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OUTCOME OF THE COUNCIL MEETING

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Economic and Financial Affairs

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President **Eugen Orlando Teodorovici**
Vice prime minister, acting minister of regional
development and public administration

P R E S S

CONTENTS¹**ITEMS DEBATED**

EUROPEAN SYSTEM OF FINANCIAL SUPERVISION	4
INVEST EU	6
PRESIDENCY WORK PROGRAMME	7
EUROPEAN SEMESTER	8
Annual Growth Survey	8
Alert Mechanism Report - macroeconomic imbalances	9
Recommendation on the economic policies of the euro area	9
EMU - FOLLOW UP OF THE DECEMBER EURO SUMMIT	10
OTHER BUSINESS	12
– Financial services	12
– Eurogroup	12
– Ministerial breakfast	12

OTHER ITEMS APPROVED*ECONOMIC AND FINANCIAL AFFAIRS*

- Annual report on the implementation of the European Statistics Code

13

SOCIAL POLICY

- List of target secondary variables on over-indebtedness, consumption, wealth and labour

13

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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.

ENVIRONMENT

- Active substances in biocidal products: Brexit preparedness measures 14

INTERNAL MARKET

JUSTICE AND HOME AFFAIRS

- European Border and Coast Guard Agency: EU-Serbia agreement 15

ITEMS DEBATED

EUROPEAN SYSTEM OF FINANCIAL SUPERVISION

Ministers discussed proposals to review the European system of financial supervision. The Presidency proposed prioritising **the provisions on strengthening the supervision of anti-money laundering (AML) and terrorist financing activities**, while the negotiations on the rest of the review of the European system will continue at both technical and political level as a matter of priority.

The item will feature on the February ECOFIN agenda.

On the basis of this ministerial guidance, the presidency will be in a position to start negotiations with the European Parliament in view of reaching a political agreement on the file by the end of the current legislative term.

In December 2018, EU ambassadors approved a partial mandate for negotiations on the AML component of the proposal. The presidency intends to reach an agreement on the remainder of the package by June 2019.

The European system of financial supervision was established in 2011 and consists of:

- three European supervisory authorities (ESAs): the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA). These authorities supervise and provide regulatory guidance for individual sectors and institutions.
- the European Systemic Risk Board (ESRB), which oversees the financial system as a whole and coordinates EU policies on financial stability.

Following the financial crisis, the EU overhauled its financial system, including the way in which it is regulated and overseen. It introduced a single rulebook, i.e. a set of regulations agreed at EU level and directly applicable in all EU member states, and created the ESAs. The authorities play a key role in ensuring that financial markets across the EU are well-regulated, strong and stable. They contribute to the development and consistent application of the single rulebook and solve cross-border problems, thereby promoting both regulatory and supervisory convergence.

In September 2017, the Commission put forward a package of proposals to review the tasks, powers, governance and funding of the ESAs and the ESRB, so as to adapt the authorities to the changed context in which they operate, in particular the establishment of the banking union and the build-up of a capital markets union.

The Council has been examining the package of proposals at technical level since October 2017. Discussions pointed to a need to adjust the mandate of the ESAs in view of the changing nature of the authorities' main tasks: the focus should shift from regulatory issues, in particular the drafting of technical standards and guidelines on making EU legislation operational, to strengthening the convergence of supervisory practices across the EU. However, a number of stumbling blocks remain in connection with this file, which requires further consideration by the Council.

In addition, in 2018 the Commission put forward an amended proposal containing provisions reinforcing the role of the EBA as regards risks posed to the financial sector by money-laundering activities.

[Presidency note on the ESAs review](#)

[Package of proposals by the European Commission](#)

INVEST EU

The Council discussed InvestEU, a proposal which brings together under one programme the various financial instruments currently available to support investment and job creation in the EU, in the context of the next multiannual financial framework (2021-2027).

The aim of InvestEU is to encourage public and private investor participation in new investment projects by providing guarantees from the EU budget. It is intended to support four policy areas: sustainable infrastructure; research, innovation and digitalisation; small and medium-sized businesses; social investment and skills.

Ministers focused their discussion on two main issues:

- the governance structure of InvestEU, including the establishment of a steering board and its guiding principles, in particular its composition, voting arrangements and the location of its secretariat.
- the financial guarantee provided by the EU to partners other than the EIB: 25% of the EU guarantee should be set aside for institutions other than the EIB. Ministers discussed the principles underpinning the allocation of that part of the guarantee.

Ministers undertook to take forward work on the file as a matter of priority on the basis of the ministerial guidance received today.

Currently, there are 14 different instruments contributing to supporting investment in the EU. The main one is the European Fund for Strategic Investments (EFSI), which was launched in July 2015 to boost investment and stimulate economic growth and employment in the EU, at a time when Europe was still recovering from the financial and economic crisis. The EFSI operates within the EIB. It encourages public and private investor participation in new investment projects by providing guarantees from the EU budget.

The Commission is proposing to build on the success of the EFSI model and benefit from economies of scale by merging all instruments currently available in order to foster investment in the EU. The Commission proposes that the EU budget provide a €38 billion guarantee, which should be used to support strategically important projects across the EU. By crowding in private and public investments, the Commission expects the InvestEU fund to trigger more than €650 billion in additional investment across the EU between 2021 and 2027.

InvestEU intends to support four policy areas:

- sustainable infrastructure,
- research, innovation and digitalisation;
- small and medium-sized businesses;
- social investment and skills.

The proposal also provides for the possibility for member states to channel some of their allocated cohesion policy funds to the InvestEU fund, thereby adding to the EU guarantee provisioning. As a result, member states will benefit from the EU guarantee and its high credit rating.

[Romanian Presidency note on InvestEU](#)

[Commission page on the proposed InvestEU programme](#)

PRESIDENCY WORK PROGRAMME

The Romanian presidency presented its priorities for economic and financial affairs (Ecofin) for the duration of its term, which runs from January to June 2019.

In the area of Ecofin, the Romanian presidency will have three main priorities:

- Deepening EMU, strengthening the banking union and further developing the capital markets union: the presidency will work on MFF-related files, in particular InvestEU, finalise the technical work on the risk reduction package while supporting work on risk sharing (common backstop and EDIS), and complete negotiations on the CMU-related files (in particular EMIR CCPs, investment firms review or sustainable finance).
- Fair and effective taxation and efficient customs: the presidency will pursue efforts to modernise the VAT system, aim to finalise the negotiations on excise duties, update the EU list of non-cooperative jurisdictions for tax purposes and work on the proposals on taxation of the digital economy.
- Forward-looking cooperation and coordination by completing in a smooth manner the 2019 European Semester, reflecting on priorities for the next institutional cycle and promoting the inclusive format of discussions on economic issues.

[Programme of the Romanian presidency](#)

EUROPEAN SEMESTER

The Council adopted the following texts related to the 2019 European Semester economic policy coordination process:

- [conclusions](#) on the Annual Growth Survey, highlighting the main conclusions for 2019;
- [conclusions](#) on the 'Alert Mechanism Report', the starting-point of the annual macroeconomic imbalances procedure;

The Council also approved a [recommendation](#) on the economic policy of the euro area that will now be sent to the European Council for endorsement before final adoption by the Ecofin Council in May.

The 2019 European Semester will conclude in July with the adoption of country-specific recommendations.

Annual Growth Survey

The Commission's survey is the starting-point of the 2019 European Semester. It outlines the most pressing priorities on which the EU and the member states should focus in the economic and social field.

For 2019, the Commission notes a less dynamic economic growth context in Europe. It calls on member states to continue efforts along the lines of the previous annual growth survey:

- delivering high-quality investment;
- focusing reform efforts on productivity growth, inclusiveness and institutional quality;
- ensuring macroeconomic stability and sound public finances.

The Council broadly shared the Commission's assessment and policy priorities. It stressed the importance of monitoring performance and policy implementation, in particular of the country-specific recommendations (CSRs), which should be discussed in March 2019. The Council also acknowledged the particular timing constraints for agreement of the 2019 CSRs, that are linked to the European elections, and called for an early adoption of the Commission's proposals in May.

[Commission's 2019 annual growth survey](#)

Alert Mechanism Report - macroeconomic imbalances

The Commission's report identifies 13 member states that may have a macroeconomic imbalance. It will present in-depth reviews for these countries in March 2019.

11 out of the 13 countries were subject to a macroeconomic imbalance procedure last year: Bulgaria, Croatia, Cyprus, France, Germany, Ireland, Italy, the Netherlands, Portugal, Spain and Sweden.

In addition, Romania and Greece, which exited its macroeconomic adjustment programme in August 2018, will also be subject to a review.

The macroeconomic imbalances procedure was introduced in 2011 as an annual process aimed at preventing and correcting such imbalances. Fines can be imposed on euro area countries if they repeatedly fail to comply with the Council's recommendations.

The Council broadly shared the Commission's analysis, welcoming the progress made by member states in correcting their imbalances.

[Commission's 2019 alert mechanism report](#)

Recommendation on the economic policies of the euro area

This annual recommendation is a key part of the European Semester. It makes it possible to focus on euro area priorities when preparing country-specific recommendations in the spring.

For 2019 the Council intends to recommend, in particular:

- deepening the single market, improving the business environment and the quality of institutions, and pursuing resilience-enhancing product and service market reforms;
- supporting public and private investment and improving the quality and composition of public finances while pursuing policies in full respect of the Stability and Growth Pact;

- shifting taxes away from labour and strengthening education and training systems and investment in skills;
- making ambitious progress on the capital markets union and swift progress on deepening the economic and monetary union, building on the statement of the Euro Summit of 14 December 2018, also with the perspective of strengthening the international role of the euro.

EMU - FOLLOW UP OF THE DECEMBER EURO SUMMIT

Ministers took stock of the agreement reached by the leaders at the Euro Summit, which met in inclusive format on 14 December 2018.

The presidency informed ministers on how it sees the interaction between the Council and the Eurogroup, in particular as regards the possible legislative work on banking union aspects and the euro area budgetary instrument for convergence and competitiveness.

In a statement, the leaders endorsed the report by the Eurogroup of 4 December 2018, in particular on the following issues:

- the operationalisation and implementation of a backstop for the Single Resolution Fund (SRF): the backstop will be provided by the European Stability Mechanism (ESM). It should be introduced by 2024 at the latest, but possibly earlier if sufficient progress in reducing risks in the banking system has been achieved by 2020;
- a strengthened role for the ESM in crisis prevention and management, including through more effective precautionary instruments for countries that could be affected by an adverse shock beyond their control, a new work-sharing arrangement between the Commission and the ESM, and the introduction of single-limb collective action clauses by 2022, that would contribute to a successful outcome of a public restructuring.

The Euro Summit also mandated the Eurogroup to work on the design, modalities of implementation and timing of a budgetary instrument for convergence and competitiveness for the euro area, and for ERM II Member States on a voluntary basis. The instrument's main features should be agreed by June 2019, while the instrument should be adopted in line with the ordinary legislative procedure. Its size will be determined in the context of the MFF.

[Statement by the Euro Summit, 14 December 2018](#)

[Report by the Eurogroup on the EMU reform, 4 December 2018](#)

OTHER BUSINESS

– *Financial services*

The presidency updated ministers regarding work on legislative proposals in the field of financial services. The Commission also reported on the implementation of adopted legislation.

[January 2019 progress report on legislative proposals on financial proposals](#)

MEETINGS IN THE MARGINS OF THE COUNCIL

– *Eurogroup*

Ministers of the eurozone member states attended a meeting of the Eurogroup on 21 January.

Meeting in regular format, the ministers discussed the 2019 euro area recommendation and the international role of the euro. The Eurogroup president also launched a call for applications for a new executive board member at the ECB.

In inclusive format, the Eurogroup took stock of the statement adopted by the leaders at the Euro Summit on 14 December 2018 and discussed the next steps in the process of reforming of the economic and monetary union. In particular, they exchanged views on the next steps in the roadmap for beginning political negotiations on the European deposit insurance scheme (EDIS) and the budgetary instrument for convergence and competitiveness for the euro area, and for ERM II member states on a voluntary basis.

[Eurogroup main results](#)

– *Ministerial breakfast*

Ministers held a breakfast meeting to discuss the economic situation in the EU and the the priorities for the next institutional cycle.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Annual report on the implementation of the European Statistics Code

The Council was informed of the tenth annual report by the European Statistical Governance Advisory Board (ESGAB) on the implementation of the European Statistics Code of Practice by Eurostat and the European statistical system as a whole.

The ESGAB was established by the European Parliament and the Council in 2008 to provide an independent overview of the European statistical system, in particular the implementation of the European Statistics Code of Practice. The report provides recommendations on two key aspects: the improvements needed to enhance the governance of the European statistical system, subject to the existing legislation and programmes, and the enhancements that could be achieved in the medium term, possibly by changing the existing set of national and European rules. ([5128/19](#))

SOCIAL POLICY

List of target secondary variables on over-indebtedness, consumption, wealth and labour

The Council decided not to oppose Commission Regulation (EU) .../... of XXX implementing Regulation (EC) No 1177/2003 of the European Parliament and of the Council concerning Community statistics on income and living conditions (EU-SILC) ([5059/19](#)) as regards the 2020 list of target secondary variables on over-indebtedness, consumption, wealth and labour.

The annex ([13627/18 ADD1](#)) to the regulation specifies the target secondary variables and identifiers for the 2020 module on over-indebtedness, consumption, wealth and labour. These are part of the cross-sectional component of European Union Statistics on Income and Living Conditions (EU-SILC).

ENVIRONMENT

Active substances in biocidal products: Brexit preparedness measures

The Council decided not to raise objections to Commission Delegated Regulation (EU) .../... of 28.11.2018 amending Delegated Regulation (EU) No 1062/2014 as regards certain active substances/product-type combinations for which the competent authority of the United Kingdom has been designated as the evaluating competent authority ([5090/19](#)).

This regulation lays down the detailed rules for the examination of all active substances used in biocidal products. Annex II thereto sets out the active substance/product-type combinations which need to be reviewed as part of the work programme. For several of the elements listed in Annex II the competent authority of the United Kingdom is in charge. It is necessary to designate a new evaluating competent authority from among the competent authorities of the remaining 27 Member States of the European Union, the EEA countries, or Switzerland, with effect from 30 March 2019.

The delegated act amends the regulation by clarifying the rules on the fees that may be charged, and on the time limits applicable to competent authorities for finalising the evaluations of applications for active substance/product-type combinations which will be reallocated to a new competent authority.

The Commission regulation is subject to the 'regulatory procedure with scrutiny'. This means that now that the Council has given its consent, the Commission may adopt the regulation unless the European Parliament objects.

INTERNAL MARKET

Commission Directive (EU) .../... of XXX amending Directive 2009/43/EC of the European Parliament and of the Council as regards the list of defence-related products

The Council decided not to object to a Commission directive amending the annex to Directive 2009/43/EC of the European Parliament and of the Council. That annex specifies the defence-related products covered by Directive 2009/43/EC.

The directive is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It can now enter into force, unless the European Parliament objects.

JUSTICE AND HOME AFFAIRS

European Border and Coast Guard Agency: EU-Serbia agreement

The Council adopted a decision ([15576/18](#)) approving the signing of a status agreement with Serbia on actions carried out by the European Border and Coast Guard Agency in Serbia ([15579/1/18 REV 1](#)). It also decided to forward the draft decision on the conclusion of this agreement to the European Parliament for its consent ([15581/18](#)).

The purpose of such an agreement is to allow the European Border and Coast Guard Agency to coordinate operational cooperation between member states and a third country with respect to management of the external borders. In this respect, the agency can carry out actions at the external borders involving one or more member states and a third country neighbouring at least one of those member states, subject to the agreement of the neighbouring country, including on the territory of that third country.
