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## Referat af rådsmødet (ECOFIN) den 7. oktober 2008

### **Dagsordenspunkt 1: Forberedelse af Det Europæiske Råd den 15.-16. oktober 2008**

ECOFIN drøftede den aktuelle situation på de finansielle markeder og nåede til enighed om konklusioner herom (*jf. vedlagte bilag*). Konklusionerne indeholder bl.a. fælles retningslinier i EU for eventuelle statslige interventioner på de finansielle markeder som reaktion på den finansielle uro.

ECOFIN drøftede – som led i forberedelserne af Det Europæiske Råd 15.-16. oktober 2008 – den økonomiske og finansielle situation og nåede til enighed om rådskonklusioner herom, herunder om de første ti år med Den Økonomiske og Monetære Union (ØMU'en) og om aflønning af topledere (*jf. vedlagte bilag*).

ECOFIN drøftede endvidere formandskabets rapport vedr. udviklingen i olie- og råvarepriser. Rapporten sendes på formandskabets vegne til Det Europæiske Råd.

### **Dagsordenspunkt 2a: Solvens II**

ECOFIN havde en udveksling af synspunkter om Kommissionens Solvens II-direktivforslag. Direktivforslaget, som bl.a. skal sikre at de europæiske forsikringsinstitutters kapitalkrav bedre afspejler de risici de er eksponeret over for, ventes drøftet igen på et senere rådsmøde.

### **Dagsordenspunkt 3a: Bekæmpelse af momssvig**

ECOFIN drøftede Kommissionens forslag til ændring af Momsdirektivet og Forordningen om det administrative momssamarbejde mhp. bekæmpelse af momssvig ved handel inden for fælleskabet. ECOFIN ventes at vende tilbage til sagen på et senere rådsmøde.

ECOFIN nåede endvidere til enighed om rådskonklusioner vedr. retningslinjer for samarbejdet mellem medlemslandene om hurtig udveksling af informationer mhp. bekæmpelse af momssvig, det såkaldte EUROFISC-samarbejde (*jf. vedlagte bilag*).

### **Dagsordenspunkt 3b: Nedsat moms**

ECOFIN havde – som opfølgning på det uformelle ECOFIN i september – en udveksling af synspunkter om de økonomiske og budgetmæssige konsekvenser af anvendelsen af nedsatte momssatser i medlemslandene. Kommissionen har fremsat et direktivforslag vedr. anvendelsen af nedsatte momssatser, og ECOFIN vil muligvis drøfte dette forslag på mødet i november.

**Diverse**

I margin af ECOFIN mødtes ministrene med middelhavslandenes finansministre til det såkaldte Euromed-møde. På mødet drøftedes bl.a. de fælles udfordringer for de to regioner, og ministrene drøftede EIB's lånefacilitet for investeringer og partnerskab mellem EU og Middelhavsområdet (FEMIP). I margin af ECOFIN orienterede formanden for eurogruppen endvidere ministrene om gruppens møde den 6. oktober 2008.

## Bilag

### **Rådskonklusioner vedr. den aktuelle finansielle situation**

"In the current troubled situation in the financial sector, and building on our Heads of State and Governments' declaration of 6 October, we agree that the priority is to restore confidence and proper functioning of the financial sector.

We have agreed to support systemic financial institutions. We all commit to take all necessary measures to enhance the soundness and stability of our banking system and to protect the deposits of individual savers. EU authorities and Member States will remain in daily contact through the EFC in order to share information and ensure a comprehensive and coordinated response to the current situation and our continued effort to work on our common principles, ahead of the European Council.

We welcome the actions taken by the ECB and the national central banks since the beginning of the turmoil. The liquidity of the financial system shall be ensured by all authorities in order to preserve confidence and stability.

We reaffirm our call on financial institutions in Europe to achieve full transparency and we will closely monitor the progress achieved in this regard.

We agree to coordinate closely in our actions and to take into consideration potential cross-border effects of national decisions. We agree that public intervention has to be decided at national level in a coordinated framework.

To protect the depositors' interests and the stability of the system, we stress the appropriateness of an approach including, among other means, recapitalisation of vulnerable systemically relevant financial institutions. We are prepared to act accordingly in this context.

We agree on EU common principles so as to guide our action:

- interventions should be timely and the support should in principle be temporary;
- we will be watchful regarding the interests of taxpayers;
- existing shareholders should bear the due consequences of the intervention;
- the government should be in a position to bring about a change of management;
- the management should not retain undue benefits – governments may have inter alia the power to intervene in remuneration;

- legitimate interest of competitors must be protected, in particular through the state aids rules;
- negative spillover effects should be avoided.

We will ensure rapid cooperation within the EU, with reference to the Memorandum of Understanding, in particular as regards cross-border financial institutions.

We underline the necessity of avoiding any distortion of treatment between US and European banks due to differences in accounting rules. We take note of the flexibility in the application of mark to market valuation under IFRS as outlined in recent guidance from the IASB. Ecofin strongly recommends that supervisors and auditors in the EU apply this new guidance immediately. We also consider that the issue of asset reclassification must be resolved quickly. To this end, we urge the IASB and the FASB to work together on this issue and welcome the readiness of the Commission to bring forward appropriate measures as soon as possible. We expect this issue to be solved by the end of the month, with the objective to implement as of the third quarter, in accordance with the relevant procedures.

We welcome the Commission's continued commitment to act quickly and apply flexibility in state aid decisions, within the framework of the single market and state aid regime. The Council welcomes the Commission's commitment to shortly issue guidance setting out the broad framework within which the state aid compatibility of recapitalisation and guarantee schemes, and cases of application of such schemes, could be rapidly assessed.

The application of the Stability and Growth Pact should also reflect the current exceptional circumstances, in accordance with the provisions of the Pact.

Several Member States have recently increased the level of coverage of national deposit guarantee schemes. We agreed that all Member States would, for an initial period of at least one year, provide deposit guarantee protection for individuals for an amount of at least EUR 50 000, acknowledging that many Member States determine to raise their minimum to EUR 100 000. We welcome the intention of the Commission to bring forward urgently an appropriate proposal to promote convergence of deposit guarantee schemes.

This short term strategy is fully consistent with the framework established by the Ecofin since October 2007, which aims at fostering transparency and responsibility within the financial sector, in coordination with our partners, notably within the FSF."

## **Rådskonklusioner vedr. den økonomiske situation**

"During the last quarters, the EU economy has been hit by several major shocks, including financial market turmoil and the rise in commodity prices, which imply a transfer of wealth to producing countries, even if the recent weeks have shown some improvement on the latter front.

The economic slowdown in the EU during the second quarter of 2008 has been more abrupt than envisaged a few months ago. At the same time, as a result of the rise in energy and food prices, inflation has been unusually high.

Even if European economies are better equipped to face this slowdown than in the past, thanks to the reforms carried out in recent years, near term outlook for growth remains relatively weak, whereas the recent decrease in oil and food prices, which had largely contributed to feeding inflation, and the economic slowdown, should contribute to alleviate inflationary pressures in the next few months.

To a large extent Member States are facing common shocks. The economic situation calls for a coordinated response at the EU level, based on a common understanding of the problems at hand, with some common features and also national specificities – taking into account the fact that there is some variation in initial situations as well as in the manner the shocks are transmitting across Member States' economies.

A strategy for EU member States could build on the following elements:

- (a) At the macroeconomic and structural level, ensure domestic policies are in place to support growth in a sustainable manner

European macroeconomic policies need to respond in an appropriate and consistent way to the shocks stemming from the global economy. These shocks are to a large extent faced by all Member States, even though the precise effect on the economies may differ across economies – notably in view of the importance of the financial shock and housing market evolutions – and across groups – measures have often been taken to support the most vulnerable.

At the current juncture, designing policies which help curb the inflation, thereby improving purchasing power of people, fostering sustainable growth and help restoring an environment supportive to monetary policy, is key.

Ministers are fully committed to implement policies that are in line with this objective:

- structural reforms should be pursued vigorously since they can strengthen the resilience and adjustment capacity of the economy and, by increasing growth potential, allow the economy to fully benefit from the future upswing while helping absorb the shocks in the short run through increased flexibility. In particular, reforms such as enhanced competition in product and service markets – notably in retail services – should help reduce inflationary pressures, thereby supporting the purchasing power. Al-

so, improved labour market flexibility and mobility can contribute to a quicker adjustment of the economy. Member States should set out ambitious National reform programmes this autumn and firmly implement them.

- wages should be supportive of employment and competitiveness. Dialogue with social partners will be pursued by Ministers this autumn.
- fiscal prudence is necessary to support confidence notably in view of the ageing of the population and to ensure a good mix between fiscal and monetary policy. The 2005 reformed Stability and growth Pact is the adequate framework and should be fully applied. It contains flexibility to allow for fiscal policy to play its normal stabilisation function. In particular, relatively large European automatic stabilisers can help cushion the slowdown, while respecting the 3 % of GDP deficit threshold. In countries facing more severe slowdown and where room for manoeuvre exists, temporary and targeted measures may be taken, notably towards those most affected by the current economic situation. They would also have to take into account the specific challenges of the country concerned, i.e. the need to recover competitiveness.

More broadly, the Council agrees that during the last ten years, the Economic and Monetary Union (EMU) has contributed to macroeconomic stability and that now more than ever, it is proving to be a major asset. Europe is not insulated from developments in the global economy but, also thanks to the reform process, it is better equipped to cope with the current shocks than in the past. Nevertheless, within the existing framework, there is potential to reap further benefits from EMU and to improve the performance of EU Member States.

- In order to ensure a prudent fiscal stance throughout the cycle, recent experience suggests that work is needed to better take into account the effects of economic cycles, and of the related cycles in asset prices, on tax revenues.
- Also, coordination should be broadened to macroeconomic developments beyond fiscal policy. In particular, in light of the recent experience, which shows the importance to avoid building up imbalances, the Council agrees that competitiveness developments should be better monitored, notably within the euro area and for ERM II countries.
- Finally, structural reforms are key to all Member States. Recommendations made in this respect should be prioritized to fully take into account the economic situation. As structural reforms have an added value for the euro area as a whole, Ministers from the euro area also agree to devote specific attention to euro area recommendations.

(b) Restore confidence on financial markets and avoid excessive tightening of credit toward SMEs in the EU

The financial turmoil is a key component of the current global economic slowdown. The key response in the short term remains restoring confidence in the financial system through a full implementation of the Ecofin roadmap. In this respect, financial institutions are continuously making efforts to improve disclosure of their exposure to risks; but those efforts still need to be properly assessed by banking supervisors within CEBS. By the end of the year, we also expect proposals for a revision of the prudential framework for securitisation under the CRD, which will help to restore confidence in this activity.

On asset valuation, revised standards are urgently awaited from the International Accounting Standards Board; otherwise, persistent concern about the accounting treatment of assets will continue to undermine investor confidence.

In the current macroeconomic and financial market situation, it is also important to monitor and remedy potential procyclical effects. In prudential matters, Basel II remains a relevant framework to improve risk management. In implementing the new framework, banking supervisors will monitor the potential procyclical effects of the new regulation and assess whether remedial measures are needed.

Also, in order to improve the accessibility and availability of finance for SMEs, the EIB group will adopt a series of reforms to strengthen its SME finance products as well as offer a substantial development of its global loans to its banking partners, both in quantitative and qualitative terms, ensuring that the benefit reaches the SMEs, thereby also contributing to the "Small Business Act" initiative.

The EIB is proposing to raise its level of lending to SMEs to up to EUR 15 billion (+50 %) in 2008/2009, including with a new product line allowing risk sharing with banks.

The Council asks the working group set up by the European Investment Bank and the Commission, while also consulting with European institutional investors, to report back by the December Ecofin on proposals for a further coordinated response with a specific focus on energy programmes and infrastructures.

(c) On the external front, contribute to a more favourable environment

Excessive volatility on exchange rate markets is undesirable for economic growth. The recent re-appreciation of the US dollar vis-à-vis the euro and other European currencies is welcome.

In some emerging economies with large and growing current account surpluses, it is crucial that exchange rate moves so that necessary adjustment will occur. These developments must be seen in their multilateral context. The EU will continue to monitor them closely, including through the consultation with China planned by euro area authorities.

In response to the current global crisis in the financial sector, Europe should continue to act proactively in international fora, notably at the FSF and the IMF. Also, Ministers agree to increase the political impetus to the economic and financial dimension of the Union's relations with European Union partners, notably at the occasion of bilateral Summits."



## **Rådskonklusioner vedr. aflønning af topledere**

"In light of the high growth rates of executive pay in recent years, a public discussion has started in a number of countries on the level and structure as well as on transparency of managers' compensation. From an economic viewpoint, the key questions are whether executive pay is appropriately linked to performance and whether shareholders have adequate control over remuneration.

The Council exchanged views and experiences on this topic.

Pay determination is the company's shareholders' and social partners' responsibility in a market-led environment. However, national authorities have a role to play in helping to define an appropriate regulatory framework and in encouraging good practices and voluntary self regulation, for example through principles of good governance, transparency and disclosure rules, and control rights by shareholders.

The Council agrees that in view of the developments regarding executive pay in the last years, the effectiveness of some existing provisions warrant further examination and possibly policy at the national level, taking into account the different regulatory frameworks in Member States. The Commission's 2004 Recommendation is appropriate, but a review of the practices and an update could be necessary.

The Council agrees on the following objectives:

- The governance framework should be conducive to an effective control by shareholders and the governing bodies of the company, including on remuneration policy. In line with the Commission's 2004 Recommendation, which recommends measures such as publishing remuneration policy and devoting an item of the agenda of the annual general meeting, in order to involve shareholders and the governing bodies of the company in the decisions, the Council underlines that this is an area where improvement would be desirable and that they are ready if needed to undertake appropriate action.
- Performance should be properly and comprehensibly reflected in executives' pay, including leaving pay ("golden parachute"), which should be appropriately linked to the contribution of the executive to the company's success.
- Performance criteria should provide the right incentives. As recommended by the FSF with respect to the financial industry, compensation models should be aligned with long-term, firm-wide profitability, and national authorities should work towards mitigating the risks arising from an incentive structure focussing on short-term profits. That issue will require further attention in the coming period, notably by taking into account the work undertaken by the FSF.

- Care should be taken to prevent potential conflicts of interest for executives conducting mergers and acquisitions, for example whilst they hold shares or stock-options of the offered company.

The Council welcomes the Commission's intention to continue reviewing companies' practices and the implementation of the 2004 Recommendation in Member States, taking into account these policy objectives. The Council agrees that a review of policies related to executive pay in the ECOFIN will be useful and will contribute providing orientations to members on the basis of best practices."

## **Rådskonklusioner vedr. finansiel stabilitet og europæisk tilsyn**

"The Council DISCUSSED the economic situation, recent developments in financial markets as well as policy responses.

RECOGNISING that the EU and euro area economies are likely to experience slow growth in 2008 and 2009, reflecting in particular stronger effects of the US market correction on the global economy, higher commodity prices (albeit partially reversed in more recent weeks) and tighter credit standards; and

TAKING ACCOUNT OF the current extraordinary stress in global financial markets and the potential impact of the economic situation;

The Council AGREED on the need to continue pursuing a coordinated response at the European level, within the scope of Member States' respective responsibilities, coupled with Member States' flexibility to adjust their response to their individual situation, and to continue to implement sound structural reforms at the national level to strengthen resilience to future shocks.

Since the early stages of the current turmoil, public authorities developed policy responses in view of restoring confidence and safeguard financial stability. The Council has discussed progress with the implementation of the October 2007 roadmap.

In this context, the Council reached the following conclusions.

### The Council

- WELCOMES the work of the Committee of European Banking Supervisors' (CEBS) on transparency and the efforts of most banks in following CEBS' guidelines on good reporting practices. The Council INVITES all banks to make further progress concerning transparency on risks valuation and management methodologies;
- RECALLS the urgency to enhance banks' practices for the evaluation of exposures AND URGES supervisors and accounting standards-setters to ensure that the financial reporting framework functions properly with clear guidelines on valuation that can be applied consistently across institutions;
- WELCOMES the Commission proposals for amendments to the Capital Requirement Directive (CRD), covering areas such as risk management, a possible supervisory framework for cross-border groups, crisis management and enhanced requirements for securitisation in view of further strengthening the existing prudential framework and risk management in the financial sector, as well as the Commission's proposals for amendments to ensure that the risks associated with the "originate-and-distribute model" (ODM) are properly mitigated. While

RECOGNISING the numerous benefits the "originate and distribute model" has delivered in recent years, it has also introduced complexity and opacity, thus raising a number of concerns in respect of potential conflicts of interest and proper incentives to assess the securities traded. In this context, the Council LOOKS FORWARD to the Commission proposals in respect of credit rating agencies in follow-up to the Council conclusions of July 2008;

- STRESSES the need to continue to closely monitor the economic and financial developments; CALLS for full and timely implementation of the roadmap on follow-up actions to the ongoing financial turmoil and for coordination with initiatives being considered being considered in international fora, in particular the Financial Stability Forum, the International Monetary Fund and the international standards setting bodies;
- RECALLS that in the current situation it is important to monitor and remedy potential pro-cyclical effects. In prudential matters, Basel II and the CRD remain the relevant frameworks to improve risk management. In implementing the new framework, banking supervisors will monitor the potential pro-cyclical effects of the new regulation and assess whether remedial measures are needed. Consistent with the FSF and Basel committee work, the Council AGREES to set up a European working group that will assess more broadly the range of policy responses that might help to mitigate undue potential pro-cyclical effects of the financial system;
- STRESSES the need to ensure the functioning of the cross-border stability arrangements as envisaged in the Memorandum of Understanding on financial stability agreed in June 2008 between Ministers, Central banks and the financial supervisors in the EU.

The Council remains fully committed to enhancing the effectiveness of supervision of the financial sector in Europe: this requires more convergence and harmonisation in the implementation of rules and a strengthening of supervision of cross border groups.

In respect of the convergence of supervisory practices, the COUNCIL

- AGREES to make EU-wide common reporting formats for a single set of data requirements and reporting dates, which is much needed both to ensure an efficient and convergent supervision and to reduce administrative burden for groups, operational by 2012. At this date, there should indeed be a common set of reporting formats and no extra time should be allowed;
- LOOKS FORWARD to the revision of the Commission's Decisions, in follow-up to the Council conclusions of 14 May 2008, and STRESSES the need to assign specific tasks to the committees of supervisors by the end of the year, such as, for example, mediation, providing non-legally

binding recommendations and guidelines and training and staff exchange. These tasks should be reflected appropriately in the revised Decisions;

- WELCOMES the agreement reached by supervisory authorities in the three committees of supervisors to include qualified majority decision-making in their charters, together with a "comply or explain" procedures, which will encourage supervisors to comply with the committees' recommendations as far as possible, and STRESSES the need to monitor the implementation of these new procedures; and,
- RECALLS the agreement of the 14 May 2008 Council conclusions that Member States ensure, at the latest by mid-2009, that the mandates of national supervisors allow them to take the EU dimension into account in exercising their duties. The Council INVITES the FSC to report in December on the way each Member State will fulfil its commitment.

Regarding supervision of financial groups, the Council EMPHASIZES the need for a more efficient system of European supervision of cross border groups."

## Rådskonklusioner vedr. EUROFISC

- "1. In its communication of 23 November 2007 (COM(2007) 758 final), the Commission presented a whole range of practical and realistic ideas that would contribute to improving the fight against VAT fraud, and called on the Council to provide the necessary political guidance for further work by the expert group on Anti Tax Fraud Strategy.

In section 3.2 of its communication, the Commission recognised that obtaining very rapidly the information gathered in other Member States on certain fraudulent transactions or fraudulent traders was a major tool for Member States. It referred to the mechanism developed by the Belgian tax administration in which several Member States participate with satisfaction. It indicated that it was open to consideration of an informal structure, composed of officials from national tax administrations, to facilitate the exchange of information between national tax authorities.

2. At its meeting on 4 December 2007, the Council took note of the Commission's communication and invited it to continue its work to improve the management of the European Union's VAT system by the Member States.

In this spirit, the expert group on Anti Tax Fraud Strategy considered a project to establish a system called Eurofisc, which aims to improve administrative cooperation between the Member States.

3. In parallel, in its oral presentation to the Ecofin Council on 14 May 2008 the Commission stated that it intended to present a proposal in November 2008 for the recasting of Regulation (EC) No 1798/2003 of 7 October 2003 on administrative cooperation in the field of VAT, including provisions to enable Eurofisc to function properly. The Commission has made an initial legal analysis of the amendments to be made.

4. At its meeting on 22 July 2008, the Council Working Party on Tax Questions examined the Presidency working document on the Eurofisc project (11714/08 FISC 91). That document lists the possible amendments to be made to the Regulation on administrative cooperation. The following guidelines for Eurofisc were established:

- Eurofisc would be a decentralised network for the exchange of information on VAT fraud between the Member States, with each of its tasks being coordinated;
- Eurofisc would observe four general principles: the freedom for each Member State to participate in any of the network's tasks; active participation in the exchange of information; the confidentiality of the information exchanged; no additional burden on operators;

- Eurofisc would not have legal personality. Its functioning would be organised by agreement of the participating Member States, with the support of the Commission. Its tasks would be carried out by liaison officials who were experts in tax fraud. Their work would be led by coordinators who they would designate amongst themselves. Eurofisc's activity would be regularly evaluated by the Member States;
  - Eurofisc's tasks would be initially to provide a multilateral early warning mechanism for combating VAT fraud, and to coordinate the exchange of information and the work of participating Member States in acting on warnings received.
5. Some delegations felt that officials in the Eurofisc network should be able to initiate, accept or coordinate targeted multilateral checks. In the longer term some delegations also wanted Eurofisc to develop a joint risk analysis capacity for those Member States which were prepared to allow access to their databases (the VIES system).
6. Therefore, the Council:
- APPROVES Eurofisc's guidelines;
  - NOTES the Commission's intention to present a proposal in the autumn of 2008 on the recasting of Regulation (EC) No 1798/2003 of 7 October 2003, and INVITES the Commission to include in that proposal provisions to allow Eurofisc to be established in the near future in accordance with those guidelines, while respecting the instruments of administrative cooperation mentioned in the Regulation;
  - NOTES the willingness of the Commission to examine the possibility of Member States entrusting additional tasks to Eurofisc."