



Eurogroup
The President

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To the members of the Eurogroup in inclusive format

Subject: Eurogroup in inclusive format 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 in inclusive format of 6 November. This meeting was convened in order to contribute to preparing the December Euro Summit on EMU matters which will be held in an inclusive format as announced by President Tusk in his letter to EU leaders of 21 September 2017. 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.

1. Completing Banking Union

We first held an exchange of views on completing the Banking Union. While a lot has been achieved already, we acknowledged that it would be useful to assess in more detail what progress we have made so far both at the national and the EU level as regards risk reduction and risk sharing, which we agreed are strongly linked objectives. Building on the roadmap agreed under the

Dutch presidency in June 2016, we also recognized that we need to be more precise on the progress on risk reduction and risk sharing we have achieved so far and what we want to achieve in the months and years to come. It is also clear that fostering a fully-fledged Capital Markets Union, by putting in place the right incentives for proper market functioning and cross-border integration, is instrumental for private markets to be able to play a greater role in risk absorption. Further progress also in this area would facilitate political decisions by mid next year on a broader policy package. While there was broad support for considering the ESM as the backstop provider for the Single Resolution Fund, some called for further exploring other possible options. On other aspects, such as the common deposit insurance scheme, more political discussions will be needed.

2. Fiscal capacity and fiscal rules on EMU

We also had an exchange of views on the fiscal framework and whether there is a need for changes and new fiscal instruments. We acknowledged that our common fiscal rules have been useful in reducing deficits. At the same time, the increasing complexity of the system makes it less transparent and predictable. Thus, many Ministers mentioned the need to simplify the rules and/or the need for stronger enforcement in order to achieve a greater ownership of the framework. Some considered that well-designed rules could also help markets play a disciplinary role, while others cautioned about the role of markets based on past experience. There was general agreement that reducing debt levels will become increasingly important in the improving economic environment, as it will contribute to creating fiscal buffers at national level to deal with future shocks. We also discussed whether we need a new fiscal policy instrument or a "central fiscal capacity". Views differed around the table as regards the usefulness and purpose of such an instrument. Many Ministers saw a central fiscal capacity with a macroeconomic stabilisation objective as a useful complement to the existing toolkit, while others questioned the need for such an instrument.

I concluded that we will further discuss banking union and fiscal issues as well as the role of the ESM at our December meeting, which will be convened in the same inclusive format, in preparation of the Euro summit on 15 December 2017.

Yours sincerely,

Jeroen DIJSSELBLOEM