparency and greater public information requirements for them.

- Mr WOOLFE (EFDD, UK) stressed the importance of MMFs for the recovery in the EU and also expressed himself against the proposed capital buffer on the grounds that it was going to impact the competitiveness of EU MMFs across the world.

In conclusion Ms GILL said that she planned to ask the ECON secretariat to organise a video conference with the US SEC representatives before 10 November and that she was going to keep all the options that she mentioned on the table until the round-table took place.

Timetable:

- Consideration of the draft report: 1-2 December
- Deadline for amendments: 11 December
- Consideration of amendments: 21 January
- Vote in the Committee: 23-24 February
- Plenary vote: March II plenary session

8. Annual Tax Report

ECON/8/00964

Rapporteur: Ms KAILI (S&D, EL)

- First exchange of views

The rapporteur, Ms KAILI (S&D, EL), started by pleading for quicker progress in the field of taxation and for a fairer and more growth friendly tax policy, which would include shifting the tax burden away from the working population and preventing tax evasion by multi-national companies. She also gave an overview of the pending issues in the EP annual tax reports, such as work on tax avoidance, aggressive tax planning and tax havens, as well as on FTT, CCCTB, energy taxation, automatic exchange of information, country-by-country reporting and banking secrecy.

On behalf of the political groups:

- Mr STOLOJAN (EPP, RO) said that he preferred to focus on the current situation and highlighted the following issues: reduction of the tax burden on labour; moving forward in the field of automatic exchange of information, especially as regards agreements with third countries, and making multinationals report income, profit and taxes on a country-by-country basis.

- Mr TERHO (ECR, FI) outlined the general principles important for his group: strong emphasis on the fact that taxation is a Member States' national competence; support for EU level cooperation and coordination where there were concrete benefits for fighting tax fraud and tax evasion; and support for gathering and exchanging information across the EU on best practices.
- Ms VAN NIEUWENHUIZEN (ALDE, NL) said that, for ALDE, the fight against tax evasion, tax fraud and tax havens was a key priority. She recalled that ALDE wanted more transparent and coherent tax legislation in the Member States, while not objecting to tax competition, preferring lower tax rates. She also joined the remarks on shifting taxation away from labour.
- Mr VIEGAS (GUE/NGL, PT) said that his starting point was the reality that it was the easiest to charge taxes on workers and that free movement of capital had led to problems of tax evasion. In that light he agreed with the current policy approach, stressing that it was now necessary to move from fine words to action.
- Ms SCOTT CATO (Greens/EFA, UK) was satisfied that during his hearing Mr MOSCOVICI had expressed readiness to make progress on tax issues, including on FTT, and that he had promised investing the funds received from this tax into poverty reduction and climate related initiatives. Ms SCOTT CATO also repeated that the Greens wanted the scope of FTT to be widened and for the tax to cover as many Member States as possible. Among other issues, she stressed the importance of not letting corporations shop around for the lowest rate of corporation tax; of working against individual tax deals by Member States; and of drawing attention to the environmental taxes, especially the carbon tax, which was gaining credibility.

Ms KAILI concluded by expressing hope that, at this critical point, the EP would be able to contribute with its report to making progress in the field of taxation in a more effective way.

10. Next meetings

The next ECON meeting will take place on 3 and 4 November 2014 in Brussels.