EUROPEAN COMMISSION

SECRETARIAT-GENERAL

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Brussels, 2 December 2015

TEXTE EN

<u>MINUTES</u>

of the 2145th meeting of the Commission

held in Brussels

(Berlaymont)

on 11 November 2015

(morning)

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Single sitting: Wednesday 11 November 2015 (morning)

The sitting opened at 9.19 with Mr JUNCKER, President, in the chair.

Present:

Mr JUNCKER	President	
Ms MOGHERINI	High Representative / Vice-President	
Ms GEORGIEVA	Vice-President	Items 1 to 8 (in part)
Mr ŠEFČOVIČ	Vice-President	
Mr DOMBROVSKIS	Vice-President	
Mr KATAINEN	Vice-President	
Mr OETTINGER	Member	
Ms MALMSTRÖM	Member	
Mr ARIAS CAÑETE	Member	
Mr VELLA	Member	
Mr ANDRIUKAITIS	Member	
Mr AVRAMOPOULOS	Member	
Ms THYSSEN	Member	
Mr MOSCOVICI	Member	
Mr STYLIANIDES	Member	
Mr HOGAN	Member	
Lord HILL	Member	
Ms BIEŃKOWSKA	Member	
Ms JOUROVÁ	Member	
Mr NAVRACSICS	Member	
Ms CREȚU	Member	
Ms VESTAGER	Member	

Absent:

Mr TIMMERMANS	First Vice-President
Mr ANSIP	Vice-President
Mr HAHN	Member
Mr MIMICA	Member
Ms BULC	Member
Mr MOEDAS	Member

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

Ms SUTTON	Deputy Chef de cabinet to Mr TIMMERMANS
Ms KLOC	Deputy Chef de cabinet to Mr ANSIP
Mr KARNITSCHNIG	Chef de cabinet to Mr HAHN
Mr BEHRNDT	Chef de cabinet to Mr MIMICA
Ms OEN	Deputy Chef de cabinet to Ms BULC
Mr VICENTE	Chef de cabinet to Mr MOEDAS

The following also sat in:

Mr SELMAYR	Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr PESONEN	Director-General, DG Communication	
Mr SCHINAS	Head of the Spokesperson’s Service and Chief Spokesperson of the Commission	
Ms METTLER	Head of the European Political Strategy Centre	
Mr PAQUET	Deputy Secretary-General	Item 9
Ms MARTÍNEZ ALBEROLA	Deputy Chef de cabinet to the PRESIDENT	
Ms DEJMEK-HACK	Adviser in the PRESIDENT’s Office	Items 8 and 9
Mr THOLONIAT	Adviser in the PRESIDENT’s Office	Items 8 (in part) and 9
Mr SZOSTAK	Adviser in the PRESIDENT’s Office	Item 7
Mr MANSERVISI	Chef de cabinet to Ms MOGHERINI	Items 1 to 7
Ms WERNER	Chef de cabinet to Ms GEORGIEVA	
Mr LAHTI	Chef de cabinet to Mr DOMBROVSKIS	

Mr BAILLY	Chef de cabinet to Mr MOSCOVICI	Items 8 (in part) and 9
Mr BALDWIN	Chef de cabinet to Lord HILL	Items 1 to 8
Ms ANDREEVA	Commission Spokesperson's Service	
Mr DEROOSE	Director-General, DG Economic and Financial Affairs	Item 9

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

1. AGENDAS
(OJ(2015) 2145/FINAL; SEC(2015) 429/FINAL)

The Commission took note of that day’s agenda and of the tentative agendas for forthcoming meetings. It also took note of the addition of items 6.1 and 6.2 (on administrative decisions) to that day's agenda.

2. WEEKLY MEETING OF CHEFS DE CABINET
(RCC(2015) 2145)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 9 November.

3. MINUTES OF 2144TH MEETING OF THE COMMISSION (27 OCTOBER)
(PV(2015) 2144)

The Commission approved the minutes of its 2144th meeting.

4. INTERINSTITUTIONAL RELATIONS
(RCC(2015) 90)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held on Friday 6 November (RCC(2015) 90).

It paid particular attention to the following points.

4.1. HORIZONTAL ITEM

i) Council Regulation (EC) 920/2005 of 13 June 2005 amending Regulations No 1 (EEC) and No 1 (EAEC) of 15 April 1958 – Extension of the derogation concerning the Irish language
(SI(2015) 443)

The Commission approved the line set out in SI(2015) 443.

4.2. LEGISLATIVE MATTERS

ii) Trilogue meetings
(point 3.1 of the IRG record)

– Measures to ensure a high common level of network and information security across the Union (Directive) – SCHWAB report – 2013/0027 (COD)

The Commission approved the line set out in SI(2015) 422/2.

– European network of Employment Services, workers' access to mobility services and the further integration of labour markets (Regulation) – BECKER report – 2014/0002 (COD)

The Commission approved the line set out in SI(2015) 423/2.

– European Platform to enhance cooperation in the prevention and deterrence of undeclared work (Decision) – PIRINSKI report – 2014/0124 (COD)

The Commission approved the line set out in SI(2015) 437/2.

– Zootechnical and genealogical conditions for trade in and imports into the Union of breeding animals and their germinal products (Regulation) – DANTIN report – 2014/0032 (COD)

The Commission approved the line set out in SI(2015) 424.

– Amendment of Regulation (EU) 1308/2013 and Regulation (EU) 1306/2013 as regards the aid scheme for the supply of fruit and vegetables, bananas and milk in educational establishments (Regulation) – TARABELLA report – 2014/0014 (COD)

The Commission approved the line set out in SI(2015) 440.

iii) European Parliament dossier – November I part-session
(point 3.2 of the IRG record)

Ordinary legislative procedure – First reading

– Establishment of a programme on interoperability solutions for European public administrations, businesses and citizens (ISA^2) (Decision) – ZORRINHO report – 2014/0185 (COD)

The Commission took note of the compromise text in SP(2015) 677, further to note SI(2015) 324/3, which it had already approved on 16 September.

iv) Council dossier
(point 3.3 of the IRG record)

– Strengthening of certain aspects of the presumption of innocence and of the right to be present at trial in criminal proceedings (Directive) – GRIESBECK report – 2013/0407 (COD)

The Commission approved the line set out in SI(2015) 425.

4.3. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

v) Programming of Council business
(SI(2015) 449)

The Commission took note of the information in SI(2015) 449 on the Council meetings between 12 and 25 November.

vi) Non-legislative dossiers
(point 4.1 of the IRG record)

– Signing, on behalf of the European Union, of the Council of Europe Convention on the manipulation of sports competitions with regard to matters not related to substantive criminal law and judicial cooperation in criminal matters / Signing, on behalf of the European Union, of the Council of Europe Convention on the manipulation of sports competitions with regard to matters related to substantive criminal law and judicial cooperation in criminal matters (Council Decisions) – 2015/0042 (NLE) / 2015/0043 (NLE)

The Commission approved the line set out in SI(2015) 426/2.

– Summit on migration (Valletta, 11 and 12 November)

The Commission took note of the information in SI(2015) 427.

– Capacity building in support of security and development – Enabling partners to prevent and manage crises

The Commission took note of SI(2015) 428 and /3.

– Joint declaration on a Common Agenda on Migration and Mobility (CAMM) between the Federal Democratic Republic of Ethiopia and the European Union and its Member States

The Commission approved the line set out in SI(2015) 429.

– International Maritime Organisation (IMO) – Council Shipping Working Party – Joint European Union submission to be submitted to the third session of the Sub-Committee on Ship Design and Construction of the IMO (SDC 3) concerning passenger ship safety damage stability related matters (SWD(2015) 196)

The Commission approved the line set out in SI(2015) 430.

– International Maritime Organisation (IMO) – Council Shipping Working Party – Joint European Union submission concerning draft amendments to MARPOL Annex IV to set effective dates for part of the Baltic Sea Special Area under MARPOL Annex IV (SWD(2015) 173)

The Commission approved the line set out in SI(2015) 441.

– Position to be taken on behalf of the European Union within the Council for Trade in Services of the World Trade Organization to seek approval for preferential treatment going beyond market access to be unilaterally offered by the European Union to services and services suppliers of Least-Developed Countries (LCD) on the basis of the LDC Services Waiver (Council Decision) – 2015/0240 (NLE)

The Commission approved the line set out in SI(2015) 431 and /2.

– Authorisation to launch negotiations on a Free Trade Agreement with the Philippines (Council Decision)

The Commission approved the line set out in SI(2015) 432.

– Integration of the long-term unemployed into the labour market (Council recommendation) – 2015/0219 (NLE)

The Commission approved the line set out in SI(2015) 433.

vii) Preparation of the Council meeting (Transport, Telecommunications and Energy – Energy session) (Brussels, 26 November)
(point 4.2.6 of the record)

– Framework for energy efficiency labelling and repeal of Directive 2010/30/EU (Regulation) – 2015/0149 (COD)

The Commission approved the line set out in SI(2015) 434 and /2.

– Proposal for a Council Conclusion on the Governance system of the Energy Union

The Commission approved the line set out in SI(2015) 435.

4.4. RELATIONS WITH PARLIAMENT

viii) Results of the October III part-session of Parliament
(SP(2015) 628 and /2; SP(2015) 629)

The Commission took note of the information in SP(2015) 628/2 and SP(2015) 629 on the proceedings of the part-session of Parliament held in Strasbourg from 26 to 29 October 2015.

ix) Action to be taken on Parliament's legislative resolutions and other resolutions of a legal nature
(SP(2015) 668)

The Commission decided to empower the Commission Members responsible for the sectors in question, in agreement with the PRESIDENT and Mr TIMMERMANS 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(2015) 668, drawn up following the October III part-session of Parliament, the contents of which were noted.

4.5. RELATIONS WITH NATIONAL PARLIAMENTS, THE OTHER INSTITUTIONS AND BODIES, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

x) Action taken on Committee of the Regions opinions – Plenary sessions of June and July 2015
(point 6.4.1 of the IRG record)

The Commission approved, for transmission to the Committee of the Regions, document SR(2015) 25/3 on the action taken by the Commission on the opinions adopted by the Committee of the Regions at its sessions of June and July 2015.

4.6. OTHER MATTERS

xi) Transatlantic Trade and Investment Partnership (TTIP) – Final version of the text on investment protection and investment dispute resolution to be proposed to the United States
(point 7.1 of the IRG record)

The Commission approved the line set out in SI(2015) 442 and /2.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED (SEC(2015) 430 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 26 October and 6 November 2015.

5.2. *EMPOWERMENT (SEC(2015) 431 ET SEQ.)*

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 26 October and 6 November 2015.

5.3. *DELEGATION AND SUBDELEGATION OF POWERS (SEC(2015) 432 ET SEQ.)*

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 26 October and 6 November 2015, as archived in Decide.

5.4. *SENSITIVE WRITTEN PROCEDURES (SEC(2015) 433 AND /2)*

The Commission took note of the sensitive written procedures for which the time limit expired between 9 and 13 November 2015.

5.5. *DELEGATION OF POWERS RELATING TO PILLAR ASSESSED GRANT OR DELEGATION AGREEMENTS (PAGoDA) (C(2015) 7879 AND /2)*

The Commission adopted the decision set out in C(2015) 7879/2.

It decided to delegate to the Director-General responsible for International Cooperation and Development the power to adopt, on behalf of the Commission and under its responsibility, measures concerning the amendment of the model Pillar Assessed Grant or Delegation Agreement (PAGoDA), in accordance with the conditions set out in C(2015) 7879/2.

6. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2015) 434/2 AND /3)

ADMINISTRATIVE MATTERS (PERS(2015) 104/2 AND /3)

Ms GEORGIEVA submitted two additional proposals for adoption by the Commission, namely the appointments of Mr Francisco FONSECA MORILLO to the post of Deputy Director-General, Directorate-General for Justice and Consumers, and of Ms Karen BANKS to the post of Deputy Director-General, Legal Service, both of which would take effect on 16 November 2015.

Furthermore, Ms GEORGIEVA announced that a number of senior management posts would soon be published.

6.1. DG JUSTICE AND CONSUMERS – APPOINTMENT OF AD15/16 DEPUTY DIRECTOR-GENERAL (PERS(2015) 70 TO /3)

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 Deputy Director-General, Directorate-General for Justice and Consumers (PERS(2015) 70).

It took note of the opinions of the Consultative Committee on Appointments of 27 October and 7 November 2015 (PERS(2015) 70/2 and /3).

The Commission proceeded to compare the applicants' qualifications for the post. On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and after consulting Ms JOUROVÁ and Mr TIMMERMANS, the Commission decided to appoint Mr Francisco FONSECA MORILLO to the post.

This decision would take effect on 16 November 2015.

6.2. LEGAL SERVICE – APPOINTMENT OF AD15/16 DEPUTY DIRECTOR GENERAL (PERS(2015) 69 TO /3)

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 Deputy Director-General of the Legal Service with responsibility for the quality of legislation, infringements and information (PERS(2015) 69).

It took note of the opinions of the Consultative Committee on Appointments of 13 October and 4 November 2015 (PERS(2015) 69/2 and /3).

The Commission proceeded to compare the applicants' qualifications for the post. On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, it decided to appoint Ms Karen BANKS to the post.

This decision would take effect on 16 November 2015.

6.3. DG ECONOMIC AND FINANCIAL AFFAIRS – APPOINTMENT OF AD14/15 DIRECTOR (PERS(2014) 135 TO /3)

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 of the 'Finance, coordination with the EIB Group, EBRD and IFIs' Directorate in DG Economic and Financial Affairs (PERS(2014) 135).

The Commission took note of the opinions of the Consultative Committee on Appointments of 6 and 22 October 2015 (PERS(2014) 135/2 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 Ms GEORGIEVA, in agreement with the PRESIDENT and after consulting Mr MOSCOVICI and also Mr DOMBROVSKIS and Mr KATAINEN, it decided to appoint Mr Benjamin ANGEL to the post.

This decision would take effect on 16 November 2015.

6.4. DG MIGRATION AND HOME AFFAIRS – EXTENSION OF THE CONTRACT OF A MEMBER OF THE TEMPORARY STAFF IN GRADE AD14

The Commission took note of the information in point 2 of PERS(2015) 104/2 and, on a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, and having consulted Mr AVRAMOPOULOS and Mr TIMMERMANS, decided exceptionally to extend the temporary staff member contract of Ms Myria VASSILIADOU, currently responsible for coordinating action against human trafficking within DG Migration and Home Affairs, for a further period of four years from 1 March 2016.

This decision would take effect immediately.

6.5. SECRETARIAT-GENERAL / REGULATORY SCRUTINY BOARD – INTERNAL PUBLICATION OF VACANCY NOTICE FOR A GRADE AD15/16 DIRECTOR-GENERAL POST (PERS(2015) 105)

On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, the Commission decided to authorise the publication, under Article 29(1)(a)(i) and (iii) of the Staff Regulations, of the vacancy notice in PERS(2015) 105 for the post of Director-General of the Regulatory Scrutiny Board (RSB) in the Secretariat-General.

This decision would take effect immediately.

6.6. DG NEIGHBOURHOOD AND ENLARGEMENT NEGOTIATIONS – ORGANISATION CHART CHANGE AND AUTHORISATION OF THE INTERNAL PUBLICATION AT GRADE AD15/16 OF A DEPUTY DIRECTOR-GENERAL POST (PERS(2015) 106/2)

On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and after consulting Mr HAHN and Ms MOGHERINI, the Commission decided:

- to create a Deputy Director-General post in DG Neighbourhood and Enlargement Negotiations;
- to authorise the publication, under Article 29(1)(a)(i) and (iii) of the Staff Regulations, of the vacancy notice for this new post set out in PERS(2015) 106/2.

These decisions would take effect immediately.

6.7. DG MOBILITY AND TRANSPORT – EXTERNAL PUBLICATION OF VACANCY NOTICE FOR AN AD15 DEPUTY DIRECTOR-GENERAL POST (EU-1) (PERS(2015) 107/2)

On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, and after consulting Ms BULC, Mr ŠEFČOVIČ and Mr KATAINEN, the Commission decided to authorise the publication, under Article 29(2) of the Staff Regulations, of the vacancy notice in PERS(2015) 107/2 for the post of Deputy Director-General responsible for coordinating the activities of the ‘European Mobility Network’ Directorate and of the 'Innovation and Networks' Executive Agency within DG Mobility and Transport, reserved for nationals of the Republic of Croatia (EU-1).

This decision would take effect immediately.

6.8. DG COMPETITION – AUTHORISATION TO RECRUIT A TEMPORARY STAFF MEMBER, UNDER ARTICLE 2(A) OF THE CONDITIONS OF EMPLOYMENT OF OTHER SERVANTS OF THE EUROPEAN UNION, AND EXTERNAL PUBLICATION OF A VACANCY NOTICE FOR AN AD14 DIRECTOR POST (EU-28) (PERS(2015) 108)

The Commission, on a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, and after consulting Ms VESTAGER, Mr ANSIP, Mr ŠEFČOVIČ and Mr KATAINEN, decided:

– to authorise the recruitment of a temporary staff member, under Article 2(a) of the Conditions of Employment of Other Servants of the European Union, as a grade AD14 director in order to fill the post of Chief Competition Economist for a period of three years, renewable once for a maximum of two years;

– to authorise the external publication (EU-28) of the vacancy notice set out in PERS(2015) 108.

These decisions would take effect immediately.

*6.9. DG EMPLOYMENT, SOCIAL AFFAIRS AND INCLUSION – EXTENSION OF THE TERM OF OFFICE OF THE DIRECTOR OF THE EUROPEAN FOUNDATION FOR THE IMPROVEMENT OF LIVING AND WORKING CONDITIONS (*EUROFOUND*)*

The Commission took note of the information in point 7 of PERS(2015) 104/2 and, on a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, and having consulted Ms THYSSEN, Mr DOMBROVSKIS and Mr KATAINEN, decided:

- to extend the term of office of Mr Juan MENÉNDEZ-VALDÉS in the post of Director of the European Foundation for the Improvement of Living and Working Conditions, without changing grade, for a period of five years from 1 December 2015;

- to instruct Ms THYSSEN, Commissioner for Employment, Social Affairs, Skills and Labour Mobility, to communicate this decision to the Governing Board of the European Foundation for the Improvement of Living and Working Conditions.

These decisions would take effect immediately.

6.10. *DG MOBILITY AND TRANSPORT – LIST OF CANDIDATES FOR THE AD14 POST OF EXECUTIVE DIRECTOR OF THE* SHIFT2RAIL *(S2R) JOINT UNDERTAKING (PERS(2015) 93 TO /4)*

The Commission, on a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and after consulting Ms BULC, Mr ŠEFČOVIČ and Mr KATAINEN, decided:

- to approve the list of two candidates, presented in alphabetical order, set out in point 8 of PERS(2015) 104/2, for the post of Executive Director of the Shift2Rail (S2R) joint undertaking in Brussels, and to consider this list as the Commission proposal;

- to instruct Ms BULC, Commissioner for Transport, to communicate this decision and the list of candidates to the Governing Board of the Shift2Rail (S2R) joint undertaking.

These decisions would take effect immediately.

6.11. ACTIVITIES OF A MEMBER OF THE COMMISSION AFTER LEAVING OFFICE (C(2015) 7818)

The Commission adopted the decision set out in C(2015) 7818.

The Commission decided that the activity planned by former Vice-President of the Commission, Mr Joaquín ALMUNIA, as Distinguished Visiting Professor at the Paris School of International Affairs (PSIA) of the *Institut d'études politiques* (Institute of Political Studies) in Paris (Sciences Po) to give 16 hours of classes, in return for payment, in February and March 2016, was compatible with the second paragraph of Article 245 of the Treaty on the Functioning of the European Union (TFEU), provided that Mr ALMUNIA scrupulously complied with (i) his obligations to behave with integrity and discretion, and to protect collective responsibility and confidentiality, laid down in Article 245 TFEU and in Section 1.7 of the Code of Conduct of Commissioners, and (ii) his duty not to disclose information of the kind covered by the obligation of professional secrecy, in particular information about undertakings, their business relations or their cost components, as stipulated under Article 339 TFEU.

The Commission instructed the Secretary-General to inform Mr ALMUNIA of its decision.

7. OTHER BUSINESS

INTERPRETATIVE NOTICE ON INDICATION OF ORIGIN OF GOODS FROM THE TERRITORIES OCCUPIED BY ISRAEL SINCE JUNE 1967 (C(2015) 7834; RCC(2015) 93)

Ms MOGHERINI gave a brief introduction to the Interpretative notice that the Commission was to adopt that day, in which it set out detailed rules for the application of existing European legislation on indication of origin of goods to products originating in the territories occupied by Israel since June 1967. She reminded the meeting that, in line with international law, the European Union did not recognise Israel's sovereignty over those territories.

The indication of origin of products manufactured in the EU or entering its internal market formed an integral part of European consumer policy. Implementation of the corresponding legislation was a matter for the appropriate national authorities. With its Interpretative notice, the Commission was therefore providing the Member States and EU economic operators with the information they had frequently requested in order to ensure uniform application of the rules in force to products originating in Israeli colonies.

Ms MOGHERINI stressed that the document to be adopted that day did not introduce new legal provisions or new policies, but was confined to clarifying a number of details regarding the interpretation and practical implementation of current legislation. In other words, it was a technical matter and not a political position, nor in any event a boycott against Israel.

Ms MALMSTRÖM noted that the EU enjoyed a privileged trading relationship with Israel based on an association agreement between the parties. Under this agreement, products originating within Israel's internationally recognised borders benefited from preferential tariff treatment on entry into the EU. These provisions would of course remain unchanged.

Ms MALMSTRÖM concluded the presentation by repeating that the Interpretative notice was technical in nature and binding on the Commission. She confirmed that the document did not support any form of boycott or sanctions against Israel and warned of the risk that it might be exploited politically.

The Commission adopted the Interpretative notice set out in C(2015) 7834, for publication in the Official Journal of the European Union.

8. ORIENTATION DEBATE ON THE NEXT STEPS TO COMPLETE THE BANKING UNION (SEC(2015) 440; RCC(2015) 91)

Mr DOMBROVSKIS opened the orientation debate on the next steps to be taken to complete the banking union and stressed that banking union was an essential element of the completion of Economic and Monetary Union (EMU), as stated in the report presented in June 2015 by the ‘Five Presidents’ of the Commission, the European Parliament, the Euro Summit, the Eurogroup and the European Central Bank.

There were four main elements linked directly to banking union in the report, namely (i) the implementation of existing legislation, (ii) a political agreement between the Member States on the bridge financing arrangements and the financial contributions to the Single Resolution Mechanism (SRM), on which good progress had been made at the Economic and Financial Affairs Council the previous day, (iii) the definition of the main stages required to set up a European Deposit Insurance Scheme (EDIS), and, finally, (iv) the introduction of prudential measures to resolve the problem of the negative feedback loop between sovereign debt and bank debt, and to reduce the associated risks. These last two elements of the completion of the banking union would be the subject of proposals that the Commission would examine at its meeting on 24 November; their importance justified that day’s orientation debate.

Mr DOMBROVSKIS, referring to the various reasons for putting new proposals forward without delay, noted that financial stability was a precondition for economic growth and convergence between the Member States. In order to ensure the long-term financial stability of the euro area, savers had to have a guarantee that their deposits were safe, whichever Member State their bank was located in, and this safety had to be independent of the budget of that Member State. That was exactly the role expected of the planned European Deposit Insurance Scheme, the main features of which were being put to the College.

Given the sensitive nature of this dossier for the Member States, he felt it was advisable for the Commission to put forward credible and balanced proposals that offered the means to resolve effectively the question of the bank debt-sovereign debt feedback loop, but which were also designed to avoid the moral hazard linked to systemically important financial institutions.

He stressed the need to encourage the Member States to set up their national deposit guarantee schemes and to fund them in accordance with the current rules. He was in favour of the Commission not waiting until all the Member States had implemented these rules before launching the next stages leading to the creation of a European scheme; instead the Commission should ensure that, given the perspective of a European Deposit Insurance Scheme being created, the Member States were encouraged to apply the existing rules.

It was necessary for measures to be devised at the same time to reduce the risks inherent in the relationship between sovereign debt and bank debt.

Lastly, Mr DOMBROVSKIS stressed the importance of clearly signalling the EU’s desire to implement rapidly the rules agreed at international level and to close the final gaps in the regulation of the financial system.

Lord HILL also felt that balance had to be the guiding principle of the legislative proposal on the introduction of a European Deposit Insurance Scheme. Although the EU had created the Single Supervisory Mechanism (SSM) alongside the Single Resolution Mechanism, he too confirmed that the banking union would remain incomplete without a European Deposit Insurance Scheme.

The national deposit guarantee schemes were gradually being put in place in order to guarantee deposits up to €100 000 per person, per account and per bank, but a robust structure was still lacking to cope with a major local shock, for example if several small banks were to fail at the same time.

Many discussions had already taken place on how to break the negative feedback loop between sovereign debt and bank debt, which remained the weak link in the banking union and made it especially vulnerable when public finances were rather fragile.

Lord HILL took the view that a European Deposit Insurance Scheme (EDIS) was essential to maintaining the confidence of savers but also to the economy as a whole, because the stability of bank deposits enabled banks to lend, which stimulated employment and growth.

He referred to the initiatives approved in 2012 to strengthen EMU and felt that the time had come to put in place the third pillar of monetary union, in parallel to supervision and resolution.

The European Deposit Insurance Scheme would take the form of a fund administered by the Single Resolution Board and fed by the contributions from banks to the fund, which would themselves be deducted from those currently made to the national deposit guarantee schemes.

The European scheme would be set up in stages, starting with a re-insurance phase of three years, followed by a gradual mutualisation phase lasting four years before the European scheme became fully operational. Three years later, the co-insurance scheme would support the national schemes from the first euro, with a gradually increasing mutualised share, reaching 100% in 2024. The national deposit guarantee schemes would continue to be called on until then, but degressively, until mutualisation was complete.

Lord HILL pointed out none the less that the different levels of financing of existing national deposit guarantee schemes might oblige EDIS to intervene in support of national systems which were under-financed. That was why the draft legislative proposal provided for a mechanism to limit the interventions by EDIS in this scenario or to exclude them if the rules had not yet been implemented.

Furthermore, he stressed the idea that EDIS did not involve any extra costs for the banks in relation to those they were already incurring under the 2014 Directive on Deposit Guarantee Schemes. To this end, it was necessary to accept the simple principle that any contribution to EDIS would replace a contribution previously earmarked for the national scheme.

Lastly, it was essential that the proposals provided for a strategy to reduce and share the risks in order to convince the Member States to support the setting up of the European scheme and that the communication being prepared on risk management, which was partly devoted to explaining and assessing the measures being implemented, should also cover bank exposure to sovereign debt.

Lord HILL took the view that the sequence of successive phases of introducing the EDIS would most probably lead to difficulties with certain Member States, which would ask that everything be done to reduce the risks before the risk-sharing measures were implemented, whereas others would support the sharing of risks without risk-reduction measures. In his view, the best approach was to reduce the risks to which the financial stability of the euro area was exposed, while pointing out that the measures to reduce and share risks had to move forward at the same time. The banking union would thereby create confidence, at a time when the Directive on Recovery and Resolution of Credit Institutions and Investment Firms (BRRD) was applicable and the Single Resolution Mechanism was becoming operational.

He rounded off his presentation with the admission that creating and introducing EDIS would not be easy, but he was convinced that the Commission was following a balanced approach that would make it possible to bring the Member States on board for this ambitious project.

Mr MOSCOVICI supported the approach proposed by Mr DOMBROVSKIS and Lord HILL for the gradual establishment of the European Deposit Insurance Scheme, which was the third pillar of the banking union and an essential condition for deepening economic and monetary union. He wanted the transitional period envisaged until the full and complete implementation of the proposed system to be based on the mechanism chosen for the transitional period under the Single Resolution Mechanism. Such an approach would enable due account to be taken of the different situations and concerns of the Member States involved.

With regard to the question of moral hazard, when the EDIS was actually put in place, a good number of these aspects would already have been dealt with because the Single Supervisory Mechanism and the Single Resolution Mechanism would have already existed for some time. He therefore felt that it was important to complete banking union and avoid too long a time lag between its three pillars.

He also dwelt briefly on the need to encourage the Member States to honour the commitment made in 2013 to establish a credible backstop in the framework of the SRM. In the event of a bank failure or banking crisis, this instrument would come into play even before EDIS and was therefore a key element of the banking union.

Lastly, while he agreed with the objective of pursuing in parallel a number of measures aimed at reducing the residual risks in the banking sector, Mr MOSCOVICI cautioned against a cumbersome regulatory framework and overlapping institutional responsibilities. Throughout the process, it was important to bear in mind the need to ensure the competitiveness of European financial institutions and business, in the interests of economic recovery and growth. Consequently, he considered it appropriate to extend active participation in EDIS to non-bank financial intermediaries, while ensuring the transparency and proportionality of the risks incurred by them.

Mr KATAINEN particularly welcomed the fact that the proposed approach was based on a balanced set of rules and market discipline, and a fairer sharing of risks. Such a combination was the only means of effectively reducing the risks, the prerequisite for a balanced monetary union.

He supported the idea of accompanying the future proposal for the creation of the EDIS with the necessary measures to reduce risks in the European banking sector, in particular in order to lower banks' exposure to sovereign debt. Among the measures that could be considered, he referred to the possibility of limiting the amount of government bonds that banks could acquire.

Finally, it was essential to implement fully the Bank Recovery and Resolution Directive (BRRD) when the planned European Deposit Insurance Scheme came into force, since these two instruments were two sides of the same coin.

In the course of the discussion that followed, the Commission raised the following main points:

- support for the tabling of a legislative proposal establishing a European Deposit Insurance Scheme (EDIS), as well as the gradual approach planned;
- the need to make very clear the importance of the measures already proposed by the Commission in the framework of the banking union in order to draw a distinction between the situation of EU citizens and that of the banks, which was the objective that the future proposal to create a European deposit guarantee system was intended to complete;
- the validity, both at the technical and political level, of the modulated and gradual approach proposed in order to reflect the diversity of the existing legal statuses and structures in the European banking sector; at the same time, the need to correct a number of misunderstandings regarding the functioning of the

future EDIS; support for the approach proposed in order to avoid moral hazard and the need to clarify this point when presenting the legislative proposal;

– support for the necessary parallel between the progressive sharing of risks, which was the aim of the proposal to set up EDIS, on the one hand, and efforts to further reduce risks in the banking sector, on the other; the need, however, to take care when laying down the conditions for interaction between these two complementary aspects, so that delays on one of these fronts did not prevent progress on the other; for some, the possibility of an even more ambitious approach by bringing forward the deadline of 2024 for achieving a fully mutualised system;

– more specifically, as regards the additional efforts to reduce risks in the banking sector and the possibility of limiting the amount of government bonds that banks could acquire, a question about the possible consequences of this approach on the value of the bonds of the Member States concerned; a question, moreover, about the potential impact of EDIS on public accounts in cases where the public authorities were still participating in the guarantees granted to banks;

– whether the future legislative proposal would provide for the possibility of participation in the EDIS system by non-euro area Member States and the arrangements for such participation;

– with regard to EU legislation in force in the banking sector, the need to ensure not only the transposition of the Directive on the Recovery and Resolution of Banks (BRRD), but above all, its effective application; the need to draw political attention to this point and to correct a number of misconceptions, in particular concerning bank resolution;

– the need for the mutual solidarity that underpinned European integration; a reminder of the effect that the lack of solidarity of some Member States in certain matters could have on mobilising the necessary European solidarity in other matters.

Mr DOMBROVSKIS considered it essential, in the approach to be proposed for the creation of the European Deposit Insurance Scheme (EDIS), to achieve the right balance between the ultimate objective of fair sharing of risks, on the one hand, and the preliminary measures needed to reduce residual risks, on the other. He confirmed the important role, in the forthcoming proposal, of the measures to avoid moral hazard. He also confirmed the need for very precise communication on all these matters, given the divergent views on these issues in different Member States.

Lord HILL agreed with what had been said, while calling for a balance between the need to provide clear answers on risk reduction measures and the need to refute a number of confused ideas that gave rise to unfounded fears.

As regards the possibility of participation in EDIS by non-euro area Member States and the arrangements for such participation, he confirmed that these Member States could participate if they so wished in this and the other banking union mechanisms, whereas euro area Member States would be required to do so.

Furthermore, the Communication that was to accompany the legislative proposal would examine ways and means of limiting banks' exposure to sovereign risk. While stressing the balance that had to be struck should the amount of government bonds that banks could acquire be limited, he referred to the international dimension of this issue, and the desirability of reaching a concerted approach with other regions of the world.

He ended by thanking the Commission Members for their constructive contribution to this orientation debate, which provided a solid basis for the legislative proposal that would be submitted to them at the end of the month.

The PRESIDENT wound up the debate by reiterating the importance of a deposit guarantee scheme at European level, without which the banking union would remain incomplete and vulnerable. He emphasised the need to put into practice the principle of solidarity, as with other major issues such as migration and the reception of refugees.

In this context, he considered that it was for the Commission to propose a risk management system for deposits based on solidarity, and that it would be wise to take a step-by-step approach. He also stressed that 2024 was a relatively tight deadline for the European Deposit Insurance Scheme to become fully operational. This ambitious initiative should be carefully explained, in particular to the most reluctant Member States, emphasising the step-by-step nature of its implementation and the prerequisites that each Member State must fulfil in order to benefit from the European solidarity envisaged. He asked Mr DOMBROVSKIS and Lord HILL to identify very clearly the preliminary measures, the parallel measures and the final objective.

In conclusion, the President reminded the meeting of the obligation to observe strictly the confidentiality rules applicable to documents being adopted by the Commission and to internal documents of a prospective nature setting out the different options being considered by the Commission for its future legislative initiatives. Appropriate sanctions would be imposed for breaches of these rules.

The Commission took note of the results and conclusions of the orientation debate and of the discussion paper distributed under the authority of Mr DOMBROVSKIS, in agreement with the PRESIDENT, as SEC(2015) 440.

9. ORIENTATION DEBATE ON THE EUROPEAN SEMESTER, INCLUDING THE 2016 ANNUAL GROWTH SURVEY (SEC(2015) 447; RCC(2015) 92)

At the PRESIDENT's invitation, Mr DOMBROVSKIS opened the orientation debate on the European Semester by stating that the Commission would shortly be presenting the package of documents traditionally due in the autumn. This included the Annual Growth Survey (AGS), which would mark the beginning of the 2016 cycle of economic policy coordination. Although these documents had not yet been finalised, he gave the Commission Members an indication of the main points that they would contain.

This new European Semester would reflect the innovations envisaged by the Commission's communication of 21 October on completing the Economic and Monetary Union. Among these innovations he mentioned in particular better integration between the euro area and the national dimension, an emphasis on jobs and social performance, and new recommendations for the euro area.

This autumn package would also be accompanied by a proposal for a programme to support structural reforms aimed at providing technical assistance to Member States requesting it.

Referring to the general context, Mr DOMBROVSKIS described an economic situation that was improving but still unsatisfactory, with only modest, fragile recovery against a background of high unemployment in a number of Member States. Macroeconomic imbalances were being corrected, but these efforts had to be continued in order to reduce the level of government and private debt, which remained high. Finally, there were still significant differences between Member States, particularly in terms of unemployment rates and poverty indicators.

This meant that, firstly, the main thrust of the recommendations in the 2015 Annual Growth Survey remained valid for 2016, and emphasis should continue to be placed on investment, structural reforms and fiscal responsibility as key elements of the Union's economic and social policy. The AGS for the coming financial year would also take into account the progress that had been made, for example with the investment plan for Europe, and the new challenges, such as migration. Fairness would be the guiding principle.

Secondly, as regards the 2016 Alert Mechanism Report, which analysed macroeconomic imbalances, he reported that many Member States would be the subject of an in-depth analysis in February 2016, partly because for some of them this was a prelude to their exit from the macroeconomic imbalances procedure and partly also because certain others would no longer be benefiting from a European support programme.

In the third place, Mr DOMBROVSKIS turned to the Commission's opinions on the draft budgetary plans for 2016, submitted by euro area Member States under the 'two-pack' legislation, and also the other reports relating to excessive deficit procedures established under the Stability and Growth Pact – this sub-package would be adopted first, by written procedure the following week.

Mr MOSCOVICI took the floor to provide certain clarifications on the budget side of the European Semester, which he elucidated with a PowerPoint presentation.

By way of introduction he noted that this was the third time the Commission had conducted the budgetary surveillance exercise provided for by the 'two-pack' regulations. The Commission was required to adopt an opinion on each draft budgetary plan by 30 November, in which it examined whether the plans complied ex ante with the rules of the Stability and Growth Pact, drawing on the autumn economic forecasts which, this year, were published on 5 November.

The 'two-pack' also provided for an overall assessment of the budget situation and prospects in the euro area. This assessment would be included in the recommendation for the euro area which would shortly be submitted to the College with the Annual Growth Survey.

Mr MOSCOVICI summarised the contents of the package which the College would be adopting by written procedure the following week, consisting of a general communication, opinions on the 2016 budgetary plans of the euro area Member States and four other documents, each relating to an excessive deficit procedure.

Mr MOSCOVICI mentioned a few general points, highlighting the fact that (i) the euro area's budgetary policy should remain broadly neutral in 2015 and 2016, without any further tightening or relaxation, after several years of budgetary consolidation, (ii) levels of debt and deficit would fall in 2016 and 2017, and (iii) only three Member States – Spain, France and Greece – would still have a deficit of more than 3% of their GDP next year.

Taking the floor, Ms THYSSEN said she was pleased that the convergence aims of the European Semester had been given a stronger social dimension, focusing in particular on labour market reforms designed to reduce unemployment in the Union, especially youth unemployment, which was excessively high. She mentioned in this context the three new social policy indicators that had been incorporated in the scoreboard used to measure the performance of the Member States.

The main conclusion she drew from the AGS was that growth in the EU was slower than in other parts of the world, hence the need, in her view, to look closely at ways of stimulating domestic demand.

As regards the consolidation of Economic and Monetary Union, she also welcomed the steps taken to strengthen its social pillar and suggested that the proposal to use social benchmarks be given prominence in communications about the European Semester.

In the course of the discussion that followed, the Commission raised the following main points:

- on the positive side, the close dialogue between the Commission and the Member States in connection with the European Semester;
- the stepping-up of its social dimension was greeted as a welcome innovation; it was suggested that this should also include access to healthcare and the level of social protection and that reference criteria be set to measure these factors;

- the need for sound evaluations and tangible results in order to respond to the requests from certain Member States for budgetary flexibility under the Stability and Growth Pact, particularly in relation to the influx of refugees, if the conditions were met;

- the complexity and diversity of the domestic situations of the Member States, which required detailed, objective and fair analyses, as well as accurate communication;

- the fundamental question faced by the Commission in cases where Member States under the excessive deficit procedure were benefiting temporarily from an economic upturn that allowed them to meet the headline target set for government deficit but were not taking advantage of it to follow the Commission's recommendations on the structural reforms that were vital for a sustainable recovery and for their competitiveness;

- in the same vein, the importance of not discouraging Member States covered by the deficit procedure which had not met the headline government deficit target but had nonetheless embarked on painful reforms;

- approval of the fact that the AGS also focused on the national obstacles to investment; the suggestion that this factor be taken into account in the country-specific recommendations to be presented in March;

- the regrettable fact that the administrative authorities in certain Member States had in some cases resorted to denigrating the Commission.

Mr DOMBROVSKIS replied to questions relating to the individual cases of certain Member States. The inclusion of specific points raised during the discussion would be taken into consideration in formulating the various proposals that were being finalised. He felt that the Member States' requests for budgetary flexibility should be examined rigorously on the basis of hard data.

As regards cases where Member States covered by the excessive deficit procedure were achieving the headline targets set but failing to make sufficient structural reform efforts, Mr MOSCOVICI stressed that, although the Commission must respect the objective data and take account of precedents, it would nevertheless make a point of drawing these Member States' attention to the risks of adopting such an attitude, in its high-level political contacts, its opinions on the draft budgetary plans and in its public pronouncements.

Winding up, the PRESIDENT pointed out that in any event the real decisions would be taken when the Commission adopted the country-specific recommendations in March. He suggested that, at this stage of the process, the Commission should not be over-critical and should, where necessary, allow Member States the opportunity to correct certain aspects of their draft budget for 2016.

The Commission took note of the results and conclusions of the policy debate and of the discussion paper distributed under the authority of Mr DOMBROVSKIS, in agreement with the PRESIDENT, as SEC(2015) 447.

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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 11.27