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DRAFT STATEMENT OF THE COUNCIL'S REASONS

Subject: Position of the Council at first reading with a view to the adoption of a Regulation of the European Parliament and of the Council establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting for the period 2021-2027 (the "Pericles IV programme") and repealing Regulation (EU) No 331/2014
– Draft Statement of the Council's reasons

I. INTRODUCTION

1. On 31 May 2018, the Commission transmitted the proposal for a Regulation of the European Parliament and of the Council establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting for the period 2021-2027 (the "Pericles IV programme")¹, which is part of the package submitted in the context of the multiannual financial framework 2021-2027.
2. The proposal is based on Article 133 of the Treaty on the Functioning of the European Union (TFEU). It is complemented by a second Commission proposal extending the Pericles IV programme to the Member States of the European Union not yet using the euro as their single currency², which will be subject to a consent procedure according to Article 352 TFEU.
3. On 13 February 2019, the Plenary of the European Parliament adopted a legislative resolution for a position at first reading.³
4. The Working Party on Combating Fraud examined the Commission proposal in several meetings between June and December 2018. On 19 December 2018, the Permanent Representatives Committee adopted a partial mandate⁴ to begin negotiations with the European Parliament, given some horizontal provisions related to the negotiations on the multiannual financial framework (MFF).

¹ Doc. 9589/18 + ADD 1 + ADD 2 (COM(2018) 369 final + ANNEX + SWD(2018) 281 final).

² Doc. 9625/18 (COM(2018) 371 final).

³ Doc. 6213/19.

⁴ Doc. 14985/18 + ADD 1.

5. Between February and November 2020, the text of the draft Regulation was negotiated with the European Parliament at technical level and substantial issues were resolved with compromises from both sides.
6. The members of the Working Party on Combating Fraud were consulted on the text after the political agreement on the MFF was reached on 10 November 2020. On the basis of that consultation, which confirmed the Presidency's mandate, the European Parliament hosted on 29 January 2021 a trilogue by videoconference, in which a provisional agreement was reached, subject to legal-linguistic review.
7. On 29 January 2021, the provisional agreement was presented in writing to the members of the Working Party on Combating Fraud, which had no objections to the text of the agreement.
8. The Permanent Representatives Committee confirmed the final compromise text on 3 February 2021.⁵
9. That text was submitted to the confirmation vote by the European Parliament's Committee on Civil Liberties, Justice and Home Affairs (LIBE) on 4 February 2021. On the same day, the Chair of LIBE signed a letter to the Chair of the Permanent Representatives Committee (Part 2) stating that, should the Council transmit formally to the European Parliament its position in the form as it stands in the annex to that letter, she would recommend to the European Parliament's plenary that the Council's position be accepted without amendment, subject to legal-linguistic verification, at European Parliament's second reading.

⁵ Doc. 5631/21 + ADD1.

II. OBJECTIVE

10. The Pericles IV programme aims to protect euro banknotes and coins against counterfeiting and related fraud, by supporting and supplementing the measures undertaken by the Member States and assisting the competent national and Union authorities in their efforts to develop among themselves and with the Commission a close and regular cooperation and an exchange of best practice, where appropriate including third countries and international organisations.

The Pericles IV programme will replace the Pericles 2020 programme to ensure its continuation beyond 2020.

III. ANALYSIS OF THE COUNCIL'S POSITION AT FIRST READING

11. The European Parliament and the Council conducted negotiations with a view to concluding an agreement at the stage of the Council's position at first reading ("early second-reading agreement").
12. The text of the Council's position at first reading reflects the fair compromise reached in the negotiations between the European Parliament and the Council, facilitated by the Commission.
13. The agreement focuses on:
 - a balance between the procedural provisions and the very limited size of the programme. In particular, the work programme is adopted by means of implementing acts (*Article 10*) and the Commission is empowered to adopt delegated acts supplementing the Regulation to develop the provisions for a monitoring and evaluation framework, as well as amending the Annex to review and complement the indicators where necessary for the purposes of evaluation (*Article 12*);

- maximum co-financing rates for grants set at 75 % of eligible costs, which, in exceptional and duly justified cases, can be increased to a maximum of 90 % of eligible costs (*Article 8*);
- the exchange of information targeted at best practices in preventing counterfeiting and fraud relating to the euro (*Article 6*) included among the actions eligible for financial support;
- a commitment from the Commission to, when preparing the work programmes, take into account existing and planned European Central Bank (ECB) and Europol activities against euro counterfeiting and fraud (*Article 4*);
- the word "*independent*" is introduced into *Article 13*, which provides for the carrying out of an independent interim evaluation;
- the ECB is added to the list of institutions to be provided with annual information on the results of the Pericles IV programme (*Article 12*);
- provisions on the retroactive application of the Regulation from 1 January 2021 to allow continuity of activities funded by the programme (*Articles 16 and 17*);
- a set of key indicators for the evaluation of the Pericles IV programme, as well as a reference to the fact that the data collection on the key performance indicators will be undertaken by the Commission and/or the beneficiaries of the programme (*Annex*).

IV. CONCLUSION

14. The Council believes that its position at first reading represents a good balance and that, once adopted, the new Regulation will fulfil the objective to prevent and combat counterfeiting and related fraud, thus enhancing the competitiveness of the Union's economy and securing the sustainability of public finances.