

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

2011/0385(COD) - 21/05/2013 - Final act

PURPOSE : to improve the economic governance of the euro area ('two pack'). **LEGISLATIVE ACT** : Regulation (EU) n° 472/2013 of the European Parliament and of the Council on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability.

CONTENT : following the adoption in November 2011 of an initial "six-pack" of economic governance measures, this Regulation lays down provisions for **strengthening the economic and budgetary surveillance of Member States whose currency is the euro, where those Member States:**

- **experience or are threatened with serious difficulties with respect to their financial stability** or to the sustainability of their public finances, leading to potential adverse spillover effects on other Member States in the euro area; or
- **request or receive financial assistance** from one or several other Member States or third countries, the European Financial Stabilisation Mechanism (EFSM), the European Stability Mechanism (ESM), the European Financial Stability Facility (EFSF), or another relevant international financial institution such as the International Monetary Fund (IMF).

Member States subject to enhanced surveillance: the Regulation states that the Commission may decide to subject to enhanced surveillance a Member State experiencing or threatened with serious difficulties with respect to its financial stability which are likely to have adverse spill-over effects on other Member States in the euro area.

The Member State concerned shall be given the opportunity to express its views before the Commission adopts its decision to subject that Member State to enhanced surveillance. Every six months, the Commission shall decide whether to prolong the enhanced surveillance on that Member State.

Where a Member State is in receipt of financial assistance on a precautionary basis from one or several other Member States or third countries, the EFSM, the ESM, the EFSF, or another relevant international financial institution such as the IMF, that Member State will be **subject to enhanced surveillance**.

Enhanced surveillance: a Member State subject to enhanced surveillance shall adopt measures aimed at **addressing the sources or potential sources of difficulties**. In so doing, it shall take into account any recommendations addressed to it in the course of an excessive deficit procedure or an excessive macro-economic imbalance procedure.

On a request from the Commission, a Member State subject to enhanced surveillance shall:

- communicate to the ECB in its supervisory capacity, and, where appropriate, to the relevant ESAs, at the requested frequency, **disaggregated information on developments in its financial system**;
- carry out **stress test exercises or sensitivity analyses**, as necessary, to assess the resilience of the financial sector to various macroeconomic and financial shocks, as specified by the Commission and the ECB;
- be required to submit to **regular assessments** of its supervisory capacities over the financial sector in the framework of a specific peer review carried out by the relevant ESAs;
- **communicate any information** needed for the monitoring of macroeconomic imbalances.

Where it is concluded that further measures are needed and the financial and economic situation of the Member State concerned has significant adverse effects on the financial stability of the euro area or of its Member States, **the Council, acting by a qualified majority on a proposal from the Commission**, may recommend to the Member State concerned to adopt precautionary corrective measures or to prepare a draft macroeconomic adjustment programme. The Council may decide to make its recommendation public.

Political dialogue: where a recommendation is made public, **the competent committee of the European Parliament** may offer the opportunity to the Member State concerned and to the Commission to participate in an exchange of views.

During the course of the enhanced surveillance process, the competent committee of the European Parliament and the **parliament of the Member State concerned** may invite representatives of the Commission, the ECB and the IMF to participate in an economic dialogue.

Macroeconomic adjustment programme: where a Member State requests financial assistance from one or several other Member States or third countries, the EFSM, the ESM, the EFSF or the IMF, it shall prepare, in agreement with the Commission, acting in liaison with the ECB and, where appropriate, with the IMF, a draft macroeconomic adjustment programme.

The draft macroeconomic adjustment programme shall: (i) address the specific risks emanating from that Member State for the financial stability in the euro area; (ii) shall aim at **rapidly re-establishing a sound and sustainable economic and financial situation** and restoring the Member State's capacity to finance itself fully on the financial markets. The draft programme shall be based on the assessment of the sustainability of the government debt.

A Member State shall seek the views of **social partners** as well as relevant civil society organisations when preparing its draft macroeconomic adjustment programmes, with a view to contributing to building consensus over its content.

The Council, acting by a qualified majority on a proposal from the Commission, shall approve the programme prepared by the Member State requesting financial assistance.

The Commission, in liaison with the ECB and, where appropriate, with the IMF, shall **monitor the progress** made by a Member State in the implementation of its macroeconomic adjustment programme.

Representatives of the Commission may be invited by the parliament of the Member State concerned to participate in an **exchange of views** on the progress made in the implementation of its programme.

The budgetary consolidation efforts set out in the adjustment programme shall take into account **the need to ensure sufficient means for fundamental policies, such as education and health care.**

The adjustment programme, including its objectives and the expected distribution of the adjustment effort, shall be made public.

Council vote: only members of the Council representing Member States whose currency is the euro shall vote and the Council shall act without taking into account the vote of the member of the Council representing the Member State concerned.

Report: by 1 January 2014, and every five years thereafter, the Commission shall submit a report on the application of the Regulation. The European Parliament may invite representatives of the Council and of the Commission to enter into a dialogue on the application of the Regulation.

ENTRY INTO FORCE : 30/05/2013.