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Economic and Financial Affairs

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President **Pierre Gramegna**
Minister for Finance of Luxembourg

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- 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.

ITEMS DEBATED

CROSS-BORDER TAX RULINGS

The Council reached a political agreement on a directive aimed at improving transparency in the assurances given by member states to companies about how their taxes are calculated.

The directive is one of a number of initiatives aimed at preventing corporate tax avoidance.

It will require member states to exchange information automatically on advance cross-border tax rulings, as well as advance pricing arrangements. Member states receiving the information will be able to request further information where appropriate. And the Commission will be able to develop a secure central directory, where the information exchanged will be stored.

The Commission proposed the directive as part of a package of measures in March 2015. The text amends directive 2011/16/EU on administrative cooperation in the field of taxation, which sets out practical arrangements for exchanging information.

The directive will be adopted at a forthcoming Council meeting, once the European Parliament has given its opinion and it has been finalised in all official languages.

For details, see press release:

<http://www.consilium.europa.eu/en/press/press-releases/2015/10/06-cross-border-tax-rulings/>

IMPLEMENTATION OF BANKING UNION

The Council reviewed implementation of Europe's banking union, particularly as concerns instruments to deal with the recovery and resolution of failing banks. It urged member states to speed up the necessary measures to be taken at national level.

The Commission provided an update on:

- transposition of a directive on bank recovery and resolution (the deadline was 31 December 2014, whilst a transposed provision on the bail-in of investors must be applicable on 1 January 2016);
- ratification of an intergovernmental agreement (IGA) on the single resolution fund (SRF), due by 30 November;
- the work of the single resolution board;
- transposition of a directive on deposit guarantee schemes (the deadline was 3 July 2015).

As of 1 October 2015:

- 16 countries had fully transposed the directive on bank recovery and resolution; five had partially transposed it.
- eight countries (members of the banking union) had ratified the IGA;
- 10 countries had fully transposed the directive on deposit guarantee schemes; four had partially transposed it.

The banking union participants are the 19 countries of the euro area; seven other member states have indicated their intention to join.

The SRF and the single resolution board (SRB) are components of a single resolution mechanism (SRM) aimed at ensuring the orderly resolution of failing banks. Established by regulation in July 2014, the SRM will be applicable from 1 January 2016.

The single resolution fund, entirely financed by banks, is being set up for possible intervention in resolution cases along with the bail-in of investors. It will be built up over eight years to reach a target level of at least 1% of the covered deposits of all credit institutions in the participating member states. It is estimated that this will amount to about €5bn.

The intergovernmental agreement on the SRF contains provisions on the transfer and the mutualisation of contributions to the fund.

The single resolution board will be responsible for putting into place a resolution scheme in the event of a bank being placed in resolution. It will determine the resolution tools to be applied, and decide on the use of the single resolution fund. The board's six full-time members were appointed in December 2014, and Elke König took office as president of the board on 1 March 2015.

The bank recovery and resolution directive identifies the powers and instruments at the disposal of national authorities to resolve failing banks. It sets out to preserve essential bank operations and minimise taxpayers' exposure to losses during the resolution process. Adopted in May 2014, it applies to all 28 member states.

For member states participating in the banking union, national resolution funds set up under the directive as of 1 January 2015 will be replaced by the SRF as of 1 January 2016.

The directive on deposit guarantee schemes (DGS) requires all banks to join a DGS so that deposits of up to €100 000 are protected, moreover it sets requirements for supervision and for regular stress tests of such schemes.

CAPITAL MARKETS UNION

The Commission presented an action plan for the development of a capital markets union (CMU).

The presidency indicated that it is committed to making quick progress on the proposal on securitisation, one of the key measures in the action plan, with examination at technical level due to start on 7 October. It expects to receive proposals from the Commission shortly on directives dealing with prospectuses and venture capital.

The action plan, published by the Commission on 30 September 2015, is aimed at establishing a fully functioning capital markets union in the EU by the end of 2019.

It sets out a variety of measures to strengthen capital markets so as to attract more investment, including foreign investment, for European companies and infrastructure projects. One of the main aims is to improve access to finance for European SMEs and start-ups, especially in innovative industries.

The Commission considers that stronger capital markets would make the financial system more resilient to shocks, as it would broaden the range of available funding sources. Capital markets have expanded over recent decades in Europe, but remain fragmented. Bank financing remains the predominant source of financing for businesses.

The CMU will include all 28 member states. It will require a number of steps, both legislative and non-legislative, with action at different levels (EU, national or subnational), depending on the issues to be addressed.

EUROPEAN SEMESTER – LESSONS LEARNED

The Council discussed possible improvements to the "European Semester" policy monitoring process in the light of lessons learned from the 2015 exercise.

It noted that while the 2015 process had been better than in previous years, there was clearly room for further improvement.

The Commission is expected to make proposals for improvements in October 2015; which will be discussed at a subsequent Council meeting.

The European Semester involves the simultaneous assessment of the member states' economic, fiscal and employment policies during a six-month period every year. It was introduced in 2011 as part of a economic governance reform undertaken in response to the euro crisis.

FLEXIBILITY UNDER THE STABILITY AND GROWTH PACT

The Council discussed flexibility under the Stability and Growth Pact, the EU's fiscal rulebook.

The chairman of the Economic and Financial Committee (EFC) reported on the discussions in the EFC aimed at establishing a common position on how to interpret certain rules in the pact.

In a communication issued in January 2015, the Commission set out its own interpretation, suggesting how to make the best use of flexibility allowed by the existing rules.

Once a common position has been agreed within the Council, the code of conduct on implementation of the pact could be amended accordingly.

G20 AND IMF MEETINGS

The Council was debriefed on a G20 finance ministers meeting held in Ankara on 4 and 5 September 2015.

It endorsed terms of reference for a G20 finance ministers meeting in Lima on 8 October 2015. It also approved a statement to be delivered by the presidency to the International Monetary and Financial Committee (IMFC).

The statement covers the world economy and its prospects and challenges, as well as IMF policy issues. The IMFC meeting will be held as part of the annual IMF meetings, in Lima during from 9 to 11 October 2015.

The presidency encouraged those member states that have not yet done so to provide to the Commission estimates for their public climate finance contributions in time for the Lima meeting.

OTHER BUSINESS

- Ongoing work on legislative dossiers

The Council took note of on-going legislative work on financial services dossiers.

MEETINGS IN THE MARGINS OF THE COUNCIL

- Eurogroup

Ministers of the euro area member states attended a meeting of the Eurogroup on 5 October 2015.

They discussed the situation in Greece, services reform, fiscal policy in the current low interest rate environment, draft budgetary plans, preparation of the G7 meeting, and euro area representation in the Asian Infrastructure Investment Bank.

- European Stability Mechanism

The board of governors of the European Stability Mechanism held a meeting on 5 October 2015, and the ESM board of directors met on 6 October.

- Ministerial breakfast

Ministers held a breakfast meeting to discuss the economic situation, bridge financing under the EU's single resolution mechanism for banks, the conversion of loans in Swiss francs in Croatia and the treatment of refugee crisis spending under EU fiscal rules.

OTHER ITEMS APPROVED

EXPORT CREDIT

OECD: Export credits support for coal-fired power plants

The Council adopted a decision on the position to be taken by the EU within the OECD export credit committees as supporting modifications of the OECD arrangement on officially supported export credits relating to coal-fired power plants.

The revision of the OECD arrangement aims to introduce a framework for export credit support to coal-fired power plants, in order to encourage the use of climate-friendly technologies while taking into account the particular needs of less developed countries.

The aim is to complete negotiations on a new framework before the 21st Conference of the Parties of the UN Framework Convention on Climate Change in Paris on 30 November to 12 December 2015.

COMMON SECURITY AND DEFENCE POLICY

EU mission on maritime capacity building in the Horn of Africa

The Council extended the period covered by the financial reference amount for the EU mission on regional maritime capacity building in the Horn of Africa (EUCAP NESTOR) by two months, i.e. until 15 December 2015.

JUSTICE AND HOME AFFAIRS

Eurojust - Activity report 2014

The Council took note of the activity report ([11921/15](#)) of the Joint Supervisory Body of Eurojust for 2014.

UNHCR Executive Committee

The Council adopted a decision ([12538/15](#)) on the position to be adopted, on behalf of the European Union, in the sixty-sixth session of the Executive Committee of the Programme of the United Nations High Commissioner for Refugees.