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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Summary record of the meeting of the **Committee on Economic and Monetary Affairs (ECON)** of the European Parliament, held in Brussels on 14 and 15 September 2015

The committee held an exchange of views with the Chairs of the three European Supervisory Authorities (ESAs) and discussed the draft report by Mr HAYES (EPP, IE) on the recast of the Directive on the activities and supervision of institutions for occupational retirement provision (IORPs). The shadows were supportive of the overall approach taken by the rapporteur, considering it an improvement on the Commission proposal, while remaining divided on a number of key points. The committee also discussed the 'Five Presidents' report' with Commission Vice-President DOMBROVSKIS and Commissioner MOSCOVICI. The groups were divided over the approach being proposed, with EPP expressing concerns over any pooling of risks and fiscal transfers and S&D over the possible emphasis on fiscal consolidation and wage cuts in the short run.

1. Adoption of agenda

The agenda was adopted.

2. Approval of minutes of meeting of 26 May 2015 and 15-16 July 2015

The minutes were approved.

3.-5. Hearing with Steven Maijoor, Chairman of the European Securities and Markets Authority (ESMA), Andrea Enria, Chairman of the European Banking Authority (EBA), and Gabriel Bernardino, Chairman of the European Insurance and Occupational Pensions Authority (EIOPA)

Mr MAIJOOR, Mr ENRIA and Mr BERNARDINO gave an overview of the activities of the three European Supervisory Authorities (ESAs) over the past 12 months and their future challenges. As Chairman of the Joint Committee of the ESAs, Mr MAIJOOR stressed that the budgets of the three ESAs were below the level necessary to accomplish their tasks. The 2016 draft budget did not improve and in some respects even worsened the financial situation of the ESAs, forcing them to delay or even cancel a number of deliverables. He said that the ESAs were committed to cooperating with ECON in the most transparent manner possible. The ESAs would provide ECON, as appropriate, with oral and written information on the directions and options that their boards of supervisors were considering and the regulatory decisions they had taken.

Mr BALZ (EPP, DE) asked for clarifications on the EIOPA's decision to delay issuing certain regulatory standards related to Solvency II due to planned changes to delegated acts, and considered that the EP should have been informed directly of such a decision. Mr FERREIRA (S&D, PT) and Mr SIMON (S&D, DE) wanted to know which of the tasks of the ESAs would be called into question because of the lack of resources. Ms FERREIRA also asked for comments on the EP's proposal to strengthen the ESMA's mandate as a mediator and on the work of the ESAs with a view to harmonising national supervisory practices. Ms SWINBURNE (ECR, UK) called for standardisation and simplification of the required data sets for transaction reporting under different acts. Mr WEIZSÄCKER (S&D, DE) asked about the feasibility of having host supervisors rather than consolidated supervisors of large groups take decisions in the context of the proposal on bank structural reform. Mr HÖKMARK (EPP, SV) asked which were the biggest problems in terms of the efficiency of bank supervision. A number of questions concerned the impact of the low interest rate environment on the insurance sector.

In reply, Mr MAIJOOR pointed out that the list of the postponed activities had been included in the budget for 2015 and 2016 respectively. The most logical candidates to be delayed were the most resource-intensive ones - relating to IT and data collection. Regarding mediation, there had been no formal cases but the possiblity of launching them had helped to achieve results informally. On supervisory convergence, Mr ENRIA and Mr BERNARDINO said that efforts were being undertaken to understand how added value could be best created. More work would be done on this in 2016. Regarding the separation decisions of banks, Mr ENRIA supported a joined-up approach, to avoid ring-fencing measures. However, it was important that the concerns of the host authorities should be adequately taken into account at the group level. As regards bank supervision, the big priority at the moment was the internal models of banks, where consistency was needed.

On the insurance side, Mr BERNARDINO confirmed that low interest rates were one of the fundamental issues in the EIOPA's work. For some time now, the EIOPA had stressed the need to review the structure of the products offered by life insurance companies and pension funds and to properly price long-term guarantees. Regarding pensions, most of the new arrangements were of the 'defined contribution' type. On the backbook, the EIOPA had been analysing the solvency of pension funds offering 'defined benefit' and hoped to be able to provide an opinion, in the first quarter of 2016, on how to put in place a framework for analysing the sustainability of those long-term promises. It was also carrying out a stress test on pension funds this year. He considered that the lack of a recovery and resolution framework for insurance was an important loophole in the EU insurance framework.

Mr GUALTIERI stressed that ECON would continue to support the ESAs on the question of their funding.

6. Chair's announcements

The Chair reminded ECON members of the meeting with national parliaments on 15 September and the meeting with TAXE on 17 September.

7. Adoption of the 2016 draft calendar of ECON committee meetings

The calendar was adopted.

8. Reconsultation of the committee (Rule 73 of the Rules of Procedure): Insurance mediation (recast)

The agreed text was approved by 31 votes in favour and 4 abstentions.

9. Scrutiny of delegated acts and implementing measures

The monthly scrutiny slot was dedicated to the regulation on key information documents for packaged retail and insurance-based investment products. Mr GENTNER (DG FISMA) updated ECON on the work undertaken in the Commission, while Mr MAIJOOR reported on the work done in the ESAs on the draft regulatory technical standards under the regulation, due to be submitted to the Commission by 31 March 2016. MEPs were generally supportive of the efforts undertaken by the Commission and the ESAs, while questioning the speakers about the approach to be taken vis-à-vis risk, performance scenarios and cost disclosures.

10. Activities and supervision of institutions for occupational retirement provision (IORPs) (recast)

*****I 2014/0091(COD)**

Rapporteur: Mr HAYES (EPP, IE)

- **Consideration of draft report**

The rapporteur, Mr HAYES, gave an overview of his draft report. His aim had been to make occupational pensions more accessible, equitable and safe, without imposing one-size-fits-all solutions and excessive administrave burden on the pension funds. It was also important to avoid imposing Solvency II requirements on IORPs, as this would have brought additional costs for them without significantly improving security. IORPs were very different to insurance products due to their social dimension.

Regarding the more specific proposals:

- To make the rules on cross-border activity clearer, he had introduced a specific definition of cross-border activity and tried to provide a clearer and more precise definition of home and host Member State.

- With regard to the transfer of pension schemes, the Commission had proposed rules which would only apply to cross-border transfers. He had proposed that these rules should also apply to domestic IORPs, as they were general principle rules which could make the transfers safer all across the EU. It was important not to have a lower standard within the Member States than those that applied at the cross-border level.
- The Commission proposal stated that cross-border IORPs had to be fully funded at all times. This was one of the greatest obstacles to cross-border activity. In his report, he had therefore proposed that all IORPs - both cross-border and domestic - should be fully funded at the moment an IORP started operating a new or additional scheme.
- On the question of information to be provided, he considered that it was not necessary to have the kind of prescriptive rules the Commission had proposed regarding the Pension Benefit Statement (PBS). He had proposed that one specific article covering the PBS in its entirety should be sufficient.
- Sharing best practice between Member States was important. He had therefore proposed that a high-level working group be formed for that purpose.
- Since pension policy was primarily a matter for the Member States, he was opposed to any delegated acts or EIOPA guidelines or recommendations in the context of this directive.

On behalf of the political groups:

- Mr TANG (S&D, NL) considered that the draft report was more balanced than the Commission's proposal, as it acknowledged national preferences and the social aspect of IORPs, while trying to promote cross-border activity. The focus on cross-border obstacles was also welcome, although it was not always clear what these obstacles were. As IORPs were embedded in national labour and social law, his group wanted to make a clearer distinction between nationally operating and cross-border IORPs. Also, regulatory arbitrage had to be addressed, i.e. cases of pension funds moving across borders in search of more lenient supervisors. As cross-border IORPs were more likely to be the 'defined contribution' type, it was important to come up with minimum requirements for such funds. Participants also wanted to have better information on where the pension funds invested, and have an influence on this.

- Mr FOX (ECR, UK) was not convinced of the overall added value of the Commission proposal. In any case, the rapporteur had addressed some of its worst aspects. He welcomed the rapporteur’s approach to the PBS and the removal of the requirement for all persons who run institutions to have professional qualifications. It was important to concentrate on the collective knowledge and experience of the board and this allowed employee representatives to continue participating in the running of these schemes. Other positive steps were the removal of the bias towards annuities over other forms of payout throughout the Commission’s text, and the increased timeframes for the review of schemes’ policies in Article 22 and for the review of the overall Directive in Article 75. The areas of continuing concern included the requirement for all institutions to appoint a depositary, which risked increasing costs with little benefit for members, and the expansion of the 'fully funded' requirement to all institutions, at the point of setting up a new scheme. This could have unintended side effects, which is why it was important to adequately define what was meant by a new scheme. Pension schemes set up under trust in the UK could have problems with the rapporteur's proposal to extend Article 13 to include all transfers rather than just cross-border transfers of pension schemes. Finally, the amendments to the risk evaluation for pensions in Article 29 had moved in the right direction. However, more could be done to give Member States’ competent authorities, who were best placed to understand the particular risk faced by individual IORPs, the freedom to set out the detailed requirements for inclusion in a risk assessment.
- Mr URBÁN CRESPO (GUE/NGL, ES) considered that the draft report had improved the Commission’s proposal. However, the group still had concerns over a number of points. Firstly, while pension systems had to be strengthened, this could not be done by promoting private funds. State pensions had showed greater resilience throughout the crisis and had to be be sufficient to guarantee a decent standard of living. In many cases, occupational pension schemes had been used to restrict the mobility of workers and bolster the capital of companies. It was therefore important to define rules for occupational pension schemes on the basis of best practice. He also had concerns over applying the rules of the home Member State without taking into account the host Member State, which could lead to a race to the bottom, as pension fund managers tended to gravitate towards countries where the rules were laxer.

- Mr EICKHOUT (Greens/EFA, NL) supported the rapporteur's general approach. However, for his group, the prime aim had to be strengthening the transparency and prudential standards of IORPs, rather than promoting the single market. In this context the group had doubts with regard to the text in some recitals and considered it important that institutions' technical provisions should be fully funded at all times, as proposed by the Commission. The group could not agree either with the rapporteur's proposal to remove, in Article 29, the requirement to account for climate-related risks, and wanted to strengthen that provision. The provisions on transparency should also be strengthened.

In conclusion, the rapporteur stressed the importance of taking into account the differences in the pension systems in the Member States, sharing best practices with IORPs between Member States, providing certainty and avoiding additional costs for the schemes and the beneficiaries. The activities of cross-border IORPs had to be facilitated, without diminishing the role of domestic IORPs. He also reiterated his opposition to delegated acts and supported the general idea of a recast, in order to take account of the developments affecting IORPs over the past decade.

Timetable:

- Deadline for amendments: 1 October at noon
- Consideration of amendments: 9 or 10 November
- Vote in ECON: 1 December
- Plenary vote: January 2016.

11. Exchange of views with Valdis Dombrovskis, Vice-President in charge of Euro & Social Dialogue and Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs on the implementation of the five Presidents' report and on the follow-up to the report on the review of the economic governance framework

The Chair, Mr GUALTIERI (S&D, IT), said he was pleased that during the informal meeting of Finance Ministers, in which he had participated, Ministers had not questioned the idea of placing the deepening of EMU in the Community framework and laying the democratic legitimacy in the EP.

VP DOMBROVSKIS and Commissioner MOSCOVICI gave an overview of the Commission's plans. The Commission was willing to move forward with short term proposals without delay, including in the context of the coming European Semester cycle. Regarding the second stage, it was setting up a reflection group to prepare for its white paper in 2017. Mr MOSCOVICI underlined that, even if significant democratic deepening would take place in the second stage, in the light of the Greek crisis, it was important not to wait on this. He was therefore ready to take part in the exchanges in the EP under the existing framework.

On behalf of the political groups:

- Mr FERBER (EPP, DE) felt that the Berès report included proposals on strengthening the resilience of EMU and avoiding risks, while the Five presidents report rather concentrated on pooling and "communitarising" them. The EPP could not support this approach. He wondered why the issue of establishing a European Deposit Insurance Scheme had been brought up in mid-2015 when the directive on deposit guarantee schemes, adopted a year ago, provided for a review of the development of nationals systems by mid-2019. More generally, it was important to focus on what was already agreed, making sure that the necessary political decisions were taken at the national level.
- Ms BERES (S&D, FR) stressed that EMU had to be armed against the risk of Grexit and deliver as regards growth and employment. She felt that the proposals were worrying in this regard. It was not clear why new institutions were needed. The first stage proposed could become a "stick" stage with the "carrot" stage never arriving. Balance was needed. Her report included the important proposal of focusing on euro area recommendations. The Commission had to take this exercise seriously, looking at the eurozone as an integrated area, evaluating the needs in terms of aggregated demand and investment, and in terms of the capability of member states, through their budgetary exercises, to deal with these questions.
- Mr LUCKE (ECR, DE) was worried about the EU becoming a transfer union and wanted clarifications about the proposal regarding a European treasury, including the possible tasks of the "minister for finance" and the amount of funds at his disposal.
- Mr THEURER (ALDE, DE) asked about the Commission's plans regarding the review of the 6-pack and codifying the communication on flexibility into law, as well as any possible initiatives regarding insolvency law.

- Mr PAPADIMOULIS (GUE/NGL, EL) felt that, in the context of high unemployment and inequality, more solidarity, Community method and democracy were needed, as well as fiscal transfers. It was regrettable that the proposals were very limited and pushed beyond 2017 in these areas.
- Mr LAMBERTS (Greens/EFA, BE) took the view that, in the current political context, growing inequality and the lack of democratic legitimacy had to be tackled urgently. It was important to work towards a common eurozone budget and unemployment scheme and its funding. The macroeconomic imbalances procedure had to include indicators on poverty, inequality, resource efficiency and unit labour costs. He also complained about the lack of transparency and accountability in the workings of the Eurogroup.
- Mr WOOLFE (EFDD, UK) felt that the EU was failing in terms of managing economic and migratory issues. He wanted to know when a treaty change was going to be considered and which countries would be included.
- Mr MONOT (ENF, FR) also felt that the report was another example of the EU just wanting to take away sovereignty from member states.

In the debate, members of the EPP group expressed concerns regarding the European Deposit Insurance Scheme, a euro area treasury, fiscal transfers and the implementation of country-specific recommendations. Mr PABLO ZALBA (ES) asked Mr MOSCOVICI to clarify whether he supported a separate eurozone parliament or not. In the S&D group, MEPs called for a stronger focus on employment, a review of the 6-pack and 2-pack, dealing with the democratic deficit of the Troika, giving an immediate impetus to growth through budgetary policies (rather than in stage 2), and focusing on a wider range of issues than fiscal discipline and financial stability. Mr GILL (UK) wondered about the implications of the proposals for non-euro area member states.

In their answers, VP DOMBROVSKIS and Commissioner MOSCOVICI clarified how the Five presidents report addressed the different issues raised. The European Semester would be strengthened and social aspects covered. The competitiveness authorities were going to have a wide mandate and would not just focus on reducing costs. There would also be room for investment. As regards the role of the Eurogroup and proposals for Stage 2, discussions were continuing and the new reflection group would further develop them. In general, a balanced approach was needed in terms of solidarity and discipline. Mr MOSCOVICI confirmed that his views regarding the EP's role coincided with those of President Juncker and that the EP had to remain the parliament of the eurozone, with the right to decide on the organisation of its work.

In conclusion Mr GUALTIERI announced that ECON would follow up on the discussion, starting with a technical workshop on streamlining the European Semester. The EP was also ready to fully implement the provisions of the Two-Pack regarding financial assistance programmes. There was no reason for the EP not to continue discussing eurozone issues in the presence of non-euro area members. This had been done at the informal Finance Ministers meeting and was being done e.g. in the context of the EP's monetary dialogues with the ECB president. When a eurozone fiscal capacity would be created, the EP could then decide how to take this into account in its internal organisation.

12. Mandatory automatic exchange of information in the field of taxation

*** 2015/0068(CNS)**

Rapporteur: Mr FERBER (EPP, DE)

- **Consideration of draft report**

The rapporteur, Mr FERBER, gave an overview of his proposed amendments to the Commission's proposal. Regarding the scope, he was proposing to include all tax rulings in the Directive and not just those where the Member State itself thought there were cross-border implications. Secondly, the exchange of information should take place immediately after the ruling or agreement had been issued, not every three months as proposed by the Commission. Third, there should be a deadline for setting up the secure central register: 31 December 2016. To enhance transparency for citizens, the Commission should publish, on the basis of the register, an annual report on the quality of the data, i.e. on whether all Member States were providing adequate information, summarising the main cases. He also stressed the need to proceed quickly with the adoption of the EP's position in order to put pressure on the Council to close the matter quickly.

The shadow rapporteurs endorsed the rapporteur's overall approach. Regarding the tax rulings covered, Mr BAYET (S&D, BE) and Mr DE MASI (GUE/NGL, DE) supported as wide a scope as possible, including going back more than ten years. Mr LOONES (ECR, BE) supported the scope of the Commission’s original proposal. Mr LAMASSOURE (EPP, FR), Ms DODDS (S&D, UK) and Mr JEŽEK (ALDE, CZ) also stressed the importance of a central role for the Commission. Mr LOONES preferred to focus on the role of national tax authorities, rather than on imposing new competences on the Commission.

A number of speakers elaborated on the approach to be taken as regards transparency vis-à-vis citizens. Mr JEŽEK considered it important to at least ask national administrations to publish the rulings anonymously, as some Member States already did. Mr DE MASI, on behalf of Ms MATIAS (GUE/NGL, PT), felt that it was important to maximise the effect of public pressure and pointed to the example of Sweden where a very transparent approach had been adopted in this area. Ms SCOTT CATO (Greens/EFA, UK) stressed that it was important not to go back on what the EP had endorsed in the context of the Shareholder Rights Directive as regards the publication of information on tax rulings. Mr LAMASSOURE and Ms DODDS underlined the need to send a coherent message in the various EP reports touching on this matter. The rapporteur agreed with this, while calling for a realistic approach, which would also take into account the principle of tax secrecy.

Timetable:

- Deadline for amendments: 22 September at noon
- Consideration of amendments: 13 October
- Vote in ECON: 19 October
- Plenary vote: proposal to bring the vote forward from November II to October III session.

13. European Semester for economic policy coordination: implementation of 2015 priorities

Rapporteur: Mr ROSATI (EPP, PL)

- **Exchange of views with representatives of national parliaments**

The rapporteur, Mr ROSATI (EPP, PL), gave an overview of his report. He felt that the European Semester had been substantially improved this year, with earlier publication of country reports and more focus on key priorities in the country-specific recommendations (CSRs). He stressed, in particular, the need to implement CSRs, for which national ownership was important.

The statements from MEPs and the representatives of national parliaments touched on general economic policy issues, EMU governance, the quality of CSRs, Germany's current account surplus and the role of national parliaments in the European Semester. Some speakers considered that stronger measures were needed to boost the European economy. There were also calls, from some, for more attention to be paid to the quality of the reforms proposed and their social impact. The negative impact of Germany's trade surplus was highlighted by some MEPs and representatives of national parliaments on the left of the political spectrum, while a member of the German Bundestag felt that this surplus represented the success of the country's export policy and that criticism of a system that had been successful was unhelpful in political terms. Another member of the German Bundestag felt that the CSRs for Germany did not, in practice, support measures boosting internal demand and called for coherence in this regard.

Ms RODRIGUES (S&D, PT) said that more balance was needed overall in the eurozone and that the EP should develop its dialogue with national parliaments on the Five Presidents' report. A Portuguese member of parliament felt that the debate between national parliaments and the European Parliament should be broadened more generally. In addition, the schedule of the European Semester needed to take national election calendars into account. Portugal and Poland would be having elections this October and might have problems submitting their Draft Budgetary Plans by 15 Ocotober. Mr STOLOJAN (EPP, RO) stressed that governments had to consult their national parliaments before submitting their National Reform Programmes and Convergence or Stability Programmes to the Commission.

Mr ROSATI concluded that more interaction was needed between the national parliaments, their governments, the EP and the Commission. The timetable and the sequencing of the process had to take this into account. Regarding Germany's current account surplus, it was indeed a sign of the strength of the German economy but, as a member of a monetary union, Germany also had obligations. Regarding the austerity debate, he pointed out that his report included a call for the Member States to use their budgets to stimulate their economy, where there was sufficient fiscal space.

Mr GUALTIERI said, in conclusion, that a mainstream consensus was emerging on the right policy mix that would guarantee both growth and stability. Regarding the quality of the CSRs, a more circular communication between the Commission and the Member States was important. This would also boost ownership. It was important to discuss these issues in the context of streamlining the European Semester.

14. **Stocktaking and challenges of the EU Financial Services Regulation: Impact and the way forward towards a more efficient and effective EU framework for Financial Regulation and a Capital Markets Union**

2015/2106(INI)

Rapporteur: Mr BALZ (EPP, DE)

- **Consideration of draft report**

The rapporteur, Mr BALZ, said that the draft report was the culmination of the request that had been put to the Commission time and again to take stock of the consequences of the financial services legislation adopted. This was particularly important at a time when there were new proposals on the Capital Markets Union (CMU). He referred to a number of elements that needed to be analysed: the consistency and proportionality of the legislation, its impact on the financing of SMEs, the obstacles to cross-border financial services and investment, and international cooperation and competition. The Commission and the ESAs also needed to have clear requirements as regards the timing of measures and cooperation, and their accountability had to be strengthened. The draft report called on the Commission departments to complete the first assessment by the end of 2016.

The shadow rapporteurs made the following statements:

- Mr TANG (S&D, NL) stressed that, for the S&D, the financial sector had to serve the real economy. To that end it was important to try to address the fragmentation of the market and the major inequalities across firms, depending on their size and type of capital. SMEs needed special attention and the Banking Union should be completed by the European deposit insurance scheme.
- Ms SWINBURNE (ECR, UK) felt that the report focused on the right areas. She would propose amendments on the reporting requirements and the treatment of non-financial counterparties under the EMIR framework. Proportionality for SMEs, the role of the ESAs and the need for an effective third country equivalence scheme also merited attention. The CMU should be about looking not only at big projects like securitisation but also at small tweaks or options that could be introduced into existing regulation, to make it more suitable for SMEs. Regarding the functioning of ESAs, communication with the EP in the drafting process of the level II rules needed to be improved.

- Mr JEŽEK (ALDE, CZ) stressed the importance of focusing on SMEs, as well as the competitiveness of the financial services sector globally. Third country equivalence decisions had to be made within a coherent framework. ALDE had sent a letter to Commissioner HILL on this matter.
- Mr DE MASI (GUE/NGL, DE) felt that the basic problem was the complexity of the financial markets. There was a need for stringent regulation to reduce such complexities. Financial stability should also be prioritised over concerns related to administrative costs. He was sceptical about the CMU, considering that a bank-centric system had many advantages for the safe financing of the economy. The problem was not a lack of financial instruments, but inadequate sales, which is why the best way of boosting credit was to stabilise demand.
- Mr GIEGOLD (Greens/EFA, DE) supported a proportionality check of all existing legislation and agreed with S&D on the need for the financial markets to serve the real economy. His group also believed that legislation had become too complicated and supported the idea of codifying it. Shadow banking had to be dealt with and stakeholders with similar risk profiles should be subject to similar rules. Progress needed to be made towards a genuine integration of capital markets. In some areas there was still too much concentration and more competition was needed. Finally, the financial services markets had to be geared towards environmentally friendly and socially compliant products.
- Mr WOOLFE (EFDD, UK) felt that, as regards CMU, it was inappropriate to try to copy the US model, given that the EU was not one country with one identity and one set of rules.
- Ms KAPPEL (ENF, AT) supported all the checks proposed in the report.

In the debate, Ms GILL (S&D, UK) felt that it was important to counter the perception among the financial services people that the exercise would be about deregulation. Mr HÖKMARK (EPP, SV) wanted the financial services legislation to be analysed on the basis of the need for investment in Europe. Mr BALZ stressed in conclusion that an impact assessment was necessary and that a clear message had to be sent to the Commission in this regard.

Timetable:

- Deadline for amendments: 24 September
- Consideration of amendments: 13 October
- Vote in ECON: 9 or 10 November.

15. European Central Bank Annual report for 2014

2015/2115(INI)

Rapporteur: Mr MARIAS (ECR, EL)

- **Consideration of draft report**

The item was postponed.

16. Any other business

There was no other business.

17. Next meetings

- Wednesday, 23 September 2015