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From: General Secretariat of the Council

To: Permanent Representatives Committee/Council

Subject: Council Conclusions on the EU's economic and financial strategic
autonomy: one year after the Commission's Communication

Council conclusions on achieving the EU's economic and financial strategic autonomy in an open economy: one year after the Commission's Communication

The Council:

1. STRESSES that the European Union, having a very large and open economic and financial system, is committed to contribute to, and maintain, an open international economic and financial order, based on the principles of multilateralism, fairness and level playing field;
2. RECALLS in this respect the Conclusions of the European Council of 1 and 2 October 2020¹, which emphasised that “achieving strategic autonomy while preserving an open economy is a key objective of the Union”;
3. REITERATES the engagement of the Heads of State or Government, as enshrined in the Versailles Declaration of 10 and 11 March 2022, to take more responsibility for the EU's security and to take further decisive steps towards building our European sovereignty, reducing its dependencies and designing a new growth and investment model for 2030;
4. EMPHASISES that the EU needs to continue pursuing an appropriate balance between both objectives, striving to achieve its economic and financial autonomy, while maintaining its openness, global cooperation with like-minded partners and competitiveness, and reap the potential benefits thereof. Achieving these objectives is important for safeguarding the EU's legitimate economic interests, as well as the economic and financial stability of the EU and beyond;

¹ Document EUCO 13/20

5. HIGHLIGHTS that recent developments, in particular the impact of the Covid-19 pandemic, global shortages of supply in essential goods and services, heightened imbalances in global energy markets as well as their effects on companies and Member States, have further confirmed the importance of pursuing the EU's strategic autonomy while preserving an open economy; STRESSES that Russia's unprovoked and unjustified military aggression against Ukraine resulted in growing instability, strategic competition and security threats; RECALLS that by building its strategic autonomy in an open economy, the EU's goal is, in particular, to ensure the resilience of its economy and preserve its capacity to protect and develop its economic and financial interests;

6. RECALLS against this backdrop the Communication of the Commission of 19 January 2021², whereby the Commission sets out how the EU can reinforce its open strategic autonomy in the macro-economic and financial fields;

7. REITERATES that such overall strategy rests on several important and mutually dependent approaches. Among these are the following three key pillars: securing a stronger international role of the euro including through a stronger and deeper Economic and Monetary Union as well as promoting the use of the euro and euro-denominated instruments globally; ensuring the resilience of the financial sector so as to serve the real economy incl. through the completion of the Banking union and the deepening of the Capital Markets Union, while reducing excessive reliance on third-country financial institutions and infrastructures where it could be expected to create financial stability risks; protecting the EU economic and financial system against the effects of the extra-territorial application of third-country sanctions and other harmful practices, in addition to maintaining a well-functioning own EU sanctions regime;

² Document 5487/2021

8. NOTES that it is important – one year from the aforementioned Communication and in the face of the aforementioned challenges – to take stock of progress along these three pillars and identify further work ahead;

On the international role of the euro:

9. First, STRESSES that the international role of the euro is primarily supported by the strength and stability of the Economic and Monetary Union and its economic fundamentals, incl. those of its Member States, as well as by the mobilization of private capital and by the EU's ability to create conditions that help to strengthen the international competitiveness of European economic and financial players;
10. SUPPORTS the Commission's ongoing work to actively promote the international role of the euro in its regular macro-economic dialogues with international partners and in particular with the ones with closer economic and financial ties;

11. RECALLS that over the past year important measures have been taken by the EU that will foster the EU's financial autonomy in an open economy and the role of the euro, respecting national currencies and their significance, including the Capital Markets Recovery Package that introduced targeted amendments needed to develop euro-denominated derivatives for energy and raw materials and other financial instruments within the Union, and the issuance of significant volumes of Next Generation EU (NGEU) bonds; CALLS on the Commission to come forward with further actions to support both the international role of the euro and the green transition, for instance by promoting the EU as a global 'green finance' hub; STRESSES that the completion of the Banking Union and the deepening of the Capital Markets Union, in order to improve financial stability and promote an efficient Single market in financial services and reap potential benefits thereof, would also contribute to the enhancement of the international role of the euro; CALLS FOR the development of deeper secondary markets for financial instruments within the Union, in particular for euro-denominated financial derivatives;
12. Second, SUPPORTS the work being undertaken by the Commission in relation to digital finance; WELCOMES the launch of the investigation phase on the digital euro and INVITES the Eurosystem and the European Commission, to continue their exploratory work on the possible introduction of a retail digital euro (central bank digital currency), while taking into due account the implications for digital retail payments, financial stability and monetary policy, in close cooperation with Member States, including the work by the Eurogroup; STRESSES the need to assess the impacts both on the Member States inside and outside the Eurozone; RECALLS, in line with the Eurogroup statement of 25 February 2022, that such exploratory work will not prejudice any future decision on the possible issuance and key design features of a digital euro, which will come only later; REITERATES that the Eurogroup will regularly revisit this topic in inclusive format and discuss its various dimensions, as this will allow it to provide clear views on the general objectives and political dimensions of a digital euro and the trade-offs in full respect of the institutional roles and mandates of all actors involved as provided for in the Treaties;

13. NOTES that a digital euro would only be able to complement physical cash, not replace it. In complementing private-sector digital retail payment solutions, it could help catalyse innovation in the financial sector and the real economy. It should respect financial privacy with adequate data protection standards, while ensuring a high level of protection from money laundering and terrorist financing. It should be safe, easy to use and widely accessible to the general public;
14. REITERATES that central bank digital currencies also raise key issues of monetary and non-monetary nature for both European citizens and financial systems; STRESSES, in particular, that in order to be successful, the launch of a digital euro needs to be a common European project, supported by the European public and with a solid democratic basis and would require an intervention of the EU legislator; NOTES that the Commission intends to make a proposal on the basis of Article 133 TFEU;
15. Third, RECOGNIZES the positive impact of Official Development Assistance flows by the European Union under the guidance of the “Team Europe Approach”, which contributes to further strengthen the sustainable development of EU partner countries. The “Global Gateway Initiative” will also contribute towards this goal, also by promoting democratic values and high standards, good governance and transparency. These actions contribute to the use of the euro in development-related financial flows;

16. EMPHASIZES the role of Export Credits in strengthening the EU's competitiveness and global market outreach, in supporting the economic development of partner countries and in promoting EU exporters and euro-denominated trade; WELCOMES the current work on the upcoming EU Strategy on Export Credits aimed, among other objectives, at achieving a balance between multilateral cooperation frameworks and reinforcing the EU's autonomous position in the international trade-related finance landscape, with the aim of preserving an open economy;

A strong, competitive and resilient European financial sector servicing the real economy, avoiding risks arising from excessive reliance on third-country financial institutions and infrastructures:

17. STRESSES that the autonomy of the EU financial sector and the greater international role of the euro fundamentally rest on a strong internal market, which will contribute to enhancing the real economy's ability to cover its financing needs; CONSIDERS in particular that a completed Banking Union and a deeper, well-integrated and well-functioning Capital Markets Union, supported by the promotion of financial innovation, are important to ensuring a resilient EU financial system and supporting the EU's climate and digital transitions, contributing to the resilience of the whole economy;
18. CONSIDERS that the EU financial sector, and all its relevant components, must fully live up to the potential of the scope and depth of the EU internal market: in particular, they should efficiently deliver finance and services to the economy, including start-ups and SMEs, be sufficiently resilient to shocks emanating from the financial sector or outside and be competitive at global level;

19. RECALLS the importance of implementing policy measures that are conducive to a level-playing-field and the creation of an attractive and efficient Single market, and to the maximisation of investment capacity, while ensuring sound treatment of risks and preserving financial stability; further NOTES the need to implement rules that are tailored to long-term investment, by supporting the mobilisation of insurance undertakings and investment funds, and ensuring a larger participation of retail savers, while ensuring a continued high level of consumer and investor protection;
20. Regarding capital markets, STRESSES the need for the further ambitious deepening of the Capital Markets Union, in line with the priorities set out in the Council conclusions of 3 December 2020³, and accordingly further develop EU capital markets' attractiveness and integrity, taking into account the need to ensure financial stability, investor and consumer protection and the parallel regulatory developments in third countries; WELCOMES in particular the Proposals, presented in 2021, by the European Commission to advance further on Capital Markets Union; EMPHASISES the need for their swift implementation;
21. RECALLS the fundamental importance of a well-functioning Single Market for enhancing investment opportunities for firms and individuals and HIGHLIGHTS the need to remove unwarranted barriers to cross-border investments herein and to avoid the emergence of new barriers; WELCOMES the Commission's Proposals for a European Single Access Point; and UNDERLINES the need to improve availability, and comparability, of financial and sustainability data on European companies, which are key to increase access to financing;

³ Document 12898/1/20 REV1

22. EMPHASISES the potential for the EU to be a standard setter in green finance and to promote international comparability and interoperability by designing effective frameworks that could serve as global benchmarks. The EU sustainable finance taxonomy, the proposed EU Green Bond Standard, the proposed Corporate Sustainability Reporting Directive, the implementation of the Sustainable Finance Disclosure Regulation, and the new EU sustainable finance strategy could further support green investments in the EU and also globally. This could also help to develop EU financial markets and have positive effects on the international usage of the euro;
23. INVITES in that respect the Commission to give consideration to a broader assessment of the impacts of the NGEU package on green bonds;
24. WELCOMES the intention from the Commission to promote internationally integrated markets for sustainable finance; SUPPORTS the development of European sustainability reporting standards which will support the EU's sustainability agenda and vision on the international stage; NOTES that the European sustainability standard-setter should also strive to the greatest extent possible for interoperability and consistency with the work of global standard-setters as regards baseline sustainability reporting; STRESSES that the aim is thus to ensure that the EU is closely involved in the global work to foster best practices, provide an ambitious blueprint at the international level and to enable EU financial players to continue contributing to the funding of the green transition in third countries;

25. INVITES the Commission to consider how best to support the development of a transparent and competitive market for audit and assurance services, credit and ESG ratings as well as data providers in terms of providing reliable financial and sustainability data, exploring the costs and benefits of diversifying the offer and increasing the number of service and data providers, in order to help build up European leadership in this field; WELCOMES the Commission's Audit Market Monitoring Report⁴ and process to strengthen audit and corporate reporting quality within the Single Market;
26. Regarding the banking sector, UNDERLINES that a resilient and competitive European banking sector will contribute to enhancing the EU's financial and strategic autonomy in an open economy, whilst providing financing to the economy on a sustainable basis; REITERATES that completion of the Banking Union is of paramount importance to move towards a resilient and efficient single banking market, to protect taxpayers and depositors and to efficiently take into account the specific needs of European real economies; further NOTES that initiatives to enhance the regulatory framework, notably the completion of the Banking Union, forthcoming legislative proposals by the Commission as well as the 2021 Banking Package, should increase the resilience of European banks, whilst preserving the diversity of their business models and their competitiveness, as well as strengthen the Single Market;

⁴ Document 6192/21

27. RECALLS the statement of the Euro Summit of 16 December 2021 requesting the Eurogroup in inclusive format to finalise on a consensual basis a stepwise and time-bound work plan on all outstanding elements of the Banking Union charting the way towards its completion, as further called for in the Versailles Declaration of 10 and 11 March 2022;
28. RECALLS its Conclusions of November 2020 on anti-money laundering and countering the financing of terrorism⁵ and REITERATES that a resilient financial system should also be supported by strong rules on the protection of the financial system from money laundering or terrorist financing, catering to the digital transformation of society and safeguarding the stability of the sector;
29. WELCOMES in this regard the Proposals, presented in 2021, by the European Commission to strengthen the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) rules;

⁵ Council Conclusions on anti-money laundering and countering the financing of terrorism, November 2020, Document 12608/20

30. STRESSES that strong confidence of consumers and investors contributes to a resilient financial system and that such confidence depends on the existence of a protective framework for consumers that is fit for purpose, ensuring for them a high level of protection throughout the European Union; NOTES that the digitalisation of financial services may create new opportunities for citizens, including through measures aimed at supporting financial literacy and through access to more targeted information; further CONSIDERS that such digitalisation involves the use of new technologies, requiring further action to ensure financial inclusion, and may increase the use of third-parties for the delivery of services, which, alongside with new opportunities, could create new risks that need to be identified and properly dealt with; accordingly UNDERLINES the importance of a comprehensive exchange between national and EU authorities and supervisors in the insurance, banking, capital markets, data management and protection, and AML/CFT fields, as well as a clear and useful information for consumers and investors;
31. HIGHLIGHTS that excessive reliance on third-country critical services providers could create financial stability risks in times of financial market disruption; SUPPORTS current work from the Commission to assess and tackle such excessive reliance, e.g. on third-country central counterparties clearing derivatives;

32. STRESSES that building a competitive clearing market in the EU requires measures to allow market participants to develop their activities in the EU; SUPPORTS exploring regulatory measures, taking into account possible market-based solutions and the need to preserve financial stability; LOOKS FORWARD TO considering appropriate solutions and mitigants, including in the area of third-country central counterparties’ supervision;
33. LOOKS FORWARD TO the EBA study on EU dependence on non-EU financial operators and banks’ dependence on funding in foreign currencies, as announced in the January 2021 Communication;
34. RECALLS the objective, set out in the Council conclusions on the Commission communication on a “Retail Payments Strategy for the European Union”⁶, to foster the development of competitive home-grown and pan-European market-based payments solutions; ENCOURAGES the development of such solutions, which shall aim to be safe, innovative and modern, under a common scheme and harmonised standards; NOTES that market demand will be important for their success; STRESSES the importance of defining and effectively implementing a framework for an independent, efficient, well-functioning, open and autonomous “European payments area”; NOTES the Commission’s intention to present a legislative initiative on instant payments in 2022; EMPHASISES the objective of establishing a strong regulatory framework for markets in cryptoassets to protect financial stability, monetary sovereignty, and consumers’ and investors’ rights, while preserving openness to innovation;

⁶ Document 7225/21

Shielding and strengthening the resilience of financial-market infrastructure:

35. UNDERSCORES the crucial role of financial-market infrastructure, including payments, trading and settlement, that is essential and successful in securing an efficient, globally competitive and stable financial system, but that, for these reasons, has been targeted in the past by extra-territorial measures by third countries;

36. INVITES therefore the European Commission, in close cooperation with financial supervisors, the European Central Bank and the relevant private companies, to examine ways to better shield financial-market infrastructure companies and their critical service providers from third-country measures that can affect the functioning and stability of the European financial sector, and make proposals in this respect;

37. Also INVITES the European Commission to swiftly consider how best to secure the provision of essential financial services, if the private financial sector ceases to do so, linked to commercial or other interactions with persons, entities or third countries that are subject to third-country measures, including extra-territorial sanctions. This would help ensuring the justified commercial interests and political prerogatives of the European Union;

Developing an effective mechanism for managing sanctions:

38. In light of recent events, RECALLS that sanctions are an essential tool of the EU's Common Foreign and Security Policy; in full compliance with international law, EU sanctions aim to support peace and democracy, the rule of law, human rights and the principles of international law;
39. STRESSES the importance of coordination between Member States regarding the implementation of sanctions, to ensure their effectiveness and maximize their impact; EMPHASISES further that sustained close cooperation with like-minded partners should be consistently used to align as much as possible the respective sanctions in order to achieve common goals and to prevent the adoption of third-country sanctions that differ in scope or substance from those of the EU;
40. COMMENDS the actions already undertaken by the Commission and the Member States in the field of uniform implementation and enforcement of EU sanctions; SUPPORTS on-going work to identify and combat practices that aim to circumvent and undermine EU sanctions, including in some cases the risk of circumvention that could derive from certain transactions in crypto-assets; EMPHASISES the importance of continued efforts to enforce strictly and uniformly all sanctions adopted;

41. RECALLS that the EU rejects the extra-territorial application of third-country sanctions where this is inconsistent with international law; and, UNDERLINES that, where this is the case, such measures threaten the integrity of the Single Market and the EU's financial systems, reduce the effectiveness of the EU's foreign policy and put a strain on legitimate trade and investment; and, in the end, affect EU and Member States' ability to conduct policies without foreign interference;
42. NOTES that over recent years, certain third countries have increased their use of sanctions, or other regulatory measures, which impacts on the conduct of EU operators under the jurisdiction of the EU and its Member States;
43. REAFFIRMS that a reinforced and effective safeguarding policy against the unlawful extra-territorial application to EU operators of sanctions by third countries is necessary, along with the implementation of appropriate tools, and will benefit the EU's openness, strength and resilience; EMPHASISES the need to ensure that EU operators should not be exposed to disproportionate economic disadvantages as a result of such a safeguarding policy;
44. RECALLS that one key pillar of that policy is the EU Blocking Statute⁷, which is the EU's unified response to the extra-territorial application of third countries' measures to EU operators;

⁷ Council Regulation (EC) No 2271/96

45. NOTES that following the Commission Communication, the European Parliament, the Council and the European Commission, in their Joint Declaration of 16 December 2021⁸, agreed to work to deter the unlawful extra-territorial application of third-country sanctions and to better protect EU operators from these sanctions by reinforcing the Blocking Statute;
46. CALLS on the Commission to follow up on the Joint Declaration of 16 December and present a legislative proposal for a reinforced Blocking Statute as swiftly as possible considering the urgency to better protect EU operators;
47. STRESSES that the reinforced Blocking Statute should allow EU operators to use its safeguarding measures more easily, reduce the impact of their conflicting obligations by being confronted with third-country extra-territorial sanctions and European law concurrently, streamline the procedures, and contain appropriate measures to deter the unlawful application of extraterritorial sanctions;
48. NOTES that, in parallel, the Commission tabled on 8 December 2021 a proposal for an instrument to dissuade or offset practices of non-EU countries using coercive measures to unduly interfere in the EU's or its Member States' policy choices;⁹

⁸ https://ec.europa.eu/info/files/joint-declaration-legislative-priorities-2022_en

⁹ https://trade.ec.europa.eu/doclib/docs/2021/december/tradoc_159958.pdf

49. UNDERLINES that this Anti-Coercion Instrument and the reinforced Blocking Statute, while remaining separate instruments, should be complementary to each other, as they pursue different but complementary objectives;

Cooperation with partners:

50. UNDERLINES that the objective and strategy to secure a higher degree of autonomy of the EU financial system is not directed against third countries, but towards collaboration with them, in order to achieve an open and stable international economic ecosystem, in line with the EU's values. It allows the EU to remain an open market place, increases the stability and predictability for economic operators in the EU and globally, and fosters global monetary stability by diversifying the global reserve currency regime, against the background of profound changes to the global economic and geopolitical order;
51. HIGHLIGHTS the need and the EU's readiness to discuss and interact on these issues with partner countries and in the relevant multilateral frameworks.