

## **General economic situation**

Honourable Members of the Parliament,  
Ladies and Gentlemen.

- I would like to begin with a statement that the European Union remains the largest common market and the euro remains a strong reserve currency even in times of low growth and financial crisis.
- According to the recent OECD outlook (September 2012) and the Commission's Autumn Economic forecast (November 2012), the euro area's three largest economies France, Italy and Germany, are shrinking during the second part of the year. Unfortunately, this situation implies weak prospects for reversing quickly the sharp increase in unemployment, particularly youth unemployment that we have been experiencing for few years now. This high unemployment is one of the most worrying aspects of the current economic situation in the European Union.
- The persistent crisis in the euro area has adverse effects on business confidence globally. This confidence is particularly weak in EU 17 and strongly impacts the growth prospects. Therefore, it is essential that we find a sustainable solution to the crisis.
- Though many EU member states have implemented significant structural reforms over the recent years, several challenges still need to be addressed. We are all aware that gains from structural reforms are large and materialise predominantly in the medium term, generating positive spill-overs for the whole EU economy.

- Finally, resolving the euro area banking problems in order to create well functioning credit markets, smart fiscal consolidation and supportive monetary policy seem key to recovery in the EU.

**Allow me at this time to briefly outline the main results of last week's European Council meeting.**

- The European Council agreed on a roadmap for the completion of the Economic and Monetary Union (EMU), based on deeper integration and reinforced solidarity.
- It is imperative to break the vicious circle between banks and sovereigns. Further to the June 2012 euro area Summit statement, and the October 2012 European Council conclusions, an operational framework, should be swiftly agreed in the first semester of 2013, so that when an effective single supervisory mechanism is established, the European Stability Mechanism will, following a regular decision, have the possibility to recapitalise banks directly.
- In a context where bank supervision is effectively moved to a single supervisory mechanism, a single resolution mechanism will be required. For this purpose the Commission will submit in 2013 a proposal for a single resolution mechanism for Member States participating in the SSM, to be examined by the co-legislators as a matter of priority with the intention of adopting it during the current parliamentary cycle. It should safeguard financial stability and ensure an effective framework for resolving financial institutions while protecting taxpayers in the context of banking crises.

- In order for the EMU to ensure economic growth, competitiveness in the global context and employment in the EU and in particular in the euro area, a number of other important issues will be further examined by the June 2013 European Council. These issues concern the coordination of national reforms, the social dimension of EMU, the feasibility and modalities of mutually agreed contracts for competitiveness and growth, and solidarity mechanisms and measures to promote the deepening of the Single Market and to protect its integrity.
- Throughout this process, democratic legitimacy and accountability will be ensured
- Further integration of policy making and greater pooling of competences must be accompanied by a commensurate involvement of the European Parliament.
- This process can be strengthened by establishing new mechanisms that will increase the level of cooperation between national parliaments and the European Parliament, in line with Article 13 of the (TSCG) (Treaty on Stability, Coordination and Governance) and Protocol No 1 to the Treaties. The European Parliament and national parliaments will determine together the organisation and promotion of a conference of their representatives to discuss EMU related issues.

On Greece: the Eurogroup and subsequently the Council recently agreed to modify the fiscal adjustment path including to extend the deadline for correcting the excessive deficit for Greece by 2 years, until 2016, and, together with the Greek authorities, agreed on measures to address financial needs of Greece for 2013-2016 and measures to reduce its debt burden to a sustainable level by 2020 (124% of GDP).

We welcome these recent developments as well as the positive outcome of the debt buy back operation.

### **Economic governance - Two pack**

- I am glad to note that we have almost reached an agreement on the two pack. I like to thank the Rapporteurs and negotiating team for their great effort and sense of compromise which allowed us to almost closed the file. The Gauzes-file is closed - all points agreed. In the Ferreira-file, there is one point open, namely the review-clause, and related to it the declaration by the Commission on the roadmap to deepening EMU.
- • We would have preferred to close the file completely, but we have to acknowledge that it is very difficult to find common ground on issues such as Eurobonds or the European Debt Redemption Fund. Of course, there are also important legal considerations regarding what is feasible on the basis of the current Treaty and what is not. Consequently, last week's European Council concluded that more work is needed on these issues. Therefore, the President of the European Council, in close cooperation with the President of the Commission, and in consultation with the Member States, will present to the June 2013 European Council possible measures and a time-bound roadmap on a number of issues, including solidarity mechanisms. Thus it would be premature to include something in these legislations that prejudices the outcome of this additional consultation that needs to take place.
- I hope that the Commission's blueprint published on 28 November, together with the Commission commitment to issue a declaration will bring us to a complete agreement. I also really hope that we can prove for once more that the Community method can work.

Otherwise, I am afraid that the temptation to Member States to proceed with an intergovernmental agreement increases.

## **SSM**

- I would like to say some words on the Single Supervisory Mechanism. As you are all aware, the agreement reached during the ECOFIN Council last week did not come easy, after a 5 hour session and the diversity of the issues we needed to address was indeed large.
  
- The agreement respects the five key principles set by the European Council:
  1. The clear separation between the ECB monetary policy and supervision functions.
  2. Equitable treatment and representation of both euro and non-euro area Member States participating in the SSM.
  3. Appropriate accountability measures.
  4. The SSM will be based on the highest standards for bank supervision and the ECB will steer the supervision of all credit institutions, in a differentiated way, and carry out direct supervision of the most significant banks in the participating Member States.
  5. An acceptable and balanced solution on the voting modalities and decisions taken in the European Banking Authority.
  
- For the Council it has been crucial that the integrity of the Single Market is fully respected in the creation of the Single Supervisory Mechanism. It has also been important to ensure that the creation of the Single Supervisory Mechanism does not alter the balance of the respective competences between the national competent authorities and the EBA.

- Now that this part of the road has been cleared, we can jointly work to finalise the foreseen supervisory framework. I am confident that the forthcoming consultations and negotiations on the SSM will lead us to agree on banking supervision of the highest standards. In the light of the developments of recent years, we all agree that this is of paramount importance.

#### **CRD4**

- In line with the October European Council conclusions, we are also pressing ahead with work on the elements of the single rulebook. This in particular includes the future agreement on the revised capital requirements (CRD IV). During Cyprus Presidency, we have together made considerable progress on this legislative package.
- Future negotiations will focus only on a limited number of outstanding aspects. The agreement is within the reach, but there is still work to be done.
- Today I will not comment in detail on any of the outstanding issues. The appropriate place for examining these are in the trilogue process.
- But let me stress again, and here I think I may be so bold as also to engage my Irish colleague, this is a file to which the Council attach the highest priority. I will recall that the European Council on 13 - 14 December again reiterated the importance of the new rules for the single rule book and called for a rapid adoption.

### **CRA 3**

I am also happy to note our shared success in reaching the political agreement on the Credit Rating Agencies' Regulation. We started our trilogues in the beginning of our Presidency. The negotiations were demanding, but I am confident that the agreed regulatory framework helps to ensure a more robust and safer environment of the financial services industry.

- I would like to highlight in particular the provisions agreed in relation to sovereign debt ratings, reduction of automatic reliance on ratings as well as to the civil liability of the credit rating agencies. All of the aforementioned rules contribute to increased transparency of rating procedures and credit ratings and helps to reduce overreliance on credit ratings in the markets.
- **Last but not least: I welcome the reach of agreement with European Parliament on Venture Capital Funds and Social Entrepreneurship funds.**

## **Financial Transaction Tax (FTT)**

Honourable Members,

- On behalf of the Cyprus Presidency, I would like to thank the Parliament for its continuing attention to the issue of the Financial Transaction Tax.
- I am very aware of the keen and long-standing interest of this Parliament in this issue. I should also mention the report from Ms Podimata on a common system for taxing financial transactions, which was adopted in May this year, and also the legislative resolution, which was adopted last week.
- In June and July the Council has paved the way for the use of the enhanced cooperation procedure, which would allow Member States that have shown a strong support to the principle of introducing a Financial Transactions Tax, to proceed among themselves.
- Eleven Member States have chosen to join enhanced cooperation at this stage and at least one more is considering doing so. The Commission has therefore tabled a proposal for the Council decision to authorize the enhanced cooperation.
- The Cyprus Presidency has put a lot of work in examining this proposal. I am very thankful to the Parliament that it rapidly addressed this request and granted its consent last week to proceed with enhanced cooperation. Now it will be for the Council to take further steps towards finalisation of its discussions on authorisation of enhanced cooperation.
- I thank you for your attention.