Council of the European Union

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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Explanatory note - Accompanying document to Council recommendation on the economic policy of the euro area 2025

Delegations will find here attached the Explanatory note accompanying the Council recommendation on the economic policy of the euro area 2025.

Explanatory note

– Accompanying document to Council recommendation
on the economic policy of the euro area 2025

Article 29 of Regulation 2024/1263 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 states that "*The Council is expected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publicly"*.

In respect of this "comply or explain rule" the Council hereby presents the following explanations to changes agreed to the Commission Recommendations for a Council recommendation on the economic policy of the euro area in the context of the European semester, on which the Commission is in disagreement.

The Council (Ecofin) has also agreed to a number of additions as well as factual or technical changes to recommendations with the full support of the Commission.

<u>EAR 1</u>

Commission text:

[…] Develop a European Savings and Investment Union, including by deepening the links between Capital Markets and Banking Union projects, to support growth and investments and improve competitiveness. […]

Agreed text:

[…] <u>Swiftly</u> ~~D~~<u>d</u>evelop a European Savings and Investment Union, by promoting competitive and well-functioning financial and banking sectors ~~including by deepening the links between Capital Markets and Banking Union projects~~, to support growth and investments and improve competitiveness. […]

Explanation:

The Council underscores the importance of the Capital Markets Union (CMU) and the Banking Union (BU) while recognizing them as related but distinct projects with separate objectives and purposes. The Council believes that advancing both initiatives in parallel, while respecting their specific goals, is more likely to speed up their implementation and ultimately better support growth, investment, and competitiveness.

EAR 3

Commission text:

[…] Monitor risks to macro financial stability related to asset quality, asset repricing and strengthen macroprudential supervision of the non-bank financial intermediation sector.

Agreed text:

[…] Monitor risks to macro financial stability related to asset quality, asset repricing, including climate and environmental related risks, and strengthen the regulatory ~~macroprudential supervision~~ toolbox for ~~of~~ the non-bank financial intermediation sector, as appropriate to manage and mitigate identified risks.

Explanation:

The Council is of the view that the the non-bank financial intermediation (NBFI) sector should be covered by a variety of tools when managing and mitigating systemic risks, including but not limited to macroprudential tools. Discussions on whether to further strengthen macroprudential supervision of the NBFI sector are currently ongoing with Member States. Overall the Council considers that the current supervisory framework has demonstrated robustness in periods of market volatility contributing to the resilience of the NBFI sector.