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THE EUROPEAN UNION**



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## **PRESS RELEASE**

3100th Council meeting

### **Economic and Financial Affairs**

Luxembourg, 20 June 2011

President      **Mr György Matolcsy**  
Minister for National Economy of Hungary

# **P R E S S**

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## **Main results of the Council**

*The Council agreed unanimously an updated general approach on a package of proposals on **economic governance**, with a view to concluding negotiations with the European Parliament before the end of the week.*

*The proposals are part of the EU's response to the challenges posed by the sovereign debt crisis. They are aimed at enhancing budgetary discipline in the member states and addressing macroeconomic imbalances within the EU, and more specifically in the euro area.*

*It approved recommendations on the member states' national reform programmes and budgetary policies. It thus concluded the **European Semester**, which is being implemented this year for the first time as part of a broader reform of the EU's economic governance.*

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<sup>1</sup> 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.

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Deputy Prime Minister and Minister for Finance

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Permanent Representative

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Minister for Finance

Ms Susanne ACKUM

State Secretary, Ministry of Finance

**United Kingdom:**

Mr George OSBORNE

Chancellor of the Exchequer

.....  
**Commission:**

Mr Olli REHN

Member

Mr Michel BARNIER

Member

.....  
**Other participants:**

Mr Vitor CONSTÂNCIO

Vice-President of the European Central Bank

Mr Philippe MAYSTADT

President of the European Investment Bank

Mr Vittorio GRILLI

Chairman of the Economic and Financial Committee

Mr Lorenzo CODOGNO

Chairman of the Economic Policy Committee

**ITEMS DEBATED**

**ECONOMIC GOVERNANCE**

The Council agreed unanimously an updated general approach on a package of legislative proposals on economic governance, with the aim of enabling negotiations with the European Parliament to be concluded in time for the European Council meeting on 23 and 24 June.

It will inform the Parliament of its compromise text by a letter to be sent by the chairman of the Permanent Representatives Committee on 21 June.

The proposals set out to strengthen economic governance in the EU – and more specifically within the euro area – as part of the EU's response to the challenges highlighted by recent turmoil on sovereign debt markets.

The Council reached agreement on a general approach on 15 March, opening the way for the negotiations with the Parliament.

Recognising that existing EU instruments have not generated a satisfactory decline in public debt levels and have catered insufficiently for macroeconomic imbalances, the proposals are aimed at enhancing budgetary discipline in the member states and broadening the surveillance of their economic policies. They implement the recommendations of a task force<sup>1</sup>, chaired by the President of the European Council, Herman Van Rompuy, which concluded that the EU's monetary union will not be able to function properly in the long term without increased economic policy coordination.

Four of the proposals deal with reform of the EU's Stability and Growth Pact, strengthening the surveillance of fiscal policies, introducing provisions on national fiscal frameworks, and applying enforcement measures for non-compliant member states more consistently and at an earlier stage. The other two proposals target macroeconomic imbalances within the EU.

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<sup>1</sup> Final report of the task force, 21 October 2010:  
[http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/ec/117236.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/117236.pdf)

**EUROPEAN INVESTMENT BANK - EXTERNAL LENDING**

The Council examined a draft decision aimed at extending an EU budgetary guarantee for the European Investment Bank's external operations to the remainder of the current financial framework 2007-2013.

The discussion focused on the eligibility of Iceland. Following the resolution of this issue, the presidency now has a full mandate to reach an agreement with the European Parliament. A compromise on all other issues had previously been agreed.

The EU provides a budgetary guarantee to the EIB covering sovereign and political risks in connection with EIB loan and loan guarantee operations carried out outside the EU in support of its external policy objectives.

The draft decision, which would replace the EIB's existing external lending mandate, also introduces some new elements, including the activation of:

- a EUR 2 billion optional mandate dedicated to the financing of projects in the field of climate change; and
- lending for countries not currently covered by the EIB's mandate.

Moreover, in accordance with the March European Council conclusions that called for the ceiling for EIB operations for Mediterranean countries undertaking political reform to be increased by EUR 1 billion, the presidency compromise raises the sub-ceiling for Mediterranean countries under the "neighbourhood and partnership countries" category from EUR 8 700 million to EUR 9 700 million.



## **DERIVATIVES - REQUIREMENTS FOR CLEARING AND REPORTING**

The Council held a policy debate on a draft regulation aimed at increasing transparency and reducing risk in the over-the-counter<sup>1</sup> (OTC) derivatives market.

It asked the Permanent Representatives Committee to oversee further work on the proposal so as to enable the Council to reach agreement on a general approach as soon as possible.

The draft regulation calls for reporting of OTC derivative contracts to trade repositories (i.e. central data centres) and the clearing of standard OTC derivative contracts through central counterparties (CCPs)<sup>2</sup> 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. To be authorised, a CCP would have to hold a minimum amount of capital.

Trade repositories would have to publish aggregate positions by class of derivatives, thereby offering market participants a clearer view of the OTC derivatives market. The European Securities and Markets Authority (ESMA) would be responsible for the surveillance of trade repositories and for granting and withdrawing their registration.

The regulation would implement commitments made by G-20 leaders in September 2009. Once adopted, it would apply from the end of 2012.

The Council's debate focused on two issues:

- Authorisation and supervision of CCPs, in particular the role played by ESMA;
- Scope of the regulation, namely whether to also subject listed derivative contracts traded on regulated markets to clearing and reporting obligations.

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<sup>1</sup> A derivative not traded on an exchange but instead privately negotiated between two counterparts.

<sup>2</sup> 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'

**EUROPEAN SEMESTER - INTEGRATED GUIDELINES**

The Council approved recommendations:

- on the member states' national reform programmes;
- delivering an opinion on the member states' updated stability and convergence programmes.

It agreed to forward the texts to the European Council, with a view to its meeting on 23 and 24 June. The "integrated guidelines" will be adopted at a subsequent Council meeting, thus concluding the European Semester, which is being implemented this year for the first time as part of an ongoing reform of the EU's economic governance.

The European Semester involves simultaneous monitoring of the member states' economic and budgetary policies, in accordance with common rules, during a six-month period every year.

The national reform programmes enable multilateral surveillance of the member states' economic policies, identifying growth-enhancing measures and setting national targets under the "Europe 2020" strategy for jobs and growth.

The stability and convergence programmes<sup>1</sup> are aimed at ensuring sound government finances, in accordance with the EU's stability and growth pact, as a means of strengthening the conditions for price stability and for sustainable growth.

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<sup>1</sup> Euro-area member states present stability programmes, non-euro-area member states present convergence programmes.

**PUBLIC FINANCE STATISTICS**

The Council adopted [conclusions](#).

**OTHER BUSINESS**

– *Single euro payments area - Credit transfers and direct debits*

The Council briefly discussed a draft regulation aimed at establishing technical requirements for credit transfers and direct debits in euros, a key element of the single euro payments area (SEPA).

On 8 June, the Permanent Representatives Committee agreed a general approach on the draft regulation ([11019/1/11 REV 1](#)), enabling the presidency, on behalf of the Council, to start negotiations with the European Parliament so as to enable the directive to be adopted at first reading.

**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 19 and 20 June.

– ***Ministerial meeting on the European Stability Mechanism***

Ministers attended a meeting on the preparation of a European Stability Mechanism to ensure the financial stability of the euro area.

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Over dinner, ministers discussed backstop support schemes in the banking sector, with a view to the publication in early July of the results of the 2011 stress tests.

**OTHER ITEMS APPROVED**

**ECONOMIC AND FINANCIAL AFFAIRS**

**VAT treatment of financial services - Progress report**

The Council took note of a report on progress on a draft directive and draft regulation on the value-added tax (VAT) treatment of insurance services and other financial services ([11092/11](#)).

The proposals, which date from 2007, are aimed at clarifying and updating the definitions of services that are exempted from the payment of VAT, in order to ensure consistent interpretation in the member states. The Commission additionally proposed a mechanism to establish cross-border cost sharing groups, and an extension of the option for service providers to apply normal VAT rules.

The report provides an overview of progress achieved since the beginning of the year and identifies the main issues to be addressed.

**Harmful tax competition - Code of conduct - Council conclusions**

The Council adopted the following conclusions.

"With regard to the Code of Conduct (Business Taxation), the Council:

- welcomes the progress achieved by the Code of Conduct Group (Business Taxation) during the Hungarian Presidency as set out in its report (doc. 10857/11 FISC 75);
- asks the Group to continue monitoring standstill and the implementation of rollback, as well as to carry on the work under the Work Package agreed by the Council (ECOFIN) on 5 December 2008 (doc. 16410/08 FISC 174);
- encourages the Commission to continue discussions with the third countries as set out in the Group's report and to keep the Group regularly informed of the progress;
- invites the Group to report back on its work to the Council by the end of the Polish Presidency."

**VAT - Romania - Cereals and oilseeds**

The Council adopted a decision authorising Romania to designate, by derogation from article 193 of directive 2006/112/EC, the persons to whom supplies are made as liable to value-added tax (VAT) for supplies of certain cereals and oilseeds ([10845/11](#)).

This temporary reversal of the tax liability – from the supplier to the taxable person to whom the goods are supplied – will apply for a period of two years. It will enable Romania to better tackle tax evasion whilst introducing definitive measures to prevent tax evasion in the future. Romania has indicated that it will not seek renewal of the authorisation.

**Electricity tax - Sweden - Shore-side electricity**

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 electricity provided to vessels at berth in a port ([10692/11](#)).

With this measure, the Swedish government aims to promote a more widespread use of shore-side electricity as an environmentally less harmful way for ships to satisfy their electricity needs while lying at berth, as compared to the burning of bunker fuels on board vessels. The derogation is granted for a period of three years.

**GENERAL AFFAIRS**

**Handling of documents**

The Council endorsed guidelines for the handling of documents internal to the Council ([11336/11](#)).

**EMPLOYMENT**

**Mobilisation of the European Globalisation Adjustment Fund - Denmark**

The Council adopted two decisions mobilising an amount of EUR 20.4 million under the European Globalisation Adjustment Fund (EGF) for workers made redundant in Denmark.

An amount of EUR 14.2 million is allocated for dismissed workers in the enterprise Odense Steel Shipyard, arising from major structural changes in world trade patterns and a decrease in demand for cargo ships as a consequence of the global financial and economic crisis. A further EUR 6.2 million will be spent for dismissed workers in the enterprise LM Glasfiber because of a decrease in demand for wind turbines in connection with the crisis.

**FISHERIES**

**Prevention and elimination of illegal fishing**

The Council adopted a decision approving, on behalf of the EU, an agreement on port state measures to prevent, deter and eliminate illegal, unreported and unregulated (IUU) fishing ([5571/11](#))

Port state measures have been identified as a key tool in the international community's fight against IUU fishing. A model scheme was firstly adopted by the Food and Agriculture Organisation (FAO), providing for minimum standards which should underpin the adoption of measures by states in order to monitor, control and inspect foreign-flagged fishing vessels wishing to use their harbours. It is a voluntary and non-binding instrument.

In addition, some regional fisheries management organisations (RFMOs) have put in place binding port state mechanisms to be applied by the parties to these organisations in order to monitor the legality of landing, transshipment and other operations in their ports.

The EU is a member of the FAO and a member of 13 RFMOs. Port state mechanisms adopted by RFMOs have already been implemented under EU law, which also provides for general rules applying to the landing of fisheries products by third country vessels in EU ports. It constitutes an essential component of the EU's common fisheries policy.

The agreement on port state measures to prevent and eliminate illegal fishing was drawn up under the responsibility of the FAO; the agreement of the parties was signed on 22 November 2009.



### **Amendment to fishing opportunities**

The Council adopted an amendment to regulation 57/2011 as regards fishing opportunities for certain fish stocks for 2011 ([10395/11](#)).

The amendment takes into account the failure of consultations between the EU and the Faroe Islands on fishing opportunities for 2011. After consultations with Norway, the fishing opportunities reserved for the consultations with the Faroe Islands are allocated to member states.

The text also implements flexible arrangements regarding the use of blue whiting quotas, and sets specific quotas for Norway lobster. In addition, it implements decisions agreed in regional fisheries management organisations (RFMOs) of which the EU is a member.

Regulation 57/2011 sets fishing opportunities for 2011 for certain fish stocks and groups of fish stocks, applicable in EU waters and for EU vessels in certain non-EU waters. It focuses mainly on Atlantic and North Sea stocks. The regulation is usually amended several times during the period in which it is in effect.

### **APPOINTMENTS**

#### **Committee of the Regions**

The Council appointed Mr Alessandro COSIMI and Mr Roberto RUOCCO (Italy) as members of the Committee of the Regions for the remainder of the current term of office, which runs until 25 January 2015 ([11565/11](#)).

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