

14368/02 (Presse 361)

2471st Council meeting

- ECONOMIC AND FINANCIAL AFFAIRS -

Brussels, 3 December 2002

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¹ ▪ Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
 ▪ The documents whose references are given in the text are available on the Council's Internet site <http://ue.eu.int>.
 ▪ Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the above mentioned Council Internet site or may be obtained from the Press Office.

ITEMS APPROVED WITHOUT DEBATE

ECOFIN

- Market abuse Directive - *Public deliberation item*.....I
- Taxation of occupational pensionsI
- Rates of VAT to certain labour-intensive servicesI

PARTICIPANTS

The Governments of the Member States and the European Commission were represented as follows:

Belgium:

Mr Didier REYNDERS

Minister for Finance

Denmark:

Mr Thor PEDERSEN

Minister for Finance

Germany:

Mr Caio Kai KOCH-WESER

State Secretary, Federal Minister of Finance

Greece:

Mr Nicos CHRISTODOULAKIS

Minister for the National Economy and Finance

Spain:

Mr Rodrigo DE RATO Y FIGAREDO

Second Deputy Prime Minister and Minister for Economic Affairs

France:

Mr Francis MER

Minister for Economic Affairs, Finance and Industry

Ireland:

Mr Tom PARLON

Minister of State at the Department of Finance (with special responsibility for the Office of Public Works)

Italy:

Mr Giulio TREMONTI

Minister for the Economy and Finance

Luxembourg:

Mr Jean-Claude JUNCKER

Prime Minister, Minister for Finance

Mr Luc FRIEDEN

Minister for the Interior

Mr Henri GRETHEN

Minister for Economic Affairs

Netherlands:

Mr Hans HOOGERVORST

Minister for Finance

Austria:

Mr Karl-Heinz GRASSER

Federal Minister for Finance

Portugal:

Ms Manuela FERREIRA LEITE

Ministra de Estado, Minister for Finance

Finland:

Mr Sauli NIINISTÖ

Minister for Finance

Sweden:

Mr Gunnar LUND

Assistant Minister for Finance

United Kingdom:

Mr Gordon BROWN

Chancellor of the Exchequer

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Commission:

Mr Frits BOLKESTEIN

Member

Mr Pedro SOLBES

Member

Ms Michaela SCHREYER

Member

* * *

Mr Philippe MAYSTADT

President of the European Investment Bank

Mr Johnny ÅKERHOLM

Chairman of the Economic and Financial Committee

Mr Jan Willem OOSTERWIJK

Chairman of the Economic Policy Committee

Mr Juan Manuel FABRA VALLÉS

President of the Court of Auditors

Ms Dawn PRIMAROLO

Chair of the Code of Conduct Group

* * *

ITEMS DEBATED

TAX ISSUES

– TAX PACKAGE

= Taxation of savings

The Council, on the basis of a report from the Commission, reviewed the current state of play of negotiations with third countries, notably with Switzerland, on taxation of savings and considered, on the basis of a report from the UK delegation, the discussions on this matter with the dependent or associated territories of the UK.

The Presidency will convene a meeting in order to keep Member States informed about the details of the negotiations and discussions so far held with Switzerland and the UK dependent or associated territories.

The Council invited the Commission to pursue the negotiations with Switzerland and agreed to consider the result of these negotiations at an extraordinary ECOFIN Council session to be held shortly.

= Code of conduct

The Council took note of an oral report from the Chair of the Code of Conduct Group, Ms PRIMAROLO, on the work achieved since June of this year. The Council agreed to return to this topic as well as to the third element of the tax package (i.e. the interest/royalties directive) at its forthcoming extraordinary session.

– ***ENERGY TAXATION***

The Council, on the basis of a Presidency note, held a discussion on the main outstanding questions of the draft Directive restructuring the Community framework for the taxation of energy products.

These issues are:

- the possibility of setting national levels below the new minimum levels of taxation;
- the arrangements for the use of diesel oil; and
- the treatment of energy used in agricultural, horticultural or piscicultural works and in forestry.

The Presidency will continue the work on these outstanding issues with a view to achieving an agreement on the Directive at the forthcoming extraordinary session of the Council.

– ***V.A.T. - Administrative co-operation***

The Council agreed to postpone the examination of this item to its forthcoming extraordinary session.

FINANCIAL SERVICES

– *FINANCIAL REGULATION, SUPERVISION AND STABILITY - Council Conclusions*

The Council endorsed the final EFC report on financial regulation, supervision and stability and adopted the following Conclusions:

- "1. The Ecofin Council discussed the results of the open consultation on the EFC report on financial regulation, supervision and stability on the basis of a written report by the Commission services on the public consultation, an oral report by the Presidency on its discussions with the European Parliament and a final report by the EFC
2. The Council notes the assessment of the Commission services that there was broad support for the EFC proposals among respondents to the public consultation and so adopted the report on financial regulation, supervision and stability. The Council recognises, however, the need to provide further details regarding formal arrangements for consulting the public, including market participants, in the new framework. Therefore, it invites the Commission services to make suggestions in this respect whilst implementing the recommendations.
3. In light of the results of the public consultation, the Council fully endorsed the EFC report. In particular, it reaffirmed its clear preference for implementing arrangements based upon the Lamfalussy framework to all financial sectors as proposed in the report, i.e. according to existing inter-institutional agreements, incorporating all accountability measures to the European Parliament and the Council already adopted for securities - including the sunset clause with a full and open review in 2004 - and recognising sectoral specificities. The Council agrees to continue discussions with the European Parliament.
4. The Council notes that the Presidency will invite the representatives of the governments of Member States meeting within the General Affairs Council on 9-10 December 2002 to
 - state that they will draw the attention of their heads of state and government to the importance of a revision of Article 202 of the treaty and invite them to consider this question in the preparation of the Intergovernmental conference and
 - note that it is of great importance that the discussions in the Convention and the Intergovernmental Conference consider a legislative system allowing for a higher degree of efficiency in the legislative process, which respects the requirements of subsidiarity and the prerogatives of the institutions involved in the legislative process.
5. The Council notes that the issue of delegating the powers to adopt implementing measures to the Commission is left open pending further contacts with the European Parliament. The Council notes that the other aspects of the envisaged new structure can be implemented and invites the Commission to establish the level 2 committees in an advisory capacity only, and the level 3 committees as soon as possible.

Financial regulation

6. Sectoral specificities would be best recognised by three separate sectoral committees each at levels 2 and 3: for banking; insurance, including pensions; and securities, including UCITS. In addition, in line with the recently adopted EU Directive, a fourth committee at level 2 will be established to deal with certain specific rules concerning financial conglomerates operating across sectors. This committee should explore how best to organise the level 3 advice required from the EU's supervisors, and the precise arrangements should then be defined by the Commission.

7. Each level 2 committee should have one voting national representative per Member State and one technical expert nominated by the relevant Ministry. The level 2 committees might on occasion meet in joint session at a high level to consider difficult technical and cross-sectoral issues, and improve synergies and coherence of level 2 rules.

Financial supervision

8. The Council emphasises the importance of strengthened supervisory co-operation and better implementation and enforcement of regulation in the EU. Therefore, it invites the Commission as soon as possible to establish new level 3 committees for banking supervision and supervision of insurance and pensions providers. The new Financial Conglomerates Committee to be established by the financial conglomerates directive should explore how best to organise advice from the EU's supervisors concerning financial conglomerates, and the precise arrangements should then be defined by the Commission.

9. Similar to the Committee of European Securities Regulators (CESR) for the securities sector, these committees should promote consistent implementation of EU directives, supervisory convergence and best practices in Member States; provide an effective operational network to enhance day-to-day supervision, including exchange of supervisory information in normal times and at times of stress; and advise the Commission as appropriate on technical issues related to regulation.

10. Each level 3 committee should be independent. They should each establish appropriate procedures and meeting formats to ensure efficient exchange of confidential information, in line with the recommendations of the EFC report. Each Member State should have a single vote allocated to members from national supervisory authorities. The Commission should have observer status.

11. To exploit synergies between banking supervision and central banking, both national banking supervisory authorities and non-supervisory central banks, including the ECB, should attend meetings of the new banking committee, with the competent supervisory authorities holding the vote. Representatives from the Groupe de Contact and the ESCB's Banking Supervision Committee should have observer status in the new committee for banking.

Reconfigured FSPG

12. The Council is willing to take a decision as soon as possible on the establishment of a reconfigured FSPG (possibly re-named Financial Services Committee, or FSC) with a Member State chair as soon as possible. The role of the new Committee is to provide advice and oversight for the Council and Commission on the range of financial market issues set out in the EFC report. The Ministers meeting in the Council will each nominate one senior representative to the new committee. The reconfigured FSPG should fully respect existing institutional prerogatives. It should report to the EFC in order to prepare advice to the Ecofin Council, taking into account the established role of COREPER.

13. The EFC is the primary source of advice on issues related to economic and financial developments for the Ecofin Council, and should report to it on financial stability issues. The reconfigured FSPG should assist the EFC to prepare such items to be discussed in the Ecofin Council and at informal meetings of Ministers of Economy and Finance and Central Bank Governors. In addition, if appropriate, the EFC can request advice from the new committee on an ad hoc basis. The Council decision on the establishment of the new committee will determine that it shall define its own working methods and appoint its President. It shall take account of the need for transparency towards the European Parliament and the public, and, in particular, information about the Committee's activities should continue to be made publicly available as for the initial configuration of the FSPG.

14. The President of the new committee should be available for a regular exchange of views on strategic developments related to financial markets with the Committee on Economic and Monetary Affairs of the European Parliament. Moreover, the 2005 Group will continue to be the appropriate forum for an exchange of views at a high level between the Commission, the Council and the European Parliament on financial market policy developments."

– ***CORPORATE GOVERNANCE***

The Council took note of an Economic and Financial Committee (EFC) note on corporate governance issues linked to financial markets based on the report by the High Level Group of Company Law Experts, chaired by Professor Jaap WINTER.

The report of the High Level Group is available at the Commission webpage:

http://europa.eu.int/comm/internal_market/en/company/company/modern/index.htm

– ***FINANCIAL SERVICES ACTION PLAN (FSAP)***

The Council, following an oral presentation by Commissioner BOLKESTEIN, took note of the seventh half-yearly Commission report, on the implementation of the Financial Services Action Plan (FSAP).

It is recalled that twice a year, normally in June and December, the Commission presents a progress report on the implementation of the FSAP.

The progress reports remain available on the Commission's web page :

http://europa.eu.int/comm/internal_market/en/finances/actionplan/index.htm

– ***INTEGRATION AND EFFICIENCY INDICATORS***

The Council took note of the Commission note on indicators of progress in realising the economic benefits of an integrated financial services market. This Commission note constitutes the first summary of the work carried out so far on this issue.

It is recalled that, in connection with the mandate given by the ECOFIN Council to the Committee of Wise Men in July 2000, the Commission was invited to "propose possible indicators of progress in realising economic benefits" and report back in November that year. In November 2000, in its third progress report on the implementation of the FSAP, the Commission put forward a preliminary list of indicators which was generally endorsed by the Council.

The result of studies, subsequently commissioned by the Commission, finalised so far show that financial integration creates considerable gains for European citizens through a better potential for economic growth and employment creation, especially through increased competition and enhanced efficiency in capital and risk allocation. The Financial Services Action Plan is thus an important structural initiative in safeguarding the competitiveness of the European financial sector and realising the Lisbon objective of the EU as the most competitive knowledge economy.

– ***DIRECTIVE ON INVESTMENT SERVICES***

The Council, following an oral presentation by Commissioner BOLKESTEIN, instructed the Permanent Representatives Committee to examine the new proposal on investment services and regulated market.

It is recalled that the current Investment Service Directive (ISD) (93/22/EEC) dates from 1993 and has, according to the Commission's own analysis, a number of shortcomings. For these reasons, and because other FSAP measures linked to the ISD have been adopted in the meantime or are about to be adopted (on banking, UCITS, etc.) the Commission opted for a completely new proposal rather than simply updating the existing Directive. Furthermore, the proposal provides for extensive implementing powers delegated to the Commission.

COURT OF AUDITORS - ANNUAL REPORT

The Council took note of the presentation of the report of the Court of Auditors on the implementation of the budget for 2001 by the President of the Court of Auditors, Mr Juan Manuel FABRA VALLÉS.

The Council instructed the Permanent Representatives Committee to examine this report in the framework of the 2001 discharge procedure at the beginning of next year.

It is recalled that according to Article 276 of the Treaty, the European Parliament, acting on a recommendation of the Council, shall give a discharge to the Commission in respect of the implementation of the budget.

The Commission shall take all appropriate steps to act on the observations in the decisions giving discharge by the European Parliament as well as on comments accompanying recommendations on discharge adopted by the Council.

STREAMLINING THE ANNUAL ECONOMIC AND EMPLOYMENT POLICY CO-ORDINATION CYCLES

The Council approved a report on streamlining of the annual economic and employment policy co-ordination cycles and held an exchange of views.

The report was approved jointly by the Council on 3 December in both its ECOFIN and Employment, Social Policy, Health and Consumer Affairs configurations, on the basis of work undertaken by the Economic Policy Committee, the Employment Committee and the Social Protection Committee.

In its report, the Council recommends, in particular, that:

- the processes should focus on medium and longer-term challenges, as well as on implementation,
- in order to prepare the Spring European Council as the defining moment in the annual policy-co-ordination cycle, the Commission's Spring Report and other relevant implementation reports should be presented in January of each year,
- a determined effort should be undertaken to streamline Member States' reporting obligations,
- overlaps and duplications should, wherever possible, be avoided, in particular by increased co-ordination and complementarity, while preserving the distinctive role of both processes.

The synchronisation of the two timetables, which follows on from a request by the Barcelona European Council (March 2002), is expected to result in improved effectiveness of the respective policy co-ordination cycles.

STRUCTURAL INDICATORS

The Council adopted conclusions on the structural indicators to be used by the Commission in its “Synthesis Report” to be submitted to the Spring European Council in 2003. The conclusions were approved jointly by the Council on 3 December in both its Employment, Social Policy, Health and Consumer Affairs and Economic and Financial Affairs configurations, on the basis of work undertaken by the Employment Committee, the Social Protection Committee and the Economic Policy Committee.

The structural indicators are drawn up in order to allow an objective assessment of the progress made towards the objectives set by the Lisbon European Council (March 2000).

In updating the structural indicators, the overriding aim has been to maintain the highest possible degree of stability, in order to guarantee comparability in the medium-term of data obtained.

Taking into account the work of the above-mentioned Committees, the Council:

- encourages the Commission, in particular, to make more intensive and systematic use of the structural indicators,
- endorses a list of indicators to provide an overview of the Member States' performance and to focus public debate, and
- identifies priorities for further work.

ANY OTHER BUSINESS

– ***STRENGTHENING THE CO-ORDINATION OF BUDGETARY POLICIES***

The Council took note of a presentation by Commissioner SOLBES on the Commission communication on strengthening the co-ordination of budgetary policies.

The Council will return to this item at one of its forthcoming sessions before the Spring European Council.

IN THE MARGINS OF THE COUNCIL**– *MACRO-ECONOMIC DIALOGUE AT POLITICAL LEVEL***

The seventh meeting of the Macro-economic Dialogue at political level was held on 2 December 2002. Representatives of the Council, the Commission, the European Central Bank and the Social partners participated in its regular debate on the economic situation and the appropriate policy mix.

ITEMS APPROVED WITHOUT DEBATE

ECOFIN

Market abuse Directive - *Public deliberation item* (Doc. 13427/02)

The Council adopted the Directive on insider dealing and market manipulation (market abuse), following the Council's approval of all amendments of the European Parliament. The overall objective of this Directive is to ensure the integrity of European Financial Markets and to enhance investor confidence in those markets by establishing a level playing field for all economic actors in Member States in the fight against market abuse.

Taxation of occupational pensions (Doc. 12876/02)

The Council took note of a report on taxation on occupational pensions. This report deals with the elimination of tax obstacles to the cross-border provision of occupational pensions, in particular with the issues of exchange of information and double taxation and non-taxation as a result of Member States different systems in this respect.

Rates of VAT to certain labour-intensive services (Doc. 13044/02 and Doc. 13045/02)

The Council adopted the Directive amending Directive 77/388/EEC to extend the facility allowing Member States to apply reduced rates of VAT to certain labour-intensive services. According to this amendment certain Member states are authorised to apply, up to 31 December 2003, a reduced VAT to those labour-intensive services for which they had submitted an application.

The Council also adopted the Decision extending until 31 December 2003 the period of application of Decision 2002/185/EC authorising Belgium, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Portugal and the United Kingdom to apply a reduced rate of VAT to labour-intensive services