EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2012) 2013 final

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MINUTES

of the 2013th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 29 August 2012

(morning)

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<u>Single sitting</u>: Wednesday 29 August 2012 (morning)

The sitting opened at 9.10 with Mr BARROSO, President, in the chair.

<u>Present:</u>

Mr BARROSO	President	
Ms REDING	Vice-President	
Mr ALMUNIA	Vice-President	
Mr KALLAS	Vice-President	
Ms KROES	Vice-President	Items 5 (in part) and 6
Mr TAJANI	Vice-President	
Mr ŠEFČOVIČ	Vice-President	Items 1 to 6 (in part)
Mr POTOČNIK	Member	
Mr PIEBALGS	Member	
Mr BARNIER	Member	
Ms VASSILIOU	Member	
Mr ŠEMETA	Member	
Mr DE GUCHT	Member	Items 5 (in part) and 6
Mr DALLI	Member	
Mr LEWANDOWSKI	Member	Items 1 to 6 (in part)
Ms DAMANAKI	Member	
Ms GEORGIEVA	Member	Items 5 and 6
Mr OETTINGER	Member	Items 1 to 6 (in part)
Mr HAHN	Member	
Ms HEDEGAARD	Member	
Mr FÜLE	Member	
Mr ANDOR	Member	
Ms MALMSTRÖM	Member	

Absent:

Baroness ASHTON	High Representative/ Vice-President
Mr REHN	Vice-President
Ms GEOGHEGAN-QUINN	Member
Mr CIOLOŞ	Member

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

Mr CEBALLOS BARÓN	A member of Baroness ASHTON's staff	Items 5 and 6
Mr PESONEN	Chef de cabinet to Mr REHN	Items 5 and 6
Mr BELL	Chef de cabinet to Ms GEOGHEGAN-QUINN	
Mr HAEUSLER	Chef de cabinet to Mr CIOLOŞ	

The following also sat in:

Mr LAITENBERGER	Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr PAULGER	Director-General, DG Communication	
Mr DOENS	Head of the Commission Spokesperson Service	
Ms AHRENKILDE HANSEN	Commission Spokeswoman	
Mr THEBAULT	Head of the Bureau of European Policy Advisers	
Mr CABRAL	Adviser hors classe in the PRESIDENT's Office	Item 6
Mr KLAUS	A member of the PRESIDENT's staff	
Mr NOCIAR	Chef de cabinet to Mr ŠEFČOVIČ	Items 5 and 6
Mr GUERSENT	Chef de cabinet to Mr BARNIER	Item 6
Mr RADZIEJEWSKI	Deputy Chef de cabinet to Mr LEWANDOWSKI	Items 5 and 6

Secretary: Ms DAY, Secretary-General, assisted by Mr GENISSON, Head of Unit in the Secretariat-General.

1. AGENDAS
(OJ(2012) 2013/FINAL; SEC(2012) 486/2)

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

2. WEEKLY MEETING OF CHEFS DE CABINET
(RCC(2012) 2013)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 27 August.

3. MINUTES OF 2012TH MEETING (25 JULY)
(PV(2012) 2012)

The Commission held over approval of the minutes of its 2012th meeting for the following week.

4. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

4.1. WRITTEN PROCEDURES APPROVED
(SEC(2012) 487 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 23 July and 24 August.

4.2. *EMPOWERMENT* *(SEC(2012) 488 ET SEQ.)*

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 23 July and 24 August.

4.3. *DELEGATION AND SUBDELEGATION OF POWERS* *(SEC(2012) 489 ET SEQ.)*

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 23 July and 24 August, as archived in e-Greffe.

4.4. *SENSITIVE WRITTEN PROCEDURES* *(SEC(2012) 490/2)*

The Commission took note of the sensitive written procedures for which the time limit expired between 27 and 31 August.

5. INTERINSTITUTIONAL RELATIONS

RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

Preparation of the informal meeting of ministers and state secretaries for European Affairs on the next multiannual financial framework (Nicosia, 30 August)

The PRESIDENT introduced the exchange of views on the preparation of the informal meeting of ministers and state secretaries for European Affairs on the next multiannual financial framework that was being organised by the Cyprus presidency of the Council in Nicosia on 30 August and would be attended by Mr ŠEFČOVIČ and Mr LEWANDOWSKI. The purpose was to review the work and negotiations in progress on the multiannual financial framework for 2014-2020. He reminded the meeting that these would occupy an important place in the Commission’s agenda throughout the autumn and trusted that they would lead to a satisfactory agreement by the end of 2012.

Among developments in this connection in recent weeks, he highlighted the bilateral meetings of the Cyprus presidency with all the Member States in July, and the executive summary drawn up by the presidency presenting the results of these meetings, which would serve as a basis for the discussions at the informal meeting in Nicosia.

The PRESIDENT pointed out that on 28 and 29 June the European Council had reaffirmed its wish to conclude the negotiation of the 2014-2020 multiannual financial framework by the end of the year, and stressed that the discussions were now entering their crucial phase. He asked the Commission to be proactive and organise its strategy accordingly. From now on he intended to hold more frequent meetings of the group of Commissioners who were working on the multiannual financial framework and to provide regular progress reports on the situation at the Commission's weekly meetings with a view to ensuring collective ownership and responsibility at each stage of this complex process.

It was important for the Commission to show political unity and to make every possible effort to promote and defend its proposals. He warned the Commissioners that the supporters of a less ambitious final agreement might attempt to create divisions among them and stressed the need to look beyond their own portfolios and work together to secure a balanced final budgetary agreement that would boost growth.

In view of the current differences of opinion between Member States concerning the overall level of expenditure and the policies that should be promoted to ensure that the multiannual financial framework stimulated growth and job creation, he felt that the Commission must make every effort in the coming weeks to convince the Member States of the relevance of its proposals. He emphasised the key role of Parliament in the adoption of the multiannual financial framework and its support for the Commission's proposals. He also emphasised the need for coordinated communication between the Commission Members, in close consultation with

Mr LEWANDOWSKI, Mr ŠEFČOVIČ and himself. There would be an in-depth discussion of this dossier at the Commission seminar on 5 September.

Taking the floor, Mr LEWANDOWSKI pointed out that the conclusions of the June European Council aimed at securing agreement by the end of 2012 had injected momentum into the discussions on the multiannual financial framework in the last two months. Reviewing these discussions, he referred to the macroeconomic context and reminded the meeting that at the beginning of July the Commission had submitted a proposal to update the multiannual financial framework to take account of Croatia.

He underlined the frank and substantial nature of the exchanges held at the bilateral meetings of the Cyprus presidency of the Council with each of the Member States. In particular, these exchanges had revealed the need to prioritise the delegations' negotiating objectives, and also a number of contradictions in the Member States' positions. Two main blocks were emerging from this process, on the one hand the Member States which generally supported the Commission's proposal and on the other those which wanted to reduce the overall amount of the proposed multiannual financial framework.

As regards the content of the executive summary of the Cyprus presidency to be used as a basis for discussion at the informal meeting in Nicosia on 30 August, he was satisfied with certain aspects, in particular: (i) the clear reminder of the context of growth, competitiveness and job creation which formed the background to the proposed multiannual financial framework; (ii) recognition of the balance of the expenditure priorities established by the Commission's proposal; (iii) the taking into account of numerous aspects of the proposal, such as the Connecting Europe Facility, which was regarded as strategic, the suggested method of allocating cohesion funds, the convergence of direct payments, the common strategic framework and macroeconomic conditionality; (iv) the possibility raised of introducing the future tax on financial transactions in the form of a European Union own resource in the framework of enhanced cooperation; and lastly (v) confirmation that overall agreement was to be secured by the end of 2012.

Mr LEWANDOWSKI then referred to the European Parliament’s participation in a session at the informal meeting in Nicosia and the revised version of the ‘negotiation box’ on the multiannual financial framework to be submitted by the Cyprus presidency to the Member States ahead of the ‘General Affairs’ Council on 24 September. The Commission must highlight the crux of its proposal, namely the principle of a budget that invested in the future, which should be defended robustly.

He concluded by referring briefly to the result of the Council’s examination of the 2013 draft budget submitted to it by the Commission, and the amendments that it proposed.

Taking the floor, Mr ŠEFČOVIČ stressed the crucial nature of the current stage of the negotiations on the multiannual financial framework and echoed the PRESIDENT's warning against any uncoordinated, unilateral initiatives that could only harm the negotiations, stating that a collegial approach was the only way to achieve success.

He also highlighted the importance of the inter-institutional dimension, with the European Parliament as the Commission's closest ally in this debate and playing a key role in the process.

Addressing the issue of the figures that would appear in the revised version of the ‘negotiation box’ that the Cypriot Presidency was preparing for September, he, too, noted the need for the Commission to keep its initial proposal unchanged.

In particular as regards the wish of the net contributor countries to further reduce administrative expenditure under Heading 5 of the financial framework, he said he did not intend to respond to these requests with additional proposals, given the considerable efforts the Commission had already proposed in this area. But he did recognise that this too would be a difficult discussion.

Lastly, with regard to the timetable, he referred to the decision made by the President of the European Council, Herman Van Rompuy, to wait until October to start his bilateral meetings with the Heads of State or Government and to put the analysis of the figures and amounts in the multiannual financial framework on the agenda for the November European Council, as the October meeting was to be dedicated for the most part to the issue of banking union.

He closed by saying that he would provide more detailed information at the Commission seminar on the basis of the outcome of the informal ministerial meeting to be held in Nicosia.

The discussion that followed focused on the following points:

– general recognition of the need, during the negotiations, for strong cohesion in the Commission with regard to its initial proposal;

– the importance of maintaining the integrity and basic principles of this proposal, whatever individual pressure was brought to bear, or insistent demands were made by Member States;

– the need to remind the Member States of the objective of growth pursued through the proposed financial framework and its full compatibility with the national fiscal consolidation efforts;

– the contradiction between the positions taken at the June European Council meeting, which supported a multiannual financial framework that would have a role to play in reinforcing growth and employment, and those now emerging questioning the ability of the financial framework to meet its objectives;

– in particular, with regard to the financial allocation for the telecommunications part of the Connecting Europe Facility, which the document from the Cyprus Presidency was asking to be reconsidered, a reminder of the importance for growth, employment and all the societal challenges of developing the digital strategy and telecommunications infrastructures, in particular broadband, and a call to maintain the initial position;

– the need, too, to guarantee the continued funding of large-scale projects under satisfactory conditions;

- the risks, in particular, to the level of funding for the European Social Fund and the European Globalisation Adjustment Fund;

- the importance for the European Union of maintaining the level of its external aid and the resulting issues with regard to its capacity for action and its influence in the world;

- with regard to own resources, the need to insist that the simplification concerning the VAT-based own resource must remain in the discussions, and the reminder that, as regards the financial transactions tax, the ball was in the court of the Member States who had agreed to move forward through enhanced cooperation;

- the need to counteract the idea that the Member States would gain by pooling their efforts less, as well as the idea that progress could be made more quickly with regard to competitiveness by leaving certain regions to one side; with this in mind, the importance of continuing the efforts to provide targeted support for regions whose development was lagging behind, by encouraging in particular environment-friendly development and access to the internet.

The PRESIDENT concluded the discussion, highlighting again the need for the Commission to show a united front more than ever at this crucial stage, the need for the group of Commissioners dealing with the multiannual financial framework to hold regular meetings, and the need to ensure that the College was updated on this dossier as often as necessary.

He also stressed that the Commission must stick to the proposals made, emphasizing that they formed a modern and coherent budget that favoured growth and provided responses to the crisis, and work actively, in particular with European regions, to help convince governments of the importance of supporting these proposals.

He pointed out the work that still needed to be done, in particular with regard to own resources, in order to present the European Council with a package that was complete, practicable and acceptable to all.

Finally, he noted that Mr ŠEFČOVIČ and Mr LEWANDOWSKI would be invited to provide a detailed report on the outcome of the informal meeting in Nicosia at the Commissioners' weekly meeting on 5 September.

The Commission took note of this information.

6. OTHER BUSINESS

PREPARATION OF A LEGISLATIVE PROPOSAL ON THE CREATION OF A SINGLE BANKING SUPERVISION MECHANISM

The President introduced the discussion on the preparation of the proposal for the creation of a single banking supervisory mechanism, which he considered to be one of the most important proposals the Commission would be tabling in the coming months. He thanked Mr BARNIER and his department, as well as the Legal Service, for the speed and quality of their work over recent weeks, pointing out nevertheless that the task was not yet completed, which was why he had wanted the Commission to be kept informed and to be able to discuss the matter at that day’s meeting. The discussion would, he said, be confined to the proposal on banking supervision, since it was planned to hold a broader debate on banking union and on the work to deepen economic and monetary union as part of the Commission’s seminar to be held on 5 September.

He pointed out that the proposal on the single banking supervisory mechanism would mark the first practical step towards implementing the ‘four Presidents’’ report, presented to the European Council of 28 and 29 June, the conclusions of that Council and the Euro Summit statement of 29 June. He stressed that it was a matter of restoring confidence in the quality of regulation and supervision in order to safeguard the free movement of financial services within the single market, without losing sight of the degree of interdependence inherent in a monetary union. He added that the single supervisory mechanism would pave the way for the next steps on the road to the creation of a banking union, namely the initiatives complementing the proposals already put forward on common deposit guarantee and resolution funds.

He also emphasised that the point of the proposal on the single banking supervisory mechanism would be to sever the link between sovereign debt and the banks, adding that once this supervisory system had been set up the European Stability Mechanism (ESM) should be allowed to recapitalise the banks directly. Before giving the floor to Mr BARNIER, the PRESIDENT listed a number of issues on which work was still going on and which merited special attention, in particular the relationship between euro-area and non-euro-area Member States, the relationship between supervisory authorities in the country of origin and in the host country in the case of cross-border banks, the distribution of tasks between the European and national levels, and the respective roles of the European Central Bank (ECB) and the European Banking Authority (EBA). He also mentioned questions related to the scope of the future mechanism and the separation of the ECB's new supervisory functions from the conduct of monetary policy. In addition, he raised a number of considerations connected with the legal basis of the planned proposals and the implications in terms of legislative procedure.

Finally, the PRESIDENT stressed that the Commission's proposals would test the political will of the Member States to create a genuine banking union in the relatively near future. There was a tight timetable for the legislative procedure that would follow, once the Commission had adopted the proposal, in order to set up this new supervisory mechanism by the beginning of the following year, and a need to reach a consensus among the Member States without lowering the level of ambition proposed by the Commission.

Mr BARNIER, too, referred to the considerable amount of work carried out in a few short weeks by the Commission's departments, and thanked in particular the PRESIDENT's cabinet, the Secretariat General, the teams of the Directorate-General for the Internal Market and Services and the Legal Service, and the services led by Mr REHN and Mr ALMUNIA. He also mentioned his constructive discussions with the ECB and the EBA, and welcomed more generally the sense of responsibility, spirit of cooperation and teamwork that had prevailed at all levels during the various stages, in-house, of the preparation and drafting of the proposals which would soon be submitted to the Commission for adoption.

He stressed the importance for the Commission of keeping to the timetable and the mandate it had been given by submitting robust and clear proposals quickly.

As for the substance, Mr BARNIER began by pointing out that it had been the Heads of State or Government who had called on the Commission on 28 and 29 June to table legislative texts paving the way for the creation of a single supervisory mechanism involving the ECB, a *sine qua non* for the direct recapitalisation of the banks by the European Stability Mechanism.

He then went on to talk more specifically about the three main elements that would make up the legislative ‘package’ that would shortly be proposed for adoption, namely (i) a general communication setting out the political background and the roadmap for the various stages of banking union, i.e. the setting up of single systems of supervision, resolution and guarantee, (ii) a proposal for a regulation based on Article 127(6) of the Treaty, establishing the single supervisory mechanism and conferring specific powers on the ECB with regard to prudential supervision – a regulation which he pointed out would require unanimity in the Council – and lastly (iii) a proposal for a regulation changing the operating procedures of the EBA, which would be based on Article 114 of the Treaty in order to take account of the creation of the single supervisory mechanism, particularly as regards voting arrangements. He added that Article 114 required the ordinary legislative procedure, and therefore the close involvement of the European Parliament, and a qualified majority in the Council.

On the specific matter of the single supervisory mechanism, Mr BARNIER indicated that the key constituent elements at this stage might be: 1) a broad field of application, meaning that supervision would cover all euro area banks and would be rolled out progressively but rapidly; 2) complete responsibility of the ECB for the supervisory tasks affecting financial stability, by creating an ad hoc structure within it; and 3) the preservation of the integrity of the internal market, with the possibility for non-euro area countries to join the single supervisory mechanism voluntarily and a change to the voting arrangements in the EBA.

As far as the timetable was concerned, he hoped that the Council would be able to reach an agreement on the regulation on the role of the ECB before the end of the year, so that the mechanism could become operational from the beginning of 2013, but pointed out that the proposed legal basis, Article 127(6) of the Treaty, required unanimity in the Council.

Finally, he stressed the importance of all Members of the Commission being fully committed to the forthcoming proposals, particularly in view of the national debates on these issues that would take place over the coming months.

In the discussion that followed the following points were raised:

– very broad support in principle for the outlines presented in advance of the forthcoming specific proposals on a single system of banking supervision, and in general for this initiative, which was seen as particularly timely and a matter of great historic, political and financial importance;

– appreciation of the role envisaged for the ECB as the single banking supervisor for matters affecting financial stability, and concern that this role should be kept strictly separate from its management of monetary policy;

– the importance of ensuring appropriate involvement of the European Parliament, in accordance with the Treaty provisions, and of properly explaining the implications of the future proposals for all the parties concerned;

– the need for the new system to have a broad field of application if it was to work effectively, covering the banks involved and open to Member States that did not belong to the euro area but wished to apply the new system;

– the importance of also presenting the overall architecture of the planned banking union, and in particular explaining the relationship between the proposals on banking supervision and the future proposals on the creation of a European resolution authority and a single deposit guarantee fund, matters on which work needed to be started without delay;

– a number of questions about the responsibilities of and ties between the ECB, the EBA and the national banks, the effects on the single market, on the ECB itself and its terms of reference, on the banking institutions concerned and on the non-euro area Member States, but also the implications for national supervisors and the relationship between supervisors in the country of origin and those in the host country.

Mr BARNIER replied briefly to the questions and comments. He said that work on the proposals would continue after the debate that day; the more general aspects of the banking union were due to be discussed at the Commission's seminar on 5 September, and the proposals on supervision were to be adopted by the Commission thereafter. The draft documents would be sent to Commission Members and their *cabinets* in due course and were to be treated as confidential until their formal adoption.

He pointed to the expected advantages of the single, integrated supervisory mechanism, which he believed would benefit all parties concerned, both public and private, unlike the current fragmented system. He also noted the importance of the proposals for financial stability for the real economy and said that the entire process, consisting of this first package of proposals and the later stages, would be put into context in the communication to accompany the proposals on supervision.

Mr BARNIER ended by saying that he was available to answer any specific questions other Members of the Commission might have about the formal proposals that were to follow shortly.

The PRESIDENT thanked participants for the discussion, which had provided a useful exchange of views and had helped to define a common position on the essential features of the forthcoming proposals to establish a single supervisory mechanism. He urged Members to commit themselves to these proposals, which he viewed as a historic step forward for Europe. Reiterating the importance of breaking the vicious circle of sovereign debt and banking sector instability, he stressed the urgent need to act in a situation that remained fragile, and to move ahead with this proposal, which should then allow for the direct recapitalisation of banks via the

ESM.

The main communication accompanying the proposals would explain the close link between banking supervision, the single deposit guarantee system and the bank recovery and resolution instrument, the two latter elements completing the conditions necessary for the creation of a banking union, and would express the Commission's commitment to putting the global architecture in place as soon as possible. Finally, he believed that the goal of a banking union needed to be combined with a suitable timetable, pointing out that if the proposal on the single supervisory mechanism were adopted without delay it would pave the way for a consensus on the next stages.

The Commission took note of this information.

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The meeting closed at 11.15.