

## FINANCIAL REGULATION

# The Commission presses ahead with the plan to complete Economic and Monetary Union

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On 21 October, the Commission issued a [Communication](#) featuring some of the [initial measures](#) included in Stage 1 of the Five Presidents' Report (up to 2017 this stages works within the Treaty). The adopted package of measures will be completed with a legislative proposal for the European Deposit Insurance Scheme, which it will submit before the end of the year. This Communication is significant, not so much due to the fact that it includes new measures, but because it sends out a political message ratifying what was already agreed in June, despite of the reticence voiced by certain Member States.

## Financial Union

- Reports on the current situation regarding implementation of the Bank Recovery and Resolution Directive (BRRD), the Deposit Guarantee Scheme Directive (DGSD) and the Intergovernmental Agreement (IGA) on the Single Resolution Fund (the deadline for ratifying the IGA is 30 Nov). It identified the Member States which have not carried out transposition (or have only partially done this) of the directives and those that have not ratified the IGA:
  1. **Bank Recovery and Resolution Directive:** Czech Republic, Luxembourg, Poland, Romania, Sweden, Italy, Lithuania, Belgium, Cyprus, the Netherlands, Spain and Slovenia.
  2. **Deposit Guarantee Directive:** Czech Republic, Spain, France, Slovakia, Belgium, Estonia, Ireland, Greece, Italy, Cyprus, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Romania, Slovenia and Sweden.
  3. **Intergovernmental Agreement on the Single Resolution Mechanism:** Austria, Belgium, Estonia, Germany, Greece, Ireland, Italy, Lithuania, Luxembourg, Malta, the Netherlands, Portugal and Slovenia.
- Mentions the need to agree on a **common fiscal backstop mechanism for the Single Resolution Fund**, although without going into further detail.
- Reiterates that the Commission will make a **legislative proposal before the end of the year regarding the European Deposit Insurance Scheme (EDIS)**. This first stage towards a common system will build on a re-insurance approach at European level:
  - Supplemental to national deposit guarantee schemes.
  - Should be designed so as to reduce moral hazard at the national level and reflect the different starting points (funding) of national funds.
  - Mandatory for euro area Member States and open to non-euro area Member States willing to join the Banking Union.

## Other measures agreed

Yesterday's package of measures includes:

- **An additional Communication which shows the way towards external representation of the euro area, especially in the IMF.** The President of the Eurogroup would be the euro area's representative, although the possibility of countries retaining their seats on the Fund is not ruled out. This issue is provided for in article 138 of the TFEU.
- Revised approach to the **European Semester** in order to better integrate the national and Euro dimensions, achieving a greater focus on employment and social impact, as well as promoting economic convergence.
- Introduction of a system of **national competitiveness boards** that helps improving the elaboration of national policies with the aim of boosting the competitiveness of the economy in a broad sense. At the same it establishes the setting up of an independent **European advisory Fiscal Board** that will provide an assessment of the implementation of the European fiscal framework, with special focus on budgetary surveillance and the fiscal stance at euro area level. Both of them should be operational by mid-2016.

## Assessment

- The document does not contain any major innovations with respect to what was already presented in the Five Presidents' Report last June. The main contribution is in the political message, as this means confirmation of the road-map agreed in the Report, despite the misgivings of certain Member States, particularly Germany, regarding certain issues raised, such as the European Deposit Insurance Scheme. The debate will be resumed at the December European Council meeting
- Unified external representation of the euro area in the IMF is a matter that has previously been discussed at length, although it makes more sense than ever now, given the institutional change seen in Europe in the past few years, especially in connection with banking union.
- The White Paper with the road-map for Stage 2 (which will cover possible reform of the Treaties and new sessions of sovereignty) will not be published until the middle of 2017. Even so, we can expect 2016 to be a key year in terms of political debate. This will be approached in a very inclusive way, via public consultation and setting up groups of experts.

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