Basic information

2012/0164(APP) APP - Consent procedure Regulation	Procedure lapsed or withdrawn
Economic governance: facility for financial assistance for Member States whose currency is not the euro Repealing Regulation (EC) No 332/2002 2001/0062(CNS) **Subject** 5.10.01 Convergence of economic policies, public deficit, interest rates	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	HÜBNER Danuta Maria (PPE)	11/09/2012

Former committee responsible	Former rapporteur	Appointed
ECON Economic and Monetary Affairs		
ECON Economic and Monetary Affairs	HÜBNER Danuta Maria (PPE)	11/09/2012
ECON Economic and Monetary Affairs		
ECON Economic and Monetary Affairs		

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3281	2013-12-10

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	REHN Olli

Key events

Date	Event	Reference	Summary
22/06/2012	Preparatory document	COM(2012)0336	Summary
21/03/2013	Vote in committee		
03/04/2013	Committee interim report tabled for plenary	A7-0129/2013	Summary
16/04/2013	Debate in Parliament		
17/04/2013	Decision by Parliament	T7-0174/2013	Summary
17/04/2013	Results of vote in Parliament		
10/12/2013	Debate in Council		Summary
06/10/2025	Proposal withdrawn by Commission		

Technical information

Procedure reference	2012/0164(APP)
Procedure type	APP - Consent procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Repealing Regulation (EC) No 332/2002 2001/0062(CNS)
Legal basis	Treaty on the Functioning of the European Union TFEU 352-p1sub1
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure lapsed or withdrawn

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE504.082	18/01/2013	
Amendments tabled in committee		PE506.021	20/02/2013	
Committee interim report tabled for plenary		A7-0129/2013	03/04/2013	Summary
Interim resolution adopted by Parliament		T7-0174/2013	17/04/2013	Summary

European Commission

Document type	Reference	Date	Summary
	COM(2012)0336		

Preparatory document		22/06/2012	Summary
Commission response to text adopted in plenary	SP(2013)472	31/07/2013	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	PT_PARLIAMENT	COM(2012)0336	19/10/2012	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ECB	European Central Bank: opinion, guideline, report	CON/2013/0002 OJ C 096 04.04.2013, p. 0011	07/01/2013	Summary

Additional information

Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	
European Commission	EUR-Lex	

Economic governance: facility for financial assistance for Member States whose currency is not the euro

2012/0164(APP) - 22/06/2012 - Preparatory document

PURPOSE: to establish a facility for providing financial assistance for Member States whose currency is not the euro.

PROPOSED ACT: Council Regulation.

BACKGROUND: **Regulation (EC) No 332/2002** established a facility providing Union financial assistance. The Regulation aims at easing the external financing constraint of Member States that are experiencing or are seriously threatened by difficulties in their balance of payment. **It applies only to Member States whose currency is not the euro.** With deterioration in the government deficit, balance of payment and debt position, a number of Member States now seek financial assistance.

In the context of the economic and financial crisis, new assistance tools have been created with the establishment of the European Financial Stability Facility (EFSF), the European Financial Stability Mechanism (EFSM) and also the European Stability Mechanism (ESM) which will enter into force in the near future.

These financial stability mechanisms have established new precautionary instruments to provide financial assistance to the Member States of the euro area. The revision of the current 2002 Regulation will allow non-euro Member States to have similar financial instruments at their disposal.

IMPACT ASSESSMENT: no impact assessment was undertaken.

LEGAL BASIS: Article 352 of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the proposed Regulation **sets up a facility for Union financial assistance that may be granted to a non euro area Member State** which is experiencing or is seriously threatened with difficulties in its balance of payments.

Financial assistance from the Union: the financial assistance can take **the form of a loan, or of a credit line with a total outstanding amount limited to EUR 50 billion in principle**. Two credit lines are created:

- a precautionary conditioned credit line (PCCL), which is a credit line based on eligibility conditions; or
- an enhanced conditions credit line (ECCL), which is a credit line based on the combination of eligibility conditions and new policy measures.

Both credit lines are based on eligibility conditions, and the ECCL also requires new policy measures.

Conditions and procedure for granting loans: the draft regulation provides that the Council may decide to grant a loan on a recommendation from the Commission. The granting of a loan is made conditional upon the Member State **adopting a macroeconomic adjustment programme** aimed at re-establishing a sustainable balance of payments positions and at restoring its capacity to finance itself fully on the financial markets.

The Commission, with the ECB and wherever relevant the IMF, shall monitor the progress made in the implementation of the macroeconomic adjustment programme.

Transparency and accountability: the revised regulation contains new provisions in order to **enhance the dialogue** on the implementation of financial assistance. More specifically, the **competent Committee of the European Parliament** may offer the opportunity to the Member State concerned to participate to an exchange of views on the progress made in the implementation of the 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 the macro-economic adjustment programme.

Procedure for granting credit lines: the Council shall decide to grant a PCCL or an ECCL on a recommendation from the Commission. Access to a PCCL shall be limited to Member States whose economic and financial situation is still fundamentally sound and which fulfil an agreed set of eligibility criteria. Access to an ECCL shall be open to Member States which do not comply with some of the eligibility criteria required for accessing a PCCL but whose general economic and financial situation remains sound. Member States concerned shall adopt corrective measures aimed at addressing the eligibility criteria that are considered as not met and at ensuring a sustainable balance of payments position while ensuring a continuous respect of the eligibility criteria which were considered met when the credit line was granted.

Enhanced surveillance: a Member State will be subject to enhanced surveillance when it is receiving precautionary financial assistance, with a view to ensuring its swift return to a normal situation and to protecting other Member States against possible negative spill over effects. This enhanced surveillance should include a wider access for the Commission to the information needed for a close monitoring of the economic, fiscal and financial situation of the Member State concerned and a regular reporting by the Commission. A Member State under enhanced surveillance shall adopt measures aimed at **addressing the potential sources of economic difficulties.**

Alignment with the excessive deficit procedure and with the European Semester for economic policy coordination: it is proposed that the new Regulation should be aligned to a number of important procedural steps in the new Regulation based on Article 136, which is aimed at Member States in a delicate financial situation. The aim is to ensure the largest possible level playing field between all the EU programme countries regardless of whether they belong to the euro area or not. The revised regulation provides for replacing a number of monitoring steps under the Excessive Deficit Procedure and the European semester with monitoring under the macroeconomic adjustment programme. Because of its comprehensive nature, the macroeconomic adjustment programme can replace some processes of economic and fiscal surveillance for the duration of the adjustment programme with a view to avoiding a duplication of reporting obligations.

In the same way, the revised regulation also ensures the suspension of the macroeconomic imbalances procedure when a Member State is subject to a macroeconomic adjustment programme. It requires the establishment of post-assistance surveillance for Member States having reimbursed less than 75% of the financial assistance received.

Borrowing and lending operations: lastly, borrowing and lending operations are made slightly more flexible for the Commission so as to limit possible difficulties to raise funds in case of difficult financial market conditions.

BUDGETARY IMPLICATIONS: the proposal has no implications for the EU budget.

Economic governance: facility for financial assistance for Member States whose currency is not the euro

2012/0164(APP) - 03/04/2013 - Committee interim report tabled for plenary

The Committee on Economic and Monetary Affairs adopted an **interim report** by Danuta Maria HÜBNER (EPP, PL) on the proposal for a Council regulation establishing a facility for providing financial assistance for Member States whose currency is not the Euro.

Members welcome the balance of payments (BoP) proposal as a **first step towards achieving a level playing field between euro area and non-euro area Member States**. They regret that the Commission did not conduct a wide consultation before the adoption of the BoP proposal, and that the Commission did not provide reasons to suggest that this was because of exceptional urgency, in accordance with the application of the principles of subsidiarity and proportionality.

Consequently, Members ask the Council and the Commission to **take account of the following requests before submission of the draft Regulation for consent of the European Parliament:**

Fair and transparent procedures: this interim report demands more clarity in some central concepts of the proposal and seeks to introduce procedures for financial assistance that are both clear, fair and do not impose unnecessary consultations where these are not warranted. Furthermore, the **role of the EU budget** as the ultimate collateral in the financial assistance granted under this regulation should be reflected in appropriate procedures of accountability towards the European Parliament.

In this context, the report recommends the following:

- the Commission should present appropriate solutions beyond existing provisions as to how **Parliament's budgetary oversight role** of the Union budget could be more substantially taken into account in the BoP proposal and implemented so as to allow for true accountability;
- since the EFSM will soon be discontinued in light of the entry into force of the ESM Treaty, the outstanding funding capacity in the EFSM (approximately EUR 10 000 million) could be transferred to the BoP facility, which would increase its firepower from EUR 50 000 million to EUR 60 000 million. Upon the discontinuation of the EFSM, the remaining EFSM capacity will no longer be used in the EFSM framework and **could be used from then onwards under the BoP facility**;
- no effective link or material conditionality should be established between the BoP facility and the use of **structural funds** in the BoP proposal;
- on the **consultation requirement with the Commission** where financial assistance outside the Union is sought, should not apply to a Member State receiving financial assistance on a precautionary basis in the form of a credit line which is not conditioned to the adoption of new policy measures by the concerned Member State, as long as the credit line is not drawn;
- it is necessary to enhance the **transparency and accountability** within the enhanced surveillance process by adapting the economic dialogue in a way that allows the relevant national parliament as well as the European Parliament to invite the Commission, the Council, the European Central Bank (ECB) and the International Monetary Fund (IMF) for an exchange of views;
- the Commission should present its **draft recommendation** to grant a loan to a Member State together with the draft macroeconomic adjustment programme to the European Parliament;
- regarding the conditions and the procedures for granting loans, the **European Central Bank** (ECB) should have less involvement in the preparation of the adjustment programmes;
- **more clarity and more precise guidelines** are needed as regards conditions for granting a enhanced **conditions credit line** (ECCL), of the BoP proposal as to the thresholds and criteria of the assessment at which a Member State is no longer eligible for a precautionary conditioned credit line (PCCL), but still eligible for a ECCL;
- **more clarity and specifications are required for the elaboration and assessment of the macroeconomic adjustment programme**, particularly regarding policy and procedural requirements aiming at re-establishing a sustainable balance of payments position and at restoring its capacity to finance itself fully on the financial markets.

Bank recapitalisation: the BoP proposal does not provide for Member States whose currency is not the euro to benefit from financial instruments which are fully comparable to those within the ESM at their disposal. This report seeks therefore to **establish an indirect bank recapitalisation instrument** for non-euro Member States, particularly in light of the potential participation of these Member States in the upcoming single supervisory mechanism and of the need to provide them with a fiscal backstop.

That indirect instrument would take the form of a loan for bank recapitalisation, alongside the three existing instruments for financial assistance under the BoP (PCCLs, ECCLs and loans).

Other than the indirect bank recapitalisation instrument above, the **possibility of changing the ESM treaty** and of allowing non-euro Members States, participating in the single supervisory mechanism, to benefit from the bank recapitalisation tool of the ESM could be considered. In that case, the Member States would make a capital contribution specifically to the bank recapitalisation instrument of the ESM.

Streamlining the BoP proposal with the provisional agreement of the two-pack: whilst welcoming the final agreement of the Parliament and the Council negotiating teams on the substance of the Gauzès report, Members stress that it is important that the Regulation be adopted on the basis of the BoP proposal and that it reflects the current state of play, in particular as regards:

- transparency of Commission decisions;
- specifications concerning the reinforcement of the efficiency and the effectiveness of revenue collection capacity and the fight against tax fraud and evasion, with a view to safeguarding tax revenues;
- parameters to take into account when subjecting a Member State to enhanced surveillance;
- transparency and accountability to European Parliament and where relevant to the national parliaments;
- specifications regarding the evaluation on the government debt sustainability analysis, including disclosure requirements;
- comprehensive audit of a Member State's public finances within the macroeconomic adjustment programme;
- regular communication of the review mission assessment in post-programme surveillance to the competent committee of the European Parliament and to the parliament of the Member State concerned, including the possibility to conduct an economic dialogue;
- reverse qualified majority voting in the Council regarding corrective measures under post-programme surveillance.

Members request, in the interest of transparent decision-making, that the **Council and the Commission await the adoption of this interim report** before adopting the regulation on the basis of the BoP proposal.

Economic governance: facility for financial assistance for Member States whose currency is not the euro

2012/0164(APP) - 17/04/2013 - Interim resolution adopted by Parliament

The European Parliament adopted by 546 votes to 96, with 30 abstentions, a resolution on the proposal for a Council regulation establishing a facility for providing financial assistance for Member States whose currency is not the Euro.

Members welcome the balance of payments (BoP) proposal as a **first step towards achieving a level playing field between euro area and non-euro area Member States**. They regret that the Commission did not conduct a wide consultation before the adoption of the BoP proposal and that a **number of amendments are needed in order to achieve an acceptable outcome.**

Consequently, the European Parliament asks the Council and the Commission to **take account of the following requests before submission of the draft Regulation for consent of the European Parliament:**

Clarity of the procedures: the resolution demands more clarity in some central concepts of the proposal and seeks to introduce procedures for financial assistance that are both clear, fair and do not impose unnecessary consultations where these are not warranted. Furthermore, the **role of the EU budget** as the ultimate collateral in the financial assistance granted under this regulation should be reflected in appropriate procedures of accountability towards the European Parliament.

In this context, the resolution recommends the following:

- the Commission should present appropriate solutions beyond existing provisions as to how **Parliament's budgetary oversight role** of the Union budget could be more substantially taken into account in the BoP proposal and implemented so as to allow for true accountability;
- since the EFSM will soon be discontinued in light of the entry into force of the ESM Treaty, the outstanding funding capacity in the EFSM (approximately EUR 10 000 million) could be transferred to the BoP facility, which would increase its firepower from EUR 50 000 million to EUR 60 000 million. Upon the discontinuation of the EFSM, the remaining EFSM capacity will no longer be used in the EFSM framework and **could be used from then onwards under the BoP facility**;
- no effective link or material conditionality should be established between the BoP facility and the use of **structural funds** in the BoP proposal; conditions relating to the use of structural funds should, if needed, be addressed in the relevant Cohesion Policy legislative act;
- on the **consultation requirement with the Commission** where financial assistance outside the Union is sought, should not apply to a Member State receiving financial assistance on a precautionary basis in the form of a credit line which is not conditioned to the adoption of new policy measures by the concerned Member State, as long as the credit line is not drawn;
- it is necessary to enhance the **transparency and accountability** within the enhanced surveillance process by adapting the economic dialogue in a way that allows the relevant national parliament as well as the European Parliament to invite the Commission, the Council, the European Central Bank (ECB) and the International Monetary Fund (IMF) for an exchange of views;
- the Commission should present its **draft recommendation** to grant a loan to a Member State together with the draft macroeconomic adjustment programme to the European Parliament;
- regarding the conditions and the procedures for granting loans, the **European Central Bank** (ECB) should have less involvement in the preparation of the adjustment programmes;
- **more clarity and more precise guidelines** are needed as regards conditions for granting a enhanced **conditions credit line** (ECCL), of the BoP proposal as to the thresholds and criteria of the assessment at which a Member State is no longer eligible for a precautionary conditioned credit line (PCCL), but still eligible for a ECCL;
- **more clarity and specifications are required for the elaboration and assessment of the macroeconomic adjustment programme**, particularly regarding policy and procedural requirements aiming at re-establishing a sustainable balance of payments position and at restoring its capacity to finance itself fully on the financial markets.

Bank recapitalisation: the European Stability Mechanism (ESM), which was established in October 2012, is the main support mechanism for euro area Member States, with a lending capacity of EUR 500 000 million, provided by subscribed capital; whereas the ESM will, in the future, under certain conditions, be able to fund banks in difficulties directly. The BoP proposal does not provide for Member States whose currency is not the euro to benefit from financial instruments which are fully comparable to those within the ESM at their disposal. This report seeks therefore to **establish an indirect bank recapitalisation instrument** for non-euro Member States, particularly in light of the potential participation of these Member States in the upcoming single supervisory mechanism and of the need to provide them with a fiscal backstop. That indirect instrument would take the form of a loan for bank recapitalisation, alongside the three existing instruments for financial assistance under the BoP (PCCLs, ECCLs and loans).

Other than the indirect bank recapitalisation instrument above, the **possibility of changing the ESM treaty** and of allowing non-euro Members States, participating in the single supervisory mechanism, to benefit from the bank recapitalisation tool of the ESM could be considered provided that participation in the single supervisory mechanism and the ESM is permanent and provides for the same rights and obligations as for euro Member States. In that case, the Member States would make a capital contribution specifically to the bank recapitalisation instrument of the ESM.

Streamlining the BoP proposal with the provisional agreement of the two-pack: whilst welcoming the final agreement of the Parliament and the Council negotiating teams on the substance of the Gauzès report, Parliament stresses that it is important that the Regulation be adopted on the basis of the BoP proposal and that it reflects the current state of play, in particular as regards:

- transparency of Commission decisions;
- specifications concerning the reinforcement of the efficiency and the effectiveness of revenue collection capacity and the fight against tax fraud and evasion, with a view to safeguarding tax revenues;
- parameters to take into account when subjecting a Member State to enhanced surveillance;
- transparency and accountability to European Parliament and where relevant to the national parliaments;
- specifications regarding the evaluation on the government debt sustainability analysis, including disclosure requirements;
- comprehensive audit of a Member State's public finances within the macroeconomic adjustment programme;
- regular communication of the review mission assessment in post-programme surveillance to the competent committee of the European Parliament and to the parliament of the Member State concerned, including the possibility to conduct an economic dialogue;
- reverse qualified majority voting in the Council regarding corrective measures under post-programme surveillance.

Lastly, Parliament requests, in the interest of transparent decision-making, that the **Council and the Commission await the adoption of this interim report** before adopting the regulation on the basis of the BoP proposal.

Economic governance: facility for financial assistance for Member States whose currency is not the euro

2012/0164(APP) - 07/01/2013 - European Central Bank: opinion, guideline, report

OPINION OF THE EUROPEAN CENTRAL BANK (EBC).

On 19 July 2012, the ECB received a request from the Council of the European Union for an opinion on a proposal for a Council regulation establishing a facility for providing financial assistance for Member States whose currency is not the euro.

The ECB made the following observations :

- **Access to credit lines** : the ECB takes note of the introduction of credit lines allowing for assistance for non-euro area Member States whose economic and financial situation is fundamentally sound. It considers that the granting of the credit lines is compatible with Article 143 of the Treaty, which envisages the Union's possibility of intervening not only when a non-euro area Member State is in difficulties, but also when it is 'seriously threatened with difficulties' as regards its balance of payments, where such potential difficulties are liable in particular to jeopardise the functioning of the internal market. At the same time, the ECB considers very important a close interpretation of the eligibility criteria when assessing access to the credit lines, and strict compliance with them over time.
- **Role of the ECB and the Eurosystem** : the proposed regulation contains similar provisions regarding the administration of financial assistance, respectively the opening and use of accounts with the national central bank (NCB) of the relevant Member State and of the respective NCB with the ECB. In this respect, the ECB understands that under the proposed regulation it would act as fiscal agent and that no financing from the European System of Central Banks would be expected, in compliance with the monetary financing prohibition set out in the Treaty. Therefore, the ECB reiterates that the accounts to be used for the management of this financial assistance at the NCBs and at the ECB will not provide for the possibility of an overdraft.
- **ECB's participation** : the proposed regulation establishes, in addition to the administration of the loans and credit lines, a broader participation by the ECB in cases of European Union financial assistance to non-euro area Member States than is currently the case under Regulation (EC) No 332/2002. Given that the ECB is not the monetary authority of the non-euro area Member States, the ECB would like to distinguish between its involvement in respect of non-euro area Member States and its involvement in respect of euro area Member States, and notes that its role in the proposed cooperation with the Commission will have to be organised within its mandate and with respect for its independence.

Economic governance: facility for financial assistance for Member States whose currency is not the euro

2012/0164(APP) - 10/12/2013

The Council discussed a draft regulation updating the EU's facility for providing financial assistance in the event of a non-eurozone member state being in serious difficulties with its balance of payments.

The discussion confirmed broad support for the text. However, several delegations maintained reservations. The presidency indicated that the Council could **return to the matter at a forthcoming meeting**.

Major points of discussion focused on:

- **The menu of instruments that can be used under the facility**: the compromise draws attention to the fact that financial assistance for a concerned Member State may be needed to address issues stemming mainly from the financial sector; in such case, the policy conditions under the regular macroeconomic adjustment programme may be adjusted so as to address primarily these problems.
- The involvement of Economic and Financial Committee in various phases of the decision making under regulation.
- Pricing aspects of the facility.
- References to the private sector involvement.

The proposal was enhanced with references to dialogue with EP and national parliaments throughout the regulation and references to the appropriate involvement of the ECB in the course of implementation of the regulation. However, one of the major proposals of the EP - to introduce a **separate instrument** (loan for recapitalization of financial institutions) **did not find its way into final compromise**.