



Mailing list Supervision/Accounting/Money Laundering

Brussels, 21 December 2017

JP

Package of measures of the European Commission on the deepening of the Economic and Monetary Union

Dear Sir or Madam,

On 6 December 2017, the European Commission proposed its package of measures on the deepening of the Economic and Monetary Union (EMU). Key proposals include the establishment of a European Monetary Fund (EMF), a European Minister of Economy and Finance and budgetary instruments for a stable euro area. Concerning these points in detail:

European Monetary Fund

In response to the economic and financial crisis which started in 2007, the European Stability Mechanism (ESM) was established on an intergovernmental basis in order to be able to support Member States in financial difficulties. In presenting its current legislative proposal, the Commission proposes transposing the European Stability Mechanism, as European Monetary Fund (EMF), into the Union legal framework. Accordingly, the EMF should be established, pursuant to Union law, as a Union body with legal personality. The proposal for a Regulation provides that the EMF shall be accountable to the European Parliament and to the Council for the execution of its tasks.

The European Commission recognises the contribution made by the ESM to preserving the financial stability of the euro area in recent years. According to the Commission, the transformation of the ESM into a European Monetary Fund would further strengthen its institutional anchoring. This transformation would help to create new synergies within the EU framework, notably in terms of transparency, efficiency of the EU's financial resources and judicial review, and thus offer a better support to Member States

The European Monetary Fund should provide stability support to Member States of the European Union whose currency is the euro where it is indispensable to safeguard the financial stability of the euro area or its Member States.

If the co-legislators agree to the proposal of the European Commission, the Regulation would enter into force on the day of its publication in the Official Journal of the European Union and would be binding in its entirety and directly applicable in all Member States of the European Union.

European Minister of Economy and Finance

In a communication, the European Commission also proposes the possible functions of a European Minister of Economy and Finance. The Commission considers that this Minister should serve simultaneously as Commissioner for financial and economic affairs and Vice-President of the Commission, as well as chair the Eurogroup. In its communication, the European Commission wishes to develop a practical way forward for the creation of such a post. The envisaged "double-hatting" – member of the Commission and President of the Eurogroup – would already be possible within the current Treaties.

The Commission points out that – unlike in the case of monetary policy – the powers and responsibilities relating to economic policy have not yet been combined at European level. Through the introduction of the position of a European Minister of Economy and Finance, synergies could accordingly be created and representation in international bodies, such as the International Monetary Fund, improved.

In concrete terms, the European Minister of Economy and Finance could help in the identification and pursuit of an adequate fiscal policy for the euro area as a whole. As a member of the Commission, the Minister would coordinate the surveillance of Member States' fiscal policies, ensuring fiscal sustainability and applying the Stability and Growth Pact with the economic reading that the rules foresee. Part of this task would also be to assess the appropriateness of the fiscal stance of the euro area, thereby contributing to finding a balance between the fiscal interests of the Member States and the best solution for the euro area as a whole.

According to the European Commission, the new European Minister of Economy and Finance could start work in autumn 2019.

Budgetary instruments for a stable euro area

In his 2017 State of the Union address and accompanying Letter of Intent, Commission President Jean-Claude Juncker announced the Commission's intention to make concrete proposals for the creation of a dedicated euro area budget line within the EU budget, providing for the following functions:

1. structural reform assistance, building on the Commission's Structural Reform Support Programme;
2. a stabilisation function;
3. a backstop for the Banking Union; and
4. a convergence instrument to give pre-accession assistance to Member States on their way to joining the euro.

The European Commission places particular emphasis in its now published communication on the creation of a backstop for the Banking Union. This is contained in the proposal to establish a European Monetary Fund. Accordingly, the future European Monetary Fund is to make available a credit line or guarantees to be assigned directly to the Single Resolution Fund. The Commission proposes to ensure a swift agreement (by mid-2018) and operationalisation (by 2019) of a backstop function to the Single Resolution Fund.

Please find enclosed the individual proposals of the European Commission on the deepening of the Economic and Monetary Union (EMU). We should appreciate it if you send any observations or comments you may have to the European Office. If you have any questions, please contact us at any time.

Yours sincerely,



Christian König
Managing Director
European Federation of Building Societies

Enclosures:

- Proposal for a COUNCIL REGULATION on the establishment of the European Monetary Fund
- COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL AND THE EUROPEAN CENTRAL BANK – NEW BUDGETARY INSTRUMENTS FOR A STABLE EURO AREA WITHIN THE UNION FRAMEWORK
- COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL AND THE EUROPEAN CENTRAL BANK – A EUROPEAN MINISTER OF ECONOMY AND FINANCE