COUNCIL OF
THE EUROPEAN UNION

EN

5587/12

PRESSE 17
PR CO 2

PRESS RELEASE

3141st Council meeting

Economic and Financial Affairs

Brussels, 24 January 2012

President **Ms Margrethe VESTAGER**
Minister for Economic Affairs and the Interior of Denmark

P R E S S

Rue de la Loi 175 B – 1048 BRUSSELS Tel.: +32 (0)2 281 6083 / 6319 Fax: +32 (0)2 281 8026
press.office@consilium.europa.eu http://www.consilium.europa.eu/Newsroom

Main results of the Council

*The Council updated its position on a draft regulation on **over-the-counter derivatives**, with a view to concluding negotiations with the European Parliament at first reading.*

The draft regulation calls for the clearing of OTC derivative contracts through central counterparties in order to reduce market risk, and the reporting of all derivative contracts to trade repositories (i.e. central data centres) so as to enhance transparency.

*The Council adopted a decision deeming action taken by **Hungary** to correct its **excessive deficit** to be insufficient.*

In a recommendation to Hungary issued in July 2009, the Council set 2011 as the target year for reducing its deficit below 3% of GDP, the EU's reference value for government deficits. Whilst Hungary formally met this target in 2011, this was largely thanks to one-off revenues amounting to over 10% of GDP, mainly linked to the transfer of pension assets to the state. Consequently, the Council considered this not to be a structural and sustainable correction of the deficit, and therefore found that Hungary has failed to comply with its recommendations.

CONTENTS[1]

[1]
- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (http://www.consilium.europa.eu).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

PARTICIPANTS

<u>Belgium:</u>	
Mr Steven VANACKERE	Deputy Prime Minister and Minister for Finance and Institutional Reforms
<u>Bulgaria:</u>	
Mr Simeon DJANKOV	Deputy Prime Minister and Minister for Finance
<u>Czech Republic:</u>	
Mr Miroslav KALOUSEK	Minister for Finance
<u>Denmark:</u>	
Ms Margrethe VESTAGER	Minister for Economic Affairs and the Interior
<u>Germany:</u>	
Mr Wolfgang SCHÄUBLE	Federal Minister for Finance
<u>Estonia:</u>	
Mr Jürgen LIGI	Minister for Finance
<u>Ireland:</u>	
Mr Michael NOONAN	Minister for Finance
<u>Greece:</u>	
Mr Theodoros N. SOTIROPOULOS	Permanent Representative
<u>Spain:</u>	
Mr Luis DE GUINDOS JURADO	Minister for Economic Affairs and Competitiveness
<u>France:</u>	
Mr François BAROIN	Minister for Economic Affairs, Finance and Industry
<u>Italy:</u>	
Mr Mario MONTI	Prime Minister and Minister for Economic Affairs and Finance
Mr Vittorio GRILLI	Deputy Minister for Economic Affairs and Finance
<u>Cyprus:</u>	
Mr Kikis KAZAMIAS	Minister for Finance
<u>Latvia:</u>	
Mr Andris VILKS	Minister for Finance
<u>Lithuania:</u>	
Mr Raimundas KAROBLIS	Permanent Representative
<u>Luxembourg:</u>	
Mr Luc FRIEDEN	Minister for Finance
<u>Hungary:</u>	
Mr György MATOLCSY	Minister for the National Economy
<u>Malta:</u>	
Mr Richard CACHIA CARUANA	Permanent Representative
<u>Netherlands:</u>	
Mr Jan Kees de JAGER	Minister for Finance
<u>Austria:</u>	
Ms Maria FEKTER	Federal Minister for Finance
<u>Poland:</u>	
Mr Jacek ROSTOWSKI	Minister for Finance
<u>Portugal:</u>	
Mr Vítor GASPAR	Minister for Finance
<u>Romania:</u>	
Mr Dan-Tudor LAZAR	State Secretary, Ministry of Public Finance
<u>Slovenia:</u>	
Mr Franc KRIŽANIČ	Minister for Finance

Slovakia:	
Mr Ivan MIKLOŠ	Deputy Prime Minister and Minister for Finance
Finland:	
Ms Jutta URPILAINEN	Deputy Prime Minister, Minister for Finance
Sweden:	
Mr Anders BORG	Minister for Finance
United Kingdom:	
Mr George OSBORNE	Chancellor of the Exchequer

Commission:	
Mr Olli REHN	Vice President
Mr Michel BARNIER	Member
Mr Algirdas ŠEMETA	Member

Other participants:	
Mr Jörg ASMUSSEN	Member of the Executive Board, European Central Bank
Mr Werner HOYER	President of the European Investment Bank
Mr Thomas WIESER	President of the Economic and Financial Committee
Mr Philippe GUDIN de VALLERIN	President of the Economic Policy Committee

The Government of the Acceding State was represented as follows:

Croatia:	
Mr Boris LALOVAC	Deputy Minister for Finance

ITEMS DEBATED

DERIVATIVES - CLEARING AND REPORTING REQUIREMENTS

The Council adjusted its position in negotiations with the European Parliament on a draft regulation aimed at increasing transparency and reducing risk in the over-the-counter[1] (OTC) derivatives market.

This is designed to facilitate rapid agreement with the Parliament, so as to enable the regulation to be adopted at first reading.

The draft regulation calls for:

- the *clearing* of standardised[2] OTC derivative contracts through central counterparties (CCPs)[3] in order to reduce counterparty risk (i.e. the risk of default by one party to the contract). This is aimed at preventing the default of one market participant causing the collapse of other market players, thereby putting the entire financial system at risk;

- the *reporting* of all derivative contracts to trade repositories (i.e. central data centres), which would have to publish aggregate positions by class of derivatives, thereby offering market participants a clearer view of the OTC derivatives market.

The Council's discussion focused on the procedure for authorising CCPs, in particular on the powers of the CCP's "home" member state, i.e. the member state of establishment, versus those of the college of supervisors[4] and the European Securities and Markets Authority (ESMA).

---

[1] A derivative not traded on an exchange but instead privately negotiated between two counterparties.

[2] Those that have met predefined eligibility criteria.

[3] CCPs are entities that interpose themselves between the two counterparties to a transaction and thus become the 'buyer to every seller', as well as the 'seller to every buyer'.

[4] The college consists of the competent authorities supervising the CCP as well as the entities which might be affected by its operations.

A general approach agreed in October specified that a CCP authorisation by a member state's competent authority could only be blocked by a negative opinion of the college supported by a "unanimity minus one" vote (i.e. all the members of the college, excluding the authorities of the "home" member state). However, in order to facilitate agreement with the Parliament, which is pushing for a stronger role for the college and for ESMA, the Council approved a proposal by the presidency which would introduce two additional safeguards, whereby:

– following a negative opinion of the college, with "unanimity minus one", the "home" member state can refer the matter to ESMA for binding mediation.

– when a "sufficient" majority in the college opposes authorisation of a CCP, this "sufficient majority" may then decide to put the issue to ESMA for binding mediation. The Council's position defines a "sufficient" majority as two thirds of college members, with votes in the college limited to two per member state for colleges of up to and including 12 members and three for colleges above that size.

The regulation, which will apply from the end of 2012, is intended to implement commitments made by G-20 leaders in September 2009.

For further details, see press release *5518/12*.

ECONOMIC GOVERNANCE - SECOND PACKAGE

The Council discussed two draft regulations on economic governance, namely:

- a regulation for enhanced monitoring and assessment of draft budgetary plans of euro area member states, especially those subject to an excessive deficit procedure (*17231/11*);
- a regulation on enhanced surveillance of euro area member states that are experiencing severe financial disturbance or request financial assistance (*17230/11*).

This second package of proposals was presented by the Commission in November following adoption of the so-called "six-pack" of economic governance proposals[1].

The two regulations would introduce provisions for enhanced monitoring of countries' budgetary policies. Member states would be required to submit annually to the Council and the Commission their draft budgetary plans for the following year by 15 October. Closer monitoring would apply to member states subject to an excessive deficit procedure in order to enable the Commission to better assess whether a risk of non-compliance with the deadline to correct the excessive deficit exists. Member states experiencing severe difficulties with regard to their financial stability or receiving financial assistance on a precautionary basis would be subject to even tighter monitoring than member states subject to an excessive deficit procedure.

The Council assessed progress made by an ad hoc working group which was set up in December to work on the proposals. And it discussed two issues (one related to each proposal):

– *Submission of budgetary plans*: Whether all euro area member states should submit their budgetary plans to the Commission and the Euro Group for monitoring purposes, or only those subject to an excessive deficit procedure. While a broad majority of member states favoured reporting by all member states, some countries considered the proposed reporting requirements to be excessive for countries not subject to an excessive deficit procedure. The Council concluded that the reporting should involve all member states. It asked the ad hoc working group to consider the concerns raised, as well as the timing of the reporting requirement.

[1] Press release *16446/11*.

– *Recommendation to seek financial assistance*: Whether the Council should be empowered to adopt, on the basis of a Commission proposal, a recommendation to a member state to seek financial assistance. Some member states expressed concerns that this could impinge on the decision-making procedures of the European Stability Mechanism (ESM), and pose difficulties with regard to confidentiality. The Council concluded that it should be able to issue such a recommendation and accordingly asked the ad hoc working group to analyse the decision-making procedures.

Discussions on the two proposals are linked with the negotiation of a fiscal compact treaty and amendments to the ESM treaty. Therefore, the texts of the two legislative proposals will not be finalised until the two treaties have been approved.

PRESIDENCY WORK PROGRAMME

The Council took note of the presentation by the Danish presidency of a work programme on economic and financial matters for the duration of its term of office, which runs from January to July 2012 (*5259/12*).

The Council held an exchange of views.

The programme sets out the following objectives:

– *Fighting the economic crisis* by effectively implementing the EU's reformed economic governance package within the framework of the European Semester and working towards agreements on new economic governance initiatives.

– *Strengthening financial regulation and supervision*: Follow-up and monitoring of support measures for the financial sector; finalisation of negotiations with the European Parliament on the regulation of derivatives trade, the revised directive on deposit guarantee schemes and adaptation of legislation to new supervisory structures ("Omnibus II" directive); rapid progress on capital and liquidity requirements for credit institutions ("CRD IV"); progress on the regulation of credit rating agencies, the revision of the directive on transparency requirements for listed companies, revised rules for securities trade and on market abuse and improved consumer protection (inter alia the mortgage credit directive); and work on forthcoming proposals on crisis management in the financial sector.

– *Taxation*: Progress on savings taxation and anti-fraud agreements with third countries, the common consolidated corporate tax base and revision of the energy taxation directive, and start of technical discussions on the Commission's proposal for a financial transaction tax.

– *External dimension:* Representing the EU at the G-20.

EUROPEAN SEMESTER - ANNUAL GROWTH SURVEY

The Council discussed the Commission's annual growth survey, focusing on ways at the current juncture to promote growth and employment in the short and medium term without compromising the fiscal consolidation necessary for restoring sustainability and confidence.

Draft conclusions will be prepared in the light of the Council's discussion, for adoption at its meeting on 21 February.

The Council also took note of an indicative schedule established by the presidency for work on this year's *European Semester*.

The Commission's annual growth survey outlines priority actions to be taken by member states in order to ensure better-coordinated and more effective policies for putting Europe's economy on a path to sustainable growth (*17229/11*).

For 2012, it suggests that efforts at national and EU levels concentrate on the following priorities: pursuing differentiated growth-friendly fiscal consolidation; restoring normal lending to the economy; promoting growth and competitiveness for today and tomorrow, with particular emphasis on the digital economy, the internal market for services and external trade, as well as better use of the EU budget; tackling unemployment and the social consequences of the crisis, in particular mobilising labour, supporting employment of young people and protecting the vulnerable; modernising public administration.

The annual growth survey is the starting point for the *European Semester*, which involves simultaneous monitoring of the member states' fiscal policies and structural reforms, in accordance with common rules, during a six-month period every year.

The *European Semester* was implemented for the first time in 2011 as part of a reform of EU economic governance. The 2012 *European Semester* will be the second such exercise, but the first since a new procedure on excessive economic imbalances was introduced as part of the governance reform.

At its meeting on 1 and 2 March, the European Council will assess implementation of country-specific recommendations made under the 2011 *European Semester* and will provide guidance for 2012.

FOLLOW-UP TO G-20 MEETING OF FINANCE DEPUTIES

The Council discussed the follow-up to be given to a meeting of G-20 finance ministers' and central bank governors' deputies in Mexico City on 19-20 January.

EXCESSIVE DEFICIT PROCEDURE

– Hungary

The Council adopted a decision, under article 126(8) of the treaty, establishing that Hungary has failed to comply with the Council's recommendations on measures to be taken in order to bring its government budget deficit below the EU's reference value of 3% of GDP.

Hungary has been subject to an excessive deficit procedure since July 2004, when the Council also issued a recommendation on corrective action to be taken. The Council issued further recommendations in March 2005, October 2006 and July 2009.

The July 2009 recommendation set 2011 as the target year for reducing the deficit below 3% of GDP. Now, whilst it would appear that Hungary formally met that target in 2011, it is clear that this was largely thanks to one-off revenues amounting to over 10% of GDP, mainly linked to the transfer of pension assets to the state.

Consequently, the Council considered this not to be a structural and sustainable correction of the deficit, and therefore found Hungary's response to its recommendation to be insufficient.

For further details, see press release *5654/12*.

STABILITY AND GROWTH PACT - REVISED CODE OF CONDUCT

The Council discussed the modification of a code of conduct on implementation of the EU's Stability and Growth Pact.

Changes to the code of conduct have been prepared by the Economic and Financial Committee in the light of a reform of EU provisions on economic governance. The so-called "six-pack" of economic governance measures was adopted by the Council in November[1].

The code of conduct contains specifications on implementation of the Stability and Growth Pact and guidelines on the format and content of the member states' stability and convergence programmes.

In conclusion to the discussion, all member states except one endorsed the modified code of conduct, whilst one member state maintained a reservation on the whole code. The Council noted that the Commission and the EFC intend to review this issue later in the year.

---

[1] For details, see press release *16446/11*.

MEETINGS IN THE MARGINS OF THE COUNCIL

The following meetings were held in the margins of the Council:

– Euro Group

Ministers of the euro area member states attended a meeting of the Euro Group on 23 January.

– Ministerial meeting on the European Stability Mechanism

Ministers attended a meeting on 23 January on amendments to the Treaty establishing the European Stability Mechanism.

– Ministerial meeting on the "fiscal compact"

Ministers attended a meeting on 23 January on the preparation of a Treaty on Stability, Coordination and Governance in the Economic and Monetary Union.

– Ministerial breakfast meeting

Ministers held a breakfast meeting to discuss the economic situation. They were also informed by the French minister of the preparation of a financial transaction tax in France, and by the Austrian minister, in her capacity as chairperson of the board of governors of the European Bank for Reconstruction and Development (EBRD), of the selection process for a new EBRD president.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Electricity tax - Sweden - Households and service providers in northern areas

The Council adopted a decision authorising Sweden to apply, in accordance with article 19 of directive 2003/96/EC, a reduced rate of electricity tax to households and service sector companies situated in specified municipalities in the north of the country (*18810/11*).

With this measure, the Swedish government aims to compensate costs of heating that are on average 25% higher than in the rest of the country, thus contributing to regional policy objectives. The derogation is granted until 31 December 2017.

Court of Auditors special report - e-government projects

The Council adopted conclusions on special report no 9/2011 by the European Court of Auditors concerning the effectiveness of e-Government projects co-financed by the European Regional Development Fund, set out in *5203/12*.

APPOINTMENTS

Court of Auditors

The Council appointed the following seven members of the Court of Auditors for a term of six years as from 1 March 2012:

Mr Kevin CARDIFF from Ireland, Mr Vítor Manuel da SILVA CALDEIRA from Portugal, Mr Ville ITÄLÄ from Finland, Mr Henrik OTBO, from Denmark, Mr Karel PINXTEN from Belgium, Mr Pietro RUSSO from Italy, Mr H.G. WESSBERG from Sweden.

The Court has one member from each EU country appointed by the Council for a six-year term (renewable). The members elect one of their number as President for a term of three years (also renewable).

The purpose of the Court of Auditors is to ensure that EU taxpayers' money is properly spent. It therefore has the right to check ('audit') any person or organisation handling EU funds. The Court frequently carries out on-the-spot checks. Its findings are written up in reports submitted to the Commission and EU national governments.

European Statistical Governance Advisory Board

The Council appointed:

- Thomas Wieser as chairperson of the European Statistical Governance Advisory Board (ESGAB);
- Pilar Martin-Guzman, Guenter Kopsch and Edvard Outrata as members of the ESGAB board.

ESGAB was established in 2008 to provide an independent overview of the European Statistical System[1], in particular as regards implementation of a code of practice and other initiatives to strengthen the governance structure of the European Statistical System and the quality of official statistics. The ESGAB board is comprised of seven members.

The chairperson and three new board members are appointed for a three-year term of office starting on 23 March.

---

[1] The ESS is a partnership between Eurostat (the EU statistical office) and the statistical institutes and authorities of the member states.