

SPEAKING NOTE

Minister Shiarly
- ECON Committee -
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Cyprus Presidency's priorities on economic and financial issues
relating to ECON Committee

Madam Chair, honourable Members of the Parliament,

It is an honour to be here today to present to you the priorities of the Cyprus Presidency. It is also a pleasure to see you again following your recent visit to Cyprus where we had a frank exchange of views. That had been very useful in formulating our presidency's programme.

Please allow me to begin with a fundamental statement that, following the Lisbon Treaty, and the extension of "co-decision" to most legislative proposals, the European Parliament is now a key player and partner in law-making in the EU. We fully share the view that this development is a step towards a more representative and democratically accountable EU.

▪ The Cyprus Presidency and I, as the Minister of Finance, are **looking forward to a close and fruitful cooperation with the European Parliament and the Economic and Financial Affairs (ECON) committee.** It is well known that there are issues on which the views of the Parliament and the Council are divergent. Our presidency will spare no efforts or enthusiasm, in engaging in productive negotiations; to build bridges and reach compromises.

We consider this as key in strengthening further the functioning of the EU.

- The Cyprus Presidency takes place at a particularly challenging time for the EU as a whole. We recognise that the global economic and financial crisis and the Euro crisis have seriously affected our fellow European citizens.

- The **overall strategic aim** of our Presidency is to promote the idea of working towards a **Better Europe**; that is, a Union more relevant to its citizens and to the world. The economic and sovereign debt crisis has undoubtedly revealed several needs: 1) the need of fiscal consolidation and sound public finances. Undoubtedly, this is a necessary precondition to sustainable growth and job creation. This is necessary to inspire confidence for the sustainability and the potential of our economies. 2) The crisis unveiled also the need for improving EU governance. 3) The need of fostering growth; 4) The need of creating jobs, especially for the younger generation and 5) The need of solidarity and social cohesion.

- Within this overall strategic aim and framework, **our priorities** focus on the following 5 important areas:

1. Implementing and enhancing further **economic governance**;
2. Concluding the current, first fully-fledged **European Semester**;
3. Strengthening the European **financial services regulatory framework**;

4. Promoting further ongoing work on various key **taxation issues** and

5. Ensuring appropriate **representation** of EU positions at international *fora*, such as the G20 meetings.

- Before I deal further on each of the above 5 priorities, I would like to comment very briefly on the decisions announced following the Heads of States European Council meeting last week.
- I would like to welcome the recent decisions of the European Council. I believe that these decisions do help to re-inspire confidence to our fellow European citizens and also to the markets and should help Europe to return to a new growth path.
- In the light of these developments, Cyprus Presidency plans to have a first exchange of views at the ECOFIN meeting of 10th July in order to analyze further the implications for the Ecofin Council work programme for implementing these decisions.
- The recent decisions for the Eurozone, as regards the ESM, fall more under the domain of the Eurogroup to implement. But it seems that the creation of the supervisory mechanism based on Art. 127(6) has to pass through the Council with the involvement of all the 27 Member States as it is a legislative proposal and follows the co-decision procedure.
- As regards the EMU report, I am informed that it comes more under the responsibility of the President of the European Council to continue the work and to present an interim report in the October European Council. Bilateral consultations with all the member states will follow with the possible involvement of Eurogroup Working Group, with the same framework which has been followed in the past (Europlus Pact, ESM, Economic Governance)

- **Number 1 Priority: Economic Governance**

- With regards to economic governance, we want to see effective implementation of the adopted legislation and further enhancement. As you already know, the **six-pack** legislation became effective last December. Thereafter, the Commission came with two new important legislative proposals, the so called **Two-Pack** (The two regulations aim to introduce provisions for enhanced monitoring of euro area countries budgetary policies)

- The **ECOFIN** Council agreed on the general approach on **21 February 2012**.

- The **Parliament** voted on the extensive reports of the rapporteurs, Mrs Ferreira and Mr Gauzès, on **June 13th**.

- What is important now is to start the trilogues, the first one being on the 11th of July, with a constructive spirit. The **Cyprus Presidency considers two-pack as a very important file**. With the objective of achieving political agreement, we shall do our utmost to facilitate the Council and the Parliament to find common ground. We remain confident that in the end, we will reach a mutually acceptable outcome. This would strengthen further the economic governance framework within the Eurozone. This would be an extra step to a more integrated budgetary framework. We are both well aware of what is at stake with these two proposals.

- **Another important step in our path to fiscal sustainability is the Treaty on Stability, Coordination and Governance (TSCG)**. The 25 signatory Member States are committed to ratify the Treaty as soon as possible.

This would allow it to enter into force on 1 January 2013. Some have already ratified it. Others have launched the necessary national procedures. On 22 June, the 25 Member States endorsed the common principles for the national automatic correction mechanism, as proposed by the Commission. The Cyprus Presidency will encourage Member States to accelerate the ratification procedure.

- **NUMBER 2 PRIORITY: European Semester**

- **Madam Chair, honourable Members, let me now move onto the European Semester.** This year we had its first fully-fledged round. The principle "comply or explain", following the adoption of the six-pack, is applied for the first time. Cyprus fully shares the view that this approach ensures greater transparency and accountability in the process of multilateral surveillance. As you know, this new approach means that the Ecofin Council on July 10th **will adopt the explanatory note.** It will also justify in public the reasons why it has changed Commission proposals for recommendations. As this has not yet been officially adopted by the Council, I cannot go into its details right now. I am very willing though to do so, once it has been adopted.

- The **current European semester needs to be concluded on time** so that Member States can take into account the recommendations when they prepare budgets for the year 2013.

- **The Cyprus Presidency welcomes the Parliament's wish to strengthen further the Economic Dialogue.** We would like to inform you that we will initiate a process of improving the current process of the European Semester. In this context, we plan an exchange of views for the July 10th Ecofin and a more extensive discussion at the October session. In view of this, we would welcome any input from the Parliament.

▪ **PRIORITY NUMBER 3: Financial Services – Regulatory Framework**

▪ **Another top priority is to strengthen the regulation and supervision in the financial sector.** This is indispensable for the sound and orderly functioning of financial institutions and financial markets. Admittedly, the **financial regulation agenda** under our Presidency is **heavy**. But, given the shortcomings of the financial institutional framework we feel we have a duty to address the maximum number of issues if we were to deal quickly and effectively with current crisis. The Cyprus Presidency fully shares the Parliament's commitment to achieve progress. We are looking forward to collaborating closely to this end.

▪ **Under this 3rd priority which covers financial services, we intend to focus on the following 7 sub areas:**

1. Priority will be given to the adoption of the **Capital Requirements Directive and Capital Requirements Regulation (CRD4/CRR)**, for credit institutions and investment firms. This is a very important piece of legislation and further to the implementation of the Basel 3 Guidelines into EU law, it will contribute to safeguard the resilience of credit institutions and investments.

2. Very high on the agenda of the Cyprus Presidency is the Crisis Management and Bank Resolution Proposal in the financial sector. This is a key element to a truly integrated financial framework and the Presidency will aim to make significant progress on this file.

3. The Cyprus Presidency will work towards an agreement on the revised rules on **markets in financial instruments directive (MiFID/MiFIR)**. These rules, among others, will contribute to:

- establishing a single rule-book for EU financial services;
- improving supervision and enforcement;
- reducing costs for market participants and, finally,
- enhancing the global competitiveness of the EU financial industry.

4. Furthermore, Cyprus Presidency will also look for an agreement on the revised rules on **market abuse regulation (MAR)**. This will be beneficial to strengthening the existing framework against market abuse. Thus, enhancing market integrity and investor protection **by providing a more effective prevention, detection and sanctioning of insider dealing and market manipulation**. The CY Presidency will aim for a general approach in autumn and trilogues can then begin.

5. On the proposal for a further revision of the Regulation on **Credit Rating Agencies (CRA III)**, the Cyprus Presidency will seek to achieve an agreement with the European Parliament. The objective is to

- decrease overreliance on credit ratings,
- improve transparency regarding methodologies (especially for sovereign debt ratings),
- eliminate conflicts of interest and
- increase competition.

6. We also stand ready to finalise the negotiations with the ECON on the **Omnibus II Directive**. Among others, this will align the Solvency II Directive to the Lisbon Treaty. It will incorporate new powers given to the European and Occupational Pensions Authority (EIOPA). Thus, contributing to better regulation of the insurance market.

7. Following the European Council Conclusions to establish a Single Supervisory Mechanism, we stand ready to discuss within Council any Proposals on this subject. Furthermore, we will be expecting the recommendations of the High-level Expert Group on structural aspects of the EU banking sector, headed by Mr Erkki Liikanen and any ensuing Commission Proposals.

PRIORITY Number 4: Taxation issues

▪ Allow me now to move on to our next priority, the area of **taxation**. We all know how crucial tax policy is, in supporting economic policy coordination and in contributing to fiscal consolidation and growth. We all also know how tax fraud and tax evasion undermine this role. These aspects are particularly pertinent at the current economic juncture. The Cyprus presidency, respecting the unanimity required in the Council, will build on the efforts of the previous Presidencies to attain further progress on the following two areas: 1. The indirect taxation and 2 the direct taxation.

1. The first area of **indirect taxation**, is the **Financial Transaction Tax**. This is indeed consistent with a large part of the public opinion that the Financial sector ought to make a fair contribution to cover the costs of the crisis. Nevertheless, there are diverging views among Member States as to the best way to do this. We stand ready though to explore possible compromises or other options with similar effect. In the light of the views expressed in the last ECOFIN Council the Presidency concluded that support for an FTT as proposed by the Commission was not unanimous. It also noted the support for a number of Member States for considering enhanced cooperation, which would allow a limited number of member states to proceed amongst themselves.

2. The second area in indirect taxation, concerns the proposal for the **revision of the Energy Taxation Directive**. This is important as it supports the achievement of the ambitious European climate and energy targets. In the light of the outcome of the June ECOFIN Council, Cyprus Presidency is looking to take forward technical discussions.

- With regards now to **direct taxation we propose to focus on the following three specific areas.**

1. We will continue efforts to reach agreement for the proposal for the **taxation of savings directive and--the negotiating mandate agreements with third countries.** . Our work will build on the efforts of the previous Presidencies.

2. On the proposal for a **Council directive on a common system of taxation of interest and royalty payments:** the Presidency will continue efforts, in order to reach agreement.

3. Then there is the proposal for a Council directive **on Common Consolidated Corporate Tax Base (CCCTB).** The proposal establishes a system for a common tax base for the taxation of companies, aiming to reduce cost for companies operating in the internal market. The discussions, on technical issues, will continue (first reading) in the relevant working group of the Council.

- **Last but not least, priority number 5 – Representation of EU in international fora.**

- We are looking forward to ensure an appropriate **representation** of EU positions at international *fora*, such as the G20 meetings. We want to make sure that the EU's position is coherent. That the EU speaks with one voice that reflects the common views. We want to make sure the work done at European level is adequately promoted.

- What I briefly described above, are indeed our 5 main priorities , but taking into account the subsections then the total real number of priorities is more like 16 and not just 5!! Indeed a heavy but challenging programme.

- Madame chair, honourable members of the European Parliament, before closing my address to you, I do wish to repeat that I am indeed very happy and privileged to be here and to be a witness to what I call “a miracle” Parliament, democratically elected by 27 European countries. **This would have been just a dream for millions of Europeans who in the last century struggled and sacrificed a great deal so that we can have the right and privilege to witness this miracle– real and tangible and peaceful European Parliament for 27 nations.**

- Madam Chair, honourable members of the Parliament, We both have a heavy agenda ahead of us and I am really looking forward to a close and a constructive collaboration in the six months ahead. . I trust as co-legislators we will show a compromising spirit for the benefit of our fellow European citizens. Thank you for your attention. Thank you.

