



**COUNCIL OF
THE EUROPEAN UNION**

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COVER NOTE

from: General Secretariat of the Council
to: COREPER/COUNCIL

Subject: Draft Council Conclusions on financial exit

Delegations will find attached draft Council Conclusions on financial exit, as prepared by the Economic and Financial Committee.

Encl.:

Draft Council Conclusions on financial exit

The Council AGREED in December on the main principles for exit strategies from government financial support schemes and, namely, that phasing out should be coordinated among Member States, taking into account country's specificities, since the crisis has affected Member States and their financial sector differently.

The Council also AGREED that the timing of exit should take into account a range of elements, including macro-economic and financial sector stability, the functioning of credit channels, a systemic risk assessment and the natural phasing out by banks, and that the phasing out should start with government guarantees.

The Council INVITED the EFC, with the cooperation of the Commission, CEBS and the ECB, to closely monitor the developments and further discuss possible ways forward and to report to the Council by February 2010.

The Council WELCOMES the present EFC report. It TAKES NOTE that concrete improvements have been registered in the functioning of financial markets, but also of the signs of fragility which are still present in EU banks and bank lending and that the situation is far from normal. The Council also TAKES NOTE of the fact that there are still problems in some parts of the banking sector which need to be addressed urgently by adequate restructuring.

Against this background, the Council WELCOMES the efforts of the Commission services, which are in the process of carrying out an analysis of pricing conditions and of the actual use of guarantee schemes and TAKES NOTE of the preliminary evidence provided by this analysis, namely that the use of debt guarantees is declining, although still a considerable amount was issued before the end of 2009. The Council also ACKNOWLEDGES that some Member States have not extended their guarantee scheme and one additional Member State required a roll-over under different conditions.

Finally, the Council INVITES the Commission to continue its work, in cooperation with the ECB, and finalise its assessment on bank debt guarantees, and in particular on the cost of guaranteed and not guaranteed funding and on the evolution of market funding in the EU banking sector. The Council also INVITES the EFC to promptly discuss the results of such assessment, to promote a coordinated phasing out of support measures among Member States, to further analyse how to avoid negative spill-over effects considering specific circumstances in Member States, as well as to monitor the developments in the financial markets and to report to the Council on a regular basis as well as in view of the European Council of June 2010.
