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## The Presidency Work Programme in the ECOFIN domain

Malta takes on the Presidency of the Council at a critical juncture in the EU's 60-year history. Unprecedented waves of migration from Africa and the Middle East are exerting pressures on Europe's Mediterranean neighbourhood, while the rise of populism across the continent is challenging the political status quo. Economic stagnation in parts of the Union is adding to rising disenchantment and to a growing disconnect between power elites and ordinary citizens, while the repercussions of the UK's Brexit referendum in June 2016 will be felt for years to come.

In the ECOFIN domain the current Presidency inherits a number of files and initiatives, notably those on financial regulation, taxation, investment, economic coordination, and the Banking Union. Ambition and momentum will be maintained so that a number of files will be closed throughout these six months.

In this context, EU Finance Ministers' work will focus on the following policy areas:

### 1. Financial Services

The Capital Markets Union (CMU) is given high priority. In the next six months, the Presidency will engage on the remaining elements of the CMU Action Plan, working closely with the Commission to keep up the momentum. We are convinced that a true capital markets union, where savings from one Member State can be invested in an SME in another Member State, will give businesses more options and better prospects. The development of a wider range of funding sources, tailored to the needs of European businesses, is of the essence.

As a matter of priority, agreement with the European Parliament (EP) will be sought on the Simple Transparent Securitisation (STS) Regulation. High quality securitisation will benefit both savers and companies seeking financing and will create more fluid refinancing within the financial system.

Another sector where the EU lags behind other developed capital markets is venture capital. The review of the European Venture Capital Funds (EuVECA) and the European Social Entrepreneurship Funds (EuSEF) regulation will be prioritised in an attempt to develop a functioning venture capital market in Europe. Once the EP has formulated its position, the Maltese Presidency will engage with the Parliament to reach an agreement on this review before the summer.

In a bid to bolster the financial stability in a CMU, the Presidency will also work on the Commission proposal for the Recovery and Resolution of Central Counterparties (CCPs). These clearing houses perform a very important function and a framework for their orderly recovery and resolution will enhance investor confidence.

Security is high on the European agenda. The recent terrorist attacks require a strong and coordinated European response. The ECOFIN Council is doing its part to effectively combat terrorism financing and the Maltese Presidency is already prepared to immediately engage with the EP on the amendments to the Anti-Money Laundering Directive. Trilogues are expected to start in the beginning of March as soon as the EP concludes its internal procedures.

A lot of important work will concern the banking sector, focusing on the different parts of the banking risk reduction package. This comprises of amendments to the

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Capital Requirements Directive (CRD), the Capital Requirements Regulation (CRR), the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR), which include, *inter alia*, EU's implementation of international standards. The Maltese Presidency will follow international developments in the sector to ensure that the EU is well prepared and coordinated to respond to global challenges in a balanced way.

During these six months, technical negotiations on the European Deposit Insurance Scheme (EDIS) will continue. The proposal constitutes the third pillar of the Banking Union project and is an important step in completing it, although there are diverging opinions on how it should be achieved.

## 2. Taxation

The Presidency is committed to continue the EU's work against tax fraud and tax avoidance.

Consultations and additional work are taking place so that negotiations on the Anti-Tax Avoidance Directive may progress to a satisfactory conclusion.

We also aim to strengthen dispute resolution mechanisms in the EU by finding agreement on the Commission proposal dealing with this subject. It is clear that current arrangements are not satisfactory for businesses, which often find themselves embroiled in years of negotiations with tax authorities on issues of double taxation which is estimated to run into billions.

On the Common Consolidated Corporate Tax Base (CCCTB), the Presidency will deal with the first phase of the proposal and use the December 2016 ECOFIN Council conclusions as a guide. Focus will be on the new elements of the relaunched initiative.

Legislative work in the area of VAT will be prioritised. There are a lot of European initiatives that require steering through the Council and the Maltese Presidency will prioritise work on the proposal to remove VAT obstacles to e-commerce, especially for SMEs, as well as measures to improve tax administrations and to strengthen cooperation in the fight against VAT fraud. The e-commerce package also includes a proposal to apply reduced rates of VAT on electronic publications.

Finance Ministers will also hold discussions on the recent Commission proposal on the VAT Reverse Charge Mechanism (Directive).

Finally, with regard to the Financial Transaction Tax (FTT) the Presidency will monitor closely the work of the Member States involved in the enhanced cooperation on this file.

## 3. Economic Governance

The Maltese Presidency will carry forward the cycle of economic policy coordination among Member States, in line with the revamped European Semester.

Discussions on the future architecture of the Economic and Monetary Union (EMU) will be held amongst Finance Ministers during the informal ECOFIN Council in Valletta, which will be held shortly after the Commission issues and presents its highly anticipated White Paper on "The Future of Europe" at the Rome Summit at the end of March.

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On the legislative side, the Presidency is seeking agreement on the Structural Reform Support Programme (SRSP) Regulation with the EP. The SRSP will make it possible for Member States to request technical assistance when designing and implementing institutional, administrative and structural reforms aimed at bolstering their competitiveness.

#### **4. EU Budget**

With respect to budgetary issues, the Maltese Presidency will give utmost importance to the proposal for the revision of the Financial Regulation applicable to the EU Budget, which aims at simplifying the budgetary procedures, rendering them more flexible and agile, allowing the EU institutions to respond more rapidly to the requirements of Europeans.

Discussions on the Council's recommendation on the 2015 Budget discharge, the implementation of the 2017 Budget and the Council's Guidelines for the 2018 Budget will also be steered by the Maltese Presidency.

On the revenue side of the EU Budget, the Chairman of the High Level Group on Own Resources has recently finalised his Group's report and we have invited Professor Mario Monti to our first ECOFIN in January to deliver a presentation of the Group's findings. This work will serve as an input to the wider discussion on the future of the EU Budget in these challenging times.

#### **5. Investment**

Investment is an overarching priority for the Maltese Presidency as it is clear that Europe must bolster efforts to attract investment and boost growth. The Presidency is committed to this important area and is confident that it will be able to find agreement on the extension of the duration of the European Investment Fund for Strategic Investments (EFSI) beyond 2018.

Another proposal in this area relates to the EU investing in our neighbourhood, namely the European Investment Bank's (EIB) External Lending Mandate proposal. The Presidency is keen to support neighbouring regions affected by the political and economic problems which fuel the refugee crisis. The Maltese Presidency wants to raise awareness on the regions and set the stage for continued cooperation across the Mediterranean.