



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 6 July 2010

**11767/1/10
REV 1 (en)**

ECOFIN 432

NOTE

from:	Presidency
date of receipt:	1 July 2010
Subject:	Programme of the Belgian Presidency of the Council of the EU - Economic and Financial Affairs

Delegations will find attached the Programme of the Belgian Presidency of the Council of the EU - Economic and Financial Affairs.

Encl.:

Programme of the Belgian Presidency of the Council of the EU

Economic and Financial Affairs

Introduction

The European Union is now facing important economic, financial and social challenges undermining its growth potential.

In the past few months, major initiatives have already been taken at European level to attenuate the impact of the economic and financial crisis on our economies, to restore the confidence of investors and citizens, and to outline the route to a smart, sustainable and inclusive growth path. The Europe 2020 strategy, complemented by the Monti report on the re-launch of the completion of the internal market, is based on a comprehensive package of flagship initiatives aimed at deepening the competitiveness position of European industries and preparing European economies to the emerging challenges in terms of skills needs, knowledge economy, energy and climate change. The Council under the Belgian Presidency will follow the implementation of the endorsed flagship initiatives and look at future Commission initiatives to revitalize the internal market.

The implementation of the Europe 2020 strategy is however taking place in a macroeconomic context characterized by the difficult situation of the banking and financial sectors as well as low economic growth in the EU, combined with a deterioration of public finances in many Member States. Therefore, additional measures are needed to ensure financial stability and to address the consolidation of public finances.

Regarding financial sector reforms, the Council under the Belgian Presidency will devote specific attention to the establishment of the new supervisory architecture for the EU financial system by the end of this year. It will further examine legislative initiatives aiming at tackling the crisis, such as those related to the regulation of hedge funds and private equity firms, derivatives market, the naked short-selling of CDS and deposit guarantee mechanisms. It will also keep watch over the consistency and cumulative effect of the different reforms which are to be proposed to augment the resilience and stability of the financial institutions. Finally, the Council under the Belgian Presidency will agree with the European Parliament on the priorities, timing and delivery of the Commission's remaining regulatory reform proposals, which are to be released in the coming months.

Regarding the consolidation of public finances, the Council under the Belgian Presidency will ensure that, where necessary, the plans for fiscal consolidation and structural reforms are speeded up. The Council will further make sure that appropriate follow-up is given to the final report of the taskforce chaired by the President of the European Council to strengthen the economic governance of the European Union. As a rule, the Council under the Belgian Presidency will ensure that the implementation of the objectives of the Europe 2020 strategy is consistent with the fiscal consolidation commitments undertaken in the context of the Stability and Growth Pact.

Regarding tax matters, the priorities of the Belgian Presidency will be to continue to work in the field of the fight against tax fraud and to elaborate a more efficient tax system.

In order to fulfil this programme, the Belgian Presidency will build on the important work undertaken by the Spanish presidency in line with the overall programme by the trio (Spain, Belgium, Hungary).

I. Financial sector reforms

Under the Belgian Presidency, the Council will endeavour to reinforce financial integration, establish a new architecture for the supervision of the financial sector, strengthen the stability of the financial system and step up consumer protection. In consultation with the European Commission, the Belgian Presidency will devise a multiannual action plan specifying all the financial service reforms to be undertaken in the European Union, taking account of current projects and progress in the G20.

The establishment of the new supervision structure at European Union level by the end of this year in accordance with the conclusions of the “De Larosière” group will be crucial. At macro-prudential level, the European Systemic Risk Board is to detect and identify systemic risks to financial stability.

At micro-prudential level, the European supervisory authorities which – with the national regulators – constitute the European System of Financial Supervisors are to contribute to the development of a “single rule book” and encourage the convergence of supervisory practices while ensuring the improved application of EU law, better containment of cross-border systemic risks, and a speedier response in crisis situations. On the basis of the discussions in consultation with the Parliament and the Commission, the Presidency will ensure that these new institutions are fully operational by the beginning of 2011.

In order to improve the resilience and stability of the financial institutions in the event of a systemic crisis, it is vital to set capital and liquidity requirements at more adequate levels, in accordance with the guidelines which are to result from international studies, particularly the work of the Basel Committee and the Financial Stability Council.

The Belgian Presidency will keep watch over the consistency and cumulative effect of the various reforms.

The crisis prevention and resolution tools are to be strengthened, particularly in regard to systemic institutions and cross-border problems.

In view of the financial sector’s responsibility regarding the crisis, the Council will seek appropriate contributions from the financial sector to fund the crisis prevention and management arrangements and to protect savers against the failure of financial institutions.

On the basis of the Commission’s proposals, the Council will examine legislative initiatives:

- aimed at promoting the security of the derivatives market, by increasing transparency and reducing counterparty risk, in particular via the clearing of standardised derivatives by a central counterparty;
- adopting appropriate measures in the sphere of short selling and credit default swaps;
- continuing to reform the European legislation on deposit guarantee and investor protection schemes in order to reinforce consumer protection by applying the Ecofin decision to increase the level of the deposit guarantee to 100,000 euro and to augment the effectiveness of the deposit guarantee directive;

- deepening the internal market with initiatives such as the revision of the financial conglomerates directive or the setting of a deadline for migration to the single European payments area (SEPA).

The revision of the “market abuse” directive will also be on the Council’s agenda. In addition, the Belgian Presidency will watch over the continuing negotiations concerning the alternative investment fund managers directive (AIFM directive) aimed at regulating hedge funds and private equity firms in accordance with the commitments given in the G20.

On the basis of the European Commission’s proposal, the Council will entrust the supervision of the rating agencies to the "*European Securities Markets Authority*".

II. Economic and fiscal policy

Stability and Growth Pact

Owing to the current global situation, the short-term priority will be to restore the credibility of the corrective aspects of the Stability and Growth Pact. Since many Member States are currently subject to excessive deficit procedures, it is important to achieve strict compliance with the approved deadlines for making the adjustments. Under the Belgian Presidency, the Council will therefore ensure that, at the appropriate moment, the plans for fiscal consolidation and structural reforms are speeded up in order to guarantee the viability of public finances and ensure stronger, sustainable growth in the European Union.

Special attention will focus on monitoring the establishment of the European financial stabilisation mechanism.

Following the proposals for reinforcing economic policy co-ordination, which include in particular a broader surveillance of fiscal developments in the Member States, the Council will ensure that appropriate follow-up is given to the final report of the taskforce chaired by the President of the European Council to strengthen the economic governance of the European Union, while respecting the principle of the fiscal responsibility of each Member State.

Euro area

The Council will give its formal approval to Estonia’s adoption of the euro from 1 January 2011.

Growth and competitiveness

The Council will have to attend to the restoration of confidence and the increase in intelligent, sustainable and inclusive growth in the European Union in order to meet the challenges of the future. That will require structural reforms and strong policy measures in line with the Europe 2020 Strategy. Fulfilment of that growth potential entails simultaneously addressing the “sticking points”, the “missing links” and the “new frontiers” of the internal market, in line with the recommendations of the Monti report. The Council will ensure that the implementation of the objectives of the Europe 2020 Strategy is consistent with the fiscal consolidation commitments undertaken in the context of the Stability and Growth Pact.

The crisis highlighted the fiscal imbalances and variations in competitiveness between the Member States. That requires an urgent response by the EU to rectify the loss of competitiveness revealed by the balance of payments and current account deficits. Those problems are particularly significant in the case of the Eurogroup countries which have hitherto benefited from their membership of the economic and monetary union but which now face serious adjustment requirements and constraints in terms of structural adjustments and fiscal sustainability.

Innovative finance

During the Belgian Presidency, the Council will examine the various proposals for innovative finance in line with the international agenda and on the basis of the preparatory work done by the European Commission. It will also look at the interactions with other international, European or national initiatives, taking account of the need to maintain a level playing field between the economic agents. The possibility of a “global transaction tax” will also be explored.

III. Taxation

In regard to direct taxation, the discussions on ways of extending and improving the levies on income from savings in the European Union and in relation to third countries will continue.

In addition, under the Belgian Presidency the Council will try to arrive at an agreement with third countries on cooperation and the exchange of information relating to direct taxation, and on the broad approval of the principles of good governance in tax matters.

The three Presidencies undertook to continue supporting the work of the advisory group on the “code of conduct” in the field of corporate taxation, relating to the dismantling of harmful tax measures and the questions included in its work programme, particularly the control of fraud, relations with third countries, transparency and the exchange of information on transfer prices and administrative practices.

In regard to fiscal policy, the Council will provide support for the "citizens first" initiative. For the re-launch of the single market, the aim will be to determine the fields of interest to citizens where non-binding initiatives could be introduced.

Where indirect taxation is concerned, the modernisation of the rules applied to the general system of VAT will be encouraged.

In regard to the VAT system, it will be a matter of continuing the work relating to the treatment of insurance and financial services, and revamping the regulations implementing the directive on the common system.

The VAT treatment of postal services will also be discussed.

The work on the special arrangements for travel agencies, the proposed VAT treatment of vouchers and the standardised minimum rate of VAT applicable from 2010 will also be encouraged.

The Council will examine the “reverse charge” procedure to prevent fraud in relation to taxes on certain goods, either via individual derogations to be granted to certain Member States or by extension of the procedure to include intangible goods such as gas and electricity.

A shift from taxes on labour towards levies based on behaviour harmful to the environment will need to be encouraged while making sure that there is no increase in the overall tax pressure. An exchange of good practices could be helpful there. That process will need to incorporate the potential benefits of environmental taxation and the need for a significant reduction in the tax pressure on labour in some of our economies. Special attention will be given to the Commission's proposal for revising the directive on energy taxes as soon as it is introduced.

IV. External role of the European Union

At world level, the European Union will need to exert greater influence on political decisions by strengthening the international role of the EU in the various fora. That is particularly true in the case of the G20 Finances, where the Presidency will coordinate a European position in order to reinforce the legitimacy of the conclusions and their approval by all Member States. The Belgian Presidency will also ensure that the ensuing agreements are monitored and implemented.

The work on reforming the International Financial Institutions (IFIs), including the role of the International Monetary and Financial Committee (IMFC), the mandate and allocation of the quotas of the International Monetary Fund (IMF), and the resources of both those institutions, will need to continue, taking account of the timetable approved at international level, in order to respond better to the challenges of the global financial system and to improve and extend the effectiveness of supervision.

Apart from the ‘fast-start’ funding on which a UNFCCC report is expected in Cancun at the end of 2010, the Ecofin Council will need to make its contribution to the longer term financing problems, the sources, the funding arrangements (“principles for global contributions”, “level of public and private financing”, “market-based instruments”, “innovative financing”) and to the governance of the future international financial architecture.

On the basis of a legislative proposal from the Commission on the external mandates of the European Investment Bank (EIB), the mid-term review of the mandates for the period 2007-2013 will continue in order to reach agreement between the Council and the Parliament within a reasonable period. Furthermore, the examination of the longer term options will entail the establishment of a procedure for that continuing examination.

V. The EU budget

The Belgian Presidency will conduct the first budget preparation procedure (2011) in accordance with the Lisbon Treaty rules giving the European Parliament and the Council the same powers of budgetary authority. The Presidency will also have to deal with the revision of the agreement between the Parliament and the Council on the management of their respective budgets and the approval of the new rules on financial forecasts.

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**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 13 JULY 2010**

Adoption of the agenda

Legislative deliberations

Approval of the list of "A" items

(poss.) Supervision package

= *Political agreement*

(*poss.*) Proposal for a Directive of the European Parliament and of the Council amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies (CRD III)

= *Political agreement*

(poss.) Alternative Investment Fund Managers (AIFM)

= *Political agreement*

Non-legislative activities

Approval of the list of "A" items

Belgian Presidency Programme

= *Public debate*

Follow-up to the European Council

= *Exchange of views*

Broad Economic Policy Guidelines

= *Adoption*

Implementation of the Stability and Growth Pact (*restricted session*)

Adoption of the euro by Estonia

= *Adoption of legal acts*

Other business

p.m.

Eurogroup

Breakfast

Lunch

PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL (BUDGET)
BRUSSELS – 15 JULY 2010
(to be confirmed)

Adoption of the agenda

Legislative deliberations

1. Adoption of the Council's position on the draft EU budget for 2011

legal basis: Article 314(3) TFEU

2. Other business

**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
LUXEMBOURG – 19 OCTOBER 2010**

Adoption of the agenda

Legislative deliberations

Approval of the list of "A" items

Non-legislative activities

Approval of the list of "A" items

(poss.) Implementation of the Stability and Growth Pact (*restricted session*)

Follow-up to the informal ECOFIN meeting

Preparation for the G20 ministerial meeting from 21 to 23 October

= Adoption of terms of reference

(poss.) Tertiary education

= *Council conclusions*

EPC report on fiscal frameworks - Review of best practice

Preparation for the European Council

- Implementation of the 2020 strategy and flagship initiatives: specific objectives; research and development, innovation
- Measures needed to reach the objective of an improved crisis resolution framework and better budgetary discipline: report of the Working Party
 - = Council conclusions
- (poss.) Financing climate change (preparation for the Cancun meeting, 29 November - 11 December)
 - = *Council conclusions*
- (poss.) Preparation for the G20 Summit
- Financial stability framework and supervision
 - = *Progress report*

- Levies and taxes on financial institutions

= *Report to the European Council*

(poss.) EIB - External mandate

= *Progress report/Political agreement*

(poss.) Regulation on cooperation on statistics

= *Adoption*

Other business

p.m.

Eurogroup

Breakfast

Lunch

**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL (BUDGET)
BRUSSELS – 11 NOVEMBER 2010**

Adoption of the agenda

Legislative deliberations

1. Agreement on a joint text for the 2011 EU budget

legal basis: Art. 314(5) TFEU

2. Other business

This Council, which will be held on the same day as a conciliation meeting with the European Parliament, should conclude the 21-day conciliation procedure laid down in the TFEU.

**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 17 NOVEMBER 2010 (Wednesday)**

Adoption of the agenda

Legislative deliberations

Approval of the list of "A" items

VAT treatment of postal services (2003/0091 (CNS))

= *Progress report/Policy debate*

(poss.) Proposal for a Directive amending Directive 2002/87/EC on the supplementary supervision of financial conglomerates

= *General approach*

(poss.) Proposal for a Directive of the European Parliament and of the Council amending the Solvency II (and Listing Particulars) Directives as regards the responsibilities of the European Insurance and Occupational Pensions Authority (and the European Securities and Markets Authority)

= *General approach*

Non-legislative activities

Approval of the list of "A" items

Annual report by the Court of Auditors on the implementation of the 2009 budget

= *Submission*

(poss.) Follow-up to the European Council on 28 and 29 October

- Financing climate change

(poss.) Follow-up to the G20 Summit in Seoul on 11 and 12 November

= *Exchange of views*

(poss.) Implementation of the Stability and Growth Pact (*restricted session*)

(poss.) Follow-up to the informal Ecofin meeting

= *Council conclusions*

Quality of public finances/Fiscal frameworks

= *Council conclusions*

Joint EPC/SPC report on pensions

= *Council conclusions*

Other business

p.m.

Eurogroup

Breakfast

Lunch

Macro-economic dialogue

Meeting with the EFTA countries

**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 7 DECEMBER 2010**

Adoption of the agenda

Legislative deliberations

Approval of the list of "A" items

Taxation

- VAT treatment of insurance and financial services (2007/0267 (CNS))

= *Policy debate/Political agreement*

Legal basis: Article 113 TFEU

- VAT treatment of travel agencies (2002/0041 (CNS))

= *Political agreement*

Legal basis: Article 113 TFEU

Financial services

- (poss.) Proposal for a Regulation amending Regulation No 1060/2009 of the European Parliament and of the Council on credit rating agencies with particular reference to the responsibilities of the European Securities and Markets Authority

=*General approach*

- (poss.) Proposal for a Directive of the European Parliament and of the Council on derivatives (CCPs)

= *General approach*

- (poss.) SEPA final migration date

= *General approach*

- (poss.) Shortselling

= *General approach*

Non-legislative activities

Approval of the list of "A" items

Taxation:

- Code of conduct on business taxation
 - = *Council report/Council conclusions*

(poss.) Preparation for the European Council

- Exit strategies, EU2020

Crisis management: Follow-up to the Commission communication

= *(poss.) Council conclusions*

(poss.) Implementation of the Stability and Growth Pact (*restricted session*)

(poss.) Health care - work incentives

(poss.) Taxation of energy products

= *Political guideline*

Convergence of accounting standards

= *Progress report*

Quality of public finances - revenue structure and intelligent consolidation

Other business

p.m.

Eurogroup

Troika with the European Parliament

Breakfast

Lunch