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THE EUROPEAN UNION**



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Economic and Financial Affairs

Brussels, 7 September 2010

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Main results of the Council

*The Council endorsed an agreement with the European Parliament on a reform of the EU framework for **financial supervision**.*

The reform will establish a new basis for supervision in Europe, eliminating deficiencies that were exposed during the financial crisis. It involves the creation both of a European Systemic Risk Board (ESRB), which will provide macro-prudential oversight of the financial system, and three European authorities for the supervision of the banking, insurance and securities industries.

The agreement with the Parliament will enable all of these bodies to be operational as planned as from 1 January 2011.

*The Council also endorsed changes to the manner in which the EU's stability and growth pact is implemented in order to allow a "European semester" to be introduced, as from 2011, as part of a reform of EU provisions on **economic policy coordination**.*

Implementation of this initiative will improve coordination of the member states' economic policies and help strengthen budgetary discipline, macroeconomic stability and growth, in line with the EU's 2020 strategy for jobs and growth.

The so-called European semester is one of the first initiatives to emerge from a task force on economic governance set up at the request of the European Council and chaired by its president, Herman Van Rompuy.

*The Council held an exchange of views on the options regarding financial industry contributions in the wake of the financial crisis. Discussions covered the coordination of **levies on banks** and other financial institutions and the possible introduction of a **financial transaction tax**.*

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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.

PARTICIPANTS

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Mr George OSBORNE

Chancellor of the Exchequer

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Commission:

Mr Olli REHN

Member

Mr Michel BARNIER

Member

Mr Algirdas ŠEMETA

Member

.....

Other participants:

Mr Jean-Claude JUNCKER

President of the Euro Group

Mr Jean-Claude TRICHET

President of the European Central Bank

Mr Philippe MAYSTADT

President of the European Investment Bank

Mr Thomas WIESER

Chairman of the Economic and Financial Committee

Mr Lorenzo CODOGNO

Chairman of the Economic Policy Committee

ITEMS DEBATED

ECONOMIC POLICY COORDINATION - EUROPEAN SEMESTER

The Council took note of a modified code of conduct on implementation of the EU's stability and growth pact, enabling a "European semester" to be introduced as from next year as part of a reform of EU provisions the coordination of the member states' economic policies.

Implementation of this initiative will improve economic policy coordination and help strengthen budgetary discipline, macroeconomic stability and growth in line with the EU's 2020 strategy for jobs and growth. The changes to the code of conduct were prepared by the Economic and Financial Committee, as requested by the Council at its meeting on 13 July.

The so-called European semester is one of the first initiatives to emerge from a task force on economic governance set up at the request of the European Council in March and chaired by the President of the European Council, Herman Van Rompuy. The aim is to boost coordination of the member states' economic policies on the basis of expected results.

The new six-month cycle will start each year in March when, on the basis of a report from the Commission, the European Council will identify the main economic challenges and give strategic advice on policies. Taking this advice into account, the member states will during April review their medium-term budgetary strategies and at the same time draw up national reform programmes setting out the action they will undertake in areas such as employment and social inclusion. In June and July, the European Council and the Council will provide policy advice before the member states finalise their budgets for the following year.

Under the revised code of conduct, the member states must ensure that the necessary national procedures are in place to apply these provisions as from 2011. Furthermore, with the aim of making the requirements legally binding, the Commission announced its intention to present a proposal for modification of regulation 1466/97¹.

¹ Regulation 1466/97 on the surveillance of budgetary positions and the surveillance and coordination of economic policies

FINANCIAL STABILITY AND CRISIS MANAGEMENT - BANK LEVIES

The Council held an exchange of views on the coordination of levies on banks and other financial institutions as part of a new crisis management framework at EU level for the financial industry.

Ministers will further discuss the issue at an informal meeting in Brussels on 30 September and 1 October, and the Commission is expected to present a communication.

In the wake of the financial crisis, a number of countries have introduced levies on banks or are in the process of doing so, though the nature of those levies differs from one country to another. The Commission recommends that the EU adopt a coordinated approach so as to avoid competitive distortions between national markets, overlaps and the multiple imposition of levies on banks that have cross-border activities.

At its meeting on 17 June, the European Council agreed that the member states should introduce systems of levies and taxes on financial institutions; it asked the Council and the Commission to take work forward and to report back in October.

TAX ON FINANCIAL TRANSACTIONS

The Council held an exchange of views on the possible introduction in the EU of a tax on financial transactions.

Ministers will further discuss the issue at an informal meeting in Brussels on 30 September and 1 October.

The idea of a financial transactions tax, which was proposed in the 1970s by economist James Tobin, has re-emerged in political debate in the wake of the financial crisis. Along with bank levies (see page 7), it is one of a number of ideas being discussed as a possible component of a new crisis management framework at EU level.

At its meeting on 17 June, the European Council agreed that the member states should introduce systems of levies and taxes on financial institutions; it asked the Council and the Commission to take work forward and to report back in October.

FINANCIAL SUPERVISION REFORM

The Council endorsed an agreement reached with the European Parliament on 2 September on key elements of a reform of the EU framework for supervision of the financial system.

The reform is aimed at establishing a new basis for supervision in Europe, eliminating deficiencies that were exposed during the financial crisis. It involves the creation both of a European Systemic Risk Board (ESRB), which will provide macro-prudential oversight of the financial system, and three supervisory authorities: a European Banking Authority (EBA); a European Insurance and Occupational Pensions Authority and a European Securities and Markets Authority.

The agreement with the Parliament, which focuses on draft regulations establishing the ESRB and the EBA, will enable all of these bodies to be operational as planned as from 1 January 2011.

The Parliament is expected to adopt the texts in first reading during its plenary session starting on 20 September. The Council will formally adopt them at a subsequent meeting without further discussion.

MEETINGS IN THE MARGINS OF THE COUNCIL

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

- ***Task force on economic governance***

Ministers attended a meeting on 6 September of a task force on economic governance chaired by the President of the European Council, Herman Van Rompuy.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Greece - Measures to reduce its government deficit

The Council adopted a decision amending decision 2010/320/EU on the strengthening of budgetary surveillance and the reduction of the government deficit in Greece (*doc. 12938/10*).

In the light of a report submitted by the Greek government on 6 August, the decision modifies decision 2010/320/EU in a number of respects, whilst maintaining a 2014 deadline for the reduction of Greece's deficit below the reference value set by the EU treaty (3% of gross domestic product).

Decision 2010/320/EU, adopted by the Council on 10 May, sets out conditions for the granting of stability support to Greece via bilateral loans from the other member states of the euro area. On 2 May, the Euro Group concluded that market access was insufficient for the financing of Greece's debts and agreed to activate stability support.

External auditor of the Central Bank of Slovakia

The Council adopted a decision approving the appointment of Ernst & Young as the external auditor of the Central Bank of Slovakia for the financial years 2010 to 2014 (*doc. [12157/10](#)*).

COMMON SECURITY AND DEFENCE POLICY

EU crisis management exercise programme

The Council adopted the EU exercise programme 2011 - 2015. The programme determines the type and frequency of crisis management exercises to be conducted.

AGRICULTURE

Extraction solvents used in food production

The Council decided not to oppose adoption by the Commission of a directive on approximation of the member states' laws on extraction solvents used in the production of foodstuffs and food ingredients (*doc.* [11146/10](#)).

Under the EU's regulatory procedure with scrutiny, the Council can oppose an act which exceeds the implementing powers of the Commission, is not compatible with the aim or content of the basic instrument or does not respect subsidiarity or proportionality.
