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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

The European economic and financial system: fostering openness, strength and resilience

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1. INTRODUCTION

President von der Leyen's 'geopolitical Commission' aims to boost the role of the European Union (EU) on the world stage. The geopolitical context has shifted over the past decades, and there have been major technological and societal changes. The global economy is increasingly multipolar and the short-term pursuit of unilateral interests by specific actors can undermine effective multilateral cooperation.

The Commission's May 2020 Communication "Europe's moment: Repair and Prepare for the Next Generation"[1] highlighted the need for the EU, in this context, to build and maintain its "**open strategic autonomy**". The EU has a vital role in shaping the system of global governance and developing mutually beneficial bilateral relations, while protecting itself from unfair and abusive practices. This goes hand in hand with the EU's commitment to a more resilient and open global economy, well-functioning international financial markets, and the rules-based multilateral system.

This Communication sets out how the EU can reinforce its open strategic autonomy in the macro-economic and financial fields by **promoting the international role of the euro**, **strengthening the EU's financial market infrastructures, improving the implementation and enforcement of EU's sanctions' regimes,** and increasing the EU's resilience to the effects of the unlawful extra-territorial application of unilateral sanctions and other measures by third countries[2]. The Communication is part of a broader set of actions to strengthen the EU's open strategic autonomy and resilience[3].

First, a stronger international role of the euro would shield the economy from foreign exchange shocks and reduce reliance on other currencies, as well as ensure lower costs of transaction, financing and for managing risk. It would also help achieve globally shared goals such as the resilience of the international monetary system, a more stable and diversified global currency system, and a broader choice for market operators, all making the global economy less vulnerable.

The euro's success as a stable and credible currency means that it already plays an important role beyond the borders of the EU and the euro area. The euro is the second most widely used currency in terms of its share of global payments. The share of the euro

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1 COM(2020) 456, 'Europe's moment: Repair and Prepare for the Next Generation', Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and social Committee and the Committee of the Regions.

2 Legislative or regulatory measures that seek to apply beyond the territory of a sovereign, and without a sufficient nexus with that country, are commonly considered 'extra-territorial' measures.

3 These include a trade policy review, a joint Communication on strengthening the EU contribution to rules-based multilateralism, an updated industry strategy and digital strategies, and a new EU-U.S. agenda for global change. A long-term and cross-cutting perspective on strengthening Europe's open strategic autonomy will be provided by the Commission's 2021 Strategic Foresight Report.

in global payments amounted to around 38% in November 2020[4]. The share of the euro in global holdings of foreign exchange reserves currently stands at around 20%[5].

Second, a well-functioning financial sector is not only key for providing financing and investments for the European economy; it is an important stepping stone for EU businesses and citizens to thrive globally. Crucially, it is also instrumental in providing strong incentives for innovation in the digital economy, and for driving the green transition, as outlined in the European Green Deal[6]. Moreover, the withdrawal of the United Kingdom (UK) as a major financial hub from the EU strengthens the need to further deepen the Union's capital markets. Third, more rapid, robust and effective implementation and enforcement of EU sanctions[7], as well as a stronger policy to tackle the unlawful extra-territorial application of unilateral sanctions and other measures by third countries will benefit the EU's goal of open strategic autonomy and resilience. Strengthening the EU's foreign policy toolbox goes hand in hand with the international role of the euro and a resilient financial sector, as it allows the EU to defend its interests internationally and stand up for its values, using all tools at its disposal.

The COVID-19 crisis has had a number of consequences. First, it has highlighted the potential benefits of a multicurrency international financial system which would better cushion financial tensions and stability risks. Second, falling valuations of EU companies during the crisis increased the risk of predatory takeover of some strategic EU firms, with the risk of loss of technological know-how and disruption in a number of value chains.

The pandemic has, however, also revealed the EU's strengths. The EU has put in place a coordinated response to the crisis and its economic fallout. With the long-term budget and the Next Generation EU initiative, the EU has provided its largest stimulus package ever to boost the recovery and to lay the foundations for a modern and more sustainable EU. The crisis response reinforces the EU's resilience, provides strong reassurance to markets and economic actors, and drives investor confidence in the EU and the euro.

The response to the crisis is also making the EU a significant player in financial markets. By November 2020, out of the total foreseen EUR 100 billion, the Commission already issued EUR 39.5 billion social bonds in three rounds under the EU SURE instrument to help protect jobs and keep people in work. Investor interest in these instruments was very strong, reflecting also the strong credit rating of the Union bonds. To finance Next Generation EU, the Commission will borrow up to EUR 750 billion on capital markets on behalf of the Union over the period 2021-2026. This issuance provides an opportunity to establish a global reference point (yield curve) for international investors seeking to invest in euro-denominated assets.

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4 Swift RMB Tracker, December 2020: Live and delivered, MT 103 and MT 202 (Customer initiated and institutional payments), Excluding payments within Eurozone

5 European Central Bank, '19th Annual review of the international role of the euro' (June 2020), available at https://www.ecb.europa.eu/pub/ire/html/ecb.ire202006~81495c263a.en.html

6 COM(2019) 640, 'The European Green Deal', Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and social Committee and the Committee of the Regions.

7 Referred to as 'restrictive measures' in Article 215 of the Treaty on the Functioning of the European Union.

2. THE FOUNDATION FOR A STRONGER EU

A large integrated internal market, based on sound economic principles, a reliable and predictable legal system and the rule of law are the foundations of a resilient EU. At the same time, the EU needs to become more effective in leveraging its comparative advantages in these areas and projecting them to the outside world.

A key objective of the EU's open strategic autonomy is to safeguard and deepen the Single Market, which underpins the euro and the EU's openness to trade and investment with the rest of the world. Any policy that improves the functioning of the Single Market, enhances the depth and liquidity of financial markets, promotes economic growth and ensures financial and fiscal stability also strengthens the EU's geostrategic and economic influence. This includes policies to prepare the EU for future challenges, and in particular to foster the digital economy and the green transition, to provide businesses and individuals with sustainable growth opportunities and efficiency gains, within the EU and beyond.

To strengthen the Single Market, the European economy needs more performing internet connectivity as well as a stronger industrial and technological presence in strategic areas like artificial intelligence, supercomputing and cloud. The European Union also needs to seize the opportunities for the economy by building common European data spaces, and cloud infrastructure and services. The digital transformation of finance is a key component of its resilience and depends on the EU regulatory framework that facilitates innovation, promotes a data-driven finance and enhances cyber resilience. At the same time, the EU's work on greening the financial markets and ensuring more sustainable finance, including by increased transparency by the EU taxonomy for sustainable investments will be instrumental in providing strong incentives for the financial sector.

Since the global financial crisis of 2008 and the subsequent sovereign debt crisis, the EU has made substantial progress in improving its institutional set up, making the euro area more attractive to international investors. It has continued to strengthen and deepen the Economic and Monetary Union (EMU) based on a well working framework of economic policy coordination, and an efficient and stable financial system. The latter involves: a Banking Union (BU), strengthening and unifying banks' supervision and crisis management in the euro area; a Capital Markets Union (CMU), widening access to and mobility of capital across the EU; and setting up and subsequently strengthening the European Stability Mechanism, providing financial assistance to euro-area Member States with a view to preventing euro-area crises. Significant progress has been made on all those fronts. However, the full potential of further integration in these crucial areas has not been developed yet. Important missing pieces are, for example, the creation of a European Deposit Insurance Scheme, the simplification of the access to equity markets for Small and Medium Enterprises, the facilitation of long-term investments and the convergence of insolvency frameworks across the Union. In addition, the rapid implementation of the common backstop to the Single Resolution Fund and developing instruments for the provision of liquidity in resolution would enhance the credibility of the resolution framework.

Key action 1: Completing the Banking Union and making further significant progress on the Capital Markets Union as a means of supporting the resilience of the EU and deepening the Economic and Monetary Union.

New challenges have arisen. The COVID-19 pandemic is first and foremost a human tragedy, with a lasting impact on people and society. It also may leave persistent scars on European and global economies. Therefore, the EU supports a new, stronger and more sustainable economic model. With the withdrawal of the UK from the EU, there is a strong need and opportunity to develop domestic market infrastructures. The tools to address these issues must be based on policies to enhance growth and efficiency and the frameworks in support of them.

In response to the COVID-19 pandemic, the EU has launched an unprecedented recovery plan 'Next Generation EU'. The Recovery and Resilience Facility is the biggest programme of the recovery plan with a maximum of EUR 672.5 billion of loans and grants for Member States to finance reforms and investments. The investments and reforms embedded in the national recovery and resilience plans will help Member States seize the opportunities of the green and digital transitions, and address the key economic and social challenges that have been identified through the EU's framework for economic policy governance and coordination. The issuance of high-quality euro-denominated bonds under Next Generation EU will add significant depth and liquidity to the EU's capital markets and make them and the euro more attractive for investors. Issuance by the EU could also support a larger international investor exposure to the EU by providing the low-risk component of balanced portfolios and as reserve currency.[8]

In addition, the Commission has also published an update of the CMU action plan[9], a retail payments strategy for the EU[10] and a digital finance strategy[11]. It will adopt a renewed Sustainable Finance Strategy early in 2021. The Capital Markets Recovery Package[12] has amended the EU's capital market rules to help EU companies raise capital on public markets, support the lending capacity of banks, and boost investment during

8 See also: SWD(2020) 276, 'Analysis of the euro are economy', Chapter 5, Commission Staff Working Document accompanying COM(2020) 746 (Recommendation for a Council Recommendation on the economic policy of the euro area).

9 COM(2020) 590: 'A Capital Markets Union for people and businesses-new action plan', Communication from the Commission to the European Parliament, the Council, the European Economic and social Committee and the Committee of the Regions.

10 COM(2020) 592: 'a Retail Payments Strategy for the EU', Communication from the Commission to the European Parliament, the Council, the European Economic and social Committee and the Committee of the Regions.

11 COM(2020) 591: 'a Digital Finance Strategy for the EU', Communication from the Commission to the European Parliament, the Council, the European Economic and social Committee and the Committee of the Regions.

12 This package makes it easier for capital markets to support European businesses to recover from the crisis. The package includes the following regulations conveying targeted changes to capital market rules, in particular to Regulation (EU) 2017/2401, Regulation (EU) 2017/2402, Regulation (EU) 2017/1129, Directive 2014/65/EU.

the COVID-19 crisis. The Banking package[13] also aims to facilitate lending to the economy.

Financial markets also play a crucial role in the EU's climate and environmental ambitions. The European Green Deal and the EU's energy and climate targets[14] will bring major changes to the EU's trade in energy products, resulting in the development of nascent markets, such as hydrogen, and raising the need for robust strategic supply chains for renewable energy and other technologies that are critical for the green transition and the EU's energy security. This economic transformation will require significant public and private investments and the redirection of investment flows to sustainable projects.

Building on these policies, the EU needs to pursue additional targeted actions, under the following three pillars:

– strengthening the international role of the euro, by reaching out to third-country partners to promote the use of the euro, euro-denominated instruments and benchmarks, to overcome barriers to its global use, and to foster its status as an international reference currency in the energy and commodities sectors;
– further developing EU financial market infrastructures and increasing their resilience, including to any extra-territorial application of sanctions and other measures of third countries;
– further promoting the uniform implementation and enforcement of the EU's own sanctions.

3. STRENGTHENING THE INTERNATIONAL ROLE OF THE EURO

The euro is a key symbol and instrument of EU integration and autonomy. It underpins payments for goods and services, currency exchange, loans and capital-market transactions. It also serves as an invoicing currency, as a store of value outside the euro area, and as a reserve currency. The Communication of December 2018 'Towards a stronger international role of the euro'[15] laid out key actions to foster the international role of the single currency. It was accompanied by a Recommendation on the international role of the euro in energy[16] and followed by five sectoral consultations on

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13 The aim of this package is to ensure that banks can continue to lend money to support the economy and help mitigate the significant economic impact of the Coronavirus. It includes COM(2020) 169, an Interpretative Communication on the EU's accounting and prudential frameworks, as well as targeted "quick fix" amendments to EU banking rules, notably to Regulation (EU) No 575/2013 and Regulation (EU) No 648/2012.

14 In September 2020, the Commission set out a proposal to cut greenhouse gas emissions by at least 55% by 2030, changing the current emissions reduction pathway to reach climate neutrality by 2050. The proposal is contained in COM(2020) 562: 'Stepping up Europe's 2030 climate ambition. Investing in a climate-neutral future for the benefit of our people'. For more information, see https://ec.europa.eu/clima/policies/eu-climate-action_en

15 COM(2018) 796 'Towards a stronger international role of the euro', Communication from the Commission to the European Parliament, the European Council (Euro Summit), the Council, the European Economic and social Committee and the Committee of the Regions, , available at https://ec.europa.eu/commission/sites/beta-political/files/communication_-_towards_a_stronger_international_role_of_the_euro.pdf

16 C(2018) 8111, Commission Recommendation on the international role of the euro in the field of energy, accompanied by SWD(2018) 483, Commission Staff Working Document 'Promoting the international role of the euro in the field of energy'.

the role of the euro in foreign exchange markets, in the energy sector, in raw materials markets, in the trade of agriculture and food commodities and in the transport sector[17].

From the viewpoint of conducting monetary policy a greater use of the euro may bring benefits, such as seigniorage revenues from issuing currency, greater monetary autonomy, stronger global transmission of monetary policy. Increased usage would also lower transaction, risk management and financing costs, and decrease the impact of foreign exchange price shocks[18]. These benefits seem to outweigh the costs, such as pressure on currency appreciation in times of stress. A stronger role of the euro would also contribute to greater systemic stability as it diversifies the global currency regime and alleviates the effects of asymmetric shocks, in particular those linked to monetary policies by third countries. The smooth functioning of liquidity arrangements, such as swap and repo facilities with third countries, helps the European Central Bank (ECB) to fulfil its price stability objective, prevent euro liquidity shortages from morphing into financial-stability risks and can contribute to boosting the euro's global standing. In times of liquidity stress, these arrangements reduce the risk of spill over effects on the euro area financial markets and constitute an important liquidity backstop to third countries that use the euro extensively for financial and commercial transactions. A more diverse global monetary landscape would also enhance the overall responsiveness of international trade to exchange rate adjustments, especially for emerging economies[19].

A stronger international role of the euro could then be part of a broader trend where currency diversification in pricing and financing contributes to the stabilisation role of external rebalancing mechanisms and exchange rate adjustments.

Building on the proposals mentioned in the previous section, the Commission is working on additional measures to promote the use of the euro globally.

Increasing euro-denominated trade in debt securities, commodities and related financial instruments

The EU is the world's largest trader that accounts for more than a quarter of world trade.[20] In 2018, the euro was the most used currency for EU exports, while the U.S. dollar was most used for EU imports. While traders are free to choose the currency for trade on the basis of market considerations, there is scope to promote the use of the euro in the context of EU trade agreements. The completion of the post-Cotonou agreement[21]

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17 The results of the five targeted consultations were summarised in SWD(2019) 600 'Strengthening the International Role of the Euro. Results of the Consultations', Commission Staff Document.

18 European Central Bank '8th Annual review of the international role of the euro' (June 2019), available at https://www.ecb.europa.eu/pub/ire/html/ecb.ire201906~f0da2b823e.en.html#toc1

19 Boz, E., Gopinath, G. and Plagborg-Møller, M. (2017) "Global Trade and the Dollar," IMF Working Papers, vol 17(239).

20 Excluding intra-EU trade, in 2019, the EU-27's share of world exports was 15.6% for goods and 22.5% for services, while its share of world imports stood at 13.9% for goods and 21.0% for services. https://ec.europa.eu/eurostat/documents/3217494/10934584/KS-EX-20-001-EN-N.pdf/8ac3b640-0c7e-65e2-9f79-d03f00169e17

21 On 3 December 2020, the EU and the Organisation of African, Caribbean and Pacific States (OACPS) reached a political deal on the text for a new Partnership Agreement that will succeed the Cotonou Agreement. Once approved, signed and ratified by the parties, the Agreement will cover a large number of areas, ranging from sustainable development and growth, to human rights and peace and security and will be geared to empower each region. Once in effect, the Agreement will serve as the new legal framework and guide political, economic and cooperation relations between the EU and 79

will enable the EU and its African, Caribbean and Pacific partners to encourage a wider use of their respective currencies, and the Commission will explore further opportunities to promote the use of the euro in this region. The Commission will also consider addressing any identified information gaps concerning payments in euro by traders. EU delegations can be mobilised to that end and additional information can be provided via the market access database 'Access2Markets'[22].

Commodity markets constitute one of the key aspects of global trading. Since the adoption of the Commission Recommendation on the international role of the euro, in the field of energy there has been significant progress in the use of the euro in the EU gas markets. The share of natural gas contracts signed in euros increased from 38% in 2018 to 64% in 2020[23]. Euro-denominated benchmarks are also increasingly recognised and used worldwide. To further increase the use of the euro in commodity trades, the Commission will continue to discuss with the main players in key strategic sectors, including commodity, aircraft, healthcare, and critical raw materials for renewable energy.

EU financial markets also need to remain competitive and attractive for international market participants. In the context of the wider Capital Markets Recovery Package, the Commission proposed a number of measures under the Markets in Financial Instrument Directive (MiFID II)[24] to encourage greater investments and trading. These included reducing some of the requirements that are overly burdensome or hindering the development of EU capital markets. In addition, the Commission proposed to amend the MiFID II rules that apply to energy derivatives markets. This is intended to help the development of euro-denominated energy markets and allow EU companies to manage their risks, while safeguarding the integrity of commodity markets[25].

Building on the successful reform of commodity derivatives markets for energy, in particular electricity and gas, achieved in the context of the Capital Markets Recovery Package, the Commission will review the Benchmarks Regulation[26] in 2022. This review will aim to facilitate the emergence of euro-denominated indices covering core sectors of

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members of the OACPS for the next twenty years. More information available at https://trade.ec.europa.eu/access-to-markets/en/content/welcome-access2markets-trade-helpdesk-users.

22 Acces2Markets is a database providing EU exporters and importers with information on tariffs, taxes duties, rules of origin as well as procedures and formalities. More information available at https://trade.ec.europa.eu/access-to-markets/en/content/about-access2markets.

23 The figures are based on calculation by Commission staff using available data sources.

24 Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

25 COM(2020) 280, Commission Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/65/EU as regards information requirements, product governance and position limits to help the recovery from the COVID-19 pandemic. The proposed amendments, carefully recalibrate the position limit regime and the scope of the hedging exemption in order to ensure that nascent euro denominated markets are able to foster and allow producers and manufacturers are able to hedge their risks whilst safeguarding the integrity of commodity markets, except for agricultural commodities, in particular those with food for human consumption as an underlying.

26 Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.

the economy, including nascent energy markets, such as hydrogen. The Commission will also use this review to assess whether further reform is needed to enhance the robustness of euro-denominated interest rate benchmarks. In line with international reform efforts of critical interbank borrowing (IBOR) rates, the Commission will regularly review the reliability of all critical or systemic benchmarks, especially when they are denominated in euros.

The Commission will also carry out a further review of MiFID/MiFIR in 2021. As part of this review, the Commission will propose to improve, simplify and further harmonise the securities markets transparency framework to increase secondary trading in euro-denominated debt instruments. This will include the design and implementation of a consolidated trading tape, in particular for corporate bond issuances - a central database, which aggregates the various post-trade data sources into a single view. A consolidated tape will ensure that more trading takes place on transparent regulated platforms, thereby increasing market depth and attractiveness of euro-denominated securities both for issuers and investors.

***Key action 2*: The Commission will further support the development of euro-denominated commodity derivatives for energy and raw materials and will facilitate the emergence of euro-denominated benchmark indices and trading venues covering core sectors, including nascent energy markets, such as hydrogen.**

EU issuance and outreach to third-country investors and issuers

With the implementation of 'Next Generation EU' and the temporary 'Support to mitigate Unemployment Risks in an Emergency (SURE)', the EU will become one of the major debt issuers worldwide. The success of the first issuances for SURE demonstrated the demand of international investors for the bonds issued by the EU, not least due to its high credit quality[27]. The EU will issue close to EUR 1 trillion[28] of new debt by 2026. Through these programmes, the Commission will issue bonds with different maturities, including short-term securities.

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[27] At the end of 2020 the EU was rated by the major CRAs as follows: Fitch Ratings: AAA (Outlook stable); Moody's: Aaa (Outlook stable); S&P: AA (Outlook positive); DBRS: AAA (Outlook stable); Scope: AAA (Outlook stable). See European Union: Investor Presentation (December 2020) available at https://ec.europa.eu/info/strategy/eu-budget/eu-borrower/investor-relations_en.

[28] The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) has been established by the Union to help Member States fight the negative economic and social consequences of the coronavirus outbreak on their territory. It can provide financial assistance up to EUR 100 billion in the form of loans from the EU to affected Member States to address sudden increases in public expenditure for the preservation of employment. For more details, see Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak.

The European Union Recovery Instrument ('Next Generation EU') is a EUR 750 billion temporary recovery instrument to help repair the immediate economic and social damage brought about by the coronavirus pandemic. It will provide funding for measures and actions to be carried out as outlined in the European Union Recovery Plan, COM(2020) 456 'Europe's moment: Repair and Prepare for the Next Generation'. The Council Regulation 2020/2094 envisages the allocation of:

- support of up to EUR 390 billion in 2018 prices in the form of non-repayable support and repayable support through financial instruments and for provisioning for budgetary guarantees;

- up to EUR 360 billion in 2018 prices in loans to Member States for a programme financing recovery and economic and social resilience via support to reforms and investments.

Building on this, high-level contacts will be organised with market participants, especially outside the EU, to promote investments in euro-denominated bonds. Finally, the Commission will encourage EU institutions, public authorities, national promotional banks and multilateral banks to maximise the use of the euro in their activities and respective bond issuances.

The currency of denomination of investment and international trade invoicing is primarily a market choice, driven by factors including the stability and trust in the institutions, the size and depth of capital markets and integration in global value chains in international trade.[29] The Commission will engage in dialogue with public and private partners in third countries to get a better understanding of the obstacles for a wider use of the euro in trade and financial relations and how to address them. Initiatives to foster the ability of Europe to speak with one voice on the international stage will help expand the euro's global outreach.

The Commission will organise targeted macroeconomic dialogues and workshops with neighbourhood countries, with a special focus on Eastern Partnership and Southern Neighbourhood countries, given their geographical proximity and the importance of the EU to many of them as a trade partner, investor, and source of remittances and of macro-financial assistance. Special attention will also be given to contacts with the private sector, since the barriers and opportunities to the use of the euro may be different in this case. The network of EU Delegations and cooperation with the European External Action Service (EEAS) will be important to that end.

***Key action 3*: The Commission will launch outreach to promote euro-denominated investments, facilitate the use of the euro as an invoicing and denomination currency and foster a better understanding of the obstacles for its wider use. This outreach will take the form of dialogues, workshops and surveys with the public and private sector, financial regulatory agencies, and institutional investors in regional and some global partner countries of the EU.**

The role of the euro in the 'green' transition

The European Green Deal[30] charts the way to climate neutrality and environmental sustainability in the EU. It includes a global dimension to promote the implementation of the international community's commitments under the Paris Agreement. The EU will need to mobilise massive investments to achieve the EU's 2030 energy and climate targets, and to become climate-neutral by 2050, as well as to achieve other Green Deal objectives, such as protecting biodiversity and moving to a circular economy. Together with the recovery plan, promoting sustainable finance is an opportunity to develop EU financial markets into a global 'green finance' hub, bolstering the euro as the default currency for the denomination of sustainable financial products. In 2019, almost half of all global green bond issuances, including those originating from outside the euro area, was denominated in euro[31]. This share is expected to grow, not least given the objective of having 30% of Next Generation EU investments funded by green bonds, which will be

[29] European Central Bank (June 2020), see above.

[30] COM(2019) 640, see above.

[31] See 'Unleashing the euro's untapped potential at global level', speech by F. Panetta, Member of the Executive Board of the ECB, Meeting with Members of the European Parliament. Available at https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp200707~3eebd4e721.en.html

issued against eligible expenditure mainly under the national recovery and resilience plans by Member States. The upcoming EU Green Bond Standard, the EU sustainable finance taxonomy and the sustainable finance disclosure and reporting obligations will further support EU green investments.

Moreover, targeted trading platforms for euro-denominated sustainable financial instruments, such as for nascent energy markets like hydrogen, should be further developed in the EU and beyond.

With the EU Emissions Trading System (ETS), the EU operates the world's largest carbon market, and its turnover and liquidity are steadily rising. The EU ETS has proven to be an effective market-based tool incentivising cost-effective emissions reductions. Emissions from entities covered by the ETS declined by about 35% between 2005 and 2019. The Commission continues to strengthen the efficiency and resilience of the EU ETS, taking into account developments such as the creation of the Market Stability Reserve. The Commission continuously monitors developments in the trading of emission allowances, including the impact of the relevant ancillary activity exemption, in particular as part of the MiFID review by the end of 2021, to ensure that ETS markets meet the highest standards. The Commission expects that market participants will trade EU emission allowances under the EU's regulatory and supervisory regime. The newly procured Common Auction Platform for emission allowances will, like the previous one, be located in the EU.

In June 2021, the Commission will present legislative proposals to meet the EU's greenhouse gas emissions reduction target of at least 55% by 2030, compared to 1990 (Fit for 55 package)[32]. Among these actions, the Commission will propose to expand the EU ETS so as to include emissions from maritime transport. Moreover, it considers expanding the use of emissions trading to emissions from buildings, road transport or all other emissions from fossil fuels combustion in that legal proposal. This could significantly increase the coverage of the system in terms of sectors and greenhouse emissions.

***Key action 4*: The Commission will promote the use of green bonds as tools for the financing of investments and projects necessary to achieve the objectives of the European Green Deal. The Commission aims to issue 30% of the total bonds under Next Generation EU in the form of green bonds.**

***Key action 5*: The Commission will look for possibilities to expand the role of the EU ETS to maximize its environmental outcome and will support further ETS trading activity in the EU.**

The euro in the digital era

Boosting digital finance, while addressing related risks, will support the EU's economic recovery and the broader economic transformation. Further development of the European

32 COM(2020) 562, 'Stepping up Europe's 2030 climate ambition. Investing in a climate-neutral future for the benefit of our people', Communication from the Commission to the European Parliament, the Council, the European Economic and social Committee and the Committee of the Regions; COM(2020) 690, 'Commission Work Programme 2021. A Union of vitality in a world of fragility', Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and social Committee and the Committee of the Regions.

digital finance sector will reinforce the EU's open strategic autonomy in financial services and the capacity to protect the EU's financial stability and values.

An increasing number of central banks in the world are examining the possibility of introducing central bank digital currencies (CBDC). While banks already have access to central bank money in digital form through their reserves, new technology opens the possibility of a retail CBDC that would be directly accessible to households and businesses. The Commission and the ECB are pursuing their efforts towards ensuring a strong and vibrant European digital finance sector and a well-integrated payments sector to respond to new payment needs in the EU. Taking account of digitalisation, rapid changes in the payments landscape and the emergence of crypto-assets, the ECB is exploring the possibility of issuing a digital euro, as a complement to cash and payment solutions supplied by the private sector.

In October 2020, the ECB published the report of the Eurosystem's High-Level Task Force on a digital euro[33] and launched a public consultation. The latter closed on 12 January 2021 and registered high interest. Among its potential benefits, a digital euro could support the digitalisation of the EU's economy and its strategic autonomy. Combined with private digital currency solutions, a digital euro could also partly mitigate the challenges from the observed decline in correspondent banking relationships in cross-border transactions resulting from cost rationalisation by banks, regulatory expectations[34], and changes in the way this service is provided. To reap the benefits of a public digital euro, it is also key to address any potential challenges for EU policies, such as those related to financial intermediation and stability, to the crowding out of private sector payment solutions, to financial inclusion, to Anti Money Laundering and to Counter Terrorism Financing, to data privacy, and to the conduct of monetary policy. On 3 November 2020, the Eurogroup held a first strategic discussion on a digital euro and the potential economic, social and political consequences that such an innovation could entail.

The Commission and ECB services will jointly review at technical level a broad range of policy, legal and technical questions emerging from a possible introduction of a digital euro, taking into account their respective mandates provided for in the EU Treaties.

In parallel, in the context of its Digital Finance Strategy[35], the Commission proposed a new regulation on markets in crypto-assets (MiCA)[36]. This aims to ensure that crypto-assets with a payment function, in particular 'stablecoins', do not raise issues for financial stability, monetary policy, monetary policy transmission and monetary sovereignty. This is in line with the Communiqué of October 2020[37] of G20 Finance Ministers and Central Bank Governors. The development of direct payment linkages between the EU and third countries, as set out in the Commission's retail payments strategy[38], will also mitigate the observed decline in correspondent banking. As agreed

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33 European Central Bank 'Report on a digital euro', (October 2020).

34 In particular in the area of anti-money laundering/combating the financing of terrorism (AML/CFT).

35 COM(2020) 591, see above.

36 Proposal for a Regulation of the European Parliament and of the Council on Markets in Crypto-assets, and amending Directive (EU) 2019/1937 (COM(2020)593)

37 For more information see: http://www.g20.utoronto.ca/2020/2020-g20-finance-1014.html

38 COM(2020) 592, see above.

by the G20, no 'global stablecoins' should start operating until all relevant legal, regulatory and oversight requirements are addressed both through appropriate design and by adhering to applicable standards.

***Key action 6*: The Commission and the ECB will jointly review a broad range of policy, legal and technical questions emerging from a possible introduction of a digital euro.**

4. INCREASING THE RESILIENCE OF EU FINANCIAL MARKET INFRASTRUCTURES AND RELATED CRITICAL SERVICE PROVIDERS

The EU is open to global financial markets but it is ready to protect its interests. In this context, equivalence decisions in financial services are mutually beneficial for the EU and for third countries, and serve the EU's objective to promote the international integration of financial markets while preserving financial stability. The Commission has taken over 280 equivalence decisions for more than 30 countries.

This is particularly important for financial-market infrastructures, which are strategic nodes in the financial system. They serve as gateways to foreign financial markets and their openness benefits EU businesses and investors, and must be managed and supervised in accordance with high standards, building on works by international standard-setters. Furthermore, it is essential that the provision of critical functions is preserved during crises. It is a key interest of the EU to develop its financial market infrastructures and increase their resilience so as to avoid reliance on the provision of such critical services from third-country jurisdictions.

Strengthening market infrastructures' operational resilience includes shielding the sector from increasingly pervasive, targeted and impactful cybersecurity threats and vulnerabilities[39]. The Commission has recently published specific proposals [40] that pursue a sustainable digitisation of EU economic and societal activities via high-level of digital operational resilience and security of the network and information systems that the EU depends upon.

Strengthening the resilience of financial-market infrastructures

A number of EU-based financial market infrastructures provide global depository and messaging services. Their international operations make them subject to foreign laws and policies. This also makes them vulnerable to disruptive actions by third countries, including through the unlawful extra-territorial application of unilateral sanctions. It is important for the EU to preserve the global reach of these infrastructures, while safeguarding the open strategic autonomy of the EU.

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39 ENISA Threat Landscape - 2020, available at: https://www.enisa.europa.eu/topics/threat-risk-management/threats-and-trends.

40 JOIN(2020) 18, 'The EU's Cybersecurity Strategy for the Digital Decade', Joint Communication from the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy to the European Parliament and the Council. December 2020; COM(2020) 823, Proposal for a Directive of the European Parliament and of the Council on measures for a high common level of cybersecurity across the Union, repealing Directive (EU) 2016/1148 ('NIS Directive'); Proposal for a Regulation of the European Parliament and of the Council on digital operational resilience for the financial sector (DORA) and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014 and (EU) No 909/2014.

The EU should develop measures to shield EU operators in the event a third country compels EU-based financial-market infrastructures to comply with its unilaterally adopted sanctions, or through other means that interfere with legitimate EU operations. A first step would be, within a broader EU response to the unlawful extra-territorial application of unilateral sanctions by a third country affecting legitimate EU activities, to assess the vulnerabilities in a structured way through testing and developing the business models of the financial market infrastructures. A second step would be to develop tools to counteract the effects on EU operators of the unlawful extra-territorial application of unilateral measures by a third country. For example, where such third-country measures lead to unjustified exclusion from financial-market infrastructures or to a fine against an EU-based operator, the EU could counter this undue interference with the actions hereby proposed. Actions mentioned in Section 5 will also contribute to achieving this purpose.

The vast amounts of euro-denominated contracts cleared and settled by central counterparties outside the EU also raises financial-stability concerns in the case of a future crisis requiring liquidity in euro or other Union currencies. Against this backdrop, the recent temporary equivalence decision on the UK's framework for central counterparties makes clear that the volume of current exposures of Union clearing members towards UK Central Counterparties (CCPs) entails risks for the financial stability of the Union and for the transmission and conduct of the Union's monetary policy. Therefore, there is a clear expectation that Union clearing members reduce their exposures to UK CCPs that are systemically important for the Union, in particular Over-the-Counter (OTC) derivative exposures that are denominated in euro and other Union currencies. In addition, the recently established CCP Supervisory Committee in the European Securities and Markets Authority (ESMA) will undertake a comprehensive review of the systemic importance of third-country CCPs and their clearing services and activities in the Union[41], and ESMA will take any appropriate measures to address financial stability risks in accordance with the European Market Infrastructure Regulation (EMIR[42]).

EU market participants need to reduce their excessive exposures to systemic CCPs in third countries, and EU CCPs need to build up their clearing capability. Exposures will be more balanced as a result, to the benefit of financial stability. The Commission, together with the ECB, the European Banking Authority (EBA) and European Securities and Markets Authority (ESMA), therefore plans to work with the industry to assess possible technical issues relating to the transfer of contracts denominated in euro or other EU currencies to central counterparties located in the EU with a view to facilitating such transfers. The impact on the real economy will also be considered. Recommendations are expected to be issued by mid-2021.

***Key action 7*: The Commission will engage with financial-market infrastructure companies to carry out a thorough analysis of their vulnerabilities as regards the unlawful extra-territorial application of unilateral sanctions by third countries. The Commission intends to involve the ECB and the relevant European Supervisory Authorities in this respect in line with their respective competencies. On that basis, the**

[41] Regulation (EU) 2019/2099 of The European Parliament and of the Council of 23 October 2019 amending Regulation (EU) No 648/2012 as regards the procedures and authorities involved for the authorisation of CCPs and requirements for the recognition of third-country CCPs.

[42] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

Commission will assess the need for issuing related recommendations and contribute to the EU range of tools to prevent and effectively counter the undue interference with EU-based financial market infrastructures.

<u>Key action 8:</u> The Commission will establish a working group to assess possible technical issues relating to the transfer of financial contracts denominated in euro or other EU currencies cleared outside the EU to central counterparties located in the EU.

Reducing excessive reliance on foreign financial institutions and on funding in foreign currencies

Overreliance on non-EU banking could create problems in times of financial market disruption. The market share of EU investment banks has been falling over the last 15 years, both globally and in the EU. In times of financial crisis, non-EU banks may choose to reduce their presence in the EU and to focus on their domestic market. This could hamper the access of EU companies and Member States to capital-market funding, risk management solutions or other financial services, and could compromise the liquidity or even solvency of EU financial counterparties.

A related source of risk is the excessive reliance of EU banks on foreign exchange swap markets. In 2011 the ESRB[43] already recommended that national supervisory authorities monitor U.S. dollar funding and liquidity and that EU credit institutions provide for contingency funding plans. Since then, new liquidity requirements for banks have been introduced that also cover significant foreign currencies, and swap lines were agreed by the ECB with other central banks to provide U.S. dollar liquidity to the banking system and the economy during market stress. These measures have eased financial stability concerns to some extent.

Both the 2008 financial crisis and the market disruption of March 2020 provided an illustration for these risks[44]. In general cross-border financing facilitates the flow of credit through the world economy. However, cross-border flows become more volatile in a crisis, as financial institutions tend to rush to refinance their positions, increase their liquidity holdings and reduce counterparty credit risk. At the onset of the COVID-19 pandemic, given the U.S. dollar's role as a global currency, the run to the dollar and U.S. repo market dislocation made it increasingly difficult and costly for non-U.S. financial institutions to refinance their dollar operations.

A greater use of the euro in international transactions, increased attractiveness and opportunities of euro-denominated investments, and emergence and consolidation of euro-benchmarks may further reduce the financial vulnerabilities of businesses. A first step to address these concerns would be to study in more detail the reliance on non-EU financial operators and funding in foreign currencies, relevant drivers and the vulnerabilities for the EU financial system. The Commission will mandate the European Banking Authority to do a study on EU dependence on non-EU financial operators and banks' dependence on funding in foreign currencies in 2021.

[43] ESRB Recommendation on US dollar denominated funding of credit institutions (ESRB/2011/2)

[44] 'US dollar funding tensions and central bank swap lines during the COVID-19 crisis', published as part of the ECB Economic Bulletin, Issue 5/2020.

Securing the flow of capital and financial services with third countries

The extra-territorial application of unilateral sanctions by third countries has seriously affected the EU's and its Member States' ability to advance foreign policy objectives, to honour international agreements and to manage bilateral relations with sanctioned countries. At times, unilateral actions by third countries have compromised legitimate trade and investment of EU businesses with other countries. In this context, Germany, France and the UK established, with technical and financial support from the Commission services and the European External Action Service (EEAS), the Instrument in Support of Trade Exchanges (INSTEX), a special-purpose vehicle to facilitate payments for legitimate trade between the EU and Iran. The instrument was launched in January 2019, and five other Member States (Belgium, Denmark, Finland, the Netherlands, and Sweden) and Norway have since joined as shareholders.

The Commission, together with the High Representative of the Union for Foreign Affairs and Security Policy ('High Representative'), will reflect on the most appropriate way to protect the EU's foreign policy and strategic interests, as well as EU companies and individuals, from the effects of unlawful extra-territorial application of unilateral sanctions adopted by third countries. As part of this discussion, the Commission will explore, in close coordination with the EEAS, options to ensure the uninterrupted and secure flow of essential financial services between the EU and its trading partners and to shield the legitimate operations of EU operators, in full compliance with multilateral international agreements and the EU's own sanctions framework. In this context, ways to further improve effectiveness of instruments such as INSTEX will be explored.

***Key action 9:* The Commission will explore ways to ensure the uninterrupted flow of essential financial services, including payments, with EU entities or persons targeted by the extra-territorial application of third-country unilateral sanctions.**

5. Strengthening the implementation and enforcement of EU sanctions

EU sanctions are a key instrument used to promote the objectives of the Common Foreign and Security Policy (CFSP), through which the EU can intervene, notably to preserve peace and strengthen international security. They thus play a critical role in upholding the EU's values and in projecting its influence internationally. A more robust and rapid implementation and enforcement of EU sanctions, as well as a protective policy against the unlawful extra-territorial application to EU operators of sanctions by third countries, will benefit the EU's openness, strength and resilience.

The Council of the European Union, the High Representative and the Commission, have different, complementary prerogatives regarding the design, implementation, and enforcement of EU sanctions[45], in full respect of EU and international law. The Council decides on adopting, renewing, or lifting sanctions, on the basis of proposals from the High Representative. The Commission, together with the High Representative, gives effect to these decisions in EU law through joint proposals for Council regulations. In its role as guardian of the Treaties, the Commission oversees the implementation of sanctions by Member States under the TFEU. However, implementation is not as

[45] The Council of the European Union adopts EU sanctions by a decision taken at unanimity, pursuant to Article 29 of the Treaty on European Union, and a regulation adopted by qualified majority pursuant to Article 215 of the Treaty on the Functioning of the European Union.

uniform across the EU as it ought to be. This creates distortions in the Single Market as EU companies, including EU subsidiaries of foreign companies, can circumvent prohibitions. This also creates uncertainty among operators. Inconsistent enforcement undermines the efficacy of sanctions and the EU's ability to speak with one voice.

The full and uniform implementation of EU sanctions, together with additional efforts to counter the unlawful extra-territorial application to EU operators of unilateral sanctions by third countries, will further enhance the EU's strategic weight by: (i) increasing the EU's credibility as a regulatory power and (ii) preserving the integrity and the level playing field of the EU Single Market.

Improving the design and implementation of EU sanctions

EU sanctions must be targeted to achieve the EU's policy goals, while avoiding any unintended consequences. The Commission, as the institution in charge of monitoring and co-ordinating the implementation of EU sanctions under the TFEU, will from 2021 contribute to the assessment of the effectiveness of EU sanctions. This will consist of examining the economic impact of sanctions on the entities subject to them, on trade patterns between the EU and the country concerned, on EU businesses and on the provision of humanitarian aid. Based on this assessment, the Commission will coordinate with the High Representative to propose to improve the effectiveness of EU sanctions regulations.

In 2021, the Commission will also conduct a review of practices that circumvent and undermine sanctions, including the use of cryptocurrencies and stablecoins. The results of this will inform possible legislative proposals or implementation guidelines from 2022.

EU sanctions are most effective when information about their impact is promptly available. In 2021, the Commission will develop a database, the Sanctions Information Exchange Repository. This will enable prompt reporting and exchange of information between Member States and the Commission on the implementation and enforcement of sanctions. The Commission will consider obtaining specialised information, including data collected by EU agencies and bodies. The Commission will work in coordination with the High Representative as appropriate. Moreover, the Commission will assess the need to review existing reporting obligations for Member States.

In parallel to the adoption of this Communication, the Commission is setting up an expert group of representatives of Member States on sanctions and extra-territoriality. Representatives of the European External Action Service shall be invited to assist to the meetings of the Group. The group's mandate will cover issues related to the technical implementation of EU sanctions and of Regulation (EC) No 2271/96 (Blocking Statute).[46] In addition, the group will serve as a forum to carry out further work on the EU's resilience to the effects of the unlawful application of extra-territorial unilateral sanctions adopted by third countries. Non-governmental organisations (NGOs) and civil society may be invited as appropriate to ensure that humanitarian aspects are to the fore.

[46] Council Regulation (EC) No 2271/96 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom. (OJ L 309, 29.11.1996, p. 1–6).

Further coordination on certain cross-border sanctions-related matters is needed. Currently, Member States' authorities that deal with requests for authorisation from EU businesses or humanitarian operators that are active in multiple Member States are often not informed of parallel requests to, or decisions issued by, other national authorities. This could result in the uncoordinated enforcement of EU sanctions and forum shopping. The Commission will work with Member States to set up a system to centralise notifications and the dissemination of information across Member States, and to help coordinate Member States' replies, in full compliance with the division of competences in the treaties.

The Commission will also discuss the implementation of EU sanctions with Member States to ensure a harmonised approach in this regard. Applicable standards and respective best practices could also be discussed in the expert group mentioned above.

Finally, the EU is a leading provider of assistance to third countries. The Commission will work with Member States and its international partners to further secure the highest levels of due diligence to ensure that EU funds and economic resources, including guarantees, are used in full compliance with EU sanctions The Commission stands ready to continue working with partners who need to increase capacity in this area.

***Key action 10:* In 2021, the Commission will develop a database, the Sanctions Information Exchange Repository, for the prompt reporting and exchange of information between Member States and the Commission on the implementation and enforcement of sanctions.**

***Key action 11*: In 2021, the Commission will work with Member States to establish a single contact point for enforcement and implementation issues which have cross-border dimensions.**

***Key action 12*: The Commission will continue to further ensure that EU funds and economic resources provided to third countries, international organisations and international financial institutions are not used in violation of EU sanctions, in particular, by continuing to agree on legally binding provisions with partners implementing EU funds to ensure compliance, and by following up on their implementation.**

Supervising the harmonised enforcement of EU sanctions

In its role of guardian of the treaties, the Commission monitors and collects information on possible breaches of EU law by Member States. To address the confidential nature of information on violations of EU sanctions and potential implications for those who report illicit activities, the Commission will create a dedicated tool to facilitate anonymous reporting.

In the first half of 2022, the Commission will draw up a roadmap (including criteria and a timetable) for moving from detection of systematic non-compliance with EU sanctions to action before the Court of Justice of the European Union.

Finally, the Commission will work with Member States, including within the framework of the expert group on sanctions and extra-territoriality, to ensure that national penalties for breaching EU sanctions are effective, proportionate and dissuasive.

***Key action 13*: The Commission will set up a dedicated system to allow for anonymous reporting of sanctions' evasion, including whistleblowing. The system will provide the**

necessary confidentiality guarantees.

Strengthening existing tools to counter extra-territoriality and considering new ones

Over recent years, certain third countries have increased their use of sanctions or other regulatory measures to determine the conduct of EU operators, whether individuals or companies. The EU considers that the extra-territorial application by third countries of measures against EU operators is contrary to international law. These measures threaten the integrity of the Single Market and the EU's financial systems, reduces the effectiveness of the EU's foreign policy and puts strain on legitimate trade and investment in violation of basic principles of international law.

Sustained close coordination with allies and like-minded partners, to align sanctions regimes to the largest possible extent, partly prevents the adoption of third country sanctions that differ in scope or substance to those of the EU and that are applied extra-territorially also to EU operators. Regular dialogue and cooperation on sanctions with third partners, in particular with G-7 partners, will be pursued by the High Representative and the Commission, in line with their respective competencies, to ensure better alignment of decisions on sanctions and implementation issues, and to raise potential concerns regarding the extraterritorial application of third countries' sanctions.

Key action 14: Strengthen cooperation on sanctions, in particular with G-7 partners.

The Blocking Statute is the EU's unified response to the extra-territorial application of third countries' measures, in particular secondary sanctions, on EU operators.[47] To fulfil its potential, the Blocking Statute must be part of a more comprehensive EU policy against extra-territoriality, for which the Commission will put in place the following measures to make a better use of existing tools and create new tools, as appropriate, through:

(i) clearer procedures and rules for applying Article 6 (in particular, to facilitate the recovery of defendants' assets across the EU);

(ii) strengthened national measures to block the recognition and enforcement of foreign decisions and judgments based on the listed extra-territorial measures (Article 4);

(iii) streamlined processing for authorisation requests pursuant to Article 5, second paragraph, including a review of the information requested;

(iv) possible involvement in foreign proceedings to support EU companies and individuals.

When assessing the impact of foreign direct investments into the EU on security and public order[48], the Commission will also consider the likelihood that the transaction results in the unlawful extra-territorial application of sanctions adopted by any third country to the EU target. For example, when reviewing the acquisition of control over

[47] Its most important provisions nullify any effects in the EU of any judgment of a court or tribunal and of any decision of an administrative authority based on those extra-territorial sanctions (Art. 4); forbid EU persons from complying with a number of extra-territorial sanctions, unless authorised to do so (Art. 5); and allow EU persons to recover in court damages caused by those extra-territorial sanctions ("clawback" provision) (Art. 6).

[48] Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union (OJ L 79I, 21.3.2019, p. 1–14) (the "FDI Screening Regulation").

EU companies by a foreign investor, the Commission may need to assess, in cooperation with the Member States' national authorities, whether this would render the EU target company more prone to abide by such extra-territorial sanctions, regardless of the country that imposed them. Such an outcome could thereby endanger the capacity of the EU target company to maintain critical infrastructure in the EU, or to ensure security and continuity of supply of critical inputs into the EU.

Historically, the Blocking Statute has provided for a unified EU response to the extra-territorial application of sanctions. However, the proliferation of such sanctions requires a deeper debate on possible additional measures to increase deterrence and, if needed, to counteract them. The Commission will launch a general reflection on policy options to modernise the EU's toolkit to counter the effects of the unlawful extra-territorial application of third-country unilateral sanctions to EU individuals and entities. In addition to reflecting on an amendment to reinforce the Blocking Statute focusing on non-trade related measures of retorsion, the Commission will consider further tools to shield EU operators' legitimate operations under EU law. Stakeholders will be involved as appropriate.

In parallel, the Commission is carrying out a review of its trade policy[49] and will bring forward a proposal to deter and counteract coercive actions by third countries no later than the fourth quarter of 2021 (or earlier should the need arise)[50].

***Key action 15*: The Commission will consider additional policy options to further deter and counteract the unlawful extra-territorial application of unilateral sanctions by third countries to EU operators, including a possible amendment of Regulation (EC) No 2271/96.**

6. CONCLUSION

The Commission is taking a consistent set of actions to strengthen the EU's open strategic autonomy to increase its capacity to promote and defend rules-based multilateralism and develop mutually beneficial bilateral relationships, while protecting itself from unfair and abusive practices.

The Commission will pursue all the above-mentioned actions in order to increase the resilience of the EU economy and financial market infrastructures. The Commission will reach out to third-country partners to promote the use of the euro, foster the euro's status as an international reference currency in the trade, energy and commodities sectors, strengthen the implementation and enforcement of EU sanctions and protect EU operators against the unlawful extra-territorial application of third-country measures.

These areas of action are interrelated and complementary, and success in strengthening the EU's position in these areas will depend on many public and private stakeholders,

[49] A renewed trade policy for a stronger Europe, Consultation Note of 16 June 2020. Available at https://trade.ec.europa.eu/doclib/docs/2020/june/tradoc_158779.pdf

[50] Letter of Intent to President David Maria Sassoli and to Chancellor Angela Merkel, 16 September 2020, available at: https://ec.europa.eu/info/sites/info/files/state_of_the_union_2020_letter_of_intent_en.pdf. See also Commission Work Programme 2021, available at: https://ec.europa.eu/info/publications/2021-commission-work-programme-key-documents_en

most importantly the European Parliament, the Council of the EU, and the ECB. The Commission calls upon all these actors to join in this strategy for the benefit of the Union's effectiveness on the world stage and its economy and financial sector at large. The Commission will monitor these actions on an ongoing basis, and in 2023, it will review the state of implementation results obtained.