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6. kontor, MIJ

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## Referat af rådsmødet (ECOFIN) den 9. oktober 2007

**Dagsordenspunkt:                    Proceduren for uforholdsmæssigt store underskud  
vedr. Tjekkiet**

Rådet vedtog en henstilling til Tjekkiet under Traktatens artikel 104.7, om korrektion af det uforholdsmæssigt store underskud senest i 2008. Henstillingen følger op på Rådets beslutning under artikel 104.8 fra 10. juli 2007 om, at Tjekkiets finanspolitiske tiltag til opfyldelse af Rådets oprindelige henstilling fra juli 2004, har været utilstrækkelige.

**Dagsordenspunkt:                    Proceduren for uforholdsmæssigt store underskud  
vedr. Storbritannien**

Rådet traf en beslutning under Traktatens artikel 104.12, som ophæver Rådets tidligere beslutninger om eksistens af uforholdsmæssigt store underskud i Storbritannien. Storbritannien havde i finansåret 2006/2007 et underskud på de offentlige budgetter på under 3 pct. af BNP og budgetforbedringerne vurderes at være holdbare.

**Dagsordenspunkt:                    Offentlige finanser i EU – Stabilitets- og  
Vækstpagtens forebyggende del**

Rådet havde en drøftelse af Stabilitets- og Vækstpagtens forebyggende del og mulighederne for yderligere styrkelser af denne. Rådet vedtog konklusioner herom (*jf. vedlagte bilag*). I konklusionerne fremhæves det bl.a. at de medlemslande, som endnu ikke opfylder sine mellemfristede målsætninger for de offentlige finanser (MTO), bør fremskynde konsolideringen af de offentlige finanser ved, herunder reducere offentlige budgetunderskud og gældskvoter. Endvidere bør medlemslandene arbejde videre med holdbarhedsbaserede mellemfristede målsætninger.

**Dagsordenspunkt:                    Kvalitet af de offentlige finanser – modernisering af  
den offentlige sektor**

Rådet vedtog rådskonklusioner (*jf. vedlagte bilag*), som følger op på drøftelsen af sagen på det uformelle rådsmøde (ECOFIN) i september 2007. Rådskonklusionerne betoner bl.a. vigtigheden af moderne offentlige administrationer mhp. at styrke kvaliteten af de offentlige finanser. Rådet ventes at vende tilbage til sagen i løbet af foråret 2008, mhp. på en drøftelse af effektiviteten af de offentlige udgifter til konkrete formål, herunder uddannelse, forskning og udvikling.

**Dagsordenspunkt: Den økonomiske og finansielle situation**

Rådet havde en drøftelse af den aktuelle økonomiske og finansielle situation i EU med udgangspunkt i den makroøkonomiske situation og finansielle stabilitet i lyset af den senere tids turbulens på de finansielle markeder. Rådet nåede bl.a. til enighed om at igangsætte analyser og vurderinger af behovet for eventuelle justeringer i lovgivningen og de reguleringsmæssige rammer for den finansielle sektor.

**Dagsordenspunkt: Bedre regulering**

Rådet vedtog rådskonklusioner (*jf. vedlagte bilag*), som bl.a. støtter Kommissionens igangværende arbejde med målinger og reduktioner af de administrative byrder i EU. Konklusionerne følger bl.a. op på aftalen fra Det Europæiske Råd i marts 2007 om 25 pct. reduktion i 2012 af de administrative byrder, som stammer fra EU-lovgivning. I konklusionerne opfordres medlemslandene endvidere til senest i 2008 at fastsætte nationale reduktionsmål, som svarer til ambitionerne i den fælles målsætning.

**Dagsordenspunkt: Flexicurity – Økonomiske aspekter**

Rådet drøftede Kommissionens meddelelse vedr. flexicurity og vedtog rådskonklusioner herom (*jf. vedlagte bilag*). I konklusionerne fremsættes bl.a. 8 fælles principper, som skal danne grundlag for udbredelse af flexicurity blandt EU-medlemslandene. I konklusionerne fremhæves det bl.a., at flexicurity indebærer fleksible og pålidelige kontraktuelle forhold, strategier for livslang læring, effektive aktive arbejdsmarkedspolitikker og moderne sociale understøttelsessystemer. Flexicurity bør endvidere tilpasses de specifikke omstændigheder og arbejdsmarkeder i hvert enkelt medlemsland.

Medlemslandene vil med overgangen til den nye cyklus for de Integrerede Retningslinier i 2009 blive bedt om, at rapportere om deres flexicurity strategier i deres Nationale Reformprogrammer.

**Dagsordenspunkt: Dialog med tredjelande**

Kommissionen orienterede kort Rådet om den seneste udvikling i de bilaterale dialoger med tredjelande på det økonomiske, finansielle og reguleringsmæssige område, herunder med USA, Japan, Kina, Rusland og Indien. Kommissionens orientering fokuserede bl.a. på dialogerne vedr. regulering af markedet for finansielle tjenesteydelser.

**Dagsordenspunkt: Clearing og afvikling**

Rådet vedtog rådskonklusioner vedrørende clearing og afvikling af værdipapirer (*jf. vedtalte bilag*). I konklusionerne gives en status for de igangværende initiativer og opfordrer til fortsat fremdrift, således at målet om en effektiv infrastruktur på det europæiske værdipapirmarked opnås. Af igangværende initiativer nævnes bl.a.

markedsdeltagernes "Code of Conduct", den tekniske fælles platform TARGET2-Securities samt fjernelse af de såkaldte Giovannini-barrierer på det lovgivnings- og skattemæssige område.

**Dagsordenspunkt:                    Finansiell stabilitet i EU (Kriseberedskab)**

Rådet vedtog rådskonklusioner, der sigter på at styrke den eksisterende ramme for håndtering af finansielle kriser i EU (*jf. vedlagt bilag*). I konklusionerne præsenteres bl.a. ni fælles principper til håndtering af en stor grænseoverskridende finansiell krise, herunder at de medlemslande, der forventes at være disponeret over for en sådan grænseoverskridende krise, indgår frivillige samarbejdsaftaler. I konklusionerne annonceres endvidere tiltag, som bør implementeres eller analyseres inden for de kommende par år, herunder et fælles analyseredskab og fælles procedurer til håndtering af konkrete kriser.

**Uden for dagsorden:                Finansiering af Galileo**

Rådet havde med udgangspunkt i den seneste udvikling i sagen om satellitnavigationssystemet Galileo – herunder Kommissionens forslag til en finansieringsmodel, som foreslår at der flyttes midler mellem udgiftskategorierne på EU's budget – en udveksling af synspunkter herom.

**Diverse:**

I marginen af mødet havde ministrene en drøftelse af den økonomiske situation i EU, og formanden for eurogruppen af rapporterede fra gruppens møde den 8. oktober 2007.

Under frokosten drøftede ministrene perspektiverne for udbygning og forstærkning af EU's investeringsaktiviteter i Middelhavsområdet, herunder med udgangspunkt i EIB's strategiske rolle.

## Bilag:

### **Rådskonklusioner vedr. offentlige finanser i EU – Stabilitets- og Vækstpagtens forebyggende del:**

"Ministers discussed the Commission's Communication on Public finances in EMU-2007. They agreed that ensuring progress towards sustainable fiscal positions is a key priority, in line with the preventive arm of the Stability and Growth Pact (SGP) and the three-pronged sustainability strategy, so as to prepare also for the impending budgetary impact of ageing populations. Against the background of favourable economic conditions, the budgetary situation has significantly improved in most EU Member States, but there is a need to make sure that the positive momentum of fiscal adjustment is maintained. The SGP provides the appropriate framework and should be fully implemented. All countries not yet at their medium-term objective (MTO), should speed up the pace of deficit and debt reduction and allocate higher-than-expected revenues to this objective. In particular, Member States of the euro zone or ERM II should pursue an annual adjustment in cyclically adjusted terms, net of one-off and other temporary measures, of 0.5 % of GDP as a benchmark. The adjustment effort should be higher in good times.

Recalling their conclusions of October 2006, Ministers confirmed the importance of national fiscal rules and institutions, including monitoring mechanisms, in the attainment of sound budgetary positions. In particular, they acknowledged that rules-based multiannual fiscal frameworks at national level could help to ensure adherence to medium-term budgetary plans, including by controlling expenditure. In line with the Code of Conduct, information on national fiscal frameworks and relevant innovations in national rules and institutions should continue to be reported in the annual updates of the Stability and Convergence Programmes (SCPs). Ministers recall the importance of domestic ownership, including the appropriate involvement of national Parliaments.

Ministers confirmed that long-term fiscal sustainability, notably the future impact of ageing, should better be taken into account in the medium-budgetary objectives (MTOs). The Council invites the Commission to continue its work on the criteria and modalities for taking into account the resulting implicit government liabilities in the definition of MTOs, to be discussed early in 2008. The next round of long-term projections in the course of 2009 presents an opportunity to put these arrangements into place. The agreement should be reached in time to give Member States the opportunity to present their MTOs in the updates of the SCPs to be submitted in the autumn of 2009 in line with the Pact, which provides for a revision of the MTOs every four years.

To improve fiscal surveillance, the Commission is invited to develop its regular assessment of national fiscal policies by a more comprehensive analysis of the overall macroeconomic situation, including the building up of macroeconomic

imbalances and their interaction with fiscal positions. The Commission should pursue its work to improve the tools for measuring the underlying fiscal position of Member States, notably with a view to avoid pro-cyclical fiscal policies in good times. Moreover, the SCPs should specify how medium-term budgetary objectives will be met, including the extent to which further measures are required to fill the gap between the medium-term targets and fiscal trends under existing and already implemented policies. "

**Rådskonklusioner vedr. kvaliteten af de offentlige finanser – modernisering af den offentlige sektor:**

"The Council discussed Member States' experiences of modernising public administrations in the context of the quality of public finances. All Member States are undertaking initiatives to reform their public administration with a view to improving efficiency and effectiveness, and various approaches have been developed in line with national needs. This is illustrated in the report presented by the Economic Policy Committee and the Commission. These initiatives have been undertaken in four main areas: a greater performance orientation of public budgets, a re-organisation of public administrations, reforms in human resource management and improved use of ICT tools.

Ministers underlined that the modernisation of public administration can play an important role in enhancing competitiveness, delivering better services, achieving better value for money and ensuring the control of government expenditure. Public administration reforms can thereby contribute to meet the objectives of both the Lisbon Strategy and the Stability and Growth Pact and Ministers of Finance can play a leading role in modernising public administration. Reforms should therefore be subject to a regular analysis and exchange of best practices in particular in the context of the Lisbon National Reform Programmes in line with national priorities.

In this context, the Council considers that national systems to measure efficiency and evaluate reforms in the public sector need to be improved. It invites the EPC and the Commission to step up their efforts to improve the analysis, methodology and the measurement of the quality of public finances, including the efficiency and effectiveness of public expenditures and revenue structures, as well as of major public sector reforms. Ministers also re-iterated their June 2007 request for Member States to step up efforts in the provision and subsequent analysis of COFOG, level II data. The Council will come back to the issue of public spending efficiency and effectiveness, in particular related to specific spending categories such as social spending, education and R&D, in Spring 2008."

### **Rådskonklusioner vedr. bedre regulering:**

"Following the launch of the Commission's exercise to measure administrative costs associated with EU rules and the March 2007 European Council's agreement to reduce the administrative burden arising from EU legislation by 25% by 2012, and the invitation to Member States to set their own national targets of comparable ambition within their spheres of competence by 2008, the Council (ECOFIN) discussed the progress that has been made to date and the future actions required.

Reducing the burdens of EU legislation requires a strong joint effort by the EU Institutions and Member States. The Council therefore welcomes that since its consideration of Member States' specific experiences of administrative burdens in October 2006, several Member States are now actively seeking ways to reduce national burdens, including through measuring burdens. A number of countries have adopted concrete national reduction targets of comparable ambition to the European-level target. The Council also recalls the European Council's invitation to complete all the fast track actions by the end of 2007. It invites the Commission to communicate to Member States the method and criteria used to identify priority actions and fast-track procedures.

The Council emphasizes that a substantial reduction in administrative burdens should enable companies to raise their productivity levels. In this respect, the Council:

- welcomes the progress made both at Member States and EU level towards reducing administrative burdens in the EU, including through measurement, as part of the wider better regulation agenda and the Lisbon Strategy for Growth and Jobs;
- encourages the Member States that have not yet done so to set their own national targets of comparable ambition to the European-level target within their spheres of competence by 2008, taking into account the different starting points and traditions, in line with the invitation of the 2007 European Council;
- encourages the Commission to present proposals in order to reduce administrative burdens at EU level, while safeguarding the wider objectives and benefits of legislation and regulation, in parallel with the measurement exercise and in line with the Action Plan for Reducing Administrative Burdens in the EU and to develop the impact analysis of the reduction of administrative burdens.
- calls on the Commission to ensure that the needs of SMEs and newly created enterprises, on which regulation and administrative burden may

weigh disproportionately heavily, are fully considered in the context of the better regulation agenda and the reduction of administrative burdens;

- invites the Commission, in consultation with the Member States, the European Parliament and all other relevant stakeholders, in the context of the forthcoming Strategic Review of Better Regulation in early 2008, to review how the existing better regulation tools, including the analysis of administrative costs in impact assessments, are effectively applied in practice across the board by the Commission, Council and Member States to new proposals and existing legislation, especially those which are relevant to the internal market, and whether there could be scope for further improvements in their quality.

The Council (Ecofin) will consider the specific issue of statistical burdens in November on the basis of the report by the Commission. It will consider the further progress made on all aspects of better regulation in early 2008 ahead of the Spring European Council, drawing upon the Strategic Review of Better Regulation which will include an overview of the adopted and planned reduction measures."



### Rådskonklusioner vedr. Flexicurity – økonomiske aspekter:

- "1. The rapidly changing global economy, structural change and ageing populations present both opportunities and challenges for the European economies. Policy makers need to find the right responses to achieve both flexibility and security, which in the right policy environment can be mutually reinforcing and can become a useful tool to increase a country's international competitiveness.
2. Within the context of the renewed Lisbon Strategy for Growth and Jobs, the flexicurity approach shows that the European social models can be successfully modernised. The Council welcomes the Communication from the Commission "Towards Common Principles of Flexicurity".
3. The flexicurity approach provides a good platform to develop comprehensive strategies that enhance overall labour market flexibility and support workers' mobility, while also enhancing workers' security through the promotion of job creation, comprehensive lifelong learning strategies, assistance in transitions, and adequate support by social systems.
4. Higher employment and better opportunities for all can be delivered together with flexibility and security. An appropriate degree of flexibility can contribute to employment creation. The best way to maximise the benefits and the opportunities from globalisation is to equip people with the means to manage and take advantage of change. Labour markets and modern social security and educational systems that allow all to participate and progress are at the core of such an approach based on 'social bridges'. The responsibility for measures needed to increase employability lies with governments, social partners and individuals. Active labour market policies, particularly for the most disadvantaged, which aim to improve job creation and people's employability, upgrade and update their skills, and provide active help with job search may, when efficiently designed, help to increase employment and sustainable economic growth, and form an important part of flexicurity.
5. Some measures associated with flexicurity have substantial budgetary costs. However, high flexicurity-related expenditure does not in itself automatically lead to more effective outcomes. Flexicurity can and should go hand in hand with sound public finances. These complementing objectives should be pursued by focusing on improving results, while containing overall expenditure levels. Flexicurity strategies should therefore take into account the trade-offs and complementarities between different public spending priorities, the cost effectiveness and efficiency of the proposed measures, and the budgetary pressures associated with ageing populations. In particular in the context of demographic change, policy-makers need to pay attention to safeguarding the long-term sustainability of public finances. Finally, successful and socially-inclusive labour mar-

kets are built on a comprehensive set of policies, including those that go beyond the labour market such as ensuring macroeconomic stability and growth, flexible goods, services and capital markets, increasing the efficiency and effectiveness of public spending and an appropriate business environment.

6. There is no single model of flexicurity that can be exported to all Member States. The establishment of a set of common principles and the identification of best practices on flexicurity should help each Member State to set its own tailored priorities for developing employment and social policies taking into account their initial conditions, their own traditions and institutional set-up.
7. Such policies need to be developed in the context of making work pay, by taking into account that tax structures and interactions with different benefit systems have an impact on the labour market and labour supply. Flexicurity strategies should aim at a system of integrated active and passive policies that enhance employment chances and improve incentives to work in order to avoid creating unemployment and inactivity traps, especially for the working poor, while at the same time enabling an efficient allocation of labour. When developing such policies, all economic agents, both public and private, should be actively involved.
8. Also, the national evaluation of flexicurity strategies has to be developed, based upon comprehensive and more comparable data on costs and benefits. More systematic and independent evaluation of policies at national level could help to strengthen the cost-effectiveness and efficiency of flexicurity strategies as well as identify which policies should be phased out.

The Council:

- welcomes the approach of the Commission Communication promoting integrated policies to enhance both labour market flexibility and employment security as well as social inclusion while respecting the very different situations in Member States, and notes that flexibility and security can be mutually reinforcing in the right policy environment.
- considers that other factors outside the labour market, notably educational systems, macroeconomic stability and growth, reforms in goods, services and capital markets, and an appropriate business environment are also key for creating appropriate conditions for successful social policy reforms.
- considers that the implementation of flexicurity strategies must remain fully compatible with sound and financially sustainable budgetary policies and complementary spending priorities. Great attention should be paid to the cost-effectiveness of measures.

- takes note that integrated reform efforts have better overall effects. When implementing flexicurity strategies policy makers should avoid creating disincentive effects and long-term welfare dependence, by creating appropriate overall work incentives and making work pay.
- invites the EPC and the Commission to closely follow the implementation of flexicurity strategies within the framework of the Growth and Jobs strategy, in particular by monitoring its budgetary impact and deepening the analysis of the cost-effectiveness and efficiency of measures in the context of the flexicurity strategy of each country as a whole."

### **Rådskonklusioner vedr. clearing og afvikling:**

"The reality of a single European securities market is not compatible with a fragmented European post-trading sector. Achieving competitive, efficient and safe pan-European post trading arrangements is becoming more and more critical.

Efforts have been made to achieve greater efficiency, integration and safety in post-trading arrangements in the EU, both by the private and public sectors, namely by means of: (i) the industry Code of Conduct for clearing and settlement signed in November 2006; (ii) the European Central Bank's initiative to set up TARGET2-Securities; (iii) the work on dismantling the fiscal and legal barriers to securities market integration (Giovannini barriers); and (iv) the efforts of the European System of Central Banks (ESCB) and the Committee of European Securities Regulators (CESR) to promote the safety and soundness of European post-trading arrangements such as by means of standards.

In November last year, the ECOFIN Council agreed to carry out a set of strategic discussions in autumn 2007 and spring 2008 to review the state of play of the aforementioned initiatives, with a view to considering further policy action necessary so as to ensure progress in all key areas.

On the basis of the report presented in July by the European Commission – "Improving the Efficiency, Integration, and Safety and Soundness of Cross-border Post-trading Arrangements in Europe" – and following the exchange of views at the Informal ECOFIN meeting in Porto, the Council:

- AGREES that the continuous fragmentation of the European securities post-trading sector leads to unnecessarily high costs, especially for cross-border securities transactions in the EU, which constitutes a considerable competitive disadvantage for European capital markets.
- WELCOMES the progress already achieved in certain key areas while stressing the need for further substantial progress.

With regard to the implementation of the Code of Conduct, the Council:

- WELCOMES the entry into force of the areas relating to price transparency and to access and interoperability segments, and the positive results achieved so far, and emphasises that more progress is needed on price comparability.
- LOOKS FORWARD to the entry into force of the third area of the Code – service unbundling and accounting separation by the end of 2007 – and stresses the need to continue monitoring closely the implementation of the Code of Conduct.

In respect of TARGET2-Securities, the Council:

- WELCOMES the fact that the ECB is proceeding along the lines of the Council conclusions of February 2007 and conducting a public consultation process on the general principles, nature and scope of TARGET2-Securities. Further decisions on the development phase can be expected in spring 2008 and ECOFIN Ministers will be kept informed before any further decisions are taken.

Concerning the removal of legal and fiscal barriers identified in the “Giovannini Report”, the Council:

- AGREES that their removal is a key priority and considers that concrete actions and a timeframe should be proposed promptly by the Commission on the basis of the work of the advisory groups taking into account the views and responsibilities of the Member States; and the Financial Services Committee is INVITED to provide guidance to ensure progress and to monitor development.

As to the work on ESCB/CESR “Standards for Securities Clearing and Settlement in the EU”, the Council:

- RECOGNISES that the investor protection and prudential safety of the post-trading sector, including its risk-management aspects, are important issues to be discussed and that concrete action, including for example by agreeing on the standards or regulatory measures, should be considered as a complement for the Code of Conduct on risks and financial stability.
- REQUIRES the FSC to deepen its work on the scope, legal basis and contents of the standards giving due consideration to the importance of ensuring a level playing field; and together with the Commission propose ways forward on this subject to be submitted to the Council in early spring 2008.

The various ongoing initiatives should proceed in a coherent manner, not in isolation. All the measures mentioned above, if implemented well, will contribute to the creation of a far more efficient European securities market infrastructure."

### **Rådskonklusioner vedr. finansiel stabilitet i EU (Kriseberedskab):**

"Following the work priorities established by the ECOFIN Council of October 2006 and the discussion at the informal meeting of EU Finance Ministers and Central Bank Governors in Porto in September 2007, the Council AGREED to take further steps, at the EU and national level, to develop the arrangements for cross-border financial stability within the EU. These steps are based on recommendations from the Economic and Financial Committee and take into account the state of financial integration in the EU and existing stability arrangements. The Council AGREES that further actions should be taken to ensure that arrangements for financial stability are in line with evolving financial markets and that the EU obtains the full benefits of financial integration. In particular, the Council

RECOGNISES that:

- integration contributes positively to overall performance of the EU financial sector and promotes financial stability; in this context, the number of large cross-border banking groups has substantially increased, which improves the efficiency of financial services, including for businesses and consumers across the EU;
- the EU framework for prudential supervision and crisis management and resolution must allow a quick response to cross-border systemic financial crises and their implications;
- financial stability in the EU is a common concern for all Member States and must be safeguarded on the basis of close co-operation; and
- preparation in advance is necessary for an effective safeguarding of financial stability across borders, while allowing for flexibility to deal with specific circumstances.

AGREES on common principles that will be the basis for co-operation among national authorities in preserving financial stability within the EU. These principles, set out in Annex I, should be respected in the management of any cross-border financial crisis with potential systemic implications. They constitute a consistent and sound basis for responding to any financial crisis situations in the EU, specifying the overarching considerations for cross-border cooperation, taking into account that quick actions may be needed to safeguard financial stability.

INVITES, in order to enhance procedures for co-operation and preparedness of authorities in the EU, the Economic and Financial Committee to prepare for spring 2008, an extended Memorandum of Understanding (MoU) that will build on the EU MoU signed in 2005 between Heads of Competent Banking Supervisory Authorities, Central Banks Governors and Finance Ministers in the EU. The new MoU will include:

- the common principles;
- a common analytical framework for the assessment of systemic implications of a potential crisis to ensure the use of common terminology in assessing the systemic implications of a cross-border financial crisis by all relevant authorities; and to enhance the availability of timely assessments among authorities that will facilitate the decision-making in a crisis situation. The EU Central Banks, Supervisory Authorities and Finance Ministries are INVITED to use this framework by the end of 2008; and
- common practical guidelines for crisis management to reflect a common understanding of the steps and procedures that need to be taken in a cross-border crisis situation.

ENCOURAGES authorities in different Member States that share financial stability concerns to start developing, as soon as possible, voluntary cooperation agreements consistent with the extended EU wide MoU and building on cross-border supervisory arrangements for crisis prevention. These agreements would focus on the principles and procedures in detail - taking into account particular needs of crisis management in a specific cross-border context. To facilitate the conclusion of these agreements, the Council INVITES the Economic and Financial Committee to develop concrete examples by spring 2008.

WELCOMES the progress made by the EU Member States with their national arrangements for financial stability, in particular that *Domestic Standing Groups* have been put in place in most EU Member States. These groups bring together competent Supervisory Authorities, the National Central Banks and the representatives from relevant Ministries within a Member State for stability and crisis management purposes to enhance preparedness of authorities through the exchange of information, development of tools and also by conducting crisis simulation exercises. The Council INVITES all Member States to develop such Domestic Standing Groups.

RECOGNISES the need to facilitate cooperation and information exchange among authorities; and the need to enhance the availability of the tools that are necessary to preserve financial stability in Member States and to ensure their functioning across-border between relevant parties. To this end, the Commission is INVITED, in close co-operation with Member States, to examine possible enhancements, and where necessary propose regulatory changes as follows to:

- clarify the nature and extent of the legal obligations for Supervisory Authorities Central Banks and Finance Ministries to exchange information and to cooperate and in this context: increase information rights and *involvement of host countries*; clarify the role of *consolidating supervisors* and facilitate the timely involvement of relevant parties in a crisis situation; and

consider including in the *mandates of national supervisors*, a task to cooperate within the EU and to take into account the financial stability concerns in all Member States;

- analyse the feasibility of reducing barriers to cross-border transfer of assets while defining appropriate safeguards for entities transferring the assets; and analyse the feasibility of revising rules for the winding-up of banking groups to include joint *insolvency proceedings* for cross-border groups while providing sufficient safeguards to all stakeholders of the group or its part being reorganised or wound-up; and
- improve interoperability of *Deposit Guarantee Schemes (DGS)*, by removing the inconveniences in the current arrangements, and clarify the practical implications of DGS to absorb and share any financial burdens.

INVITES the Commission, without prejudice to its assessment on a case by case basis and respecting Commission competences, working together with Member States, to endeavour to clarify when a major banking crisis could be considered by the Commission such as to provoke a 'serious disturbance of the economy' within the meaning of Article 87(3)(b) of the EC Treaty and state aid rules; and INVITES the Commission to consider streamlining procedures focusing on how state aid enquiries under such critical circumstances can be treated rapidly.

INVITES the Economic and Financial Committee and the Financial Services Committee to monitor and report regularly to EU Finance Ministers on the progress in all the above areas, as reflected in a strategic roadmap presented in annex 2. The EFC will test all the elements to be introduced in an EU wide crisis simulation exercise in spring 2009 and report to ECOFIN Ministers on its conclusions in autumn 2009.

LOOKS FORWARD to the enhancement of the Lamfalussy framework in the context of its forthcoming review in December 2007, on the basis of the reports by the Inter-Institutional Monitoring Committee, the Commission and the Financial Services Committee, including on financial supervision in the EU. In this context, the above conclusions will be taken into account so as to ensure coherence between the arrangements for crisis prevention and crisis management.

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## **Annex I: Common Principles for cross-border financial crisis management**

Member States agree on a set of common principles to be followed in the management of any cross-border financial crisis, which involves at least one banking group which (i) has substantial cross-border activities and (ii) is facing severe problems which are expected to trigger systemic effects in at least one Member



State; and (iii) is assessed to be at risk of becoming insolvent. The common principles are the following:

1. The objective of crisis management is to protect the stability of the financial system in all countries involved and in the EU as a whole and to minimise potential harmful economic impacts at the lowest overall collective cost. The objective is not to prevent bank failures.
2. In a crisis situation, primacy will always be given to private sector solutions which as far as possible will build on the financial situation of a banking group as a whole. The management of an ailing institution will be held accountable, shareholders will not be bailed out and creditors and uninsured depositors should expect to face losses.
3. The use of public money to resolve a crisis can never be taken for granted and will only be considered to remedy a serious disturbance in the economy and when overall social benefits are assessed to exceed the cost of recapitalisation at public expense. The circumstances and the timing of a possible public intervention can not be set in advance. Strict and uniform conditions shall be applied to any use of public money.
4. Managing a cross-border crisis is a matter of common interest for all Member States affected. Where a bank group has significant cross-border activities in different Member States, authorities in these countries will carefully cooperate and prepare in normal times as much as possible for sharing a potential fiscal burden. If public resources are involved, direct budgetary net costs are shared among affected Member States on the basis of equitable and balanced criteria, which take into account the economic impact of the crisis in the countries affected and the framework of home and host countries' supervisory powers.
5. Arrangements and tools for cross-border crisis management will be designed flexibly to allow for adapting to the specific features of a crisis, individual institutions, balance sheet items and markets. Cross-border arrangements will build on effective national arrangements and cooperation between authorities of different countries. Competent authorities in the Member States affected by a crisis should be in a position to promptly assess the systemic nature of the crisis and its cross-border implications based on common terminology and a common analytical framework.
6. Arrangements for crisis management and crisis resolution will be consistent with the arrangements for supervision and crisis prevention. This consistency particularly refers to the division of responsibilities between authorities and the coordinating role of home country supervisory authorities.

7. Full participation in management and resolution of a crisis will be ensured at an early stage for those Member States that may be affected through individual institutions or infrastructures, taking into account that quick actions may be needed to solve the crisis.
8. Policy actions in the context of crisis management will preserve a level playing field. Especially, any public intervention must comply with EU competition and state-aid rules.
9. The global dimension will be taken into account in financial stability arrangements whenever necessary. Authorities from third countries will be involved where appropriate.

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## **Annex II: Strategic Roadmap for strengthening EU arrangements for financial stability**

### **1. Procedures and principles to enhance co-operation and preparedness**

- October 2007: adoption by EU Finance Ministers and Central Banks Governors of common principles for cross-border crisis management with the objective to have the common basis for financial crisis management between relevant authorities in the EU.
- End 2007: Member States to decide whether to include an EU-dimension in the national mandates of supervisory authorities, i.e. a requirement to cooperate and to take into account financial stability concerns in all Member States (to be recalled in the context of the 'Lamfalussy' review).
- Member States are encouraged to develop and sign specific 'voluntary co-operation agreements' between authorities in different Member States as soon as possible; and the Economic and Financial Committee will provide examples of such agreements by the spring 2008.
- Spring 2008: EU Supervisory Authorities, Finance Ministries and Central Banks to sign an extended EU wide MoU, which will be built on the 2005 MoU and will include common principles on crisis management including on the sharing of fiscal burden; and a common analytical framework. An annex will include practical guidelines for crisis management.
- End of 2008: authorities in Member States will use the common analytical framework for assessing a cross-border financial crisis.
- 2007-2009: the Commission to propose ways to clarify cooperation obligations including possible amendments to EU-banking legislation, espe-

cially to: clarify the existing obligations for Supervisory Authorities, Central Banks and Finance Ministers to exchange information and to cooperate in a crisis situation; increase the information rights and involvement of host countries; clarify the role of the consolidating supervisors and facilitate the timely involvement of relevant parties in a crisis situation; and examine whether, to this end, legislative changes are necessary, including to reinforce the legal requirements for supervisory collaboration and information sharing. Progress report by the Commission to the EFC by the end of 2007. Commission proposal end 2008; and adoption by EP/Council by the end of 2009.

- 2009: the Economic and Financial Committee to conduct an EU wide crisis simulation exercise in spring 2009 to test the proposed arrangements and to report to ECOFIN Ministers on its conclusions in autumn 2009.

## **2. Review the tools for crisis prevention, management and resolution**

- 2008: the Financial Services Committee and the Commission to identify specific obstacles to use of the tools in cross-border situations and propose changes, to ensure the availability of relevant tools at the national level and the functionality of tools for crisis management and resolution taking into account the cross-border dimension.
- 2008: the Commission and Member States shall work towards clarifying when a banking crisis could be considered by the Commission as “*a serious disturbance for the economy*” (under the Treaty and State aid rules) and the Commission to consider streamlining procedures focusing on how State aid enquiries under critical circumstances can be treated rapidly.
- 2007-2009: the Commission to assess the possible extension of the scope of the present EU-Directive on winding up of credit institutions to include insolvent subsidiaries with the objective to increase the efficiency, the optimal reorganisation and winding up of cross border banking groups taking due consideration of the interests of all stakeholders concerned. The Commission to launch a public consultation October 2007; legal study of obstacles mid 2008; and release a Commission Green Paper by end 2008.
- 2007-2009: work started in spring 2007 to be continued by the Commission with the objective to clarify EU Deposit Guarantee Schemes Directive, especially: practical agreement and clarification of the scope of the Directive and tasks of DGS, 'topping-up', information exchange between schemes, reducing pay-out delays and improving depositor information. Deposit Guarantee Schemes and relevant authorities in Member States will be involved. Final results are expected by March 2009.

- 2007-2009: alongside the review of the winding up Directive followed by Commission proposal mid-2009, the Commission to perform a feasibility study on reducing barriers for cross-border asset transferability while introducing appropriate safeguards within banking, insolvency and company law, taking into account that the reallocation of assets in a crisis affects the ability of stakeholders in different legal entities to pursue claims. The overall objective is to reinforce the primacy of private solutions, avoid counter-productive ring-fencing of assets, and facilitate a smooth management of a crisis."