Council of the
European Union

Brussels, 3 March 2015

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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 23 and 24 February 2015 - Items 4-7, 9 and 11-16

- **ECON held an Economic Dialogue meeting with Eurogroup President Dijsselbloem, focusing on negotiations with Greece.**
- **During an exchange of views with Commissioner Hill, the Commission's Green Paper on Capital Markets Union was well received overall by the political groups, with some worries expressed about securitisation.**
- **The MEPs gave their first comments on the draft report on economic governance review prepared by Ms BERÈS (S&D, FR).**
- **The political groups remained divided as regards their basic approach to bank structural reform and the level of discretion to be left to the supervisors.**

4. Reporting and transparency of securities financing transactions
ECON/8/00344, ***I 2014/0017(COD)
Rapporteur: Renato Soru (S&D, IT)
- Consideration of amendments

Mr SORU (S&D, IT) gave an overview of the amendments received. He was working on compromises and was going to have meetings with the shadows on them. For him, the most pertinent points concerned: Article 2 (Scope), including finding a solution to the issue of central banks and their counterparties; Article 3 (Definitions), including making sure that banks would not be able to find ways around the regulatory framework; Article 4 (Reporting obligation) and Article 28 (Entry into force), for which a more gradual approach had been proposed. He spoke out against amendments 140 and 204 regarding a waiver for Title Transfer Collateral Arrangements on the grounds that it would drastically reduce of the scope of application of the regulation.

The rapporteur also pointed out that the groups remained divided on the issue of haircuts. S&D, the Greens, GUE/NGL and some of the EFDD members felt that provisions on haircuts were needed in the regulation. EPP, ECR and ALDE, on the other hand, called for the work on this issue to be postponed. Despite those differences of opinion, there was some progress beyond the original starting point. The purpose of the debate would not be that of defining the full framework but rather of setting out a timeframe according to which the provisions would be worked out.

During the debate the shadows repeated many of their concerns expressed during the previous discussions and confirmed that their views remained divided on haircuts. Among other things, Ms HÜBNER (EPP, PL), Mr TERHO (ECR, FI), speaking on behalf of Ms SWINBURNE (ECR, UK), and Mr DE BACKER (ALDE, BE) called for a phased-in approach to the application of the reporting obligation and raised the issue of positions reporting.

The Commission (Patrick PEARSON, DG FISMA) agreed with the rapporteur that the title transfer should not be excluded, for a number of reasons. It was also against positions reporting, as it would not allow to get detailed information transaction by transaction and precluded the possibility to identify cases of possible double reporting. Relying on transactions reporting was the best way forward, building on the existing frameworks of MIFID and EMIR. As to haircuts, in the absence of information about the impact of the rules and their cost for the industry, the compromise proposal on the table could be followed, i.e. requiring a report and an impact assessment and introducing the rules after there was an agreement on this issue at the international level.

In conclusion Mr SORU reiterated that he was opposed to excluding Title Transfer Collateral Arrangements, considering this dangerous for the proposal, which had to reduce systemic risk and, therefore, could not have a very limited scope. He expressed hope that a compromise would be found in the coming days on a large part of the proposal.

Timetable:

- Vote in ECON: 23 March
- Plenary vote: April session

5. Structural measures improving the resilience of EU credit institutions
ECON/8/00346, ***I 2014/0020(COD)
Rapporteur: Gunnar Hökmark (EPP, SV)

- Consideration of amendments

Mr HÖKMARK (EPP, SV) gave an overview of the amendments. These mainly concerned the definition and treatment of proprietary trading, concerns about implicit subsidies and the issue of home and host countries, which was very important. The groups continued to differ on whether the approach should be risk based or structure based. However, he was optimistic that a compromise could be found by addressing the concrete concerns expressed by S&D, while maintaining a risk-based approach.

Mr VON WEIZSÄCKER (S&D, DE), supported by GUE/NGL (Mr DE MASI, DE), the Greens (Mr LAMBERTS, BE) and EFDD (Mr ZANNI, IT), on the other hand, felt that it was difficult to find a compromise, given the differences between the rapporteur's and their groups' basic analysis. The too-big-to-fail and too-complex-to-solve problems remained. With full discretion left to the supervisors, the new regulation would bring little added value compared to the existing legislation. Moreover, separation would be difficult to put into practice and the decisions by supervisors could be challenged in court, with an uncertain outcome. Therefore, sophisticated metrics and thresholds were needed and the burden of proof had to be reversed when it came to whether banks had to be separated or not. Moreover, a step further could be taken and at some point a second threshold be introduced for automatic separation. This resonated somewhat with the traffic light model discussed in the Council under the Latvian presidency, with the crucial difference that no discretion could be granted in case of the red light. S&D also wanted to strengthen the Commission proposal regarding the proprietary trading ban: in addition to a ban on taking a stake in an alternative investment fund, levering such a fund had to be prohibited as well.

Mr KAMALL (ECR, UK) pointed out that his group supported Mr HÖKMARK's approach, while he preferred a compromise between the two approaches. Ms GOULARD (ALDE, FR) also called for common ground between the groups to be found. The key idea was to limit risk and have a greater role for supervisors without giving them blind discretion. Fragmentation of the single market had to be avoided, which is why it was important to have common EU rules. The regulation had to have a broad scope and a review clause was needed so that it could be adapted to change. She called for the EP to come up with common parameters to be able to move forward on the file and not to let the Commission and the Council decide on it.

The Commission (Martin SPOLC, DG FISMA) agreed on the importance of striking the right balance and took the view that the Latvian Presidency proposal represented a very promising solution.

In conclusion Mr HÖKMARK called on the groups to be more open to compromise, while insisting that supervisors had to be offered a wider set of tools rather than separation only.

Timetable:

- Vote in ECON: 23 March
- Plenary vote: April session

6. Exchange of views with Jonathan Hill, Commissioner for Financial Stability, Financial Services and Capital Markets Union, on the "Building a Capital Markets Union" Green Paper
ECON/8/02665

Lord Hill gave an overview of the Capital Markets Union (CMU) initiative and the issues raised in the Green Paper. He stressed that CMU had to be seen in the context of the general political aim of the Commission to boost investment. While the idea behind the investment plan was to kick-start investment, CMU was about encouraging investment for the long term. It was a project for all 28 member states and would act as a major upgrade of the network that connected those who needed financing with those who had money to invest. Alongside the Green Paper, two other consultations had been launched: on securitisation and on the Prospectus Directive.

The political groups expressed their overall support for the initiative. EPP (Mr FERBER, DE) and ALDE (Ms GOULARD, FR) stressed the urgency of making progress and wondered about possibilities for speeding up the timetable. GUE/NGL (Mr DE MASI, DE), on the other hand, took the view that the Commission had to avoid doing a hasty job. The problems currently witnessed in Europe were not related to liquidity, but to a lack of investment demand. As a recurring issue, EPP, S&D (Ms GILL, UK) and GUE/NGL raised the issue of securitisation and how it could be promoted while avoiding the risks.

In addition, Mr LOONES (ECR, BE) stressed the importance of making sure the money reached SMEs, including the more traditional ones. He wondered whether the Commission intended to take an active interest in making sure that key pieces of capital markets legislation would be better aligned with the CMU initiative. Ms GOULARD wondered whether ESMA had to be shored up. Mr GIEGOLD (Greens/EFA, DE) asked the Commission to remain firm on simple retail products, to enhance competition in this area to the benefit of the consumers. Also, CMU had to be reconciled with European values and be oriented, as a whole, towards long-term finance and sustainable (social, environmental and good governance) products, rather than short-term shareholder value. It was not enough to deal with these concerns by special financial products like ELTIF or green bonds. Ms PARKER (EFDD, UK) raised the issue of the impact of CMU on the City of London and Ms KAPPEL (NI, AT) that of encouraging long term investment.

In his answers Lord Hill agreed on the urgency of making progress and explained that the Commission’s idea was to start first with a sensible analysis and identify the obstacles, building the market from the bottom up. With securitisation and the Prospectus Directive, it wanted to make early progress. In addition to legislation, it supported a market-led approach, similar to that taken in the case of private placement markets, given that legislation would take a long time to enact.

As to the other questions:

- The specifics of how to go about securitisation were going to be worked through as part of the consultation, so as to come up with a framework that mitigated concerns while reaping the benefits.
- A number of different measures were envisaged for SMEs. Some had to do with how potential investors would get comprehensible information about an SME when deciding whether to invest.
- The issue of shoring up ESMA was going to be addressed as part of the Green Paper.

- However, there was no evidence that the institutional arrangement would need to be changed totally.
- While the UK's situation was certainly special, the CMU was an initiative for all 28 Member States. In an open, well-functioning single market, strong and competitive companies were going to have opportunities wherever they were situated.
- Long term investment was central to the areas the Commission was looking at and it was keen to support the take-up of ELTIFs.

7. Economic Dialogue and exchange of views with Jeroen Dijsselbloem, President of the Eurogroup
ECON/8/00518

The discussion focused largely on Greece. Among the political groups, EPP took a cautious approach towards the new Greek government. It referred to the issue of trust and wondered how seriously it was taking reforms. S&D was more supportive and raised the issue of accepting a slower pace of reforms in an effort to avoid some of their negative effects. Greek MEPs from different political groups focused on the future, wondering about the options Greece would have on the table in the coming months. The most critical statements came from the Greens and EFDD who argued that Eurogroup policies had failed and that forcing Greece to agree was an example of "technocratic dictatorship" which was only going to increase euroscepticism. Some MEPs, especially from eurosceptic groups and non-attached members, raised the issue of Greece's Euro exit. During the debate some economic governance issues were also addressed. Mr Dijsselbloem presented his views of the future of the post of Eurogroup president, pointing out the positive aspects of it being held by a Finance Minister in office.

Asked about the negotiations process, Mr Dijsselbloem said that long and difficult discussions had been unavoidable and necessary for the Greek government to determine its position and for the Eurogroup to discuss what it could change or not in the current agreements. It was now up to the Greek government to use the flexibility available in the programme and to put its stamp on it. He stressed that Greece had submitted its reform list on time, contrary to some media reports. He refrained from commenting on any specific proposals put forward by the Greek government, and described the procedure to be followed by the Eurogroup on them. Responding to Mr BALZ (EPP, DE), he took the view that the Greek government was very serious about reform. However, strong cooperation with the institutions was required and the proposed reforms would have to meet the conditions required.

Mr SIMON (S&D, DE) argued that it was possible to understand why some reforms which give quick results, such as privatisation, pension reform and health care reform, could not be accepted by the Greek people. He wondered whether the timetable for reforms could be adapted so that they could be replaced by other measures, such as tax reform, producing equivalent results over the longer term.

In reply, Mr Dijsselbloem strongly supported tax reform in Greece, but also pointed to the need for short term measures for the Greek budget and debt sustainability not to go "off track". For him, the most desirable way forward for Greece was to pick up where the last government had left things at the end of last year when the programme had started to deliver its results, tax revenues were growing and other economic indicators had improved. As to the future, in the coming four months Greece would have to complete the programme and its debt sustainability and future challenges would have to be analysed. On this basis, next steps could be devised. Whatever they were going to be, it was clear that the institutions would remain involved in one way or another, not least because the IMF programme was going to continue in any case if Greece was committed to it. Even if there was not going to be a programme, there would be post-programme surveillance.

Mr PAPADIMOULIS (GUE/NGL, EL) stressed that a large majority of Greeks wanted to remain in the eurozone. He raised, however, the issue of the reduction of Greek debt and its primary surplus target, arguing from the November 2012 Eurogroup statement that with Greece achieving a primary surplus, further measures should now be discussed.

Mr Dijsselbloem replied by pointing out that, in addition to reaching an annual primary surplus, the statement included several qualifications and criteria for "further measures" to be considered, including fulfilling the commitments under the programme. Therefore, Eurogroup would only come back to the issue in four months, when an analysis of Greece's debt sustainability would also be available.

Replying to questions about the possibility of Greece or any other country leaving the eurozone, Mr Dijsselbloem stressed, above all, that this question had never been considered. For him, this would be economically detrimental to the countries concerned. Carrying out structural reforms was the only good way forward for the weaker countries.

Regarding economic governance, a few EPP and ALDE members wondered how member states could be encouraged to deliver on structural reforms. Mr Dijsselbloem replied by pointing to the work ongoing in the Eurogroup on stronger coordination of reform efforts. While further ways of making progress had to be explored, under the Macroeconomic Imbalances Procedure the Commission could also take further steps, possibly already this year.

Asked about the future of the post of Eurogroup President, Mr Dijsselbloem felt that it had been possible for him to combine this role with his domestic responsibilities, with a few difficulties during two periods of exceptionally intensive negotiations. He stressed the advantages of combining the role of Finance Minister with that of Eurogroup President in terms of better understanding the difficulties faced by his colleagues. The end of his mandate would be a moment to evaluate this arrangement. For him, however, it would not be logical for the Commission to have this role and to preside over the meetings of what was essentially an informal intergovernmental group of ministers.

9. The review of the economic governance framework: stocktaking and challenges
ECON/8/01152, 2014/2145(INI)
Rapporteur: Pervenche Berès (S&D, FR)

- Consideration of draft report

The rapporteur, Ms BERÈS (S&D, FR) took as her starting point the economic problems and divergences in the Eurozone, which, she argued, were also due to the shortcomings in European economic governance. For her, the investment plan had been proposed to make up for those shortcomings. Lack of investment would have worse consequences for future generations than excesses of public debt. Therefore, it was important to review the debt rule and to have more flexibility in the corrective arm of the SGP than proposed in the Commission communication on flexibility.

Ms BERÈS also took the view that member states’ budgetary positions and the EU's aggregate position had to be linked. The EU’s aggregate position had to be used as an economic policy tool, to look at budgetary issues in more strategic and political terms, with policy objectives in mind, in a manner comparable to the budgetary debates held in each member state. Another major area for improvement related to the Macroeconomic Imbalances Procedure (MIP). This was applied in a very biased way to discuss the implementation of structural reforms in the member states, while the concept of macroeconomic imbalances was much broader. Finally, the issue of the Troika and the relevant parts of the two-pack had to be reconsidered.

On behalf of the political groups:

- Mr THEURER (ALDE, DE) said that the report contained many elements liberals would agree to, although some points were missing and others went too far in one direction. In general terms, he took the view that the existing rules were sufficient. If there were shortcomings, this was because those rules had not been properly applied and because reforms had not been implemented. Therefore, the rules had to be applied more consistently in the future and the report had to mention the idea of automatic sanctions in case of infringement of the SGP, which had been advanced in Ms GOULARD’s report during the previous legislature. The debt rules had to be adhered to within the SGP, which already provided for flexibility. In terms of strengthening growth, the draft report had to pay more attention to improving the basic conditions for the private sector and SMEs. Commenting on the issue of the Troika, Mr THEURER pleaded for a more independent and transparent evaluation of countries' performance. He put forward the idea of a Chief Economic Analyst, who would operate like the US Congressional Budget Office and provide independent and transparent analyses of budgetary and economic issues. This would enable recommendations concerning individual countries to be made on a basis that was accepted by everybody concerned.

- Ms DE LANGE (EPP, NL) agreed on the sense of urgency in discussing economic governance issues in the light of the serious economic situation in Europe. The work had to focus on the review of the two-pack and six-pack, i.e. looking at their effectiveness in terms of making the monetary union stronger, including at the MIP. EPP felt flexibility within the SGP could be mentioned in the report and was also going to make a number of comments about the need to guarantee the sustainability of debt. It was necessary to talk about European economic policy coordination, as suggested by the rapporteur, but this could not mean that member states could shirk their responsibilities and blame Europe for lack of reforms. They had to take ownership of the process and debate these issues in their national parliaments.

- Mr LUCKE (ECR, DE) argued that the report had to concentrate more narrowly on framework conditions for policy governance and leave out any policy issues. He felt that it lacked a clear description of the reasons for which economic governance had not worked as expected and why there had been a move from simple to complicated and opaque rules. Economic governance could not be improved by more inclusive economic coordination and more use of the community method, as suggested. Instead, more attention had to be paid to incentives and the no-bail-out clause and its validity, which had to be the ultimate aim of economic governance.

- Ms KARI (GUE/NGL, DK) argued that the economic governance framework had to be assessed on the basis of its social consequences and unemployment. Social indicators had to play a bigger role. Democratic legitimacy problems also had to be addressed, including the exact role of different EU institutions and that of national parliaments.

- Mr URTASUN (Greens/EFA, ES) supported the rapporteur's basic approach of looking beyond the current system and called for a full blown legal revision of the two-pack and six-pack. He also agreed with promoting investment, including with the governance rules, and improving the MIP, which was geared towards deficit countries. Social indicators had to be given more attention and the issue of debt restructuring addressed. The EP had to play a greater role in the economic governance process and the Troika be replaced with a proper community framework.

- Mr VALLI (EFDD, IT) said that, as a member of the Five Star Movement, he agreed with the criticism expressed by S&D, but wanted to be even more critical regarding the governance mechanism applied in recent years. He particularly agreed with the line of reasoning calling the Fiscal Compact into question. It was never going to work for reducing debt. Referring to Mr LUCKE, he called for a better basic analysis of economic circumstances and imbalances in the Eurozone, as a basis for coming up with good proposals. One such imbalance was Germany's current account surplus, which was breaking the rules and had a direct impact on Southern European member states.

Ms GOULARD (ALDE, FR), as rapporteur for the opinion of AFCO, pointed out that the basic debt and deficit rules came from the Treaties, which is why some of the ideas proposed could entail treaty revision. For her, the problems were due to the incompleteness of the EU's rules-based system and the fact that no appeal was possible against the decisions of the Commission and the Council or against the member states. For this reason, sanctions had been a failure. She agreed on the importance of work regarding macroeconomic imbalances. The debt reduction rules had been backed up in an international treaty.

Ms FERREIRA (S&D, PT) stressed that it was important to bear in mind that, with the creation of the monetary union, member states had let go of important instruments used to manage economic cycles, yet those instruments had not been created at European level. Therefore, the Eurozone as a whole did not have any mechanism for getting out of the crisis apart from internal deleveraging, which was very difficult politically and socially. Also, having different economies in the same market with the same currency and commercial policy created imbalances which had been growing. She called for these problems to be discussed openly and warned against assessing the policies implemented after the crisis as successful, given their very high social costs and negative impact on investment and growth, as a result of which it was going to take a long time to get back to pre-crisis levels.

In conclusion, Ms BERÈS felt that it was difficult to believe that the Eurozone's problems could be summarised by a poor application of the rules, which was too simple an analysis to hold water. There was a need for further work on that. The rapporteur then responded to the more specific comments made during the debate:

- She was ready to work on the idea of strengthening the role of the Chief Economic Analyst of the Commission.
- Although there was an urgent need to make progress and review the two-pack and six-pack, as suggested by Ms DE LANGE, it was also important to have a longer term vision to guide this work. As to the issue of debt, it was not going to just disappear.
- For having simpler rules, as proposed by Mr LUCKE, it was necessary to include some politics in the system.

- She was critical of Commission President Juncker's report to the European Council, which she felt had not paid enough attention to convergence.
- She was, by principle, against bringing economic policy matters before the ECJ and making them subject to penalties. This issue had to be debated further.
- She agreed that there was scope for developing the MIP.

Timetable:

- Deadline for amendments: 2 March at 6 pm
- Consideration of amendments: 23 or 24 March
- Vote in ECON: 14 April
- Plenary vote: April II session

11. European Semester for economic policy coordination: Annual Growth Survey 2015
ECON/8/01999, 2014/2221(INI)
Rapporteur: Dariusz Rosati (EPP, PL)

- Adoption of draft report

The draft report was adopted with 40 votes for, 20 against and no abstentions.

12. Annual Tax Report
ECON/8/00964, 2014/2144(INI)
Rapporteur: Eva Kaili (S&D, EL)

- Adoption of draft report

The draft report was adopted with 46 votes for, 9 against and 5 abstentions.

13. Discharge 2013: European Banking Authority
ECON/8/01575, 2014/2120(DEC)
Rapporteur for the opinion: Markus Ferber (PPE)

- Adoption of draft opinion

The draft report was adopted with 46 votes for, 9 against and 5 abstentions.

14. Discharge 2013: European Securities and Markets Authority
ECON/8/01583, 2014/2122(DEC)
Rapporteur for the opinion: Markus Ferber (PPE)

- Adoption of draft opinion

The draft report was adopted with 43 votes for, 11 against and 4 abstentions.

15. Discharge 2013: European Insurance and Occupational Pensions Authority
ECON/8/01581, 2014/2121(DEC)
Rapporteur for the opinion: Markus Ferber (PPE)
- Consideration of draft opinion

The draft report was adopted with 48 votes for, 11 against and no abstentions.

16. Amendment to Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and to Directive 2013/34/EU as regards certain elements of the corporate governance statement
ECON/8/00436, ***I 2014/0121(COD)
Rapporteur: Olle Ludvigsson (S&D, SV)
- Adoption of draft opinion

The draft report was adopted with 38 votes for, 16 against and 5 abstentions.

18. Next meeting

Thursday 26 February 2015, 09:00 - 12:30