



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 11 January 2011

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NOTE

from:	Presidency
to:	Delegations
Subject:	Work programme of the European Union Economic and Financial Affairs Council during the Hungarian Presidency

Delegations will find attached the Work programme of the European Union Economic and Financial Affairs Council during the Hungarian Presidency and the draft provisional Council agendas for the first half of 2011.

Encl.:

Work programme of the European Union Economic and Financial Affairs Council during the Hungarian Presidency

ECONOMIC POLICY

Economic and financial issues are of utmost importance in light of the challenges the European Union and the euro area are facing. The substantially increasing debt burden, ageing population and interdependence of our economies have highlighted the need for quick, concerted and pro-active policy actions.

The establishment of a new permanent crisis management mechanism will play a key role in tackling the sovereign debt crisis. Although Hungary is not a euro area Member State, we are convinced that the stability of the euro area is crucial to all European economies. As Presidency of the Council, Hungary will closely cooperate with the euro area Member States to facilitate the work to lay down the foundations of the European Stability Mechanism.

The Presidency shares the view that any crisis management mechanism can only be successful if it is accompanied by an economic policy which is far more credible than former policies. This requires an ex ante coordination of economic policies in the EU with a view to reinforcing fiscal discipline and incorporating the European perspective in national budgetary frameworks. Comprehensive initiatives have been taken so far. Building on the work of previous Presidencies, the Presidency will endeavour to take forward the major tasks in this field in the next semester.

ECONOMIC GOVERNANCE

The importance of strengthening economic governance in the EU has been highlighted by the economic and financial crisis. As reflected in the report of the Task Force endorsed by the European Council and in the six legislative proposals published by the Commission, the most important challenges in the field of economic governance are reinforcing fiscal discipline by giving more prominent role to public debt in the Stability and Growth Pact and strengthening the national fiscal frameworks of the Member States. Respecting the SGP itself may not be sufficient to prevent Member States to run unsustainable economic policies, therefore it is important to broaden the macroeconomic surveillance mechanism.

A key priority is to reach an agreement within the Council on all the six legislative proposals by the end of the first quarter of 2011 at the latest. The Presidency is determined to carry on intensive informal and formal consultations with the European Parliament with a view to enable a final agreement with the co-legislator as soon as possible.

The Presidency is strongly committed to meet the tight timeline agreed on the December European Council. It will increase confidence and reinforce the credibility of our economic policies. However, this requires enormous efforts from all Member States and the European Parliament as well. As a result, all our economies will benefit from the swift adoption and implementation of this new framework giving strong signals on the commitments of Member States and European institutions towards sustained and balanced growth.

EUROPEAN SEMESTER

The introduction of the European Semester in 2011 will give a clear ex-ante dimension to economic policy coordination at EU level, ensuring more timely policy guidance for Member States. The European Semester will provide the framework for aligning the timing of the submission of the Stability and Convergence Programmes on macroeconomic outlook and fiscal plans, with the National Reform Programmes on the progress towards the Europe 2020 targets. Building on the discussions on the Annual Growth Survey (AGS), the spring European Council will give Member States horizontal policy guidance, which must be followed when preparing their programmes. Finally, the opinions and recommendations adopted after thorough assessment of the programmes are to be taken into account during the preparation of national budgets.

While some adjustment of the current timetable may be necessary in the coming years, the implementation of the first European Semester requires careful preparation, as the end-result must be available on time for national budgetary procedures. The Presidency is going to coordinate the exercise in a way that allows all stakeholders to contribute to the process without undermining the effectiveness of the new governance cycle. The ECOFIN Council is foreseen to adopt conclusions in February on fiscal and macroeconomic challenges based on the AGS and will adopt a comprehensive report in March. On the basis of the conclusions of the March European Council, Member States prepare and submit their National Reform Programmes and Stability and Convergence Programmes. A meaningful European Semester can only be achieved if both the Member States and the Commission make all efforts to work on a tight schedule so that country-specific policy guidance can be endorsed in the summer.

EXTERNAL DIMENSION

Substantial work has been done at the global level to coordinate responses to the challenges of the economic and financial crisis. The G20 has proved to be the credible and effective forum for global aspects of economic governance. It is our aim to ensure that the position of the European Union is efficiently coordinated and represented. This process will be facilitated by the fact that France holds the Presidency of the G20 and the Hungarian Presidency will fully cooperate with them.

In parallel with the ongoing work at the Environmental Council another task for the ECOFIN Council during the first semester will be to start to prepare the common position for the COP 17 focusing on long-term financing issues of climate change.

Economic and political stability of the neighbouring countries of the EU are of key importance for Europe (e.g. energy supply) and assistance provided from the EU budget could prevent crisis situations in this region. One of the main priorities of the Hungarian Presidency is to further develop the Eastern Partnership not only by reinforcing both bi- and multilateral cooperation between Member States and Partner Countries but by strengthening the participation and cooperation of International Financial Institutions to reach the aims of the Partnership.

FINANCIAL SERVICES

The financial crisis clearly demonstrated the need for better financial services regulation. This process commenced under previous Presidencies and over the next six months we will build upon their progress as well as facilitate discussions on the numerous new dossiers on the table. Due attention will be paid to the coherence and cumulative effect of these various reforms.

A new supervisory architecture for the financial system (the European Systemic Risk Board and the three European Supervisory Authorities) became operational at the beginning of January.

Previously agreed sectoral legislation must be brought into line with the new system to ensure its smooth functioning. Therefore a priority during the Hungarian Presidency is to reach swift agreement on the Omnibus II directive, which amends the Solvency II and the Prospectus directives by granting the necessary powers to the newly established authorities.

In order to regain confidence, it is important to reduce systemic risk and enhance transparency in financial markets. The Presidency intends to take significant steps towards this by reaching agreement in the Council on the European Market Infrastructure Regulation which will lay out the regulation of derivatives markets and clearing functions of Central Counterparty Clearing Houses (CCPs). Another priority file in the securities markets space is the proposal on short selling and certain aspects of Credit Default Swaps. By harmonizing treatment of short selling across the EU, this regulation will prevent different Member States from implementing various domestic policies that have resulted in harmful uncertainty. Here too, the Presidency aims to reach a general approach in the Council.

With regard to the revision of the Financial Conglomerates Directive where the Council has already reached a general approach, we intend to hold intensive trilogues with the European Parliament with a view to reaching an agreement.

Regarding other live dossiers and proposals that are to be submitted by the Commission during the next six months, including the directives on deposit guarantee schemes and investor compensation schemes as well as the SEPA regulation, the Presidency will advance discussions as much as possible.

The ongoing dialogue on the bank resolution framework will look to provide common standards and tools for dealing with various elements of crisis situations, including ensuring the orderly winding-down of financial institutions, systematically important and failing institutions and cross-border problems. The Presidency will also devote particular attention to the fourth iteration of the Capital Requirements Directive (CRD IV) and to the MiFID review and is ready to take up these issues in the Council if appropriate.

TAXATION

The Hungarian Presidency would like to carry on the work with a view to limiting the current differences between Member States in modalities of **financial sector taxation**. All efforts will be made to bring impetus into the negotiations on the extension of the scope of the **Savings Tax Directive** in order to reach political agreement. In addition, talks will be launched on the review of the **Energy Tax Directive** at technical level.

The October European Council has called for the Council to start the elaboration of financial sector taxation. The Presidency is committed to carry on the discussions of this topic at the High Level Working Party. The aim is to set some fundamental principles on modalities of imposing financial sector taxes. In parallel, the Presidency urges the European Commission to come up with the impact assessment in this field. The impact assessment is foreseen to be published by June 2011. The orientation debate on this issue is foreseen to take place at the June Council meeting.

The Presidency attaches crucial importance to gear up bilateral talks in order to reach political agreement upon the adoption of the Savings Tax Directive in the very near future. The adoption of the revised Savings Tax Directive is conducive to combating more efficiently tax fraud in search for additional tax revenues which were taking a severe hit in all Member States by the ongoing economic crisis. Following the adoption of the revised Savings Tax Directive, the amendments should be put in place in the framework of the current savings tax agreements with 5 European third countries as well as the 10 associated and dependent territories. Once political agreement is reached on the Savings Tax Directive, the European Commission is expected to submit the draft proposal for negotiation mandate. The Presidency will carry forward the talks on the negotiation mandate so that it can be adopted by the Council.

EU BUDGET

Regarding the annual discharge procedure, the Hungarian Presidency will promote to elaborate such Council recommendations which could contribute to the improvement of the implementation of EU budgets in the future.

The entry into force of the Lisbon Treaty has led to changes in the rules applicable to the EU Budget. The timely adaptation of these changes into the concerning legislation is important. The Presidency, therefore, is committed to work in close cooperation with all the relevant institutions on the adoption of the Lisbon package.

Furthermore, the Presidency is reviewing all the proposals for revision of the Financial Regulation and its implementing rules.

PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 18 JANUARY 2011

- Adoption of the provisional agenda

Legislative deliberations

- Approval of the list of 'A' items

Non-legislative activities

- Approval of the list of 'A' items
- Presentation of the Presidency's work programme¹
 - = Exchange of views
- Follow-up to the December European Council meeting
 - = *Exchange of views*
- (poss.) Implementation of the SGP (*restricted session*)
- Introduction of the euro in Estonia: Practical experience
 - = *Exchange of views*
- Annual growth survey
 - = *Exchange of views*
- National Reform Programmes
 - = *Exchange of views*

¹ *Public debate, under Article 8 of the Council's Rules of Procedure.*

- Taxation
 - Council Regulation laying down implementing measures for Directive 2006/112/EC on the common system of value added tax (Recast) (*)
= Political agreement

- Communication from the Commission: Towards a Single Market Act – for a highly competitive social market economy
= Exchange of views

- AOB

(*) Item on which a vote may be requested

p.m.

17 January

Eurogroup

18 January

Breakfast

Lunch

PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 15 FEBRUARY 2011

- Adoption of the provisional agenda

Legislative deliberations

- Approval of the list of 'A' items
- (poss.) Legislative proposals on economic governance
 - Regulation amending Council Regulation 1466/97 (preventive arm of the Stability and Growth Pact)
 - Regulation amending Council Regulation 1467/97 (corrective arm of the Stability and Growth Pact)
 - Regulation on the effective enforcement of budgetary surveillance in the euro area
 - Council Directive on requirements for budgetary frameworks of Member States
 - Regulation on the prevention and correction of macroeconomic imbalances
 - Regulation on enforcement measures to correct excessive macroeconomic imbalances in the euro area
- (poss.) Regulation on OTC derivatives, central counterparties and trade repositories
 - = *General approach*
- Taxation
 - Savings taxation Directive *
 - = *Orientation debate*
- (poss.) Directive on VAT rules applicable to travel services *
 - = *Adoption*
- Discharge procedure in respect of the implementation of the budget for 2009
 - = *Council Recommendation*

* These issues could also be discussed at the informal ECOFIN.

Non-legislative activities

- Approval of the list of 'A' items
 - Budget guidelines for 2012
 - = *Council conclusions*
 - Preparation of European Council (24-25 March 2011)
 - EU 2020: Guidance on the macro-economic and structural challenges
 - = *Council conclusions*
 - (poss.) Implementation of the SGP
 - Preparation of the G20 Deputies, Ministers and Governors meeting (17-18 February 2011)
 - = *Terms of reference*
 - Taxation
 - Anti-fraud agreements with third countries^{*}
 - Agreement with Liechtenstein
 - Negotiating mandate for other third countries
 - = *Orientation debate*
 - AOB
- (*) Item on which a vote may be requested

p.m.

14 February

- Macro-economic Dialogue
- Troika with the European Parliament
- Eurogroup

15 February

- Breakfast
 - Lunch
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* These issues could also be discussed at the informal ECOFIN.

PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 15 MARCH 2011

- Adoption of the provisional agenda

Legislative deliberations

- Approval of the list of 'A' items
- Legislative proposals on economic governance
 - Regulation amending Council Regulation 1466/97 (preventive arm of the Stability and Growth Pact)
 - Regulation amending Council Regulation 1467/97 (corrective arm of the Stability and Growth Pact)
 - Regulation on the effective enforcement of budgetary surveillance in the euro area
 - Council Directive on requirements for budgetary frameworks of Member States
 - Regulation on the prevention and correction of macroeconomic imbalances
 - Regulation on enforcement measures to correct excessive macroeconomic imbalances in the euro area
- Financial services
 - (poss.) Directive amending Directives 2004/39/EC and 2009/138/EC in respect of the powers of the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority (omnibus 2)
 - = *General approach*
 - (poss.) Regulation on Short Selling and certain aspects of Credit Default Swaps
 - = *General approach*
- Taxation
 - (poss.) Energy taxation Directive*
 - = *Orientation debate*

* These issues could also be discussed at the informal ECOFIN.

Non-legislative activities

- Approval of the list of 'A' items

- Preparation of European Council (24-25 March 2011)
European Semester: general overview of progress based on AGS
= *Council report*

- Appointment of an ECB executive board member
= *Council Recommendation to the European Council*

- Climate finance

- (poss.) Implementation of the Stability and Growth Pact

- AOB

p.m.

14 March

- Eurogroup
- Troika with the European Parliament

15 March

- Breakfast
 - Lunch
-

PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 17 MAY 2011

- Adoption of the provisional agenda

Legislative deliberations

- Approval of the list of 'A' items
- Financial services
 - (poss.) Directive amending Directives 2004/39/EC and 2009/138/EC in respect of the powers of the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority (omnibus 2) = *Adoption of agreement reached with the European Parliament*
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 - (poss.) Regulation on OTC derivatives, central counterparties and trade repositories = *Adoption of agreement reached with the European Parliament*
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 - (poss.) Regulation on Short Selling and certain aspects of Credit Default Swaps = *Adoption of agreement reached with the European Parliament*
- Taxation
 - Savings taxation Directive
 - = *Political agreement*
 - VAT financial services Directive and Regulation
 - = *Political agreement*
- Draft general budget for 2012
 - = *Presentation by the Commission*

Non-legislative activities

- Approval of the list of 'A' items
- Information on the informal ECOFIN meeting
- Implementation of the Stability and Growth Pact
- Taxation
 - Anti-fraud agreements with third countries:
 - Liechtenstein
 - = *Adoption of a Council decision on signature of anti-fraud agreement*
 - Other third countries
 - = *Adoption of negotiating mandate*
- AOB

p.m.

16 May

- Eurogroup

17 May

- Breakfast
 - Lunch: Eastern Partnership (Summit preparation)
 - Dialogue with candidate countries
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PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
LUXEMBOURG – 15 JUNE 2011

- Adoption of the provisional agenda

Legislative deliberations

- Approval of the list of 'A' items
- Financial services
 - Directive on Deposit Guarantee Schemes [recast]
= *General approach*
 - Directive amending Directive 1997/9/EC on investor-compensation schemes
= *General approach*
- Taxation
 - (poss.) VAT refund directive
= *Political agreement*
 - (poss.) Directive on Taxation Applicable to Interest and Royalty Payments (Recast)
= *General approach*
 - (poss.) Regulation on administrative cooperation in the field of excise duty
= *Orientation debate / General approach*
- Legislative proposals on economic governance
 - Regulation amending Council Regulation 1466/97 (preventive arm of the Stability and Growth Pact)
 - Regulation amending Council Regulation 1467/97 (corrective arm of the Stability and Growth Pact)
 - Regulation on the effective enforcement of budgetary surveillance in the euro area
 - Council Directive on requirements for budgetary frameworks of Member States
 - Regulation on the prevention and correction of macroeconomic imbalances
 - Regulation on enforcement measures to correct excessive macroeconomic imbalances in the euro area

Non-legislative activities

- Approval of the list of 'A' items
- Preparation of the European Council on 24 June
- (poss.) Implementation of the Stability and Growth Pact
- Taxation
 - (poss.) Financial sector taxation*
 - = *Orientation debate*
 - Code of Conduct (business taxation)
 - = *Report to the Council and Council conclusions*
- AOB

p.m.

14 June

- Eurogroup

15 June

- Breakfast
 - Annual EIB Governors meeting
 - Lunch
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* This issue could also be discussed at the informal ECOFIN.