Council of the
European Union

Brussels, 14 November 2014

15577/14

PE 385
BCE 11
ECO 160
ECOFIN 1051
EF 312
FIN 867
FISC 196
INST 563
JUR 851
RESPR 28
UEM 365
SOC 787

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 11 November 2014 - Items 3-6, 8 and 10

- **The Committee discussed a range of delegated and implementing acts, with MEPs expressing their strong dissatisfaction over having received too little information on developments regarding the Council implementing act on SRF contributions.**
- **The discussions with Thomas WIESER, Chairperson of ESGAB, focused on upholding the independence of Eurostat and national statistical authorities.**
- **ECON adopted its reports on the collection of statistical information by the ECB and ECB sanctions.**
- **During an exchange of views with Margrethe VESTAGER 'Lux leaks' dominated the debate, with MEPs asking the Commissioner how she intended to address the issue, and S&D and ALDE, in particular, urging her to take vigorous action.**

3. Scrutiny of delegated acts and implementing measures: - Solvency II; - Liquidity coverage ratio and leverage ratio; - Country by country reporting under Article 89 of CRD IV (COM report); - BRRD/SRM - delegated act and implementing act on contributions

ECON/8/01912

Mr GUALTIERI (S&D, IT) introduced the debate by reminding the MEPs that monthly discussions on delegated and implementing acts were a new feature on ECON's agenda, showing its commitment to pay more attention to the scrutiny of such measures.

Solvency II

The rapporteur, Ms STIHLER (S&D, UK) said that during the first discussions between the shadows only the Greens had voiced objections to the delegated act, adding that detailed discussions were planned to take place with the Commission and EIOPA shortly. Mr BALZ (EPP, DE) stressed the importance of respecting the principle of proportionality and took the view that there was a need to invite EIOPA to develop a new asset class for long-term investment in infrastructure. Mr GIEGOLD (Greens/EFA, DE) explained that he had asked to put the act to the vote because he was not sure on what empirical basis the Commission had lowered the risk weights for securitized products several times, compared to EIOPA’s proposal. He stressed that an evaluation of the riskiness of products did not have to be driven by political motives, such as supporting investment and economic growth.

The Commission representative answered, with regard to long-term investment in infrastructure, that EIOPA had already agreed to work on it and had the support of the Commission. He then went on to explain the economic considerations on which basis the risk weights for securitized products had been cut. Mr GUALTIERI (S&D, IT) concluded that the procedure for objection had to be followed on this act, while it did not seem on the basis of the debate that there was a majority in the Committee in support of objection.

Liquidity coverage ratio and leverage ratio

The rapporteur, Mr KARAS (EPP, AT) asked about the reporting templates for the leverage ratio, referring to the doubts he had heard as to what templates were going to be used for the first quarter of 2015. He also wondered whether the delegated act was in conformity with Level 1 as regards the definition of SMEs, the treatment of natural persons and external control of correctness of calculations (Article 418(4) of CRR). Mr VIEGAS (GUE/NGL, PT) expressed general scepticism about the effectiveness of this act, because of the complexities related to assessing risk and liquidity, as well as the market trying to find ways around the rules. Mr GIEGOLD (Greens/EFA, DE) wanted to know why the Commission had not followed the EBA and Basel approach.

The Commission representative explained in reply that the Commission had been working on the basis of a need to address a significant gap in the regulatory framework in the area of liquidity. He added that the Commission had taken Basel and the analysis performed by EBA as a starting point, adapting them to the reality of the European financial markets. The main deviation in the Commission act was the more favourable treatment of covered bonds and securitization, which, the Commission argued, was justified on the basis of the technical analysis performed by EBA and the considerations related to supporting securitization as an alternative means of funding the real economy. The Commission representative also reassured the MEPs that the delegated act did not override the Level 1 provisions and, regarding the reporting templates, explained that they were hoped to be ready by April 2015, which explained why the date of application of the delegated act was 1 October 2015. Mr GUALTIERI concluded by pointing out that the deadline for comments was 12 November, adding that no comments had been received by the secretariat so far.

Country by country reporting under Article 89 of CRD IV (Commission report)

The Commission representative gave an overview of the Commission report, which provided an assessment of whether country-by-country disclosure requirements had a significant negative economic effect, warranting an amendment or deferral of those obligations. She said that the overall finding was that were would be no such negative effect. Rather, some positive impact was expected on the transparency and accountability of the European financial sector, as well as on public confidence in it.

The rapporteur, Mr KARAS (EPP, AT), wanted to know what the Commission intended to do as regards the findings in its report that additional guidance was needed on the exact contents of the items to be reported. Mr BULLMANN (S&D, DE) and Mr VIEGAS (GUE/NGL, PT) took the view that it was now important to extend country-by-country reporting to all sectors and encouraged the Commission to come forward with a respective proposal.

The Commission replied, on increasing clarity on what needed to be reported, that it was now reflecting on what the next step would be, and Mr GUALTIERI concluded on the basis of the debate that no change in legislation was needed.

<u>BRRD/SRM – delegated act and implementing act on contributions</u>

Mr GUALTIERI (S&D, IT) introduced the debate by expressing disappointment on behalf of ECON over having received too little information from the Commission on the developments concerning the Council implementing act. His remarks were followed up by Mr HÖKMARK (EPP, SV) and Ms FERREIRA (S&D, PT) who also complained of a lack of information on what was going on, adding that the implementing act had to be consistent with the delegated act and acceptable to ECON, otherwise there would be a risk that the Committee could not approve the delegated measure. Ms FERREIRA explained that the EP was not comfortable with many changes still occurring to the content of the contributions inside the Banking Union. She stressed that the EP wanted to see a stabilized text on the implementing act sufficiently in advance of having to vote on the delegated act in December, so as to be able assess the two texts together, as a package.

In the debate Mr THEURER (ALDE, DE), Mr DE MASI (GUE/NGL, DE), Mr GIEGOLD (Greens/EFA, DE), Mr FERBER (EPP, DE) and Mr SIMON (S&D, DE) expressed their view that risk had not been taken enough into account by the Commission. Ms BERES (S&D, FR) and Mr LAMASSOURE (EPP, FR), on the other hand, stressed that distortions between banking sectors had to be avoided.

In response the Commission representative, Mr GUERSENT defended the Commission's approach, pointing out that it had consulted with the EP extensively on the delegated act and also changed it a great deal towards the EP position. He argued that the Commission had taken its responsibility by proposing a carefully balanced act and suggested that it was now up to the EP to take its responsibilities, taking also into account the package.

Regarding the implementing act, he referred to the explanations he had given to ECON in September, pointed out that the Commission had kept the package approach by presenting both texts together, and reminded the Committee that he had proposed to come to it whenever it liked to give further explanations. He also argued that the Commission had put all the substantive rules in the delegated act, to keep possible deviations from the common rules to the minimum. He explained that the implementing act dealt mainly with the deviation he had referred to, with the Commission proposing a system which mirrored the rate of mutualisation of the compartments, based on the logic that the contributions to the SRF were not to be mutualised quicker than the compartments themselves. He finished by saying that it was now up to the Council to modify the implementing act as it saw it best fit, adding that the Commission was at the disposal of the co-legislators to assist them.

In conclusion Mr HÖKMARK and Ms FERREIRA stressed that they expected the Council to listen very carefully to the EP's views and avoid last minute moves that would put the EP in an uncomfortable position. Mr GUALTIERI welcomed the openness the Council had shown toward the EP in discussing the matter, but kept the remark that at a certain moment the flow of information to the EP on SRF had been insufficient.

4. Exchange of views with Thomas Wieser, Chairperson of the European Statistical Governance Advisory Board (ESGAB)

ECON/8/00540

During the last exchange of views with Mr WIESER in his capacity as the Chair of ESGAB, Mr WIESER presented the Sixth Annual Report of ESGAB, which focused on Eurostat. He said that according to the findings in the report, Eurostat was a well-functioning office, but further work was needed to explain its role to the national statistical institutes and to delineate the European Statistical System vis-à-vis the statistics produced by the European System of Central Banks. Mr WIESER further pointed out that ESGAB's report included 16 recommendations, with Eurostat disagreeing with the ones on the recruitment and dismissal of its senior management. Regarding other issues, he stressed the importance of safeguarding the independence of national statistical institutes, to protect statisticians from political pressure.

In the following debate a large majority of questions from the MEPs concentrated on the issue of upholding the independence of Eurostat and national statistical offices.

Mr WIESER explained that in case of Eurostat, ESGAB did not have any problems with the current Director General, but wanted to ensure that future appointments would also be made on the basis of competence, which it felt could not be guaranteed with the system of rotation in place in the European Commission. He argued that this was a field in which the Commission had to lead by example.

Regarding national authorities, he said that ESGAB did not have any evidence of data actually being influenced, after the problems with Greek statistics had been resolved. However, he indicated that there had been cases of senior management of national statistical institutes stepping down when new governments came into office and appointments made at regional level based on bureaucratic logic, rather than merit. He referred to the work done on the basis of European Statistics Code of Practice to fight this phenomenon and argued that anticipation of publicity was also important in ensuring as quality driven process as possible.

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

ECON/8/00746, 2014/0807(CNS)
Rapporteur: Kay Swinburne (ECR, UK)

- Adoption of draft report

The draft report was adopted, with 31 votes for, 24 votes against and no abstentions.

6. Collection of statistical information by the European Central Bank

ECON/8/00831, 2014/0808(CNS)
Rapporteur: Roberto Gualtieri (S&D, IT)

- Adoption of draft report

The draft report was adopted, with 48 votes for, 8 votes against and no abstentions.

8. Exchange of views with Margrethe Vestager, Commissioner for Competition

ECON/8/01911

Ms VESTAGER's opening statement focused on recent achievements in the banking sector and the challenges that lie ahead. In relation to the recent comprehensive assessments carried out by the ECB, she noted with satisfaction that no state aid was envisaged to assist the 13 banks that were found to have a net capital shortfall. She also highlighted the increasing focus on transparency, as evidenced by the recent publication of the comprehensive assessments, and emphasised its importance in rebuilding trust in the banking sector. Lastly, she discussed how the state aid rules for banks had been updated to align them with the principles of the Banking Union. Despite such positive developments, the Commissioner warned that this was no time for complacency given the efforts needed to build a solid banking system, to restore trust in the banking sector, and to monitor the implementation of the new banking rules.

In the subsequent round of questions from MEPs, Ms VESTAGER addressed the following issues:

'Lux leaks': the Commissioner was questioned insistently on this by all political groups. The EPP and S&D in particular wanted to know how competition rules were being applied to fight tax evasion, and whether the Commission had the necessary capacity to do this. A number of S&D and ALDE members urged Ms VESTAGER to adopt a more determined and proactive stance, and to put pressure on Member States. GUE/NGL - which was seeking MEP signatures for a motion for censure of the Juncker Commission - questioned Mr Juncker's role in the past and asked whether he was still seen as a suitable figure in his current position.

Ms VESTAGER pointed out that while DG COMP could address potential distortions of competition with regard to national tax rulings, it could do little in relation to general tax policies in the EU given the unanimity requirement in the Council. On the former issue, she announced that four cases had been opened against Member States (2 against Luxembourg, 1 against Ireland and 1 against the Netherlands). The Commissioner stated that "structured steps" were being taken in these cases, as it was important to first gain a good understanding of national practices in relation to tax rulings before going further. She suggested, in this regard, that national parliaments could play a valuable role in examining national tax rulings. On the latter issue of tackling tax issues more generally, she stressed that it was important to seize the momentum to intensify the debate and to build a strong partnership between the Commission, the Council and the EP. Regarding Luxembourg, the Commissioner confirmed that DG COMP had seen improved cooperation with the country and underlined that she did not feel that her hands were tied in any way in tackling the matter.

The new state aid rules for banks: questioned by the EPP on how such rules could avoid the failings of the past, Ms VESTAGER highlighted that state aid now went to banks only as a last resort, after a bail in was in place. The ECR queried whether, by giving member states more responsibility for designing and implementing schemes without prior notification, the Commission had greater difficulty in monitoring compliance. The Commissioner explained that even if the Member States had been given more discretion, they still had to comply with the state aid rules, arguing also that the new obligation on Member States to publish their state aid decisions - which opened them to public scrutiny - was an important way of ensuring compliance.

A common consolidated corporate tax base: questioned in particular by the Greens on this issue, Ms VESTAGER stressed the importance of this file and expressed the hope that the Commission proposal would be taken up for renewed consideration.

On the ongoing Google investigations: Ms VESTAGER stated that she had to take into account the views of those affected before deciding how to take the investigation forward. She would therefore need time to decide on the next steps.

Mr GUALTIERI (S&D, IT) thanked the Commissioner for her presence and indicated ECON's willingness to have further exchanges with her in the future.

10. Next meetings

– 17 November 2014 (afternoon)