



Eurogroup
The President

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To the members of the Eurogroup

Subject: Eurogroup of 6 November 2017

Dear colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting of 6 November. Our meeting was attended by Commission Vice-President Valdis Dombrovskis, Commissioner Pierre Moscovici, ECB President Mario Draghi and Executive Board Member Benoît Coeuré, as well as ESM Managing Director Klaus Regling. We were also joined by the Chair of the ECB Supervisory Board, Danièle Nouy, and the Chair of the Single Resolution Board (SRB), Elke König, for the Banking Union – euro area aspects discussion, and by Jeff Franks, Director of the IMF Europe Office, for the item on Greece. We also welcomed the new Dutch Finance Minister, Wopke Hoekstra, who presented the economic priorities of the new government, and the acting German Finance Minister Peter Altmaier.

1. Banking Union – euro area aspects: sixth hearing of the Chair of the ECB Supervisory Board and presentation by the SRB on its activities

Danièle Nouy reported on the execution of the supervisory tasks by the ECB Supervisory Board, as well as key policy challenges and priorities: i) the key priority of reducing NPLs, ii) the follow-up to the Commission's positive assessment in its recently published SSMR review, iii) the banks' decisions on relocation and changes to their business models in the context of Brexit and iv) the recent light touch stress test on the impact of a change in interest rates in the banking books of banks. Danièle Nouy stressed that the recently published draft Addendum to ECB guidance on NPLs to set out the supervisory expectations on provisioning for new NPLs would be an institution-specific Pillar 2 tool which is consistent with the existing regulatory framework. One question was raised about this interpretation.

Elke König provided a general update on SRB activities focusing on i) resolution planning, where the aim in 2017 is to cover all banks within the SRB's remit, ii) MREL, where the SRB intends to set binding targets at consolidated level for major banking groups under its remit in 2017, iii) the SRF, which has over EUR 17 bn in paid-in contributions and iv) follow up work from this year's resolution cases, especially as regards liquidity in resolution. We thanked Danièle Nouy and Elke König for their good work to date and we look forward to our next exchange of views in spring next year.

2. Thematic discussion on growth and jobs – Investment into human capital

In the context of our regular thematic discussions on growth and jobs, we exchanged views on investment into human capital, on the basis of a Commission note. Ministers shared their national experiences on possible ways to improve the efficiency of public spending on education and reforms. We recognised that it is important to look at how to spend *better* on education, which is a significant budgetary item. Investment in human capital is also essential for raising productivity and boosting potential growth, and therefore to increase the resilience of our economies and the economic and monetary union. Given the high interest in this topic, we agreed to come back to it early next year.

3. Miscellaneous

a. Greece – state of play

The institutions debriefed us on their recent mission to Greece in the context of the third review. We learned that good and constructive discussions were held on reforms that are part of the ESM and IMF programmes, although some challenges remain. The objective remains to complete the third review of the ESM programme ideally by the end of 2017. The Eurogroup will have a more in depth discussion at the December meeting.

b. Election of a new President of the Eurogroup

As already announced in November, the Eurogroup is scheduled to elect a new President at its meeting of 4 December 2017. Ministers wishing to put forward their candidature will be invited to do so in writing later this month.

Yours sincerely,

Jeroen DIJSSELBLOEM