



**COUNCIL OF
THE EUROPEAN UNION**



8500/06 (Presse 110)

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PRESS RELEASE

2726th Council Meeting

Economic and Financial Affairs

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President

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P R E S S

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Main Results of the Council

*The Council adopted conclusions on **financial supervision**, on the regulatory framework for cross-border **mergers and acquisitions** in the financial services industry and on the Commission's white paper on **financial services policy** for the 2005-10 period.*

*It approved a contribution to the European Council's review of the EU's **sustainable development** strategy, and debated proposals on three dossiers dealing with **VAT arrangements for businesses**: the place of supply of services as concerns VAT payments, simplification of cross-border VAT obligations and refund procedures, and the prolongation of a directive on VAT arrangements for e-commerce.*

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- The documents whose references are given in the text are available on the Council's Internet site <http://ue.eu.int>.
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the abovementioned Council Internet site or may be obtained from the Press Office.

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PARTICIPANTS

The Governments of the Member States and the European Commission were represented as follows:

Belgium:

Mr Didier REYNDERS

Deputy Prime Minister and Minister for Finance

Czech Republic:

Mr Tomáš PROUZA

Deputy Minister for Finance

Denmark:

Mr Thor PEDERSEN

Minister for Finance

Germany:

Mr Thomas MIROW

State Secretary, Federal Ministry of Finance

Estonia:

Mr Aivar SÕERD

Minister for Finance

Greece:

Mr Georgios ALOGOSKOUFIS

Minister for Economic Affairs and Finance

Spain:

Mr David VEGARA FIGUERAS

State Secretary for Economic Affairs

France:

Mr Pierre SELLAL

Permanent Representative

Ireland:

Mr Brian COWEN

Minister for Finance

Italy:

Mr Vittorio GRILLI

Director-General of Treasury, Ministry for Economic Affairs and Finance

Cyprus:

Mr Michalis SARRIS

Minister for Finance

Latvia:

Mr Oskars SPURDZIŅŠ

Minister for Finance

Lithuania:

Mr Zigmantas BALČYTIS

Minister for Finance

Luxembourg:

Mr Jean-Claude JUNCKER

Prime Minister, Ministre d'Etat, Minister for Finance

Hungary:

Mr János VERES

Minister for Finance

Malta:

Mr Lawrence GONZI

Prime Minister and Minister for Finance

Netherlands:

Mr Gerrit ZALM

Deputy Prime Minister, Minister for Finance

Austria:

Mr Karl-Heinz GRASSER

Mr Alfred FINZ

Federal Minister for Finance

State Secretary, Federal Ministry of Finance

Poland:

Ms Zyta GILOWSKA

Deputy Prime Minister, Minister for Finance

Portugal:

Mr Fernando TEIXEIRA DOS SANTOS

Minister for Finance

Slovenia:

Mr Andrej BAJUK

Minister for Finance

Slovakia:

Mr Vladimír TVAROŠKA

State Secretary at the Ministry of Finance

Finland:

Mr Eero HEINÄLUOMA
Ms Ulla-Maj WIDEROOS

Deputy Prime Minister, Minister for Finance
Second Minister for Finance

Sweden:

Mr Pär NUDER

Minister for Finance

United Kingdom:

Ms Dawn PRIMAROLO

Paymaster General

.....

Commission:

Mr Siim KALLAS
Mr Joaquin ALMUNIA
Ms Dalia GRYBAUSKAITĖ
Mr Laszlo KOVACS

Vice-President
Member
Member
Member

.....

Other participants:

Mr Philippe MAYSTADT
Mr Xavier MUSCA
Mr Joe GRICE

President of the European Investment Bank
Chairman of the Economic and Financial Committee
Chairman of the Economic Policy Committee

.....

The Governments of the Acceding States were represented as follows:

Bulgaria:

Mr Plamen Vassiler ORESHARSKI

Minister for Finance

Romania:

Mr Sebastian VLĂDESCU

Minister for Public Finance

ITEMS DEBATED

SUSTAINABLE DEVELOPMENT

The Council held a policy debate on the review of the EU's sustainable development strategy and approved its contribution to the European Council meeting on 15 and 16 June as regards the strategy's economic aspects. (8681/06)

The review is aimed at renewing the strategy for the next five years, whilst strengthening environmental protection, social equity and cohesion and economic prosperity, and ensuring that the EU meets its international responsibilities. A renewed strategy, to be adopted by the European Council in June, will comprise targets, indicators and a monitoring procedure, integrating both the internal and external dimensions of sustainable development. Work on the strategy is ongoing within eight of the Council's nine configurations.

In the light of the debates in the different Council configurations, the presidency will prepare a draft to be submitted to the European Council.

EU BUDGET

– ***Draft budget for 2007***

The Council took note of the presentation by the Commission of the preliminary draft EU budget for 2007. It requested the permanent representatives committee to examine the proposal with a view to enabling the Council to proceed to a first reading at its meeting on 14 July.

At its meeting on 14 March, the Council adopted conclusions establishing its priorities for the 2007 budget. (*see press release 6917/06*)

– ***Budgetary control framework***

The Council took note of the presentation by the Commission of an action plan aimed at improving control of implementation of the EU budget.

The Commission's action plan proposes measures intended to provide sufficient guarantees to enable the Court of Auditors to issue an unqualified statement of assurance as regards payments made from the EU budget, and identifies ways in which the European Parliament, the Council, the member states and the Commission itself could contribute to achieving this, within their respective responsibilities.

For more than ten years, the Court has qualified its annual statement of assurance on implementation of the budget. The Commission has therefore made it a priority to achieve an unqualified statement before the end of its mandate.

At its meeting on 8 November 2005, the Council adopted conclusions on the budgetary control framework, in response to a Commission communication. (*see press release 13678/05*)

TAXATION - VALUE-ADDED TAX

– *Place of supply of services, simplified obligations for businesses, e-commerce*

The Council held an exchange of views, on the basis of a package of measures proposed by the presidency, on three dossiers dealing with value-added tax arrangements for businesses:

- a proposal for a directive on the place of supply of services as concerns VAT payments;
- proposals for two directives and a regulation on simplification of cross-border VAT obligations and refund procedures for businesses;
- prolongation of a directive on VAT arrangements for e-commerce.

It requested the permanent representatives committee to continue work on the package, taking account of the views expressed by delegations, so as to enable the Council to reach political agreement at its meeting on 7 June.

The proposal on the place of supply is aimed at changing the place of taxation for VAT for services from the place where the supplier is located to the place where the customer is located.

The proposals on simplification are aimed at providing for a "one-stop" scheme to simplify registration and declaration of VAT by businesses in member states where they have no base, as well as rules for refunds of VAT to such businesses and improved administrative co-operation as relates to VAT to prevent fraud.

As concerns e-commerce, the Commission confirmed its intention to make a proposal to enable the renewal, by 1 July, of provisions of directive 2002/38/EC regarding the provision of broadcasting services and certain electronically supplied services from third countries.

OTHER BUSINESS

– *SMEs and public procurement*

The Council took note of the presentation by the French delegation of a document examining the difficulties for small and medium-sized enterprises in competing for public procurement contracts.

MEETINGS IN THE MARGINS OF THE COUNCIL

– ***Ministerial meeting with the accession and candidate countries***

A ministerial dialogue was held with finance ministers and central bank representatives of the EU accession and candidate countries, approving joint conclusions on all five countries - Bulgaria, Romania, Turkey, Croatia and the former Yugoslav republic of Macedonia - as well as joint opinions on Bulgaria's and Romania's 2005 pre-accession economic programmes (8789/06, 8790/06, 8794/06).

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At lunch, ministers were briefed on the eurogroup meeting held on 4 May. They heard a presentation by the president of the European Investment Bank on the renewal of the EIB's external lending mandate and held an exchange of views.

The EIB governing council will meet, in the margins of the Council, in Luxembourg on 7 June. The current lending mandate is due to expire on 31 January 2007; the Commission is expected to make a proposal for a new mandate in June.

OTHER ITEMS APPROVED

FINANCIAL SERVICES

Financial supervision - *Council conclusions*

The Council adopted the following conclusions:

"The Council reviewed the EU supervisory framework on the basis of a report by the Financial Services Committee.

The Council STRESSES that significant improvements in the EU supervisory framework brought about by the Financial Services Action Plan (FSAP) and the implementation of the Lamfalussy arrangements should be complemented with further steps to keep up with market developments in a flexible way. The shift to the implementation and enforcement of the FSAP measures; the growing number of cross-border financial groups; and the increasing international and cross-sector inter-linkages in the financial markets call for further progress in the convergence of supervisory practices and cross-border cooperation among supervisory authorities in the EU.

The Council UNDERLINES that supervisory convergence needs to be intensified to fully benefit from the FSAP and related measures and thus, to reap the benefits of an integrated financial market. The overarching goal should be to further develop the European financial system in contribution to the Lisbon strategy; strengthen the financial stability framework in the EU; and enhance the efficiency of supervision by avoiding both excessive supervisory burden on the industry and inhibiting or restricting fair competition.

In this context, the Council URGES Member States to timely implement all remaining FSAP and related measures as well as to ensure their proper and consistent enforcement; SUPPORTS the Lamfalussy framework as well as the level 3 supervisory committees in their co-operation and convergence of their tasks; and ENDORSES the report by the FSC on Financial Supervision. In particular, the Council:

- REQUESTS the FSC to monitor the convergence of supervisory powers at an adequate level;

- UNDERLINES that the implementation of mediation, delegation, streamlined reporting requirements and data-sharing arrangements is a pragmatic response to the main challenges the EU faces in the area of financial supervision – taking into account the diverse state of progress in each financial sectors;
- INVITES the Committee of European Securities Regulators (CESR), the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and the Committee of European Banking Supervisors (CEBS) to further strengthen their co-operation and day-to-day working arrangements by:
 1. assessing the functioning of the tools aimed at fostering a European supervisory culture and indicate any ways to help them work better in the regular Level 3 Committees' supervisory convergence reports to FSC, beginning in 2007;
 2. exploring the preconditions to the establishment of a mediation mechanism – especially as regards the potential areas of application and the practical functioning of this mechanism – and where appropriate to test the mechanism in the securities field in 2006 and in the banking and insurance fields in 2008;
 3. exploring the preconditions for the use of a delegation mechanism especially through guidelines in each financial services sector and testing, where appropriate, such arrangements before the end of 2007;
 4. working on reporting requirements by delivering common formats before the end of 2007, and examining the question of IT data-sharing arrangements before the end of 2008, taking into account the costs and benefits of the different options available (such as common databases and interlinked national databases);
 5. reporting on progress and on any outstanding obstacles to the FSC; and
 6. continuing to contribute to a consistent implementation of EU directives.
- REQUESTS the FSC to report to the Council annually on the progress made in implementation of various elements outlined in the FSC report, starting in 2007.

- ASKS all parties involved to implement the strategic actions according to the timetables outlined in the FSC report.

Finally, the Council

- NOTES the Commission's approach to examine, in line with its White Paper on Financial Services Policy (2005-2010), key areas where the current supervisory arrangements should be further clarified or complemented – including by regulatory action if necessary; and INVITES the FSC to look at them with a view to provide advice on further strategic priorities as appropriate, taking into account challenges arising from the market developments; and
- LOOKS FORWARD to the FSC's review of the Lamfalussy framework in 2006 and 2007."

Cross-border consolidation in the financial sector - *Council conclusions*

The Council adopted the following conclusions:

"The Council

- RECALLS that European financial integration is essential for improving growth and employment and in order to reach this objective, market participants must be able to seize cross-border business opportunities;
- UNDERLINES that unnecessary and unwarranted obstacles to cross-border consolidation in the financial sector should therefore be tackled in order to reap the economic benefits of integration and strengthen the global competitiveness of the EU financial industry;
- STRESSES the importance of sound, fair and non-discriminatory national supervisory practices to achieve a level playing field within the EU paying due attention to the appropriate balance of home/host country responsibilities; and the need for an adequate and independent financial supervision to ensure financial stability;
- WELCOMES the intention of the Commission to present a proposal for a revision of Article 16 of the Banking Directives and the corresponding articles in the MIFID and the insurance directives before the end of the year, in accordance with the agreed principles of better regulation;

- INVITES the Committee of European Securities Regulators (CESR), Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and Committee on European Banking Supervisors (CEBS) to take into account the obstacles identified, and the FSC report on supervisory convergence, in their efforts directed at convergence of rules and practices and in particular to work on common formats for financial institutions reporting to supervisors in order to avoid duplication of costs;
- SUPPORTS the Commission in its intention to make use of the powers granted to it under the Treaty to ensure the application of basic Treaty freedoms, including application of the existing provisions on competition and state aid;
- AGREES with the Commission that the fragmentation of retail markets is an obstacle to cross-border consolidation and SUPPORTS the strategy proposed by the Commission in its White Paper on Financial Services Policy 2005-2010 to promote the integration of retail markets;
- NOTES that where factors such as taxation create obstacles to cross-border consolidation, the Commission is invited to specify these and consider possible ways to overcome them; and
- REITERATES its commitment to an open and integrated EU financial market based on fair and healthy competition among financial institutions and calls for vigilance on discriminatory practices."

Commission's white paper in financial services policy (2005-2010) - *Council conclusions*

The Council adopted the following conclusions:

"The Council:

- WELCOMES the Commission's White Paper on Financial Services Policy (2005-2010) as presented to the Council (ECOFIN) in December 2005;
- NOTES that the White Paper is broadly in line with the political priorities set in the Green Paper of the Commission and the Conclusions of the Council of 11 October 2005;

- SHARES the broad objectives of the Commission for the financial services policy until 2010, and AGREES with the concept of dynamic consolidation as the chosen overall approach to making further progress towards a fully integrated European financial market;
- WELCOMES the initiatives proposed by the Commission, stressing that progress in the greater integration of retail markets is a challenge for 2005-2010 in order to strengthen competition and ensuring an appropriate level of consumer protection; NOTES also the importance of strengthening consumer input and therefore STRESSES the need to facilitate an appropriate involvement of consumers and SMEs;
- STRESSES that clearing and settlement of securities transactions is a key area where financial integration in the EU should be enhanced, and INVITES the Commission and Financial Services Committee (FSC) by autumn 2006 to examine how to best make progress in this area as soon as possible;
- STRESSES the key importance of the Single Euro Payments Area (SEPA) for the effective functioning of the internal market, and INVITES the Commission and FSC by autumn 2006 to examine how to best make progress in this field by 2010;
- STRESSES the need to boost the efficiency of pan-European markets for long-term savings products as well as the importance of fostering financial education and awareness of consumers in Member States; and INVITES the FSC to examine the policy issues related to ageing and financial markets;
- WELCOMES the ideas put forward with respect to the growing importance of the external dimension in financial services – namely to deepen and widen regulatory dialogues with third countries and work towards the further opening of global financial services markets;
- AGREES that Member States must play their role by transposing and implementing the agreed FSAP texts on time, accurately, consistently and avoiding unnecessary regulatory additions. Transposition deadlines set for legal acts adopted in co-decision as well as for implementing measures adopted by the Commission have to be adequate to allow for transposition of the measures in question;

- STRESSES, in the context of better regulation, the agreement on the November 2005 Inter-Institutional Common Approach to impact assessment;
- INVITES the FSC to monitor on a continuous basis the progress of the implementation of the Commission strategy examining particular initiatives where appropriate in light of market developments; and policy implications of these initiatives as well as their potential economic or political impact;
- EMPHASISES the need to pay particular attention to supervisory convergence as underlined in the FSC Report on Financial Supervision¹ and to optimising the cooperation between home/host supervisors within the current legal framework; and
- EMPHASISES that the Lamfalussy approach is an important element in the overall regulatory stance developed to face the challenge of accelerating financial market integration. To ensure that this framework remains capable of meeting future challenges it should continue to be applied in the context of a dynamic and open dialogue between all institutions and bodies concerned. Rapid progress needs to be made to find mutually acceptable solutions for the functioning of comitology."

COHESION POLICY**Structural funds and cohesion fund (2007-2013)***

The Council agreed on a general approach on a draft Council regulation laying down general provisions on the European regional development fund (ERDF) and the European social fund (ESF) and on a draft regulation on the EU's cohesion fund, pending the assent of the European Parliament.

It reached political agreement on three draft regulations of the European Parliament and of the Council on the ERDF, on the ESF and on the establishment of a European grouping of territorial cooperation.

The Council will formalise its agreement at a forthcoming meeting, after finalisation of the texts, which will be sent to the Parliament with a view to adoption under their respective procedures.

(see press release 9039/06)

¹ Doc. FSC 4159/06

TRADE POLICY

Antidumping measures - Pakistan - Cotton-type bed linen

The Council adopted a regulation amending Regulation (EC) No 397/2004 imposing a definitive anti-dumping duty on imports of cotton-type bed linen originating in Pakistan (8270/06).

Antidumping measures - China - Dead burned magnesia

The Council adopted by qualified majority a regulation imposing a definitive anti-dumping duty on imports of dead-burned (sintered) magnesia originating in China (8411/06).

Duties on salted chicken meat

The Council adopted a recommendation authorising the Commission to open negotiations with a view to the modification of the bound duties on salted chicken meat.

EXTERNAL RELATIONS

EU-Russia summit

The Council took note of preparations for the EU-Russia summit, due to take place in Sochi on 25 May.

EU/Switzerland - Agreement on the free movement of persons - EU enlargement

The Council adopted a decision authorising the Commission to open negotiations with Switzerland for the adaptation of an agreement on the free movement of persons regarding the participation, as contracting parties, of Bulgaria and Romania, in view of their forthcoming accession to the EU.

TRANSPORT

Agreements on air services with Singapore and New Zealand

The Council adopted decisions approving the signature and provisional application of agreements on air services between the EU and Singapore and New Zealand.

The agreements are the result of negotiation under a mandate by which the Commission can negotiate with any third country with a view to bringing member states' existing bilateral aviation agreements into line with Community law.

ENERGY

Negotiations with the United States - Labelling programmes for office equipment

The Council adopted a recommendation authorising the Commission to open negotiations for an agreement with the United States on the coordination of energy-efficient labelling programmes for office equipment.
