



Eurogroup
The President

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To the members of the Eurogroup in inclusive format

Subject: Eurogroup in inclusive format of 4 December 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 4 December. This meeting was convened in order to prepare the December Euro Summit on EMU matters which will take place on 15 December, as foreseen in the Treaty on Stability, Coordination and Governance (TSCG). Our meeting was attended by Commission Vice-President Valdis Dombrovskis, Commissioner Pierre Moscovici, ECB 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, who contributed to our discussions on the completion of the Banking Union.

1. Preparation of the December Euro Summit – Deepening EMU

Building on our previous discussions on three building blocks relevant for the deepening of EMU (the completion of the Banking Union, fiscal capacity and fiscal rules for EMU, and the role of the ESM in the EMU architecture), we exchanged views on the key policy priorities, considering their sequencing and the role the Eurogroup in the appropriate format could play in the process towards EMU deepening. We agreed that the three building blocks are strongly interlinked. For example, there is a trade-off between private risk-sharing through integrated financial markets in the Banking Union and Capital Markets Union and public risk-sharing. We should therefore approach the building blocks in a holistic manner. The objective should be to come to a political agreement on a

roadmap for deepening EMU in June 2018.

On Banking Union, there was broad support from ministers that we adhere to the Council conclusions on a roadmap to complete the Banking Union that was agreed in 2016. Building on the stock take of Completing the Banking Union prepared by the Commission in cooperation with the ECB Banking Supervision and the SRB as presented at our meeting, we could further develop such a roadmap for the completion of the Banking Union, as a matter of priority, deepening and broadening it where needed and adding more precision as regards the specific steps that need to be taken in terms of risk reduction and risk sharing.

To make that next roadmap on deepening EMU credible, it would need to be broadened to also include fiscal and structural issues and the role of the ESM. As regards fiscal governance, there was broad agreement that the credibility of our fiscal framework should be enhanced by making it more effective, less complex, and by increasing shared ownership while some have been advocating a stronger reliance on developing market-based fiscal discipline mechanisms. In my view, a possible way forward, which could merit further discussions, could be to ask a high-level working group of independent experts to provide advice along those criteria. Views continued to differ on the need, usefulness, purpose, size and design of possible new fiscal policy instruments or a "central fiscal capacity". We stand ready to pursue in-depth discussions on this topic, also in an inclusive format, without prejudice to the discussions on the EU budgetary instruments that will need to take place in the context of the debate on the multi-annual financial framework.

As regards the role of the ESM, the discussion confirmed broad support for making the ESM the backstop provider for the Single Resolution Fund. Progress on the Commission's 2016 Banking Package, including on effective NPLs reduction, could provide a basis for possible decisions on the establishment of the backstop in June next year. There was also broad agreement that there was scope for enhancing the ESM's role in crisis management, in designing and monitoring financial assistance programmes together with the Commission (in liaison with the ECB) and enhancing the effectiveness of its instruments. I suggested a pragmatic way forward could be for the Commission and the ESM to jointly come forward with a proposal on their respective roles in programme design and monitoring.

I concluded that the Eurogroup in the appropriate format stands ready to play its role in the process leading up to the June summit, aiming at a broader, deeper and more precise roadmap to guide our work in the coming years and preparing possible decisions on first steps in June 2018.

Yours sincerely,

Jeroen DIJSSELBLOEM