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Economic and Financial Affairs

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President **Pier Carlo PADOAN**
Minister of Economy and Finance

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Main results of the Council

The Council approved two important measures contributing to EU efforts to prevent tax fraud and tax avoidance.

It agreed on a common anti-abuse clause to be included in the EU's parent-subsidiary directive as part of efforts to clamp down on ***corporate tax avoidance****. This will require governments to refrain from granting the benefits of the directive to arrangements put in place purely to obtain a tax advantage.*

The Council adopted a directive extending the mandatory automatic exchange of information between tax authorities in order to prevent ***tax evasion and fraud*** *by individual taxpayers. The directive is aimed at remedying situations where a taxpayer seeks to hide capital abroad or assets on which tax is due. It takes into account a global standard developed by the OECD and endorsed by the G20.*

The Council agreed on a draft regulation calculating the contributions to be paid by banks to the EU's ***single resolution fund****. The fund is being set up under a single resolution mechanism that has been established to ensure the orderly resolution of failing banks.*

Ministers took stock of progress on measures to create durable conditions for sustained growth and job creation in the EU. The Council adopted conclusions on ***finance for growth*** *and the long-term financing of the European economy.*

It discussed a proposed action plan on ***investment****, as well as the work of a task force set up to identify potentially viable investment projects. The Commission's €315 billion investment plan provides for the creation of a European fund for strategic investment in 2015. The fund's role will be to provide risk-bearing capacity that can unlock investments in energy, broadband and transport infrastructure, education, research and innovation, renewable energy and energy efficiency, and to back risk finance for SMEs.*

[1]
- 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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Mr Jens GRANLUND	President of the Economic Policy Committee

ITEMS DEBATED

FINANCIAL TRANSACTION TAX

The Council discussed developments concerning a proposal aimed at introducing a financial transaction tax (FTT) in 11 member states through "enhanced cooperation". The presidency reported on progress made during its term, setting out its views on the possible further handling of the dossier by the next presidency (*16498/14*).

The presidency noted that:

– Progress has been made on the scope of the FTT for transactions in shares, whilst the taxation of transactions in derivatives remains a key open question. As a result of work on identifying the categories of derivatives to be subject to the FTT during a first phase, a better understanding of some critical issues has been achieved.

– Further reflection will be necessary on the taxation principles to be applied for the FTT (residence principle, issuance principle).

– Further work is needed on the mechanism to be used for collecting the FTT.

The FTT is aimed at ensuring that the financial sector makes a fair and substantial contribution to tax revenues, after governments had to step in during the financial crisis. It is also intended to discourage transactions that do not enhance the efficiency of financial markets.

Enhanced cooperation for an FTT was authorised in January 2013 by Council decision 2013/52/EU[1] (*press release* 5555/13). This was after a September 2011 proposal for an EU-wide FTT failed to obtain unanimous support. The participating countries are Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain.

The proposed directive defines how the FTT would be implemented in the 11 member states. Tabled in February 2013 (*6442/13*), the proposal has the same scope and objectives as the Commission's initial proposal for an EU-wide FTT. It involves a minimum 0.1% tax rate for transactions in all types of financial instruments, except for derivatives that would be subject to a minimum 0.01% tax rate.

The directive requires unanimous agreement of the participating countries (within the Council), after consulting the European Parliament. All member states may participate in discussions on the proposal, but only participating member states can take part in the vote. (Legal basis: article 113 of the Treaty on the Functioning of the EU, and articles 326 to 334 of the TFEU on enhanced cooperation.)

[1] The decision was taken by qualified majority. The Czech Republic, Luxembourg, Malta and the United Kingdom abstained.

SINGLE RESOLUTION FUND – CONTRIBUTIONS BY BANKS

The Council agreed on a draft implementing regulation calculating the contributions to be paid by banks to the EU's single resolution fund (SRF).

The fund is being set up under a single resolution mechanism (SRM) that was recently established to ensure the orderly resolution of failing banks[1].

The SRF will be built up over a period of eight years to reach a target level of at least 1% of the amount of covered deposits of all credit institutions authorised in all the participating member states.

The regulation will be adopted without further discussion, once finalised in all languages.

For details, see press release *16645/14*.

[1] The SRM will be applicable from 1 January 2016. See press release *11814/14*.

MEASURES IN SUPPORT OF INVESTMENT

The Council took stock of measures being taken to support investment, ahead of the European Council meeting on 18 and 19 December 2014.

The Commission and the European Investment Bank (EIB) reported on the work of a task force on investment, established in October 2014 to identify potentially viable investment projects to be realised in the short and medium term.

The Commission presented an action plan on investment announced on 26 November 2014 (*16115/14*).

The Council held an initial exchange of views. Broad support was expressed for the investment plan put forward by the Commission. The presidency will write to the president of the European Council summarising the outcome of the discussion. The Council looked forward to a legislative proposal giving substance to the plan, which will be taken forward in early 2015.

Issues raised during the discussion include:

- All three pillars of the plan (investment environment, making finance reach the economy, and a European fund for strategic investment, EFSI) are essential for boosting investment in Europe. They should be taken forward together and seen within a broader strategy that combines investment, structural reforms, single market integration and fiscal responsibility;

- The Commission was asked to clarify the treatment of possible capital contributions from member states to the EFSI under the Stability and Growth Pact within the existing rules;

- The selection of projects financed by the EFSI should be rigorous to ensure that projects attract private investors and that the plan delivers additional investments, rather than crowding out investments already envisaged;

- The role of the EIB will be central to the success of the plan. Integration of the new fund within the bank's governance structure was welcomed;

- The role of national promotional banks was also emphasised;

- The importance of a fast delivery of the different elements of the plan and of the appropriate follow-up was underscored.

Background

The Commission's €315 billion investment plan provides for the creation of a new European fund for strategic investment within the EIB group in the spring of 2015. The fund will be built on a €16 billion guarantee from the EU budget and €5 billion from the EIB.

Its role will be to provide risk-bearing capacity that can unlock investments in energy, broadband and transport infrastructure, education, research and innovation, renewable energy and energy efficiency, and to back risk finance for SMEs. By taking on part of the risk of new projects through a first-loss guarantee, the fund will attract private investors and is estimated to reach an overall multiplier effect of 1:15 in real investment.

The European Council in December will be called on to endorse the Commission's investment plan. The Commission is expected to submit a legislative proposal in January 2015, the aim being to adopt it by June 2015.

The task force, co-chaired by the EIB and the Commission, was asked to identify the main barriers and bottlenecks to investment and project development. Its task was to identify a first list of possible projects that:

– support EU objectives;

– generate high socio-economic returns;

– can be started within the next three years, i.e. a reasonable expectation for capital expenditure in the 2015-17 period.

The task force report includes an illustrative list of projects chosen as examples of viable investments of European significance that are hampered by some of the main barriers and bottlenecks to investment. Member states have presented about 2000 projects worth €1.3 trillion. However, there is no commitment that projects on the list will be financed through the new fund, nor that projects not on the list won't be.

As part of its investment plan, the Commission has announced that it will launch, together with the EIB, a major programme of technical assistance to identify projects and help make them more attractive for private investors.

EUROPE 2020 STRATEGY FOR GROWTH AND JOBS

The Council briefly discussed a forthcoming review of the EU's 2020 strategy for growth and jobs and its implementation through the European Semester monitoring process (see also pp. 12-14).

It took note of an Economic and Financial Committee and Economic Policy Committee joint opinion, containing proposals to improve implementation of the strategy and the delivery of related reforms (*16228/14*).

The presidency will submit a report to the General Affairs Council meeting on 16 December.

Europe 2020 was launched in June 2010 by the European Council as part of the EU's response to the global economic crisis. It also seeks to address the challenges posed by ageing populations, increased inequalities and climate change. The strategy involves coordinating the member states' economic and employment policies. It focuses on areas where action can boost Europe's potential for sustainable and inclusive growth and competitiveness.

Five "headline targets" were set to guide EU and member state action. These involve:

– promoting employment;

– improving the conditions for innovation, research and development;

– meeting climate change and energy policy objectives;

– improving education levels;

– promoting social inclusion, in particular through the reduction of poverty.

The Commission has undertaken a public consultation and is due to present a review of the strategy in 2015. The Economic and Financial Affairs Council is one of a number of Council configurations involved. The presidency's report to the General Affairs Council will provide guidance to the Commission on proposals to improve implementation.

ECONOMIC GOVERNANCE

– **Annual growth survey**

– **Macroeconomic imbalances**

– **Review of economic governance reforms**

The Council launched its annual policy monitoring process focused on the means to boost economic growth and on macroeconomic imbalances in the member states.

It held an exchange of views.

The 2015 "European Semester" process will conclude in July 2015 with the adoption of country-specific recommendations on economic, employment and fiscal policies.

Annual growth survey

The Commission presented its annual growth survey, highlighting its main conclusions for 2015 (*15985/14*).

The survey is the starting point of the 2015 European Semester. It suggests priority actions to be taken by member states to ensure better-coordinated and more effective policies for fostering sustainable economic growth.

The risks of persistent low growth, close-to-zero inflation and high unemployment have become a primary concern. The impact of the crisis has been cyclical, as demonstrated by the weakness in aggregate demand. But the survey also finds a significant structural component that has lowered the potential growth of EU economies.

The survey outlines three main pillars for the EU's economic and social policy in 2015:

– a coordinated boost to investment, with the Commission's €315 billion action plan for the 2015-17 period (see pp. 9-10);

– a renewed commitment to structural reforms, to enable countries to grow out of debt and stimulate the creation of more and better jobs;

– pursuing fiscal responsibility, securing control over deficit and debt levels in the long term.

The survey also contains proposals to streamline and strengthen the European Semester, as from 2015.

The European Semester involves simultaneous monitoring of the member states' economic, employment and fiscal policies during a period of around six months every year. It concludes with the adoption of country-specific recommendations.

In March 2015, the European Council will assess implementation of the 2014 country-specific recommendations and will provide guidance for 2015.

Macroeconomic imbalances: Alert mechanism report

The Commission presented an "alert mechanism report", marking the starting point of the annual macroeconomic imbalances procedure (*15988/14*).

Macroeconomic imbalances risk hindering the European economy and the functioning of the EU's monetary union. They were amongst the factors that contributed to the sovereign debt crisis in the euro area.

The macroeconomic imbalances procedure, set out in regulations 1174/11 and 1176/11, is therefore aimed at preventing and correcting such imbalances. Euro area countries can be fined under the procedure if they repeatedly fail to comply with the Council's recommendations.

The Commission's report, published on 28 November, identifies the member states that may have an imbalance. For these, in-depth reviews will be undertaken.

To identify the imbalances, the Commission applied a "scoreboard" of economic indicators. These are: current account balance; net international investment position; export market shares; nominal unit labour costs; real effective exchange rates; evolution of unemployment; private sector debt; private sector credit flow; house prices; general government sector debt; growth rate of financial sector liabilities.

The report calls for in-depth reviews of the situation in 16 member states: Belgium, Bulgaria, Croatia, Finland, France, Germany, Hungary, Ireland, Italy, the Netherlands, Portugal, Romania, Slovenia, Spain, Sweden and the United Kingdom.

The list does not include Cyprus or Greece, as they are subject to macroeconomic adjustment programmes and are therefore already under enhanced surveillance.

For Croatia, Italy and Slovenia, in-depth reviews will assess whether previously identified excessive imbalances are unwinding, persisting or getting worse.

Ireland, Spain, France and Hungary are classified as having imbalances in need of decisive policy action. In-depth reviews will assess risks related to the persistence of imbalances.

Belgium, Bulgaria, Germany, the Netherlands, Finland, Sweden and the UK were all previously identified as experiencing imbalances. In-depth reviews will assess whether the imbalances persist or whether they have been overcome.

For Portugal and Romania, in-depth reviews will be prepared for the first time. Both countries were previously subject to enhanced surveillance under macroeconomic adjustment programmes.

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The Council also discussed a review of reforms made in 2011 and 2013 to the EU's economic governance framework, including fiscal rules and processes under the EU's Stability and Growth Pact (*16236/14*).

The Commission presented a communication assessing to what extent the new rules[1] (nicknamed the six-pack and the two-pack) have been effective in achieving their objectives. The aim was closer coordination of economic policies and a sustained convergence of the economic performances of the member states, whilst ensuring transparency, credibility and democratic accountability.

The review confirms that the rules have significantly strengthened the EU's economic governance framework. It also reveals scope for further improvements in transparency and in relation to the complexity of policymaking, as well as in their impact on growth, imbalances and convergence.

[1] Press releases *16446/11* and *9430/13*.

EU BUDGET – COURT OF AUDITORS ANNUAL REPORT

The Council took note of the presentation by the president of the Court of Auditors, Mr Vitor Caldeira, of the Court's annual report on management of the EU's general budget[1].

The report, which covers the EU's budget for 2013, gives an unqualified statement of assurance as regards the reliability of the accounts. It however qualifies its assessment – as in previous years – for a large part of the underlying transactions in a number of policy areas. Most errors are in areas where management is shared by the member states and the Commission, such as regional policy and rural development.

The report warns that the EU budget system is too focused on merely ensuring that funds are spent and on the compliance with rules. It needs to place more emphasis on achieving results.

The Council regretted that the statement of assurance remains qualified for such important policy areas. It called on all parties involved to persist in their efforts to improve controls and address the weaknesses observed.

The Court's report will be used in preparing a recommendation to the European Parliament on the discharge to be given to the Commission for implementation of the 2013 budget.

The Council is expected to adopt the recommendation at its meeting on 17 February 2015.

[1] http://www.eca.europa.eu/en/Pages/AR_2013.aspx

HARMFUL TAX COMPETITION – BUSINESS TAXATION

The Council took note of progress in implementing a code of conduct on business taxation which is aimed at eliminating situations of harmful tax competition.

It discussed a method for assessing the possible harmfulness of special tax regimes for corporate revenues from intellectual property.

It endorsed the following conclusions on the six-monthly report from a working group that oversees implementation of the code:

"With regard to the Code of Conduct Group (Business Taxation), the Council:

- welcomes the progress achieved by the Code of Conduct Group during the Italian Presidency as set out in its report (doc. 16100/14 FISC 216 ECOFIN 1105);

- asks the Group to continue monitoring standstill and the implementation of the rollback as well as its work under the Work Package 2011;

- invites the Commission to resume the dialogue with Liechtenstein on harmful tax regimes, as set out in the report;

- invites the Group to continue its consideration of the draft guidance on Hybrid Permanent Establishments;

- takes note of the agreement reached on the interpretation of the third criterion of the Code of Conduct with regard to patent boxes as contained in the existing mandate;

- emphasises the need to start already in 2015 the legislative process necessary to change the patent box regimes and asks the Group to monitor this process;

- invites the Group to report back on its work to the Council by the end of the Latvian Presidency."

The code of conduct, adopted by the Council in December 1997, sets out criteria for a voluntary process of peer review by the member states. A working group (the "code of conduct group") was established by the Council in March 1998 to assess:

– the monitoring of a "standstill" commitment, whereby member states agree not to introduce new measures that are harmful;

– the "rollback" of tax measures deemed as harmful, according to the principles of the code.

The group's report summarises its work during the period since July 2014.

OTHER BUSINESS

– ***Ongoing work on legislative dossiers***

The Council took note of ongoing work on financial services dossiers;

– ***Corporate tax base erosion and profit shifting***

The Council took note of a request to the Commission by France, Germany and Italy for a comprehensive legislative proposal against corporate tax base erosion and profit shifting.

MEETINGS IN THE MARGINS OF THE COUNCIL

Ministers of the euro area member states attended two meetings of the Eurogroup on 8 December.

The first was a specific meeting to assess eurozone member states' draft budget plans for 2015, as well as prospects for the euro area as a whole.

At the second meeting, ministers discussed Greece's economic adjustment programme (fifth review and follow-up arrangements), post-programme surveillance in Portugal (first report) and Ireland (second mission), as well as incentivising investment and structural reforms.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Preventing tax evasion - Automatic exchange of information

The Council adopted a directive that will help the member states to clamp down on tax evasion and fraud by extending the scope for the automatic exchange of information (*14425/14*, *15995/14* + *15995/14 ADD 1*).

The directive brings interest, dividends, gross proceeds from the sale of financial assets and other income, as well as account balances, within the scope of the automatic exchange of information. It revises directive 2011/16/EU on administrative cooperation in the field of direct taxation accordingly.

The dual aim is to prevent taxpayers from hiding capital abroad or assets on which tax is due, whilst also improving the efficiency of tax collection.

For details, see press release *16644/14*.

Taxation: Parent-subsidiary directive - Anti-abuse clause

The Council approved an amendment to an EU directive with the aim of preventing tax avoidance and aggressive tax planning by corporate groups. To this end, it agreed that it would introduce a binding anti-abuse clause as a "de minimis" rule[1] in the parent-subsidiary directive (*16435/14*).

The anti-abuse clause is aimed at preventing misuses of the directive and ensuring a greater consistency in its application in different member states. It requires governments to refrain from granting the benefits of the parent-subsidiary directive to an arrangement, or a series of arrangements, that are not "genuine" and have been put in place to obtain a tax advantage, while not reflecting economic reality.

The amending directive will be adopted at a forthcoming Council session without further discussion.

For details, see press release *15103/14*.

[1] Allowing countries to apply stricter national rules, as long as they meet minimum EU requirements.

Payment services

The Council confirmed a general approach agreed by the Permanent Representatives Committee on a draft directive aimed at further developing an EU-wide market for electronic payments (*16154/14*).

For details see press release *16353/14*.

Financial assistance to Cyprus - Review

The Council adopted a decision adjusting, in the light of the fifth review, decision 2013/463/EU on the macroeconomic adjustment programme for Cyprus.

As a result, changes should be made in the areas of financial sector reform, fiscal policy and structural reforms.

Taxation - Reports to the European Council

The Council endorsed two sixth-monthly reports to the European Council:

– a report on tax issues; and

– a report on tax issues by finance ministers of countries participating in the *Euro Plus Pact*[1].

Administrative cooperation: Norway

The Council adopted a decision authorising the Commission to open negotiations for an agreement between the EU and Norway on administrative cooperation, combating fraud and recovery of claims in the field of value-added tax.

Arbitration convention: Croatia accession

The Council adopted a decision concerning the accession of Croatia to the Arbitration Convention of 23 July 1990 on the elimination of double taxation in connection with the adjustment of profits of associated enterprises.

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[1] Concluded in 2011 by 23 of the 28 member states, the *Euro Plus Pact* is aimed at strengthening economic policy coordination.

Finance for Growth and the Long-term Financing of the European Economy - Council Conclusions

The Council adopted the following conclusions:

"The Council:

1. SUPPORTS the emphasis on the need to create productive jobs and sustainable growth in the EU economy, and AGREES that the supporting role of Finance for Growth in this direction is one determinant building block;

2. RECALLS prior work, which ultimately fed into the Commission package adopted on 27 March 2014 and centred on the Communication on Long-Term Financing of the European Economy;

3. HIGHLIGHTS that in the aftermath of the recent economic and financial crisis and the ensuing deleveraging processes, funding to the real economy has fallen dramatically in several EU Member States and has exposed the limits related to the dependence on bank intermediation for channelling funds in the EU economy, especially as regards long-term investment and SME financing;

4. AGREES with the need expressed by the Commission in its Communication to stimulate new and different ways of unlocking long-term financing and to reduce existing impediments to access to finance for firms, in particular SMEs;

5. AGREES that, while national-level policy actions remain essential in order to create new financing opportunities and incentives to support long-term investments, a coordinated initiative at EU level would bring considerable benefits;

6. RECALLS the importance of following in particular the principles set out below:

   - One of the overarching goals should be to reduce barriers to the effective allocation of savings to investments while ensuring financial stability is maintained and that resilience to shocks is preserved;

   - In the pursuit of greater efficiency and competitiveness, high standards of market integrity and consumer as well as investor protection, should be maintained, in particular in retail markets, where financial literacy is also important;

   - Policy actions should be developed according to better regulation principles, following sound analyses. Prudential policy should ensure that sufficient resilience is maintained, as well-capitalised entities are in the best position to provide stable long-term financing;

- An ambitious and systematic policy approach should be adopted, ensuring in particular horizontal consistency in policy measures across Member States, across sectors and across the regulatory regimes of the relevant financial instruments and transaction channels;

- Facilitating the access to finance by SMEs should receive particular priority;

7. AGREES in this perspective that strengthening the single market for capital and ensuring the free flow of capital across the European economy would bring significant benefits, particularly in terms of:

   - Broadening and diversifying EU financial markets, thus also bringing about benefits in terms of economies of scale and underpinning their resilience, efficiency and competitiveness;

   - Contributing to the provision of greater long term financing;

   - Enhancing the supply of equity in addition to debt financing;

8. Without prejudice to further areas of work, including the establishment of ELTIFs as a key short-term priority, HIGHLIGHTS some areas where work should start soon, in particular:

   – Revitalising the market for simple and transparent securitisations, including those products suitable for SMEs, based on a dedicated European securitisation framework addressing the inherent risks associated with securitisations;

   – Enhancing private placement markets in a European perspective;

   – Moving towards convergence in the regulatory approaches to covered bonds, in particular through enhanced transparency and data disclosure requirements, whilst preserving the efficiency and quality reached in relevant national markets;

   – Further assessing the distinctive features and possible obstacles to the sustainable development of crowdfunding markets thus preparing the ground for possible future policy intervention where necessary and appropriate;

9. RECOGNISES that a holistic and ambitious approach to enhancing access to finance for all firms may require exploring key cross-cutting issues, that pertain to:

   - In the shorter term, the improvement of the breadth, quality and comparability of business, financial and credit information that investors need to have available EU-wide in order to exercise proper due diligence, in particular when assessing SME financing;

- In the longer term, potential implications in respect of the way property rights are protected, for instance through company and insolvency laws, and of the way taxation impacts financial markets in order to boost cross-border credit and investment flows in the EU.[1]

With regard to the revitalisation of the market for simple and transparent securitisations, the Council:

10. RECOGNISES the need to foster an appropriately structured and regulated European securitisation market: with adequate safeguards and high underwriting standards, securitisation instruments can combine the benefits of sound origination, with a wider dissemination of credit risk across the financial sector and are therefore instrumental in diversifying sources of funding to the EU economy, thereby helping to enhance long term growth;

11. STRESSES that sustainable securitisation markets relying on appropriately defined and regulated instruments could contribute to alleviating the financing situation including for SMEs by freeing-up capital in banks and strengthening investors' confidence. Therefore, the Council ENCOURAGES the Commission to develop, a dedicated EU framework for simple and transparent securitisations designed to further maximise consistency, transparency and legal certainty for all stakeholders in the market; building on the numerous ongoing initiatives at European and international levels on securitisation;

12. HIGHLIGHTS the need for swift action, careful coordination and sequencing of work streams at EU level and at an international level, in order to achieve a consistent framework, avoid regulatory arbitrage across sectors and financial instruments, ensure adequate transparency thereby also safeguarding European interests in global discussions;

13. WELCOMES the roadmap elaborated by the FSC and EFC already discussed informally in Milan and INVITES the Commission to develop a proposal for a dedicated EU framework for securitisation as a matter of priority, in dialogue with Member States and with the support of the ESAs, the ECB and other interested stakeholders, like national central banks of Member States. The Council CALLS ON the Commission to develop such a proposal by summer 2015;

[1] Having regard to the subsidiarity principle in light of Member States' competencies in the relevant areas, the examination should carefully consider what elements may adequately contribute to enhancing the effectiveness and stability of market-based financing.

With regard to a European private placement framework, the Council:

14. RECOGNISES that the development of a specific private placement framework with guidelines for issuers and professional investors represents one possibility for the long term financing of the economy which can complement other financing sources;

15. NOTES that such a private placement framework would be mostly beneficial for medium-sized enterprises with currently limited access to or presence in capital markets;

16. CONSIDERS that the lack of harmonisation of processes, credit information and documentation as well as the need for sound credit analysis addressing information asymmetries are among the challenges facing cross-border private placements;

17. WELCOMES the potential benefits presented by market-led initiatives, with a view to establishing reference standards underpinning a common framework for private placements;

18. TAKES NOTE of the Commission's planned mapping of national private placement regimes and of the FSC's work in sharing information on Member States' best practices;

19. INVITES accordingly the Commission, with the involvement of the FSC and the EFC to take stock of the outcome of market-led initiatives, in the course of 2015, and consider at the same time whether and how possible policy actions, incl. the development of a comprehensive but flexible regulatory framework, could play a supportive role in the development of a sustainable private placement market in the EU;

With regard to covered bonds, the Council:

20. HIGHLIGHTS that a number of Member States have established very successful regulated covered bond markets, and CONSIDERS that further progress is possible with regard to EU-wide market integration, cross-border issuance and holding of covered bonds, as supported by the convergence of relevant rules,

21. WELCOMES the Commission's intention to examine the feasibility, costs and benefits of harmonised EU covered bonds framework; however, STRESSES that such a framework should not come at the detriment of the already thriving covered bond markets, but should rather build on those experiences and preserve and promote high standards and best practices;

22. FINDS that consideration of the pros and cons of a possible covered bonds framework could be launched in parallel to the ongoing work on securitisation markets, with a view to ensuring proper coordination and consistency with the future regulatory framework, without prejudice to the higher priority attached to the securitisation framework; and STRESSES that the outcome should ensure that the resulting regulatory regimes appropriately reflect the risk-return profiles of these instruments;

With regard to crowd funding, the Council:

23. TAKES NOTE of the Commission's communication on crowdfunding of 27 March 2014, in which the Commission proposes to:

   – promote industry best practices, raise awareness and facilitate the development of a transparency label;

   – closely monitor the development of crowdfunding markets and national legal frameworks; and

   – regularly assess whether any form of further EU action – including legislative action – is necessary,

   with the aim of identifying the issues that may need to be addressed in order to support the safe development of crowdfunding and to maintain high levels of investor protection;

24. RECOGNISES the potential of crowdfunding as an alternative source of financing, in particular for SMEs, and HIGHLIGHTS in this regard the versatility of crowdfunding in channelling both equity and debt to SMEs, in particular to start-ups, and at the same time the need to ensure the adequate protection of retail investors;

25. WELCOMES further work by the Commission in order to develop a common understanding of crowdfunding at EU level and prepare the ground for possible future actions, taking into account the special characteristics of this new form of financing and the need for adequate investor protection. The Commission should in particular analyse, with the support of EBA, ESMA and Member States, and other relevant stakeholders, the factors underlying the current fragmentation of European crowdfunding markets , thereby identifying relevant differences across national legislations and supervisory approaches, and assess the potential benefits of a possible future policy intervention on crowdfunding at EU level, also in relation to the competitive edge towards third-country crowdfunding service providers and platforms;

With regard to the enhancement of small-scale corporate bond markets via mini-bonds, the Council:

26. RECOGNISES the need to explore the potential opportunities and risks of mini-bonds as a means of expanding the financing available to SMEs beyond bank credit, and their market visibility in terms of credit track record, creating new investment opportunities for qualified and professional investors;

27. INVITES a further analysis by the Commission of existing practices, potential related risks and an assessment of possible future actions in this field.

With regard to issues related to the disclosure and transparency of credit information, in particular concerning SMEs, the Council:

28. CONSIDERS that the provision of a relevant set of high-quality and comparable information, so as to allow and reward proper due diligence by financial market investors, thus also avoiding excessive reliance on credit rating agencies' ratings, is a crucial objective which cuts across the different market segments and types of instruments which may be required to enhance the single market for capital, Therefore SUPPORTS actions to standardise and simplify the availability of business, financial and credit information in particular on SMEs, noting that the scarcity of such comparable information is a further deterrent to cross-border financing;

29. As an initial step, ENCOURAGES further measures to ensure that sufficient credit information is available to lenders, also in a cross-border context, and INVITES the Commission to:

   – Map the existing credit assessment landscape across Member States and identify the key set of variables which are necessary to assess the credit worthiness of an SME, as a first step. This mapping exercise should be based on private and public information gathered from different sources, such as credit registers (often at the national central banks), credit bureaus, and referencing the experience of the ECB in this area;

   – Explore, in cooperation with the FSC, the ECB, the ESAs, national central banks and regulators, and other interested stakeholders, what are the best policy options, to facilitate the availability and to enable access to credit information data for all lenders to facilitate cross-border lending and investing;

   – Take forward its work including taking into consideration the existing accounting standards for SMEs, subject to an assessment of the balance to be struck between enhancing transparency to investors and limiting the administrative burden on data collectors and firms;

With regard to framework legislation having a bearing on the proper functioning of company law and insolvency law, the Council:

30. NOTES that further analysis should be undertaken as to the impact that different rules across national jurisdictions have on cross-border investment and the integration of capital markets;

31. AGREES that for the single market of capital to function properly and deliver in full its benefits in the long run areas such as company law and insolvency law should be examined, whilst also having regard to the respective tax treatments of equity and debt financing;

32. UNDERLINES the importance of national competences in these areas, having regard to the subsidiarity principle;

With regard to the next steps, the Council:

33. NOTES the Commission's intention to consult with a view to an Action Plan on Capital Markets Union by summer 2015;

34. ENCOURAGES the Commission to actively involve Member States and relevant stakeholders in the consultation, bringing out their specific experiences, contributing with best practices, stressing the existing obstacles to capital market finance and putting forward suggestions to build a fully integrated Capital Markets Union;

35. CONSIDERS that the policy course to be pursued will significantly benefit from a fruitful interaction between Member States, the Commission, the ESAs, the ECB and other relevant institutional stakeholders, having full regard to their respective prerogatives; and

36. INVITES further work by the FSC and the EFC, with a view to providing further input, as appropriate, to the Commission over the next months."

INTERNAL MARKET

Water meters - Mesuring instruments

The Council decided not to oppose the entry into force of a Commission directive amending directive 2014/32/EU, as regards the flowrate range of water meters *(15041/14)*.

Directive 2014/32/EU sets out requirements that certain measuring instruments have to satisfy to be placed on the internal market.

The Commission directive is a delegated act, which may now enter into force unless the European Parliament objects.

AGRICULTURE

Pesticides - Maximum residue levels for lactic acid

The Council decided not to oppose adoption by the Commission of a regulation amending annex IV to regulation 396/2005[1] as regards maximum residue levels (MRLs) for lactic acid, Lecanicillium muscarium strain Ve6, chitosan hydrochloride and Equisetum arvense L. in or on certain products (*15077/14*).

For those substances, no specific MRLs were set so the default value of 0.01 mg/kg applies.

Regulation 396/2005 establishes the maximum quantities of pesticide residues permitted in products of animal or vegetable origin intended for human or animal consumption. These MRLs include, on the one hand, MRLs that are specific to particular foodstuffs intended for human or animal consumption and, on the other, a general limit which applies where no specific MRL has been set.

MRL applications are communicated to the European Food Safety Authority (EFSA), which issues a scientific opinion on each intended new MRL. Based on EFSA's opinion, the Commission proposes a regulation such as those listed above to establish a new MRL or to amend or remove an existing MRL and modifying the annexes of regulation 396/2005 accordingly.

Such regulations are subject to the regulatory procedure with scrutiny. Now that the Council has given its consent the Commission may adopt the regulation, unless the European Parliament objects.

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[1] OJ L 070, 16.3.2005, p. 1.