EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2011)1969 final

Brussels, 7 September 2011

MINUTES

of the 1969th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 20 July 2011

(morning)

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<u>Single sitting</u>: Wednesday 20 July 2011 (morning)

The sitting opened at 9.08 with Mr BARROSO, President, in the chair. The discussion of item 12 (in part) was chaired by Ms REDING.

<u>It was attended by</u>:

Mr BARROSO	President	Items 1 to 12 (in part)
Baroness ASHTON	High Representative/Vice-President	
Ms REDING	Vice-President	
Mr ALMUNIA	Vice-President	Items 1 to 12 (in part)
Mr KALLAS	Vice-President	
Ms KROES	Vice-President	
Mr TAJANI	Vice-President	
Mr ŠEFČOVIČ	Vice-President	
Mr POTOČNIK	Member	
Mr REHN	Member	
Mr PIEBALGS	Member	
Mr BARNIER	Member	Items 1 to 11 (in part)
Ms VASSILIOU	Member	
Mr ŠEMETA	Member	
Mr DALLI	Member	
Mr LEWANDOWSKI	Member	Items 1 to 11 (in part)
Ms DAMANAKI	Member	
Ms GEORGIEVA	Member	
Mr OETTINGER	Member	Items 1 to 12 (in part)
Mr HAHN	Member	Items 1 to 12 (in part)
Ms HEDEGAARD	Member	
Mr FÜLE	Member	
Mr ANDOR	Member	
Ms MALMSTRÖM	Member	
Mr CIOLOŞ	Member	

Absent:

Mr DE GUCHT	Member
Ms GEOGHEGAN-QUINN	Member

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

Mr LEVIE	A member of Mr DE GUCHT's staff	
Mr BELL	Chef de cabinet to Ms GEOGHEGAN-QUINN	Items 1 to 11 (in part)

The following also sat in:

Mr LAITENBERGER	Chef de cabinet to the PRESIDENT	Items 1 to 12 (in part)
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr VANDERSTEEN	Acting Director-General, DG Communication	
Mr DOENS	Head of the Commission Spokesperson Service	Items 1 to 12 (in part)
Ms AHRENKILDE HANSEN	Commission Spokeswoman	Items 1 to 11 (in part)
Mr THEBAULT	Head of the Bureau of European Policy Advisers	Items 1 to 11 (in part)
Mr CABRAL	Adviser hors classe in the PRESIDENT's office	Item 11
Ms VANNINI	Adviser in the PRESIDENT's Office	Items 9/10 (in part)
Ms SUTTON	A member of the PRESIDENT's staff	Items 1 to 10
Mr PESONEN	Chef de cabinet to Mr REHN	Items 11 and 12 (in part)
Mr GUERSENT	Chef de cabinet to Mr BARNIER	Items 1 to 10
Mr FAULL	Director-General, DG Internal Market and Services	Items 1 to 10

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

1. AGENDAS
(OJ(2011)1969/3; SEC(2011)930/2)

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(2011)1969)

The Commission considered the Secretary-General’s report on the weekly meeting of Chefs de cabinet held on Monday 18 July 2011.

3. APPROVAL OF MINUTES AND SPECIAL MINUTES OF 1968TH MEETING (13 JULY)
(PV(2011)1968; PV(2011)1968 PART II)

The Commission approved the minutes of its 1968th meeting.

4. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

4.1. WRITTEN PROCEDURES APPROVED (SEC(2011)931 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 11 and 15 July 2011.

4.2. EMPOWERMENT (SEC(2011)932 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 11 and 15 July 2011.

4.3. DELEGATION AND SUBDELEGATION OF POWERS (SEC(2011)933 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 11 and 15 July 2011, as archived in e-Greffe.

4.4. SENSITIVE WRITTEN PROCEDURES (SEC(2011)934)

The Commission took note of the sensitive written procedures for which the time limit expired between 18 and 22 July 2011 and of the "finalisation" written procedures initiated following the weekly meeting of Chefs de cabinet on 11 July 2011.

5. REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON PROGRESS IN BULGARIA UNDER THE

COOPERATION AND VERIFICATION MECHANISM
(COM(2011)459 AND /2; SEC(2011)967)

6. REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON PROGRESS IN ROMANIA UNDER THE COOPERATION AND VERIFICATION MECHANISM (COM(2011)460 TO /3; SEC(2011)968 AND /2)

The Commission approved the reports concerning Bulgaria and Romania produced under the cooperation and verification mechanism, as set out in COM(2011)459/2 and COM(2011)460/3, for transmission to Parliament and the Council and, for information, to the national parliaments, accompanied by the supporting documents SEC(2011)967 and SEC(2011)968/2, the contents of which were noted.

7. COMMISSION COMMUNICATION TO PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – EUROPEAN PROGRAMME FOR THE INTEGRATION OF THIRD-COUNTRY NATIONALS (COM(2011)455 TO /3; SEC(2011)957; SEC(2011)963)

The Commission approved the communication in COM(2011)455/3, for transmission to Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, and, for information, to national parliaments, together with the staff paper distributed as SEC(2011)957, the contents of which were noted.

8. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2011)935/2)

ADMINISTRATIVE MATTERS (PERS(2011)111/2)

8.1. SECRETARIAT- GENERAL / DG BUDGET / DG HUMAN RESOURCES AND SECURITY – CREATION OF A TASK FORCE FOR GREECE AND ADMINISTRATIVE AND BUDGETARY MATTERS CONCERNING ITS IMPLEMENTATION AND OPERATING PROCEDURES

Under Article 22 of its Rules of Procedure the Commission took note of the President's decision regarding the creation of a Task Force for Greece, the terms of which are set out in the first part of point 1 of document PERS(2011)111/2 (see also item 11.2.iii of these minutes).

In addition, on a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT, Mr REHN and Mr LEWANDOWSKI, the Commission decided:

– to appoint Mr Horst REICHENBACH as Head of the Task Force; this decision would take effect on a date to be determined later;

– that the Head of the Task Force would have the status of special adviser to the Commission; that he would receive an allowance for each day worked; and that the amount of the allowance and the other contractual conditions would be determined by Mr ŠEFČOVIČ in agreement with the President;

– that the Task Force's operating procedures would be reviewed, if necessary, by the Secretariat-General, the Budget DG and the Human Resources and Security DG on an annual basis, at least during the spring package of changes to the organigramme; that the Head of the Task Force would receive the normal administrative support from the Human Resources and Security DG and from priority services from the Secretariat-General, the Budget DG and the Human Resources and Security DG;

– that the composition of the Task Force, including decisions on appointments, engagements, transfers as well as the termination of contracts, would be decided by the relevant authorities (appointing authority and authority authorised to conclude employment contracts) in agreement with the Head of the Task Force and after consulting the Secretariat-General and the Human Resources and Security DG; that the maximum number of officials and other servants assigned to the Task Force would be authorised by the President, in agreement with Mr ŠEFČOVIČ and Mr LEWANDOWSKI; that the Task Force would consist of:

  - Mr Jorgen HOLMQUIST and Mr David WRIGHT, currently hors class advisers to the Internal Market and Services DG, who would be assigned to the Task Force along with their duties and budget lines, with effect from 1 September 2011;

  - full-time AD and AST officials who would be attached to the Task Force from their current departments;

  - Seconded National Experts, including where appropriate experts from an employer other than a public administration or intergovernmental organisation, who would be paid by their employers and in relation to whom Member State Permanent Representations would confirm availability to the Human Resources and Security DG;

  - temporary agents, should other specialised external expertise be necessary;

  - contract agents for support and communication tasks;

- retired Commission officials, should this be necessary;
- all Commission officials who are currently seconded to the Greek authorities; their secondment would be transformed into attachment to the Task Force;

– that the Head of the Task Force would be the functional superior to all Task Force staff on a day-to-day basis and with regard to all tasks necessary for carrying out the Task Force's mission; that without prejudice to the established appointing authority powers, the Head of the Task Force would be consulted by all DGs which have made staff available to the Task Force on all relevant personnel and other administrative decisions, notably with regard to appraisals and promotions; that the Head of the Task Force would decide on leave, working times and missions, without prejudice to the existing operational and financial provisions;

– that the Head of the Task Force would be able to count on the entire Commission for support, in particular DGs ECFIN, EMPL, REGIO, AGRI, ENER, MARKT, SANCO, TAXUD, COMP, MARE, JUST, HOME and COMM (including, if necessary, the representation in Athens, the Secretariat-General, the Legal Service, the Budget DG and the Human Resources and Security DG); that, if necessary, other Commission Directorate-Generals could be involved in the work of the Task Force; that the Secretariat-General would provide the training and support necessary to ensure consistency in the contributions from other DGs offering support to the Task Force;

– that, to ensure the swift implementation and efficient operation of the Task Force, the Commissioner responsible for administration would be authorised, where necessary and in relation to the Head of the Task Force and all the staff assigned to it, to depart only from individual provisions of Commission Decisions, notably concerning publication, selection, justification for having recourse to temporary staff, maximum duration of employment, grades, minimum length of employment by the current employer in the case of seconded national experts, allowances for special advisers, maximum length of retirement and restrictions with regard to assignments and remuneration in the case of retired officials, by derogation from the following applicable Commission provisions: (1) C(2008)6866 of 12 November 2008 laying down rules on the secondment to the Commission of national experts and national experts in professional training; (2) C(2011)1264 of 2 March 2011 on the general provisions for implementing Article 79(2) of the Conditions of Employment of Other Servants of the European Union, governing the conditions of employment of contract staff employed by the Commission under the terms of Articles 3a and 3b of the said Conditions; (3) C(2004)1597/5 of 28 April 2004 on a new policy for the engagement and use of temporary agents; (4) C(2004)1597/6 of 28 April 2004 on the maximum duration for the recourse to non-permanent staff in Commission Services; (5) C(2004)1597/10 of 28 April 2004 on outside activities and assignments; (6) SEC(2006)1702 of 13 February 2007 on organisation charts of Commission DGs and Services and (7) C(2007)6655 of 19 December 2007 on special advisers to the Commission;

– that the Directorate-General for Communication would assist the Task Force with any office space and other logistical arrangements in Athens; that the Office for Infrastructures and Logistics in Brussels would supply the appropriate logistical support in Brussels, in particular by providing the Task Force with office space in a single building; and that the Directorate-General for Informatics would provide the Task Force as a priority with the necessary computer and telephone equipment;

– that the financial needs would be covered by the available budget, making use as necessary of all the established budgetary procedures;

– that the Directorate-General for Employment, Social Affairs and Inclusion and the Directorate-General for Regional Policy would assist the Task Force in identifying the relevant sources of funding available under the cohesion policy programmes, for which they are authorising officers by delegation, in order to provide the Greek authorities with the technical assistance they need to implement the EU/IMF adjustment programme.

These decisions would take effect immediately.

8.2. DG HUMAN RESOURCES AND SECURITY – INTERNAL AND INTERINSTITUTIONAL (GRADE AD14/15) AND EXTERNAL (GRADE AD14 – EU-27) PUBLICATION OF A VACANCY NOTICE FOR A DIRECTOR
(PERS(2011)112)

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT, the Commission decided to authorise the publication, under Articles 29(1)(a)(i) and (iii), 29(1)(b) and 29(2) of the Staff Regulations, of the vacancy notice in PERS(2011)112 for a post of Director, Security, in the Directorate-General for Human Resources and Security.

This decision would take effect immediately.

8.3. EUROSTAT – INTERNAL AND INTERINSTITUTIONAL (GRADE AD14/15) AND EXTERNAL (GRADE AD14 – EU-27) PUBLICATION OF A VACANCY NOTICE FOR A DIRECTOR
(PERS(2011)113)

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Mr REHN, the Commission decided to authorise the publication, under Articles 29(1)(a)(i) and (iii), 29(1)(b) and 29(2) of the Staff Regulations, of the vacancy notice in PERS(2011)113 for a post of Director, Social and Information Society Statistics, in Eurostat.

This decision would take effect immediately.

8.4. AMENDMENT OF ORGANISATION CHARTS – 2011 SUMMER PACKAGE (SEC(2011)971; SEC(2011)972; SEC(2011)973; PERS(2011)114)

Having noted the information in point 4 of PERS(2011)111/2, the Commission took note of the change to the organisation chart of the Secretariat-General referred to in SEC(2011)971, which would be adopted at a later date by simplified procedure.

8.5. DG COMPETITION – AMENDMENT OF ORGANISATION CHART (SEC(2011)971; SEC(2011)972)

The Commission took note of the information in point 1 of SEC(2011)971 and, on a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Mr ALMUNIA, decided:

- to increase temporarily the quota of adviser posts by creating a non-structural adviser post; this post would be abolished by the end of 2013 at the latest;

- to adopt the new organisation chart set out in SEC(2011)972.

This decision would take effect on 1 September 2011.

8.6. JOINT RESEARCH CENTRE – AMENDMENT OF ORGANISATION CHART (SEC(2011)971; SEC(2011)973; PERS(2011)114)

The Commission took note of the information in point 1 of SEC(2011)971 and, on a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Ms GEOGHEGAN-QUINN, decided:

- to terminate – without making any appointment – the selection procedure COM/2010/1602 for the post of Deputy Director-General of the Joint Research Centre;

- to authorise the publication, under Articles 29(1)(a)(i) and (iii), 29(1)(b) and 29(2) of the Staff Regulations, of the vacancy notice set out in PERS(2011)114 for the post of Deputy Director-General of the Joint Research Centre;

- to create a temporary post of principal adviser responsible for the new task force on ‘Scientific support for modelling’ and, in the interest of the service under Article 7 of the Staff Regulations, to transfer to that post Mr Leen HORDIJK, currently Director, Institute for Environment and Sustainability (Ispra), at the Joint Research Centre; this post would be abolished on 31 December 2012;

- to create two new units, JRC.DG.A.1 ‘Science Advice to Policy, Innovation and Horizon Scanning’ and JRC.DG.A.7 ‘Nuclear Safety and Security Coordination’;

- to adopt the new organisation chart set out in SEC(2011)973.

These decisions would take effect on 1 September 2011.

Following the reorganisation, the number of units in the Joint Research Centre would rise from 69 to 71, and the average number of staff covered by the Staff Regulations per unit would be 28.

8.7. JOINT RESEARCH CENTRE – TEMPORARY POSTING AS DIRECTOR (PERS(2011)115)

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Ms GEOGHEGAN-QUINN, the Commission decided, under Article 7(2) of the Staff Regulations, to grant a temporary posting as Director, Resource Management, at the Joint Research Centre to Mr Jean-Pierre MICHEL, at that time AD14 official and Head of Unit in that Centre from 1 May 2009 to 31 December 2009.

This decision would take effect immediately.

8.8. JOINT RESEARCH CENTRE – TEMPORARY POSTING AS DIRECTOR (PERS(2011)115)

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Ms GEOGHEGAN-QUINN, the Commission decided, under Article 7(2) of the Staff Regulations, to grant a temporary posting as Director, Ispra Site Management, at the Joint Research Centre to Mr Dolf VAN HATTEM, AD14 official and Head of Unit in that Centre from 1 November 2009 to 28 February 2011, in order to take into account the interest of the service and to ensure fair treatment of the official concerned.

This decision would take effect immediately.

8.9. JOINT RESEARCH CENTRE – TEMPORARY POSTING AS DIRECTOR (PERS(2011)115)

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Ms GEOGHEGAN-QUINN, the Commission decided, under Article 7(2) of the Staff Regulations, to grant a temporary posting as Director, Institute for Transuranium Elements (Karlsruhe), at the Joint Research Centre to Mr Jean-Pierre MICHEL, at that time AD13 official and Head of Unit in that Centre from 1 January 2006 to 31 May 2006.

This decision would take effect immediately.

8.10. JOINT RESEARCH CENTRE – TEMPORARY POSTING AS DIRECTOR (PERS(2011)115)

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Ms GEOGHEGAN-QUINN, the Commission decided, under Article 7(2) of the Staff Regulations, to grant a temporary posting as Director, Institute for the Protection and Security of the Citizen (Ispra), at the Joint Research Centre to Mr Alois SIEBER, AD14 official and Head of Unit in that Centre, from 1 December 2006 to 31 October 2007.

This decision would take effect immediately.

8.11. *JOINT RESEARCH CENTRE – TEMPORARY POSTING AS DIRECTOR (PERS(2011)115)*

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Ms GEOGHEGAN-QUINN, the Commission decided, under Article 7(2) of the Staff Regulations, to grant a temporary posting as Director, Institute for Environment and Sustainability (Ispra), at the Joint Research Centre to Mr Guido SCHMUCK, at that time AD12 official and Head of Unit in that Centre, from 1 September 2007 to 15 May 2008.

This decision would take effect immediately.

8.12. *JOINT RESEARCH CENTRE – TEMPORARY POSTING AS DIRECTOR (PERS(2011)115)*

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Ms GEOGHEGAN-QUINN, the Commission decided, under Article 7(2) of the Staff Regulations, to grant a temporary posting as Director, Institute for Health and Consumer Protection (Ispra), at the Joint Research Centre to Mr Dimitrios KOTZIAS, AD14 official and Head of Unit in that Centre, from 16 March 2005 to 14 July 2006, in order to take into account the interest of the service and to ensure fair treatment of the official concerned.

This decision would take effect immediately.

8.13. *EUROPEAN ANTI-FRAUD OFFICE – AD HOC EMPOWERMENT CONCERNING THE LAUNCH OF THE PROCEDURE FOR APPOINTING MEMBERS OF THE SUPERVISORY COMMITTEE (SEC(2011)970)*

The Commission took note of the information in point 6 of PERS(2011)111/2, and decided, in accordance with Article 13 of its Rules of Procedure, to empower Mr ŠEMETA, the member of the Commission responsible for combating fraud, to launch, in agreement with the PRESIDENT, the procedure for appointing the successors to the current members of the

Supervisory Committee of the European Anti-Fraud Office, in accordance with the terms set out in SEC(2011)970.

This decision would take effect immediately.

8.14. DG ENVIRONMENT – APPOINTMENT OF AD14/15 DIRECTOR (PERS(2011)47 TO /3)

Following the presentation by Mr ŠEFČOVIČ, the Commission had before it the list of applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director, Legal Affairs and Cohesion, in the Directorate-General for the Environment (PERS(2011)47).

The Commission took note of the opinions of the Consultative Committee on Appointments of 30 June and 14 July 2011 (PERS(2011)47/2 and /3).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Mr POTOČNIK, it then decided to appoint Ms Marianne WENNING to the post.

This decision would take effect on 1 September 2011.

9. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON THE PRUDENTIAL SUPERVISION OF CREDIT INSTITUTIONS AND INVESTMENT FIRMS (COM(2011)452 TO /3; SEC(2011)949; SEC(2011)950; SEC(2011)951; SEC(2011)955; SEC(2011)956)

10. PROPOSAL FOR A DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON ACCESS TO THE ACTIVITY OF CREDIT INSTITUTIONS AND THE PRUDENTIAL SUPERVISION OF CREDIT

INSTITUTIONS AND INVESTMENT FIRMS AND AMENDING DIRECTIVE 2002/87/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON THE SUPPLEMENTARY SUPERVISION OF CREDIT INSTITUTIONS, INSURANCE UNDERTAKINGS AND INVESTMENT FIRMS IN A FINANCIAL CONGLOMERATE
(COM(2011)453 TO /3; SEC(2011)952 AND /2; SEC(2011)953 AND /2; SEC(2011)954; SEC(2011)955; SEC(2011)956)

The PRESIDENT opened the discussion on the proposals for a Regulation on the prudential supervision of credit institutions and investment firms and a Directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms by thanking Mr BARNIER for his work, which put the European Union at the forefront in implementing the Basel III agreement, intended to improve both the quantity and quality of bank capital as well as the supervision and governance of the sector.

He stressed that these proposals were some of the most important measures drawn up by the Commission as part of the reform of financial services, following on from one of the G20 undertakings and putting into effect the recommendation in the report drafted under the guidance of Mr Jacques de Larosière that uniform rules should be drawn up for the banking sector.

In particular, these new rules would apply to all the Union's banking institutions – numbering over 8000 – and not only the largest ones, and in some cases they went beyond the requirements of Basel III. He pointed out that the proposals were also a first step towards reducing the dependence of the financial institutions on the rating agencies.

The PRESIDENT went on to raise the question of maximum harmonisation, in other words whether or not the Member States' national authorities should be allowed a degree of flexibility to impose requirements that were stricter than the minimum laid down by Basel III. He noted that the approach proposed by Mr BARNIER offered considerable flexibility in this respect, while at the same time implementing the Basel III agreement in full for the first time and for all the Union's banks, in order to increase the security and stability of the European banking sector and reduce the risk of having to resort to public funds in the future.

He highlighted the need to ensure at the same time that the new rules were consistent with the internal market and therefore to regulate this flexibility taking into account the risks associated with the close interdependence of the national financial sectors. He referred to Mr de Larosière’s report, which recommended allowing a country, in appropriate circumstances, to adopt stricter safeguards or regulatory measures than those provided for in the common framework for harmonised minimum basic standards, in order to ensure financial stability and with due regard for the principles of the internal market.

The PRESIDENT then invited Mr BARNIER to present the content of his proposals, explaining in particular how he intended to strike the right balance on this key question of the degree of harmonisation.

Mr BARNIER said that his initiative formed part of the efforts being made to learn the lessons of the financial crisis and ensure that such a crisis could never happen again. He returned to the question of the considerable losses suffered by the European banking sector between 2007 and 2010 and the high price – over EUR 2 000 billion – paid by the taxpayer to rescue the banks, and he stressed that his proposals were designed to change the behaviour of the more than 8000 banks and investment firms operating in Europe. This was, he said, one of the main undertakings entered into by the G20, and the European Union was thus the first in the world to take effective action in this matter.

The main aim of the proposals was to require the banks to hold more capital, and better quality capital than at present, in line with the Basel III agreement, which, in comparison with Basel II, introduced this requirement for guaranteeing robustness. The banks must continue to be able to provide credit to the real economy while operating in a more responsible manner.

He said that the proposals were also intended to introduce the new rules on liquidity and the leverage ratio arising from the recommendations of the Basel Committee.

Mr BARNIER went on to talk about the most recent adjustments made to the texts, in particular to clarify the role and the powers of the supervisors of subsidiaries in the event of liquidity consolidation in a cross-border banking group, and felt that the solution found was now perfectly balanced and the text entirely clear.

Regarding the degree of harmonisation, he recalled the clear mandate given to the Commission by the European Council of June 2009 to create a “Single Rule Book” for the internal market’s financial sector in order to prevent inappropriate transfers of savings in response to the rules applied by the different Member States’ banking sectors and the imbalances that these would cause. He stressed in this regard the danger of maintaining parallel and concurrent sets of rules, given the close connection between the markets, and the need in the interests of financial stability for coordinated action using the mechanisms set up since 1 January, namely the Systemic Risk Board and the three supervisory authorities, especially the European Banking Authority. He felt that uniform rules were needed to ensure the smooth operation of the single market, economic efficiency and financial stability.

However, he recognised that in some cases there were specific national circumstances that needed to be taken into account at national level. He explained that, as far as that was concerned, the proposals contained all the necessary elements to ensure an effective but coordinated use of the scope for flexibility, and listed the four measures selected: (i) no harmonisation of the risk weighting for exposures linked to the property markets, which were currently too different in the single market; (ii) the possibility for the national supervisor to demand an increase in the capital of a bank or banking sector to take account of its specific risk profile, as part of the regular supervision process; (iii) the application of the countercyclical buffer, introduced by Basel III to ensure that the banks built up their capital in times of excessive growth so that they were better equipped to deal with a downturn in the economic cycle, was here extended so as to allow national regulators to use it to take into account all the macro-economic risks to which their banks could be exposed – even going beyond the 2.5% ceiling – without prior agreement but subject to the obligation to notify the Systemic Risk Board and the European Banking Authority; and (iv) the possibility for the Commission to decide by means of a delegated act to modify the parameters of the regulations, including capital levels, in order to respond to a general problem if so required.

Mr BARNIER felt that this gave the Member States all the flexibility they needed to react swiftly and take the necessary measures to combat risks and potential problems occurring in their financial sector, and noted that the only thing they would no longer be allowed to do would be to specify, in advance, in a national legislative instrument, in a general way and across the board, capital requirements in excess of those laid down in the international agreement drawn up by the Basel Committee regulators.

He also mentioned the initiatives that would be introduced as of September, dealing with the resolution of banking crises, the review of the Directive on Markets in Financial Instruments and Investment Services, and credit rating agencies.

He concluded by emphasising that the work on the two proposals presented that day had been conducted entirely objectively, in accordance with the Commission’s role in relation to the single market, and he extended his warmest thanks to all those who had been involved in the preparation of this important package of measures, especially in the PRESIDENT’s cabinet, the Legal Service, the Secretariat General, his own Directorate-General and cabinet, the Economic and Financial Affairs DG and the Enterprise and Industry DG. In particular, he thanked Ms Catherine DAY, Mr Johannes LAITENBERGER, Ms Michelle SUTTON, Mr Olivier GUERSENT, Mr Jonathan FAULL, Mr Mario NAVA, Mr Luis ROMERO and Mr Thomas VAN RIJN.

Mr REHN, for his part, stressed the importance of the proposed measures, which put into effect a key commitment arising from the economic and financial crisis. He highlighted the close interconnection between the financial markets, the negative effects of differences in regulations, and the resulting need for a European approach. He felt that the measures put forward by Mr BARNIER offered the requisite flexibility, as favoured in particular by the Systemic Risk Board, since the national supervisors were able to impose stricter conditions as regards capital in the event of specific risks, the use of the contracyclical buffer had been extended beyond the provisions of the Basel III agreement, and the Commission could temporarily require a higher capital base if necessary.

During the ensuing discussion, the following main points were raised:

– the importance of the pioneering approach taken by the Union at world level to transpose the Basel III rules;

– as regards the question of the degree of harmonisation, the need for the national supervisors to be able to guard against the risks in the financial sector and require the banks to hold more capital; broad support for the balanced approach taken in this regard by the revised text;

– the importance, through the extended countercyclical buffer mechanism, of enabling the specific circumstances of each Member State to be taken into account; on the other hand, the concern to avoid overloading this mechanism so as to preserve its original function;

– the need to establish a single framework of prudential rules for credit institutions ("Single Rule Book") in order to guarantee the quality of their capital and reinforce their capacity to absorb losses; at the same time, as the counterpart to this Single Rule Book, the need for flexibility, particularly with regard to "systemic" banks (SIFIs, systemically important financial institutions) in order to take account of the diversity of banking activities in the different Member States;

– the concern expressed about taking into account risks specific to certain banking sub-sectors; the need to be able to anticipate future developments and enable the countercyclical capital buffer mechanism to be applied on a permanent basis to certain activities in the banking sector; clear support, nevertheless, for the proposal aimed at ensuring that the new rules were consistent with the internal market and implementing the mandate given to the three European supervisory authorities, in particular the European banking authority;

– concerning the capital requirements ratio, it was felt that the risk of exceeding the ceiling set at European level was not a high one;

- a reminder that the main reason for the financial crisis had not been overcapitalisation but the banks' inability to preserve an acceptable level of liquidity;

- the need to take into account at European level the different models of banking activity and to support the granting of credit to the real economy, in particular to small and medium-sized enterprises;

- satisfaction that a leverage ratio had been introduced, subject to prudential supervision, which would make a key contribution to increasing financial stability;

- concerning the competent authorities' duty to require credit institutions to introduce measures to promote diversity in the selection of board members, questions as to whether factors such as age or geographical origin should be mentioned as selection criteria in legislative texts;

- questions concerning financial conglomerates and the importance of leaving options open with regard to activities not covered by Basel III, and of taking into account and clearly indicating in the text the review of the directive on financial conglomerates.

Mr BARNIER once again placed the proposed measures in the context of the crisis, which had arisen as a result of a combination of liquidity problems and shortcomings in supervision. He stressed the balance achieved on the questions of the powers of the supervisors of subsidiaries and the flexibility of the new rules. He noted that the level of capitalisation required was in line with the requirements of the Basel III agreement, but stressed that strengthening the capital basis was not in itself sufficient and must be accompanied by rigorous supervision at national and European level.

While recognising that these measures entailed a short-term cost for citizens and the real economy, he pointed out that they would considerably reduce the risk of a new banking crisis and could generate additional growth.

As regards diversity, particular in terms of gender, on the management boards of financial institutions, he supported this in principle but this matter would be addressed subsequently through horizontal legislation. He would like to keep references in the text to diversity as regards board members' age and geographical origin.

In reply to the questions concerning banking and insurance groups, he said that the proposed rules would apply to the banking sector of these groups, while indicating that a review of the Directive on financial conglomerates was planned for 2012. He agreed to clarify the approach in a recital in the proposal for a regulation.

With regard to the harmonisation of risk weighting, he said that this had not yet been addressed by the Basel Committee and was therefore not included in the proposals, but that he had proposed that the Committee should tackle this task. A harmonisation methodology could therefore be expected to follow.

Lastly, a response should be given to the concerns expressed that risks specific to certain banking sub-sectors be taken into account in a recital in the proposal for a directive.

The PRESIDENT confirmed, firstly, that a horizontal approach would be used to address the issue of gender diversity, while noting the consensus expressed on this day on this matter.

With regard to the communication of this dossier, he referred to the exceptional context in which these initiatives would be presented, namely the extraordinary Euro area summit on Thursday, and called on all the members to actively express their support for Mr BARNIER´s proposals.

He stressed the importance and sensitivity of this dossier and, in his turn, thanked all those who had contributed to the substantial work done on it.

The PRESIDENT wound up the discussion by noting the Commission Members' unanimous support for the proposed texts and their agreement on the following amendments to be made to the English-language versions:

– **on page 26 of COM(2011)452/3, recital 56 of the proposal for a regulation was amended to read as follows:**

"*Directive 2006/48/EC required credit institutions to provide own funds that are at least equal to specified minimum amounts until 31 December 2011. In the light of the continuing effects of the financial crisis in the banking sector and the extension of the transitional arrangements for capital requirements adopted by the BCBS, it is appropriate to reintroduce a lower limit for a limited period of time until sufficient amounts of own funds have been established in accordance with the transitional arrangements for own funds provided for in this Regulation that will be progressively phased in from 2013 to 2019. For groups which include significant banking or investment business and insurance business, Directive 2002/87/EC on Financial Conglomerates, provides specific rules to address such 'double counting' of capital. Directive 2002/87/EC is based on internationally agreed principles for dealing with risk across sectors. This proposal strengthens the way these Financial Conglomerates rules shall apply to bank and investment firm groups, ensuring their robust and consistent application. Any further changes that are necessary will be addressed in the review of Directive 2002/87/EC, due in 2012.*";

– **on page 19 of COM(2011)453/3, recital 36 of the proposal for a regulation was amended to read as follows:**

"*Competent authorities should be entrusted with ensuring that institutions have a good organisation and adequate own funds, having regard to the risks to which the institutions are or might be exposed. In this context, competent authorities of Member States may also take into account the risks to which part of the balance sheets of the institutions is exposed, in order to set the adequate own funds.*".

Subject to the inclusion of the above amendments and final linguistic revision, the Commission:

- Adopted, in English, the proposal for a Regulation in COM(2011)452/3, for transmission to the European Parliament, the Council, the European Economic and Social Committee and the national parliaments, and, for information, to the European Data Protection Supervisor and the European Central Bank, together with the impact assessment and the summary thereof in staff papers SEC(2011)949 and SEC(2011)950;

- adopted the proposal for a Directive in COM(2011)453/3, for transmission to the European Parliament, the Council, the European Data Protection Supervisor, the European Central Bank and the national parliaments, and, for information, to the European Economic and Social Committee, together with the impact assessment and the summary thereof in staff papers SEC(2011)952 and SEC(2011)953.

The Commission also took note of the opinions of the Impact Assessment Board on the above-mentioned proposals for a Regulation and for a Directive, as set out in SEC(2011)951 and SEC(2011)954.

11. INTERINSTITUTIONAL RELATIONS

11.1. LEGISLATIVE MATTERS

i) Next steps concerning the work of the Inter-institutional Working Group on regulatory agencies – General guidelines
(SI(2011)280 to /3)

The Commission approved the line set out in SI(2011)280/3.

11.2. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

ii) Programming of Council business
(SI(2011)286)

The Commission took note of the information in SI(2011)286 on the Council meetings between 21 and 29 July.

iii) Preparation of the informal meeting of Heads of State or Government of the Euro area (Brussels, 21 July)

Before turning to the preparation of the extraordinary meeting of Heads of State or Government of the Euro area on 21 July, the PRESIDENT announced his decision to set up a Task Force for Greece within the Commission (see also item 8.1 of these Minutes). The mission of this Task Force was to provide Greece with a full technical assistance programme to help it to implement its reform programme and speed up the absorption of the European structural funds, as called for by the European Council on 23-24 June 2011. The Task Force would be answerable to him and would be coordinated by Mr REHN, in view of his responsibilities in the financial assistance programme for Greece. Mr Horst REICHENBACH, a former Director-General at the Commission and currently a Vice-President of the European Bank for Reconstruction and Development, had been appointed as head of the Task Force. The PRESIDENT said that he had informed the Greek Prime Minister of these measures the previous day.

After providing some explanations about the internal functioning of the Task Force, the PRESIDENT underlined the fact that it would work closely with the Greek authorities and the other Member States in order to coordinate the technical assistance programme which Greece needed in particular to implement the economic and financial recovery programme drawn up jointly by the European Union and the International Monetary Fund, with the stress on competitiveness, growth and employment.

The work to be carried out by the Task Force for Greece, to which a number of Commission Directorates-General would contribute, was extremely important. It was necessary for the Commission to show that it was capable of taking exceptional measures to deal with exceptional situations.

Thanking Mr ŠEFČOVIČ for having facilitated the rapid establishment of the Task Force, he urged all the Commission Members who would be involved in its activities to play a full part in the common effort required, which would be creative rather than bureaucratic.

In reply to several questions about the Commission Directorates-General responsible for providing support to the Task Force, the PRESIDENT said that the Competition and Maritime Affairs and Fisheries DGs would be mentioned in the final decision on the administrative and budgetary arrangements for the establishment of the Task Force, which would be handed out at the end of the meeting. However, while they are not mentioned explicitly in this decision, all Commission DGs could respond to requests from the Task Force and make submissions to it.

A global approach was essential to enable the Task Force for Greece to make concrete progress swiftly, in particular in terms of employment and the absorption of the Structural Funds, and more broadly in the areas where the European Union has a direct impact.

The PRESIDENT then turned to the extraordinary meeting of Heads of State and Government of the euro area to be held in Brussels on Thursday which, in addition to discussing the Greek issue, should also provide an appropriate response to the crisis in the euro area.

Recalling the Commission's support for an ambitious approach that would result in an agreement, he felt that that this extraordinary and crucially important meeting should provide precise responses to the questions about the particularly serious challenges currently facing the euro area. He raised several points in this respect, in particular the measures likely to improve the viability of the Greek government debt, the conditions for involving the private sector, the strengthening of the European Financial Stability Facility and the possibilities of increased flexibility in this context, the situation of the European banking sector and the liquidity available to it, as well as the question of a financial stability tax.

He sincerely hoped that all the euro-area Heads of State and Government would go as far as possible when taking the relevant collective decisions. However, these decisions would have to be taken unanimously.

Lastly, the PRESIDENT said that the Member States and various institutions concerned should adopt a disciplined approach to any communication concerning this matter and should act in a coordinated and concerted manner.

Mr REHN agreed with the PRESIDENT's comments, underlining in turn the urgent need to provide, within the limits of current political constraints, decisive responses to the sovereign debt crisis which, in his view, had become systemic and could have a lasting effect on the euro area and European Union as a whole.

The Commission held a brief exchange of views, during which the following points were raised:

– the need to work towards a realistic solution that would make it possible to obtain a lasting reduction in Greece’s government debt and to safeguard its ability to act in economic and monetary terms;

– the urgent need for the Member States and the European Central Bank to resolve certain essential issues, in particular in relation to the involvement of the private sector;

– reiteration of the fact that the Greek authorities bore the brunt of the responsibility for honouring the commitments made and implementing the restructuring programmes approved;

– a reminder that the challenge facing the euro area and the European Union was extremely important not only from the economic point of view but also in terms of the political project, the social model and the lifestyle of

European citizens.

The PRESIDENT thanked Mr REHN and the various speakers and, after referring in brief to some options that could be considered in relation to the Greek government debt, he wound up the debate by saying that he would be receiving the Greek Prime Minister, Mr Geórgios Papandréou, that day.

The Commission took note of this information.

11.3. RELATIONS WITH PARLIAMENT

iv) Action taken on non-legislative resolutions adopted by Parliament at its May 2011 part-session
(SP(2011)6333 and /2)

The Commission approved the documents SP(2011)6333 and /2 on the action taken on the non-legislative resolutions adopted by Parliament at its May part-session, for transmission to Parliament.

v) Action taken on legislative opinions and non-legislative resolutions adopted by Parliament at its June I and II part-sessions
(SP(2011)6334)

The Commission approved document SP(2011)6334 on the action taken on the legislative opinions and non-legislative resolutions adopted by Parliament at its June I and II part-sessions, for transmission to Parliament.

11.4. RELATIONS WITH THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS, THE EUROPEAN OMBUDSMAN AND NATIONAL PARLIAMENTS

vi) Reply to the Contribution of the Conference of Community and European Affairs Committees of Parliaments of the European Union (Budapest, 29 to 31 May 2011)
(point 4.1 of document SPI(2011)31)

The Commission approved the reply to the contribution of the 45th meeting of the Conference of Community and European Affairs Committees of Parliaments of the European Union (COSAC), the draft of which had been the subject of an e-mail sent on 13 July by the Secretariat of the Interinstitutional Relations Group (GRI) to the European Parliament/Council coordinators of directorates-general and departments with a view to their weekly meeting of 14 July. It also decided to forward this reply to Parliament.

12. RELATIONS WITH NON-MEMBER COUNTRIES

FOLLOW-UP TO AND PROGRESS IN IMPLEMENTATION OF THE JOINT COMMUNICATION ON A PARTNERSHIP FOR DEMOCRACY AND SHARED PROSPERITY WITH THE SOUTHERN MEDITERRANEAN (SEC(2011)980)

The PRESIDENT raised the important matter of the follow-up to and effective implementation of the Communication of 8 March 2011 on a partnership for democracy and shared prosperity with the southern Mediterranean. Referring also to his visit to Egypt on 14 July, during which he went to Tahrir Square in Cairo, he asked all the Commission Members and their departments to contribute actively to honouring the commitments made with respect to this region, at this crucial time for its future. To this end, he welcomed the establishment of the working group involving several Commission departments and the European External Action

Service, which would underpin the work of the recently-established task force on relations with the countries of the southern Mediterranean. He trusted that the Commission would take the initiative in this essential political matter and help speed up the implementation of the measures envisaged. The Commission would be kept regularly informed of progress in this area.

Baroness ASHTON confirmed that the partners in the southern Mediterranean were expecting the European Union to take centre stage. The EU would be judged on the basis of concrete action. Europe must also maintain a dialogue with civil society and the democratic forces in the countries concerned, and support them in a particularly difficult situation. In addition the European Union must focus on responding to the economic needs of southern Mediterranean countries to prevent any risk of backsliding after the significant advances made in the democratic process since the spring of 2011.

Mr FÜLE added that some progress had already been made and that the time had now come to translate commitments into concrete action and results. The southern Mediterranean area was facing unprecedented challenges, and the EU must marshal all the instruments available to it under the Lisbon Treaty to help the countries concerned to deal with these challenges, including the setting-up of state machinery and institution-building, an area in which the EU possessed undoubted know-how. Lastly, there was a need for tight coordination of the work carried out by the Commission and the European External Action Service.

The Commission held a brief exchange of views, during which the following points were raised:

– the importance for the Commission of ensuring closer coordination with the activities of the World Bank and the European Bank for Reconstruction and Development in the southern Mediterranean countries;

– a reference to some work in progress concerning specific projects, which would be the subject of proposals in the near future and would make the Commission's action in the southern Mediterranean more visible.

The Commission took note of this information and of the note from the PRESIDENT, Baroness ASHTON and Mr FÜLE, distributed as SEC(2011)980.

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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 12.30.