EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2010)1929 final

Brussels, 29 September 2010

MINUTES

of the 1929th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 15 September 2010

(morning)

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<u>Single sitting</u>: Wednesday 15 September 2010 (morning)

The sitting opened at 9.09 with Mr BARROSO, President, in the chair.

<u>Present</u>:

Mr BARROSO	President	
Baroness ASHTON	High Representative/ Vice-President	
Ms REDING	Vice-President	
Mr KALLAS	Vice-President	
Mr TAJANI	Vice-President	
Mr ŠEFČOVIČ	Vice-President	
Mr REHN		Items 1 to 13 (in part)
Mr PIEBALGS		Items 8/9 (in part) to 13
Mr BARNIER		Items 1 to 10 (in part) and 13
Ms VASSILIOU		Items 1 to 12
Mr ŠEMETA		
Mr DALLI		
Ms GEOGHEGAN-QUINN		
Ms DAMANAKI		
Ms GEORGIEVA		
Mr OETTINGER		Items 1 to 13 (in part)
Mr HAHN		
Mr FÜLE		
Mr ANDOR		Items 1 to 12
Ms MALMSTRÖM		Items 1 to 13 (in part)
Mr CIOLOŞ		

Absent:

Mr ALMUNIA	Vice-President
Ms KROES	Vice-President
Mr POTOČNIK	
Mr DE GUCHT	
Mr LEWANDOWSKI	
Ms HEDEGAARD	

The following sat in to represent absent Members of the Commission:

Mr MARTÍNEZ MONGAY	Chef de cabinet to Mr ALMUNIA	
Mr WHELAN	Chef de cabinet to Ms KROES	
Mr VANDENBERGHE	Chef de cabinet to Mr POTOČNIK	
Mr HOFFMEISTER	Deputy Chef de cabinet to Mr DE GUCHT	Items 1 to 13 (in part)
Mr SLOWIK	A member of Mr LEWANDOWSKI's staff	
Mr VIS	Chef de cabinet to Ms HEDEGAARD	

The following also sat in:

Mr LAITENBERGER	Chef de cabinet to the PRESIDENT	Items 8/9 (in part) to 13
Mr FRUTUOSO DE MELO	Deputy Chef de cabinet to the PRESIDENT	Items 1 to 8/9 (in part)
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr CARVOUNIS	Deputy Director-General, DG Communication	
Mr DOENS	Head of the European Commission Spokesperson Service	
Ms AHRENKILDE HANSEN	Commission Spokeswoman	Items 1 to 10
Mr SCHINAS	Bureau of European Policy Advisers	
Ms MARTÍNEZ ALBEROLA	Adviser in the PRESIDENT's Office	Items 11 to 13
Ms SUTTON	A member of the PRESIDENT's staff	Items 1 to 10 (in part)
Ms JORNA	Acting Chef de cabinet to Mr BARNIER	Items 1 to 9
Ms CHRISTOPHIDOU	Deputy Chef de cabinet to Ms VASSILIOU	Items 10 (in part) to 12

Secretary: Ms DAY, Secretary-General, assisted by Mr AYET PUIGARNAU, Director in the Secretariat-General.

1. AGENDAS
(OJ(2010)1929/3; SEC(2010)1024/2)

The Commission took note of that day’s agenda and of the tentative agendas for forthcoming meetings.

2. WEEKLY MEETING OF CHEFS DE CABINET
(SEC(2010)1929)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 13 September.

3. APPROVAL OF THE MINUTES AND SPECIAL MINUTES OF THE 1927TH MEETING AND THE MINUTES OF THE 1928TH MEETING (20 JULY AND 7 SEPTEMBER)
(PV(2010)1927 and /2; PV(2010)1927, PART II; PV(2010)1928)

The Commission approved the minutes of its 1927th meeting and decided to hold over approval of the minutes of its 1928th meeting for a later meeting.

4. MONITORING THE APPLICATION OF EUROPEAN UNION LAW

STATE AID – INDIVIDUAL CASES
(SEC(2010)1066/2)

The Commission adopted the decisions in SEC(2010)1066/2.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED (SEC(2010)1026 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 6 and 10 September.

5.2. EMPOWERMENT (SEC(2010)1027 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 6 and 10 September.

5.3. DELEGATION AND SUBDELEGATION OF POWERS (SEC(2010)1029 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 6 and 10 September, as archived in e-Greffe.

5.4. SENSITIVE WRITTEN PROCEDURES (SEC(2010)1030 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 13 and 17 September and of the 'finalisation' written procedures initiated following the weekly meeting of Chefs de cabinet on 13 September.

6. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2010)1025/2)

ADMINISTRATIVE MATTERS (PERS(2010)112/2)

6.1. DG EXTERNAL RELATIONS – TEMPORARY POSTING AS HEAD OF DELEGATION

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Baroness ASHTON, the Commission decided, under Article 7(2) of the Staff Regulations, to grant a temporary posting as Head of the European Union Delegation in Geneva in the Directorate-General for External Relations to Mr John CLARKE, an AD13 official and Deputy Head of the EU Delegation in Geneva in the Directorate-General for External Relations, from 1 January 2010 until such time as the post was filled, but in principle without exceeding the maximum period of one year laid down in the Staff Regulations.

This decision would take effect immediately.

6.2. DG EXTERNAL RELATIONS – TEMPORARY POSTING AS HEAD OF DELEGATION

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Baroness ASHTON, the Commission decided, under Article 7(2) of the Staff Regulations, to grant a temporary posting as Head of the European Union Delegation in Argentina in the Directorate-General for External Relations to Mr César GARCIA ALVAREZ, an AD12 official at the EU Delegation in Argentina, from 1 February 2010 until such time as the post was filled, but in principle without exceeding the maximum period of one year laid down in the Staff Regulations.

This decision would take effect immediately.

6.3. SECRETARIAT-GENERAL - APPLICATION OF THE ARTICLE 50 PROCEDURE (SECOND STAGE) TO AN AD15 OFFICIAL (PERS(2010)113)

The Commission continued its discussions on this matter begun on 20 July (PV(2010)1927).

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT, the Commission adopted the decision in PERS(2010)113 applying the second stage of the procedure laid down in Article 50 of the Staff Regulations to Mr Martin POWER, an AD15 official currently Chief Adviser in the Secretariat-General.

This decision would take effect on 1 October 2010.

6.4. DG MARITIME AFFAIRS AND FISHERIES – TERMINATION OF THE SELECTION PROCEDURE FOR AN AD14/15 DIRECTOR POST (PERS(2010)77 AND /2)

The Commission took note of the information set out in point 4 of PERS(2010)112/2 and, on a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Ms DAMANAKI, decided to terminate the internal selection procedure COM/2010/1170 for the post of Director, Atlantic, Outermost Regions and Arctic, in DG Maritime Affairs and Fisheries.

This decision would take effect immediately.

7. AMENDING LETTER NO 1 TO THE DRAFT GENERAL BUDGET 2011 - STATEMENT OF REVENUE AND EXPENDITURE BY SECTION - EUROPEAN EXTERNAL ACTION SERVICE (SEC(2010)1064 TO /3; SEC(2010)1062 AND /2); SEC(2010)1063 AND /2; SEC(2010) 1065)

The Commission adopted Amending Letter No 1 to the Draft General Budget set out in SEC(2010)1064/3, for transmission to the European Parliament, the Council and national parliaments, together with the budgetary annex and the supporting document in the staff papers distributed as SEC(2010)1062/2 and SEC(2010)1063/2, the contents of which were noted.

8. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON SHORT SELLING AND CERTAIN ASPECTS OF CREDIT DEFAULT SWAPS
(COM(2010)482 TO /4; SEC(2010)1055; SEC(2010)1056; SEC(2010)1057; SEC(2010)1061)

9. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON OTC DERIVATIVES, CENTRAL COUNTERPARTIES AND TRADE REPOSITORIES
(COM(2010)484 TO /5; SEC(2010)1058 AND /2; SEC(2010)1059; SEC(2010)1060; SEC(2010)1061)

Mr BARNIER introduced the two legislative proposals he was presenting to the Commission for adoption, which formed part of the package of financial regulation measures approved by the Commission on 2 June and, more generally, arose from the commitments undertaken at international level at the G20 summits. These proposals gave practical effect to the series of measures on financial supervision which had been adopted unanimously by the Council on 7 September and would be presented to Parliament at its next part-session. They aimed to help increase the EU's financial stability and promote a European approach by consolidating the single market. Mr BARNIER also explained that in drafting these proposals he had been careful to develop an approach in line with that of the United States and, more generally, to honour the commitments made at the G20. It was the Commission's intention to present all of the promised initiatives by spring 2011.

As regards the content of the proposals, he thanked all of the departments that had contributed to their preparation, mentioning in particular Mr David WRIGHT, Deputy Director-General, DG Internal Market and Services, and began by explaining the aims of the proposal on derivatives markets (Item 9 of the Minutes), pointing to the importance of the economic role of derivatives and the size of the market, but also to the difficulties associated with the market's complexity and lack of transparency. Faced with these difficulties, the aim of the proposal was to: (1) increase the transparency of these markets, for example by standardising the products and introducing compulsory registration for almost all transactions in special registers; (2) ensure that as many operations as possible were cleared through central counterparties; (3) take into account the specific situation of companies, and in particular the costs and constraints engendered by these measures, by not imposing the same obligations on them as on financial operators; and (4) promote sound market infrastructures by ensuring monitoring of central counterparties and by giving a central role to the European Securities and Markets Authority (ESMA).

He then turned to the proposal on short selling (Item 8 of the Minutes) and insisted at the outset that it was not a matter of prohibiting the practice, which he acknowledged was useful in ensuring flexibility on the markets, but of addressing the risks which could arise from its misuse and which could jeopardise the stability of the financial markets because of the lack of transparency. There was also a need to ensure that European regulators did not introduce piecemeal bans, as had happened recently during the financial crisis. The proposal provided for: (1) greater transparency in terms of identifying operations and informing the market regulators; (2) greater responsibility by operators as regards the conditions for naked short selling and, in particular, the duty to ensure that the securities in question were available for settlement; and (3) the power to act in the event of market tensions, in order to establish a European framework which conferred powers on the market authorities and the ESMA, strengthened coordination between national authorities and gave the ESMA the authority to take measures itself in the event of a problem at European level.

He ended by stating that these proposals, which were the practical embodiment of the new supervisory framework and were intended to contribute in a balanced way to reinforcing financial stability and the single market, would be followed by others which would, in addition, supplement the commitments made at the G20.

The PRESIDENT thanked Mr BARNIER for presenting these proposals which were fully compatible with the efforts the Commission was making, in line with the G20 commitments and the measures being taken in the United States, to establish a new world order in financial services. This was a positive signal, sent out exactly two years after the collapse of *Lehman Brothers*.

Turning to the proposal on short selling, the PRESIDENT referred to the economic and financial crisis and the Greek financial crisis in particular, and the unilateral measures which some Member States had taken to restrict or ban short selling. These measures had not been coordinated and had been adopted without giving any thought to the impact on the single market. There were also risks caused by the abuse of short selling. It was in order to respond to these questions, discussed by the Commission on several occasions, that Mr BARNIER had embarked on the relevant consultations and had drawn up the legislative proposal to ban the abuse of naked short selling, to increase the transparency of those markets which was necessary to allow the supervisors to do their work, and to introduce an effective system to coordinate national and, where necessary, European measures to introduce temporary restrictions in exceptional circumstances. This was a balanced proposal which would provide a proportional, flexible solution.

Turning to the proposal on over-the-counter (OTC) derivatives, which were important for the security and stability of European financial markets, the PRESIDENT pointed out that this proposal was the first legislative initiative in a programme to reform derivatives markets, as envisaged in two Commission communications adopted in July and October 2009. Other proposals would follow this one, in particular on the revision of the directives on market abuses and financial instruments markets, which would all contribute to meeting the G20 commitments.

The Commission then held a discussion during which the following main points were raised:

– the relevance of these proposals, which fully met citizens' expectations, and which formed part of the process of adoption by the Council of a package of measures on financial supervision. The proposals would help to design a new solid, modern and credible financial structure for the European Union and give the EU the capacity to anticipate and react in the event of another crisis, and to meet its international commitments, in particular in relation to the G20;

– the relevance of proposing coordination at European level to alleviate excessive fragmentation at national level and, in addition, the importance of the international dimension of financial supervision, which national regulators had to take into account;

– the importance of having regular information on the progress achieved in relation to the various initiatives making up the European response to the financial crisis;

On the proposal on short selling

– the aptness of a European approach to short selling, although some concern was expressed about the powers of the ESMA over short selling relating to sovereign debt and to natural and legal persons; on this point, however, it was recognised that it was important to entrust appropriate powers to the ESMA so as to ensure that action taken at European level was effective, mindful in particular of the risk of any pressure being passed on to the euro zone and the European market as a whole;

On the proposal on derivatives

– the importance of this proposal in the international context and the need to fully comply with the conclusions of the G20 in Toronto, in particular the undertaking to apply a consistent, non-discriminatory approach at international level;

– the need for good cooperation between the different supervisory authorities, which should be one of their guiding principles; the concern to ensure good communication between the supervisory authorities recently established at European level, in particular the European Banking Authority (EBA);

– the relevance of a differentiated approach to financial products which takes account of the specific situation of commodities markets and, in particular, energy markets and agri-food markets, and the need to continue working on these issues.

The PRESIDENT referred to the comments made during the discussion, and noted that the proposals were fully compatible with the principle of institutional balance, as laid down by the Court of Justice in its judgment of 13 June 1958 (*Meroni* ruling) establishing the limits for the delegation of powers by the Commission to outside bodies. These proposals reflected in practice the general powers conferred on the ESMA in the context of the financial supervision package, and were fully compatible with the regulation establishing the ESMA, in particular as regards short selling. As for the ESMA's powers in relation to sovereign debt, it was unlikely that this authority would be confronted with the need to take a decision contradicting that of a Member State.

The proposal on derivatives also complied fully with the G20 conclusions and therefore it had been a good idea to refer to them in the legislative proposal. It would be useful for the EBA to have access to the information in central registers, although its involvement was circumscribed by the principles laid down in the general supervisory framework. It was also important to ensure compliance with the rules of competition and to continue the work on the use of derivatives in the commodities sector, which must be underlined when these proposals were communicated to the public.

Mr BARNIER thanked the Commission Members for their support and comments. He underlined the balanced nature of these proposals on the financial supervisory framework, which took account of the guidelines agreed by the Council. He agreed that it would be useful to draw up a single document that could be updated describing the work carried out by the Commission in this field, and comparing it with progress made at international level.

He acknowledged the sensitive nature of the provisions on sovereign debt in the proposal on short selling, given the huge financing needs of Member States. However, it was the Commission's duty to ensure that effective capacity was established for action at European level and for anticipating crisis situations, as had been provided for in the financial supervision package.

He also confirmed that the proposal on derivatives underscored the importance of ensuring a level playing field as regards interoperability between the central counterparties. The aim of these proposals was to make sure that operators assumed their responsibilities, particularly in the agri-food sector, so as to avoid the worst effects of speculation. He stressed the key role played by the Commission in all matters concerning derivatives and suggested setting up a working group on these issues to include Mr OETTINGER, Mr CIOLOŞ, Ms HEDEGAARD and M. REHN. Returning to the subject of whether this proposal was compatible with the G20 commitments, he recognised the importance of upholding the principle of non-discrimination and agreed to refer to it more precisely in one of the recitals to the proposal on derivatives. However, he pointed out that this reference concerned the international dimension and that this principle had already been included in the treaties with regard to intra-European relations.

Following this discussion, the Commission adopted the proposal for a regulation on short selling in COM(2010)482/4 for transmission to Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the national parliaments, together with the impact assessment and the summary thereof in staff papers SEC(2010)1055 and SEC(2010)1056 respectively, the contents of which were noted.

It also took note of the opinion of the Impact Assessment Board on the above proposal for a Regulation, as set out in SEC(2010)1057.

The Commission also agreed to amend recital (5) on page 14 of the English version of COM(2010)484/5 to read as follows:

'*(5) At the 26 September 2009 summit in Pittsburgh, G20 Leaders agreed that all standardised OTC derivative contracts should be cleared through central counterparties (CCP) by end-2012 at the latest and that OTC derivative contracts should be reported to trade repositories. In June 2010, G20 Leaders in Toronto reaffirmed their commitment and also committed to accelerate the implementation of strong measures to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way. The Commission will endeavour to ensure that these commitments are implemented in a similar way by our international partners.*'

Subject to inclusion of the above amendment, the Commission adopted the proposal for a regulation on OTC derivatives in COM(2010)484/5 for transmission to Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the national parliaments, together with the impact assessment and the summary thereof in staff papers SEC(2010)1058 and SEC(2010)1059 respectively, the contents of which were noted.

It also took note of the opinion of the Impact Assessment Board on the above proposal for a Regulation, as set out in SEC(2010)1060.

10. INTERINSTITUTIONAL RELATIONS

10.1. LEGISLATIVE MATTERS

i) Action to be taken on Parliament's legislative opinions
(SP(2010)6374)

The Commission decided to empower the Commission Members responsible for the sectors in question, in agreement with the PRESIDENT and Mr ŠEFČOVIČ and, if necessary, with the other Members concerned, to adopt the amended proposals for transmission to Parliament and the Council, as set out in SP(2010)6374, drawn up following the September I part-session of Parliament, the contents of which were noted.

ii) Preparation for the September II 2010 part-session of Parliament (SP(2010)6462 and /2) (SP(2010)6497) (SP(2010)6483) (SP(2010)6475 and /2)

Ordinary legislative procedure – Codecision – 1st reading

- Investigation and prevention of accidents and incidents in civil aviation (Regulation) –DE VEYRAC report – 2009/0170(COD)

The Commission approved the line set out in SP(2010)6462 and /2.

- Amendment of Council Regulation (EC) No 1215/2009 introducing exceptional trade measures for countries and territories participating in or linked to the European Union's Stabilisation and Association process (Regulation) – MOREIRA Report - 2010/0036(COD)

The Commission approved the approach set out in SP(2010)6497.

- Community macro-prudential oversight of the financial system and establishment of a European Systemic Risk Board (Regulation) / Specific tasks concerning the functioning of the European Systemic Risk Board (Decision) – GOULARD / TREMOSA I BALCELLS reports – 2009/0140(COD) / 2009/0141(CNS)

The Commission approved the line set out in SP(2010)6483.

Special legislative procedure – Consultation

- Amendment of Directive 2008/9/EC laying down detailed rules for the refund of value added tax, provided for in Directive 2006/112/EC, to taxable persons not established in the Member State of refund but established in another Member State (Council Directive) – BOWLES Report – 2010/0205(CNS)

The Commission approved the line set out in SP(2010)6475 and /2.

10.2. RELATIONS WITH THE COUNCIL

iii) Programming of Council business
(*SI(2010)226*)

The Commission took note of the information in SI(2010)226 on the Council meetings between 16 and 29 September.

iv) Preparation for European Council (Brussels, 16 September)

The PRESIDENT reported on the preparations for the European Council on Thursday 16 September at which the Heads of State and Government would discuss the European Union's external relations. For the first time since the entry into force of the Treaty of Lisbon, it would do so in the presence of the foreign affairs ministers. An interim report on the work of the Task Force on economic governance chaired by Mr Herman Van Rompuy, the President of the European Council, would be submitted to the European Council at a working lunch.

The discussion at the European Council would concern relations with the Union's main strategic partners. The PRESIDENT stressed the importance of these partners in implementing economic governance worldwide and promoting the Union's values and interests. He reminded the meeting of several bilateral summits to be held in the near future, including the Asia-Europe summit (ASEM) and the summits with China and the USA. He referred also to the Transatlantic Economic Partnership and the role that could be played by transatlantic economic dialogue, as well as to multilateral meetings such as the UN General Assembly, the Cancun meeting and the G8 and G20 meeting in November in Seoul.

In his view, maximum use should be made of the instruments provided to the European Union by the Treaty of Lisbon, not only to ensure that the Union spoke with a single voice and had more weight on the world stage but also in the interests of a joint and more closely coordinated strategy that would bring together internal policies and the European external agenda. Referring in this context to the preparatory work for launching the European External Action Service, he felt that the division of roles agreed by President Van Rompuy and himself at the G8 and G20 meetings in June had worked well.

He invited the European Council to signal its confidence in the new structures and competences created by the Treaty of Lisbon and to recognise that the interests of Europe and Europeans were better served when the external representation of the institutions and of all the Member States demonstrated a coherent and unified approach. He would propose to the Heads of State and Government that they agree on a number of political priorities with a view to forthcoming summits with the Union's partners. He stressed that it was important for the Member States to put the principles they had previously agreed upon into practice in their external relations.

Moreover, the strategic partnerships still had to be developed and better structured. He cited as an example relations between the European Union and China, which included more than fifty sectoral dialogues with different objectives. He felt that a more integrated and comprehensive approach should be developed in order to engage China, one of the Union's most important partners, in a broader debate on global governance and the contributions needed for smart regulation of the globalised economy.

The PRESIDENT took the view that the bilateral approach in the Union's external relations had to be supplemented by a commitment in the field of global economic governance, in particular concerning financial regulation. He also welcomed the agreement reached in Basle on 12 September on capital and liquidity requirements for the banking sector, and called on the future French presidency of the G8 and G20 to develop additional initiatives to implement other aspects of financial regulation, in particular with regard to the reform of international financial institutions and commodities markets.

It was important to have a coordinated approach on trade which would seek both to attain the objective of reaching an international agreement and to make progress in bilateral relations; the Commission would present a communication on trade strategy within the next few months. He called on the European Council to give its support to the Free Trade Agreement between the European Union and South Korea, and highlighted the importance of the trade policy instruments set out in the proposal to help Pakistan put forward by the Commission.

The PRESIDENT confirmed that the Commission continued to play a constructive and proactive role in developing more coherent external relations. He announced that by the end of the year the Commission would receive a communication from Baroness ASHTON and himself reporting on objectives in the field of external relations, the instruments available to the European Union to implement them, and possible synergies between the external dimension of its internal policy agenda and the impact of external relations on internal policies.

He also confirmed that the Commission continued to be committed to the opening-up of markets, and stressed the interdependence between the European Union and non-member countries in both products and services. He stressed that the Union would have to develop a reasoned and balanced approach in its relations with its partners that took account of the division of labour at global level and sought to contribute to economic growth.

Lastly, with regard to the questions of the economic governance of the European Union and the work of the task force, which would result in a presentation by Mr Van Rompuy to the Heads of State and Government, he took the view that the task force, with the support of the Commission, had been able to reach compromises on a large number of issues, some of which were already being implemented. He mentioned the agreement reached at the Economic and Financial Affairs Council on 7 September on the introduction of the "European semester". He announced that the Commission would present an initiative on economic governance on 29 September.

Baroness ASHTON also agreed that now was the time, several months after the entry into force of the Treaty of Lisbon, and only a few months before the

European External Action Service was to become operational, to develop a more strategic approach to external relations as a whole. It was important to devise a more coherent strategy on strategic partnerships between the European Union and non-member countries, and to focus efforts in this field in order to prevent a counterproductive proliferation of partnerships.

Mr REHN then reported to the Commission on the discussions in the task force chaired by Mr Van Rompuy, in the Economic and Financial Affairs Council, and in the Eurogroup, all of which met on 7 and 8 September. He highlighted the discussions on the development of European economic governance and stressed the importance attached by the Commission to an implementation mechanism and to the possibility of sanctions in the event that certain rules were not complied with. He also emphasised the importance of keeping the Community method for all future legislation on European economic governance and of not restricting the Commission's right of initiative in this field.

Mr ŠEFČOVIČ completed the presentation by reporting to the Commission on the discussions held in the General Affairs Council on Monday 13 September on the preparations for the European Council. He felt it was useful to spell out the strategy on strategic partnerships. He was optimistic about the chances of the Member States giving a positive response to the initiative on economic governance.

The Commission took note of this information.

v) Results of the "Gymnich" informal Foreign Ministers’ meeting (Brussels, 10 and 11 September)

Baroness ASHTON reported on the outcome of the discussions held by Foreign Ministers at their "Gymnich" informal meeting on 10 and 11 September.

She thanked the other Members of the Commission who had taken part for their contributions; the ministers had very much appreciated the presence of several Members of the Commission and their input.

With regard to aid to Pakistan in the wake of the devastation caused by flooding, Mr DE GUCHT had presented the various options discussed by the Commission last week intended to make it easier for Pakistani products to gain access to the European market. It was also important for the Pakistani Government to have a coherent approach that addressed not only reconstruction but also prevention of floods in future.

She also raised the issue of relations between the European Union and Turkey, and explained the importance of deepening relations with Turkey, in particular given its growing regional influence.

Referring to the Middle-East peace process and her contacts with the American, Israeli and Palestinian representatives, she pointed out that the European Union continued to support the *rapprochement*, in particular the efforts of the United States to have the moratorium on the building of Israeli settlements in the West Bank extended.

She also reported to the Commission on the follow-up to the advisory opinion on Kosovo handed down by the International Court of Justice and on her contacts with the Serbian President, Mr Boris Tadić, and with other Serbian and Kosovar representatives.

Lastly, she regretted that during the vote at the United Nations on Tuesday 14 September, a majority had voted in favour of postponing the vote on enhancing the status of the European Union.

During the subsequent exchange of views, the following aspects were examined:

– the need to keep the Commission more regularly informed of international relations and, when the time came, to have an in-depth debate on how to formulate future strategies in external relations, and specifically, strategic partnerships;

- the importance of working out a more strategic approach to the enlargement process as the Commission would be presented with a new initiative in this field in November 2010;

- congratulations for the progress achieved on the Kosovo issue, which, it was hoped, would enable closer relations with the Western Balkan countries, although it was also stressed that candidate countries or potential candidate countries must comply with all the conditions before accession negotiations can be opened or concluded;

- the importance of developing a European Union strategy for Turkey, whilst stressing the principle of strict conditionality for the ongoing accession negotiations.

The PRESIDENT concluded this exchange by congratulating Baroness ASHTON on the agreement on the Kosovo issue. He said that the Commission would soon re-examine some of the issues raised during this meeting and confirmed that the Commission would be kept regularly informed of developments in international relations.

The Commission took note of this information.

10.3. RELATIONS WITH PARLIAMENT

vi) Results of Parliament's September I part-session
(SP(2010)6280 to /3)

The Commission took note of the information in SP(2010)6280 to /3 on the proceedings of the part-session of Parliament held in Strasbourg from 6 to 9 September.

10.4. MISCELLANEOUS

vii) Financial Regulation – State of Play
(SEC(2010)1096)

The Commission took note of the information note from Mr BARNIER in SEC(2010)1096.

11. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – YOUTH ON THE MOVE – AN INITIATIVE TO UNLEASH THE POTENTIAL OF YOUNG PEOPLE TO ACHIEVE SMART, SUSTAINABLE AND INCLUSIVE GROWTH IN THE EUROPEAN UNION (COM(2010)477 TO /3; SEC(2010)1047; SEC(2010)1022; SEC(2010)1054)

12. PROPOSAL FOR A COUNCIL RECOMMENDATION – YOUTH ON THE MOVE – PROMOTING THE LEARNING MOBILITY OF YOUNG PEOPLE (COM(2010)478 TO /3; SEC(2010)1048; SEC(2010)1049; SEC(2010)1050; SEC(2010)1051; SEC(2010)1022; SEC(2010)1054)

Ms VASSILIOU introduced the communication and the proposal for a Council recommendation which she presented to the Commission for adoption. She explained that 'Youth on the Move' was one of the seven flagship initiatives announced as part of the 'Europe 2020' strategy. Its objective was to address the challenges faced by young people in the European Union, be it during their studies or training, or during their subsequent transition to the workforce.

Measures in this initiative would contribute directly to three major objectives of the strategy: reducing the annual rate of early school-leaving from 15 to 10%, increasing the proportion of people with a higher education diploma from 31% today to 40% in ten years' time, and increasing the rate of employment from 65%

today to 75% in 2020.

Ms VASSILIOU stressed again how important it was for the future prosperity of Europe in a globalised knowledge economy to have a pool of highly-qualified people emerging from high quality education and training systems.

She thanked the PRESIDENT for his support for the presentation of such a specific initiative and Mr ANDOR for his close cooperation.

Ms VASSILIOU explained that the communication proposed an integrated framework strategy for young people, based on four broad lines of action in the fields of education, training and employment. (i) a series of measures aimed at enhancing the performance of schools and professional education and training, as well as the accessibility and quality of learning opportunities for young people, with particular emphasis on improving the participation and results of disadvantaged categories and groups; (ii) specific measures whose aim was to develop the quality and attractiveness of European higher education; (iii) measures designed to improve access to learning mobility opportunities and new initiatives supporting young people's professional mobility; and (iv) a new European framework for the employment of young people, requiring the development of active labour market policies and encouraging national reforms of labour market rules.

This process requires, in each field, that new measures be identified and/or that proposals be made for enhancing or guaranteeing the implementation of existing activities.

As regards the proposal for a Council Recommendation on the learning mobility of young people, she stated that it was the first major step in the implementation of the 'Youth on the Move' initiative, which took into account the results of the public consultation launched with the 2009 Green Paper on that issue. She explained that there was a proposal to monitor implementation of the recommendation in Member States using a 'Mobility Scoreboard'; the first edition of which should be published in 2012.

Ms VASSILIOU concluded by highlighting the role the next generation of

European Union funding programmes could play in pursuing the 'Youth on the Move' objectives and the importance of ensuring that the European Social Fund provides the best possible support for the 'employment' aspect of the initiative.

She thanked the services and cabinets concerned for their cooperation as well as the Members for their support and looked forward to collaborating further with Mr ANDOR, the Members concerned, the Member States and stakeholders in order to achieve the 'Youth on the Move' objectives.

Mr ANDOR joined Ms VASSILIOU in thanking the cabinets and services.

He then mentioned the 'employment' aspect of the communication, noting that unemployment was a major concern as young people were particularly affected: although situations varied between Member States, the Union average was around 20%. He stressed the need to learn from the examples set by Germany, Austria or the Netherlands and to ensure that best practice was shared.

He highlighted the problem caused by the excessive duration of the transition from studies to stable employment, noting the qualitative change resulting from the increase in precarious jobs on the labour market. He noted that the communication provided for initiatives which should speed up the process, such as the new 'Your first EURES job' initiative.

He concluded with a reference to the financial instruments, pointing out that the European Social Fund was in a position to provide support, as was the new European Progress Microfinance Facility, created to help young people who wanted to set up in business in a self-employed capacity.

The Commission also held a brief discussion on the substantial benefits of opening up the largest possible number of programmes to candidate countries, and in some cases to partner countries, as part of this initiative,.

The PRESIDENT thanked Ms VASSILIOU and Mr ANDOR for this very important initiative and said that he had referred to it specifically in his speech to Parliament on the state of the Union on 7 September. He welcomed the opportunities it offered to move forward in an important area that was close to the hearts of European citizens. It was particularly important to modernise European universities.

At the end of this presentation, the Commission agreed to amend the last sentence of the third bullet point in section 1.1. "*Focus of the initiative*" on page 4 of the English version of COM(2010)477/3, reading as follows:

"*The Commission will also consider transforming the preparatory action 'Erasmus for young entrepreneurs' into a programme to promote entrepreneurs' mobility.*"

Subject to the inclusion of the above amendment, the Commission adopted the Communication in COM(2010)477/3, for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, and, for information, to the national parliaments, together with the staff paper distributed as SEC(2010)1047, the contents of which were noted.

The Commission also adopted the proposal for a Council Recommendation set out in COM(2010)478/3, for transmission to the Council, together with the outcome of the consultation on the Green Paper, the impact study and the summary thereof in staff papers distributed as SEC(2010)1048, SEC(2010)1049 and SEC(2010)1050, the contents of which were noted.

It also took note of the opinion of the Impact Assessment Board on the above proposal for a Council Recommendation, as set out in SEC(2010)1051.

13. OTHER BUSINESS

13.1. ESTABLISHING A COMMON EUROPEAN ASYLUM SYSTEM (SEC(2010)1092)

Ms MALMSTRÖM reported briefly on the progress at interinstitutional level of the Commission's proposals on asylum, the purpose of which was to finalise the present European asylum system by 2012. She noted that some

Member States seemed reluctant to take these various dossiers forward, but that the European Parliament had in contrast expressed very clear support.

She said that, in the interests of making progress, the Council Presidency was trying to suggest a two-pronged approach consisting, firstly, of making progress as quickly as possible on four of the proposals (namely (i) the Regulation establishing the criteria and mechanisms for determining the Member State responsible for examining an asylum application lodged in one of the Member States by a third-country national or a stateless person, (ii) the Regulation concerning the establishment of "Eurodac" for the comparison of fingerprints, (iii) the amended Directive on minimum standards for the qualification and status of third country nationals or stateless persons as beneficiaries of international protection, and (iv) the Council Directive amending Directive 2003/109/EC to extend its scope to beneficiaries of international protection) with a view to reaching an agreement by the end of 2010 and, secondly, of continuing discussions on two other proposals on which it was more difficult to reach an agreement (the Directive laying down minimum standards for the reception of asylum seekers and amendment of the Directive on minimum standards on procedures in Member States for granting and withdrawing refugee status).

The Commission was supporting the Presidency’s efforts and, depending on the outcome of the current negotiations and any problems that might be identified, it would decide whether it was necessary to amend the two latter Directives in 2011. Ms MALMSTRÖM would keep the Members of the Commission informed of subsequent developments in this matter over the coming months.

Ms MALMSTRÖM went on to discuss the unsatisfactory implementation of asylum policy by Greece and the questions arising in this connection with regard to respect for fundamental rights and the European acquis on asylum. She noted that infringement proceedings had been initiated against Greece in November 2009, and a number of cases, which the Commission was monitoring closely, had been brought before the Court of Justice of the

European Union or the European Court of Human Rights relating to decisions taken by Member States to transfer certain asylum seekers to Greece.

She also noted that the Greek Government was working on a major reform of the asylum system and that a team of officials from DG Home Affairs had gone to Athens in the summer to discuss elements of this reform, including the possibility of assistance at EU level or from other Member States. She added that the Commission had also asked the Greek authorities to prepare a detailed action plan of measures that needed to be taken; this would make it possible to identify measures that were eligible for EU financial aid.

Ms MALMSTRÖM felt that this commitment on the part of the Greek government should be seen as a positive development in this matter, but it was also important for the Commission to monitor the situation closely to make sure that the action plan was implemented in practice and without delay. She concluded her presentation by saying that the later stages would consist, in addition to EU financial assistance, of greater involvement by the other Member States in providing Greece with technical and administrative support; she stressed that the Commission was permanently on hand to work on a satisfactory solution to all the various aspects of this dossier and she would keep the Members of the Commission informed.

The Commission then held a very brief discussion during which the following aspects were examined:

– the extreme political sensitivity of asylum policy issues, now and especially in the near future; the need for the Commission to participate fully, and the satisfaction expressed with regard to the analysis, the work carried out, and the measures proposed by Ms MALMSTRÖM, including on the situation in Greece;

– the importance of making a link between the internal EU aspects of this matter and its external aspects, in particular questions relating to non-member countries adjoining the EU.

The Commission took note of this information and of the note from Ms MALMSTRÖM in SEC(2010)1092.

13.2. SITUATION OF THE ROMA IN EUROPE

Following a short presentation by Ms REDING of recent developments in this matter, the Commission held a brief discussion during which it stressed in particular the need to continue to treat this sensitive political question and human problem with gravity and correctness.

The PRESIDENT took note of the efforts made by Ms REDING and her hard work so far, and indicated in conclusion that the Commission would hold in two weeks an in-depth discussion on the transposition and implementation by the Member States of the 2004 Directive on the free movement of persons.

The Commission took note of this information.

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The Commission's other discussions on certain agenda items are recorded in the special minutes.

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The meeting closed at 12.53.