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GENERAL SECRETARIAT OF THE COUNCIL

Rules for the organisation of the proceedings of the Euro Summits

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Notice

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Introduction

The guiding principles for the conduct of proceedings of Euro Summit meetings[1] shall be to ensure the transparency and effectiveness of the working methods, allowing the Euro Summit Members the full capacity to discuss among themselves all issues of common interest to the euro area while respecting the substantive and procedural rights of the other Members of the Union and giving preference to inclusive methods whenever justified and possible.

For points of organisation not decided in the rules, the Rules of Procedure of the European Council shall be used mutatis mutandis as a source of reference.

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[1] Article 12 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG) *http://www.eurozone.europa.eu/euro-area/topics/treaty-on-stability,-coordination-and-governance-(tscg)/*, the Statement of the Euro Summit meeting of 26 October 2011 (see p. 13) and the Conclusions of the European Councils of 18–19 October 2012 (see p. 25) and of 13–14 December 2012 (see p. 37) are relevant to the organisation of Euro Summit meetings.

1. Notice and venue of meetings

1. The Euro Summit shall meet at least twice a year, convened by its President. Its ordinary meetings shall, whenever possible, take place after the European Council meetings.

2. The Euro Summit shall meet in Brussels, unless otherwise decided by the President and in agreement with the Members of the Euro Summit.

3. Exceptional circumstances or cases of urgency may justify derogations from the present rules.

2. Preparation and the follow-up to the proceedings of the Euro Summit

1. The President of the Euro Summit will ensure the preparation and continuity of the work of the Euro Summit, in close cooperation with the President of the Commission, and on the basis of the preparatory work of the Euro Group.

2. The Euro Group shall conduct preparatory work for and ensure the follow-up to the meetings of the Euro Summit. Information to Coreper shall be ensured before and after meetings of the Euro Summit.

3. The President shall establish close cooperation with the President of the Commission and the President of the Euro Group, particularly by means of regular meetings, as a rule once a month. The President of the European Central Bank may be invited to participate.

4. In the event of an impediment because of illness, in the event of his or her death or if his or her office is ended in accordance with Article 12 (1) of the TSCG, the President shall be replaced, where necessary until the election of his or her

successor, by the member of the Euro Summit representing the Member State holding the six-monthly Presidency of the Council, or, if not applicable, the next Member State whose currency is the euro holding the Presidency of the Council.

3. Preparation of the agenda

1. In order to ensure the preparation provided for in Rule 2(1), the President of the Euro Summit shall, at least four weeks before each ordinary meeting of the Euro Summit as referred to in Rule 1(1), in close cooperation with the President of the Commission and the President of the Euro Group, forward an annotated draft agenda to the Euro Group.

2. The Euro Group shall, as a rule, be convened within the fifteen days preceding a Euro Summit meeting to examine the draft agenda and its President shall report the outcome of the discussions to the President of the Euro Summit. In the light of this report, the President of the Euro Summit shall forward the draft agenda to the Heads of State or Government.

3. When the Heads of State or Government of the Contracting Parties to the TSCG, other than those whose currency is the euro, which have ratified the TSCG, participate in discussions of Euro Summit meetings, these contracting Parties shall be involved in the preparation of the Euro Summit meetings on the issues referred to in Rule 4(5) in a form to be decided by the President of the Euro Summit.

4. At the beginning of the meeting, the agenda shall be agreed by the Euro Summit, by simple majority.

4. Composition of the Euro Summit, delegations and the conduct of proceedings

1. The Euro Summit shall consist of the Heads of State or Government of the Member States of the European Union whose currency is the euro, together with its President and with the President of the Commission.

2. The President of the European Central Bank shall be invited to take part.

3. The President of the Euro Group may be invited to attend.

4. The President of the European Parliament may be invited to be heard.

5. The Heads of State or Government of the Contracting Parties to the TSCG, other than those whose currency is the euro, which have ratified the TSCG, shall participate in discussions of Euro Summit meetings concerning competitiveness for the Contracting Parties, the modification of the global architecture of the euro area and the fundamental rules that will apply to it in the future, as well as, when appropriate and at least once a year, in discussions on specific issues of implementation of the TSCG.

6. The total size of the delegations authorised to have access to the building where the meeting of the Euro Summit is held shall be limited to 20 persons for each Member State and for the Commission. That number shall not include technical personnel assigned to specific security or logistic support tasks. The names and functions of the members of the delegations shall be notified in advance to the General Secretariat of the Council.

7. The President of the Euro Summit shall be responsible for the application of these rules and for ensuring that discussions are conducted smoothly. To that end, the President may take any measure conducive to promoting the best possible use of the time available, such as organising the order in which items are discussed, limiting speaking time and determining the order in which contributors speak.

8. Meetings of the Euro Summit shall not be public.

5. The President of the Euro Summit

1. The President of the Euro Summit shall be appointed by the Heads of State or Government of the Member States of the European Union whose currency is the euro by simple majority at the same time as the European Council elects its President and for the same term of office.

2. The President of the Euro Summit:

(a) shall chair it and drive forward its work;
(b) shall draw up meeting agendas;
(c) shall ensure the preparation and continuity of the work of the Euro Summit in cooperation with the President of the Commission and on the basis of the work of the Euro Group;
(d) shall ensure that the work of all relevant Council and ministerial meetings is reflected in the preparation of the Euro Summit;
(e) shall report to the European Parliament after each of the meetings of the Euro Summit;
(f) shall keep the Contracting Parties of the TSCG other than those whose currency is the euro and the other Member States of the European Union closely informed of the preparation and outcome of the Euro Summit meetings;
(g) shall present the outcomes of Euro Summit discussions to the public, together with the President of the Commission.

6. Statements

1. The Euro Summit may issue statements summarizing common positions and common lines of actions, which shall be made public.

2. Draft statements of the Euro Summit shall be prepared under the authority of the President of the Euro Summit, in close cooperation with the President of

the Commission and the President of the Euro Group, on the basis of the preparatory work of the Euro Group.

3. Statements shall be agreed by consensus of the Members of the Euro Summit.

4. The Euro Summit shall issue statements in the official languages of the European Union.

5. Upon proposal by the President of the Euro Summit, draft statements on an urgent matter may be approved by a written procedure, when all Members of the Euro Summit agree to use that procedure.

7. Professional secrecy and production of documents in legal proceedings

Without prejudice to the provisions on public access to documents applicable under the law of the Union, the deliberations of the Euro Summit shall be covered by the obligation of professional secrecy, except insofar as the Euro Summit agrees otherwise.

8. Secretariat and security

1. The Euro Summit and its President shall be assisted by the General Secretariat of the Council under the authority of its Secretary-General.

2. The Secretary General of the Council shall attend the meetings of the Euro Summit and shall take all the measures necessary for the organisation of proceedings.

3. The Council's security rules shall apply mutatis mutandis to the Euro Summit.

9. Amendment of the rules

Upon proposal by the President of the Euro Summit, these rules may be amended by consensus. The written procedure may be used for this purpose. The rules should in particular be adapted if this is required by the evolution of the governance of the euro area.

10. Correspondence addressed to the Euro Summit

Correspondence to the Euro Summit shall be sent to its President at the following address:

Euro Summit
Rue de la Loi/Wetstraat 175
1048 Bruxelles/Brussel
BELGIQUE/BELGIË

STATEMENT OF THE EURO SUMMIT MEETING OF 26 OCTOBER 2011

1. Over the last three years, we have taken unprecedented steps to combat the effects of the world-wide financial crisis, both in the European Union as such and within the euro area. The strategy we have put into place encompasses determined efforts to ensure fiscal consolidation, support to countries in difficulty, and a strengthening of euro area governance leading to deeper economic integration among us and an ambitious agenda for growth. At our 21 July meeting we took a set of major decisions. The ratification by all 17 Member States of the euro area of the measures related to the EFSF significantly strengthens our capacity to react to the crisis. Agreement by all three institutions on a strong legislative package within the EU structures on better economic governance represents another major achievement. The introduction of the European Semester has fundamentally changed the way our fiscal and economic policies are co-ordinated at European level, with co-ordination at EU level now taking place before national decisions are taken. The euro continues to rest on solid fundamentals.

2. Further action is needed to restore confidence. That is why today we agree on a comprehensive set of additional measures reflecting our strong determination to do whatever is required to overcome the present difficulties and take the necessary steps for the completion of our economic and monetary union. We fully support the ECB in its action to maintain price stability in the euro area.

Sustainable public finances and structural reforms for growth

3. The European Union must improve its growth and employment outlook, as outlined in the growth agenda agreed by the European Council on 23 October 2011. We reiterate our full commitment to implement the country specific recommendations made under the first European Semester and on focusing public spending on growth areas.

4. All Member States of the euro area are fully determined to continue their policy of fiscal consolidation and structural reforms. A particular effort will be

required of those Member States who are experiencing tensions in sovereign debt markets.

5. We welcome the important steps taken by Spain to reduce its budget deficit, restructure its banking sector and reform product and labour markets, as well as the adoption of a constitutional balanced budget amendment. Strictly implementing budgetary adjustment as planned is key, including at regional level, to fulfil the commitments of the stability and growth Pact and the strengthening of the fiscal framework by developing lower level legislation to make the constitutional amendment fully operative. Further action is needed to increase growth so as to reduce the unacceptable high level of unemployment. Actions should include enhancing labour market changes to increase flexibility at firm level and employability of the labour force and other reforms to improve competitiveness, specially extending the reforms in the service sector.

6. We welcome Italy's plans for growth enhancing structural reforms and the fiscal consolidation strategy, as set out in the letter sent to the Presidents of the European Council and the Commission and call on Italy to present as a matter of urgency an ambitious timetable for these reforms. We commend Italy's commitment to achieve a balanced budget by 2013 and a structural budget surplus in 2014, bringing about a reduction in gross government debt to 113% of GDP in 2014, as well as the foreseen introduction of a balanced budget rule in the constitution by mid 2012.

Italy will now implement the proposed structural reforms to increase competitiveness by cutting red tape, abolishing minimum tariffs in professional services and further liberalising local public services and utilities. We note Italy's commitment to reform labour legislation and in particular the dismissal rules and procedures and to review the currently fragmented unemployment benefit system by the end of 2011, taking into account the budgetary constraints. We take note of the plan to increase the retirement age to 67 years by 2026 and recommend the definition by the end of the year of the process to achieve this objective.

We support Italy's intention to review structural funds programs by reprioritising projects and focussing on education, employment, digital agenda and railways/networks with the aim of improving the conditions to enhance growth and tackle the regional divide. We invite the Commission to provide a detailed assessment of the measures and to monitor their implementation, and the Italian authorities to provide in a timely way all the information necessary for such an assessment.

Countries under adjustment programme

7. We reiterate our determination to continue providing support to all countries under programmes until they have regained market access, provided they fully implement those programmes.

8. Concerning the programme countries, we are pleased with the progress made by Ireland in the full implementation of its adjustment programme which is delivering positive results. Portugal is also making good progress with its programme and is determined to continue undertaking measures to underpin fiscal sustainability and improve competitiveness. We invite both countries to keep up their efforts, to stick to the agreed targets and stand ready to take any additional measure required to reach those targets.

9. We welcome the decision by the Eurogroup on the disbursement of the 6th tranche of the EUIMF support programme for Greece. We look forward to the conclusion of a sustainable and credible new EU-IMF multiannual programme by the end of the year.

10. The mechanisms for the monitoring of implementation of the Greek programme must be strengthened, as requested by the Greek government. The ownership of the programme is Greek and its implementation is the responsibility of the Greek authorities. In the context of the new programme, the Commission, in cooperation with the other Troika partners, will establish for the duration of the programme a monitoring capacity on the ground, including with the involvement of national experts, to work in close and continuous cooperation with the Greek government and the Troika to advise and offer assistance in order to ensure the timely and full implementation of the reforms. It will assist the Troika in assessing the conformity of measures which will be taken by the Greek government within the commitments of the programme. This new role will be laid down in the Memorandum of Understanding. To facilitate the efficient use of the sizeable official loans for the recapitalization of Greek banks, the governance of the Hellenic Financial Stability Fund (HFSF) will be strengthened in agreement with the Greek government and the Troika.

11. We fully support the Task Force on technical assistance set up by the Commission.

12. The Private Sector Involvement (PSI) has a vital role in establishing the sustainability of the Greek debt. Therefore we welcome the current discussion between Greece and its private investors to find a solution for a deeper PSI. Together with an ambitious reform programme for the Greek economy, the PSI should secure the decline of the Greek debt to GDP ratio with an objective of reaching 120% by 2020. To this end we invite Greece, private investors and all parties concerned to develop a voluntary bond exchange with a nominal discount of 50% on notional Greek debt held by private investors. The Euro zone Member States would contribute to the PSI package up to 30 bn euro. On that basis, the official sector stands ready to provide additional programme financing of up to 100 bn euro until 2014, including the required recapitalisation of Greek banks. The new programme should be agreed by the end of 2011 and the exchange of bonds should be implemented at the beginning of 2012. We call on the IMF to continue to contribute to the financing of the new Greek programme.

13. Greece commits future cash flows from project Helios or other privatisation revenue in excess of those already included in the adjustment programme to further reduce indebtedness of the Hellenic Republic by up to 15 billion euros with the aim of restoring the lending capacity of the EFSF.

14. Credit enhancement will be provided to underpin the quality of collateral so as to allow its continued use for access to Eurosystem liquidity operations by Greek banks.

15. As far as our general approach to private sector involvement in the euro area is concerned, we reiterate our decision taken on 21 July 2011 that Greece requires an exceptional and unique solution.

16. All other euro area Member States solemnly reaffirm their inflexible determination to honour fully their own individual sovereign signature and all their commitments to sustainable fiscal conditions and structural reforms. The euro area Heads of State or Government fully support this determination as the credibility of all their sovereign signatures is a decisive element for ensuring financial stability in the euro area as a whole.

Stabilisation mechanisms

17. The ratification process of the revised EFSF has now been completed in all euro area Member States and the Eurogroup has agreed on the implementing guidelines on primary and secondary market interventions, precautionary arrangements and bank recapitalisation. The decisions we took concerning the EFSF on 21 July are thus fully operational. All tools available will be used in an effective way to ensure financial stability in the euro area. As stated in the implementing guidelines, strict conditionality will apply in case of new (precautionary) programmes in line with IMF practices. The Commission will carry out enhanced surveillance of the Member States concerned and report regularly to the Eurogroup.

18. We agree that the capacity of the extended EFSF shall be used with a view to maximizing the available resources in the following framework:

- the objective is to support market access for euro area Member States faced with market pressures and to ensure the proper functioning of the euro area sovereign debt market, while fully preserving the high credit standing of the EFSF. These measures are needed to ensure financial stability and provide sufficient ringfencing to fight contagion;
- this will be done without extending the guarantees underpinning the facility and within the rules of the Treaty and the terms and conditions of the current framework agreement, operating in the context of the agreed instruments, and entailing appropriate conditionality and surveillance.

19. We agree on two basic options to leverage the resources of the EFSF:

- providing credit enhancement to new debt issued by Member States, thus reducing the funding cost. Purchasing this risk insurance would be offered to private investors as an option when buying bonds in the primary market;
- maximising the funding arrangements of the EFSF with a combination of resources from private and public financial institutions and investors, which can be arranged through Special Purpose Vehicles. This will enlarge the amount of resources available to extend loans, for bank recapitalization and for buying bonds in the primary and secondary markets.

20. The EFSF will have the flexibility to use these two options simultaneously, deploying them depending on the specific objective pursued and on market

circumstances. The leverage effect of each option will vary, depending on their specific features and market conditions, but could be up to four or five.

21. We call on the Eurogroup to finalise the terms and conditions for the implementation of these modalities in November, in the form of guidelines and in line with the draft terms and conditions prepared by the EFSF.

22. In addition, further enhancement of the EFSF resources can be achieved by cooperating even more closely with the IMF. The Eurogroup, the Commission and the EFSF will work on all possible options.

Banking system

23. We welcome the agreement reached today by the members of the European Council on bank recapitalisation and funding (see Annex 2).

Economic and fiscal coordination and surveillance

24. The legislative package on economic governance strengthens economic and fiscal policy coordination and surveillance. After it enters into force in January 2012 it will be strictly implemented as part of the European Semester. We call for rigorous surveillance by the Commission and the Council, including through peer pressure, and the active use of the existing and new instruments available. We also recall our commitments made in the framework of the Euro Plus Pact.

25. Being part of a monetary union has far reaching implications and implies a much closer coordination and surveillance to ensure stability and sustainability of the whole area. The current crisis shows the need to address this much more effectively. Therefore, while strengthening our crisis tools within the euro area, we will make further progress in integrating economic and fiscal policies by reinforcing coordination, surveillance and discipline. We will develop the necessary policies to support the functioning of the single currency area.

26. More specifically, building on the legislative package just adopted, the European Semester and the Euro Plus Pact, we commit to implement the following additional measures at the national level:

(a) adoption by each euro area Member State of rules on balanced budget in structural terms translating the Stability and Growth Pact into national legislation, preferably at constitutional level or equivalent, by the end of 2012;
(b) reinforcement of national fiscal frameworks beyond the Directive on requirements for budgetary frameworks of the Member States. In particular, national budgets should be based on independent growth forecasts;
(c) invitation to national parliaments to take into account recommendations adopted at the EU level on the conduct of economic and budgetary policies;
(d) consultation of the Commission and other euro area Member States before the adoption of any major fiscal or economic policy reform plans with potential spillover effects, so as to give the possibility for an assessment of possible impact for the euro area as a whole;
(e) commitment to stick to the recommendations of the Commission and the relevant Commissioner regarding the implementation of the Stability and Growth Pact.

27. We also agree that closer monitoring and additional enforcement are warranted along the following lines:
(a) for euro area Member States in excessive deficit procedure, the Commission and the Council will be enabled to examine national draft budgets and adopt an opinion on them before their adoption by the relevant national parliaments. In addition, the Commission will monitor budget execution and, if necessary, suggest amendments in the course of the year;
(b) in the case of slippages of an adjustment programme closer monitoring and coordination of programme implementation will take place.

28. We look forward to the Commission's forthcoming proposal on closer monitoring to the Council and the European Parliament under Article 136 of the TFEU. In this context, we welcome the intention of the Commission to strengthen, in the Commission, the role of the competent Commissioner for closer monitoring and additional enforcement.

29. We will further strengthen the economic pillar of the Economic and Monetary Union and better coordinate macro- and micro-economic policies. Building on the Euro Plus Pact, we will improve competitiveness, thereby achieving further convergence of policies to promote growth and employment. Pragmatic coordination of tax policies in the euro area is a necessary element of

stronger economic policy coordination to support fiscal consolidation and economic growth. Legislative work on the Commission proposals for a Common Consolidated Corporate Tax Base and for a Financial Transaction Tax is ongoing.

Governance structure of the euro area

30. To deal more effectively with the challenges at hand and ensure closer integration, the governance structure for the euro area will be strengthened, while preserving the integrity of the European Union as a whole.

31. We will thus meet regularly – at least twice a year – at our level, in Euro Summits, to provide strategic orientations on the economic and fiscal policies in the euro area. This will allow to better take into account the euro area dimension in our domestic policies.

32. The Eurogroup will, together with the Commission and the ECB, remain at the core of the daily management of the euro area. It will play a central role in the implementation by the euro area Member States of the European Semester. It will rely on a stronger preparatory structure.

33. More detailed arrangements are presented in Annex 1 to this paper.

Further integration

34. The euro is at the core of our European project. We will strengthen the economic union to make it commensurate with the monetary union.

35. We ask the President of the European Council, in close collaboration with the President of the Commission and the President of the Eurogroup, to identify possible steps to reach this end. The focus will be on further strengthening economic convergence within the euro area, improving fiscal discipline and deepening economic union, including exploring the possibility of limited Treaty changes. An interim report will be presented in December 2011 so as to agree on first orientations. It will include a roadmap on how to proceed in full respect of the prerogatives of the institutions. A report on how to implement the agreed measures will be finalised by March 2012.

Annex 1

Ten measures to improve the governance of the euro area

There is a need to strengthen economic policy coordination and surveillance within the euro area, to improve the effectiveness of decision making and to ensure more consistent communication. To this end, the following ten measures will be taken, while fully respecting the integrity of the EU as a whole:

1. There will be regular Euro Summit meetings bringing together the Heads of State or government (HoSG) of the euro area and the President of the Commission. These meetings will take place at least twice a year, at key moments of the annual economic governance circle; they will if possible take place after European Council meetings. Additional meetings can be called by the President of the Euro Summit if necessary. Euro Summits will define strategic orientations for the conduct of economic policies and for improved competitiveness and increased convergence in the euro area. The President of the Euro Summit will ensure the preparation of the Euro Summit, in close cooperation with the President of the Commission.

2. The President of the Euro Summit will be designated by the HoSG of the euro area at the same time the European Council elects its President and for the same term of office. Pending the next such election, the current President of the European Council will chair the Euro Summit meetings.

3. The President of the Euro Summit will keep the non euro area Member States closely informed of the preparation and outcome of the Summits. The President will also inform the European Parliament of the outcome of the Euro Summits.

4. As is presently the case, the Eurogroup will ensure ever closer coordination of the economic policies and promoting financial stability. Whilst respecting the powers of the EU institutions in that respect, it promotes strengthened surveillance of Member States' economic and fiscal policies as far as the euro area is concerned. It will also prepare the Euro Summit meetings and ensure their follow up.

5. The President of the Eurogroup is elected in line with Protocol n°14 annexed to the Treaties. A decision on whether he/she should be elected among Members of the Eurogroup or be a full-time President based in Brussels will be taken at the time of the expiry of the mandate of the current incumbent. The President of the Euro Summit will be consulted on the Eurogroup work plan and may invite the President of the Eurogroup to convene a meeting of the Eurogroup, notably to prepare Euro Summits or to follow up on its orientations. Clear lines of responsibility and reporting between the Euro Summit, the Eurogroup and the preparatory bodies will be established.

6. The President of the Euro Summit, the President of the Commission and the President of the Eurogroup will meet regularly, at least once a month. The President of the ECB may be invited to participate. The Presidents of the supervisory agencies and the EFSF CEO/ESM Managing Director may be invited on an ad hoc basis.

7. Work at the preparatory level will continue to be carried out by the Eurogroup Working Group (EWG), drawing on expertise provided by the Commission. The EWG also prepares Eurogroup meetings. It should benefit from a more permanent sub-group consisting of alternates/officials representative of the Finance Ministers, meeting more frequently, working under the authority of the President of the EWG.

8. The EWG will be chaired by a full-time Brussels-based President. In principle, he/she will be elected at the same time as the chair of the Economic and Financial Committee.

9. The existing administrative structures (i.e. the Council General Secretariat and the EFC Secretariat) will be strengthened and co-operate in a well coordinated way to provide adequate support to the Euro Summit President and the President of the Eurogroup, under the guidance of the President of the EFC/EWG. External expertise will be drawn upon as appropriate, on an ad hoc basis.

10. Clear rules and mechanisms will be set up to improve communication and ensure more consistent messages. The President of the Euro Summit and the President of the Eurogroup shall have a special responsibility in this respect. The President of the Euro Summit together with the President of the Commission

shall be responsible for communicating the decisions of the Euro Summit and the President of the Eurogroup together with the ECFIN Commissioner shall be responsible for communicating the decisions of the Eurogroup.

Annex 2

Consensus on banking package

1. Measures for restoring confidence in the banking sector (banking package) are urgently needed and are necessary in the context of strengthening prudential control of the EU banking sector. These measures should address:

(a) The need to ensure the medium-term funding of banks, in order to avoid a credit crunch and to safeguard the flow of credit to the real economy, and to coordinate measures to achieve this.
(b) The need to enhance the quality and quantity of capital of banks to withstand shocks and to demonstrate this enhancement in a reliable and harmonised way.

Term funding

2. Guarantees on bank liabilities would be required to provide more direct support for banks in accessing term funding (short-term funding being available at the ECB and relevant national central banks), where appropriate. This is also an essential part of the strategy to limit deleveraging actions.

3. A simple repetition of the 2008 experience with full national discretion in the setting-up of liquidity schemes may not provide a satisfactory solution under current market conditions. Therefore a truly coordinated approach at EU-level is needed regarding entry criteria, pricing and conditions. The Commission should urgently explore together with the EBA, EIB, ECB the options for achieving this objective and report to the EFC.

Capitalisation of banks

4. Capital target: There is broad agreement on requiring a significantly higher capital ratio of 9% of the highest quality capital and after accounting for market valuation of sovereign debt exposures, both as of 30 September 2011, to create a temporary buffer, which is justified by the exceptional circumstances. This quantitative capital target will have to be attained by 30 June 2012, based on plans agreed with national supervisors and coordinated by EBA. This prudent valuation would not affect the relevant financial reporting rules. National supervisory authorities, under the auspices of the EBA, must ensure that banks' plans to strengthen capital do not lead to excessive deleveraging, including maintaining the credit flow to the real economy and taking into account current exposure levels of the group including their subsidiaries in all Member States, cognisant of the need to avoid undue pressure on credit extension in host countries or on sovereign debt markets.

5. Financing of capital increase: Banks should first use private sources of capital, including through restructuring and conversion of debt to equity instruments. Banks should be subject to constraints regarding the distribution of dividends and bonus payments until the target has been attained. If necessary, national governments should provide support , and if this support is not available, recapitalisation should be funded via a loan from the EFSF in the case of Eurozone countries.

State Aid

6. Any form of public support, whether at a national or EU-level, will be subject to the conditionality of the current special state aid crisis framework, which the Commission has indicated will be applied with the necessary proportionality in view of the systemic character of the crisis.

EUROPEAN COUNCIL OF 18–19 OCTOBER 2012 CONCLUSIONS

The European Council reiterated today its firm commitment to take resolute action to address financial market tensions, restore confidence and stimulate growth and jobs.

It closely reviewed the implementation of the Compact for Growth and Jobs. It welcomed progress made so far but also called for swift, determined and result-oriented action to ensure its full and rapid implementation.

Further to the presentation of the interim report on EMU, the European Council called for work to proceed on the proposals on the Single Supervisory Mechanism as a matter of priority with the objective of agreeing on the legislative framework by 1st January 2013 and agreed on a number of orientations to that end. It also took note of issues relating to the integrated budgetary and economic policy frameworks and democratic legitimacy and accountability which should be further explored. It agreed that the process towards deeper economic and monetary union should build on the EU's institutional and legal framework and be characterised by openness and transparency towards non-euro area Member States and respect for the integrity of the Single Market. It looked forward to a specific and time-bound roadmap to be presented at its December 2012 meeting, so that it can move ahead on all essential building blocks on which a genuine EMU should be based.

The European Council discussed relations with the EU's strategic partners and adopted conclusions on Syria, Iran and Mali.

I. ECONOMIC POLICY

1. The European economy is facing difficult challenges. It is therefore essential for the European Union to make every effort rapidly to implement the measures agreed over recent months to relaunch growth, investment and employment, restore confidence and make Europe more competitive as a location for production and investment.

Compact for Growth and Jobs

2. The European Council remains determined to stimulate growth and jobs, in the context of the Europe 2020 Strategy. The Compact for Growth and Jobs, decided last June, constitutes the overall framework for action at national, euro and EU levels, mobilising all levers, instruments and policies. All the commitments it outlines must be fully and rapidly delivered. Significant progress has been achieved so far, as shown in the letter from the President of the European Council of 8 October 2012 as well as in the reports from the Presidency and the Commission. However, greater efforts are required in certain areas, as set out below.

(a) Investing in growth: significant progress is being made in implementing the EUR 120 billion financing package of the Compact. In particular, in the coming weeks the EIB is expected to adopt its EUR 10 billion capital increase with the aim of strengthening its capital basis as well as increasing its overall lending capacity by EUR 60 billion. This should in turn lead to additional investment of up to EUR 180 billion over the next three years. Work is under way to ensure that the EUR 55 billion of Structural Funds are mobilised quickly and efficiently; the Commission will continue to help Member States to re-programme the Structural Funds to focus them better on growth and jobs. Adequate attention should be paid in order to ensure a fair access to financing for all Member States. The Project Bonds pilot phase is being implemented with EUR 100 million already authorised and the remaining EUR 130 million to be mobilised early next year, which in total should leverage investment of up to EUR 4.5 billion in the pilot phase. The European Council will devote a special meeting in November to reaching agreement on the next Multiannual Financial Framework and thus ensure that it is adopted by the end of the year. Recalling the need to pursue differentiated growth-friendly fiscal consolidation, the European Council looks forward to the Commission's report on the quality of public spending and the scope for possible action within the boundaries of the EU and national fiscal frameworks.

(b) Deepening the Single Market: progress has been made on the Single Market Act I, but more efforts are required to complete work on the outstanding proposals including on accounting, professional qualifications, public procurement and venture capital funds. The Commission's new communication on the Single Market Act II sets out 12 further key actions which should contribute much to sustainable European growth, employment and social cohesion. The European Council welcomes the Commission's intention to present all key SMA II proposals by spring 2013 and calls for their rapid examination in order to allow their adoption by the end of the current parliamentary cycle at the latest. It is also important to take urgent action in line with the Commission's communications on implementation of the Services Directive and on Single Market governance.

(c) Connecting Europe: the future Connecting Europe Facility will constitute an important instrument to promote growth through investment in transport, energy and ICT links. In the field of transport, eliminating regulatory barriers and tackling bottlenecks and missing cross-border links is essential in order to guarantee the efficient operation of the Single Market and promote competitiveness and growth. Digital technologies and infrastructures are also an essential prerequisite. Recalling the need to complete the internal energy market fully by 2014 in accordance with the agreed deadlines and to ensure that no Member State remains isolated from the European gas and electricity networks after 2015, the European Council calls for rapid agreement on the proposal on energy TENs and looks forward to the forthcoming Commission communication and Action Plan to address the prevailing challenges.

(d) Achieving a fully functioning Digital Single Market by 2015: this could generate an additional growth of 4% over the period up to 2020. The European Council therefore calls for work to be accelerated on the proposals on e-signature and collective rights management and looks forward to the forthcoming proposals on reducing the cost of the deployment of high speed broadband and on e-invoicing. The forthcoming mid-term review of the Digital Agenda should be used to identify areas where more work needs to be done. It is necessary to modernise Europe's copyright regime to facilitate access to content while upholding intellectual property rights and encouraging creativity and cultural diversity.

(e) Promoting research and innovation: it is important to ensure that research and innovation are translated into competitive gains. The European Council calls for rapid progress on the proposed new programmes for research and innovation (Horizon 2020) and for the competitiveness of enterprises and SMEs (COSME), stressing the importance of excellence in EU research and innovation policies while promoting broad access to participants in all Member States. It reiterates the need to finalise the European Research Area by the end of 2014 and stresses the importance of an integrated approach to key enabling technologies.

(f) Enhancing the competitiveness of industry: the Commission communication on a new EU industrial policy stresses the importance of developing an integrated approach in order to strengthen industrial competitiveness to underpin growth and jobs, whilst improving energy and resource efficiency. It is particularly important for European industries to maintain and develop their technological lead and to facilitate investment in new key technologies in the early stages and for close-to-the-market actions.

(g) Creating the right regulatory framework for growth: it is particularly important to reduce the overall regulatory burden at EU and national levels, with a specific focus on SMEs and micro-enterprises, including by facilitating their access to funding. The European Council looks forward to the Commission communication expected in December, which will take stock of progress and signal further action to be taken by the end of the current parliamentary cycle at the latest, including the follow up on the top 10 most burdensome pieces of legislation for SMEs. Taking account of the particular priority to foster competitiveness, sustainable growth and employment, the European Council welcomes the Commission's intention to withdraw a number of pending proposals and to identify possible areas where the regulatory burden could be lightened.

(h) Developing a tax policy for growth: work and discussions should be carried forward on the proposals on energy taxation, on the common consolidated corporate tax base and on the revision of the savings tax Directive, and to reaching rapid agreement on the negotiating directives for savings taxation agreements with third countries. The European Council looks forward to the Commission communication to be submitted before the end of the year on good governance in relation to tax havens and aggressive tax planning. The European Council notes the requests from a number of Member States for enhanced cooperation to be launched on a Financial Transactions Tax, which the Commission intends to examine quickly with a view to making its proposal as soon as the conditions have been met.

(i) Boosting employment and social inclusion: work in this area remains a priority of the utmost importance. The Council is invited to pursue its work on the different elements of the Employment Package and to ensure rapid progress on the proposals relating to the acquisition and preservation of cross-border pension rights for EU workers and the enforcement of the posted workers Directive. The European Council looks forward to the forthcoming communication on education and skills and to the Youth Employment package, including developing initiatives on youth guarantees and quality traineeships and apprenticeships as well as improving the mobility of young people. Labour_mobility throughout the EU should be facilitated. The European Council stresses the importance of further developing the EURES job vacancies portal and underlines the need to increase and broaden the participation of employment services across Member States. Member States' vocational training schemes play a particular role in addressing youth unemployment. It is also important to promote the reactivation of older workers. Member States should step up efforts to tackle the social consequences of the crisis and to fight poverty and social exclusion in line with the objectives of the Europe 2020 Strategy.

(j) Implementing the Europe 2020 Strategy: the European Council recalls the need for determined implementation of the 2012 Country Specific Recommendations. It invites the Presidency to submit a "synthesis report" on the lessons learned from the 2012 European Semester process and calls for a number of improvements to be made for the 2013 exercise - more emphasis on specific guidance and implementation; new modalities to enhance Member States' ownership of the process, particularly through deeper and more continuous dialogue; building of a partnership with the European Parliament, national parliaments and social partners; and a stronger linkage between the work of relevant Council formations. Underlining the need for thorough preparation of the 2013 European Semester, the European Council looks forward to the early submission by the Commission of its Annual Growth Survey and the Alert Mechanism Report at the end of November, and invites the incoming Presidency to submit a roadmap on the organisation of work for the 2013 European Semester.

(k) Harnessing the potential of trade: stressing the fact that an ambitious trade agenda could lead in the medium term to an overall increase of 2 % in growth and the creation of over 2 million jobs, the European Council reiterates the EU's determination to promote free, fair and open trade whilst at the same time asserting its interests, in a spirit of reciprocity and mutual benefit. In this spirit, it calls for an agreement to be reached on the negotiating directives for a Free Trade Agreement (FTA) with Japan with a view to launching negotiations in the months ahead and for the finalisation of FTA negotiations with Canada and Singapore in the coming months. It looks forward to the final report of the EU-US High Level Working Group and commits to working towards the goal of launching in 2013 of negotiations on a comprehensive transatlantic trade and investment agreement. It will return in greater depth to EU/US relations and to the contribution trade can make to the growth agenda in February 2013. It also calls for progress to be made in opening or advancing negotiations on Deep and Comprehensive Free Trade Agreements with the EU's neighbouring partners which are ready. The proposal of the Commission on access to public procurement markets in third countries should be rapidly examined.

Completing EMU

3. In the light of the fundamental challenges facing it, the Economic and Monetary Union needs to be strengthened to ensure economic and social welfare as well as stability and sustained prosperity.

4. Following the interim report presented by the President of the European Council in close collaboration with the Presidents of the Commission, the Eurogroup and the European Central Bank (ECB), informal consultations will continue with Member States and the European Parliament on the different issues to be explored. The European Council looks forward to a specific and time-bound roadmap to be presented at its December 2012 meeting, so that it can move ahead on all essential building blocks on which a genuine EMU should be based.

5. The process towards deeper economic and monetary union should build on the EU's institutional and legal framework and be characterised by openness and transparency towards Member States which do not use the single currency and by respect for the integrity of the Single Market. The final report and roadmap should include concrete proposals for how to achieve this.

Integrated financial framework

6. We need to move towards an integrated financial framework, open to the extent possible to all Member States wishing to participate. In this context, the European Council invites the legislators to proceed with work on the legislative proposals on the Single Supervisory Mechanism (SSM) as a matter of priority, with the objective of agreeing on the legislative framework by 1 January 2013. Work on the operational implementation will take place in the course of 2013. In this respect, fully respecting the integrity of the Single Market is crucial.

7. There is a need to ensure a clear separation between ECB monetary policy and supervision functions, and the equitable treatment and representation of both euro and non-euro area Member States participating in the SSM. Accountability takes place at the level at which decisions are taken and implemented. The SSM will be based on the highest standards for bank supervision and the ECB will be able, in a differentiated way, to carry out direct supervision. It will also be in a position to use the effective powers conferred on it by the legislation as soon as it comes into force. In addition, it is of paramount importance to establish a single rulebook underpinning the centralised supervision.

8. It is important to ensure a level playing field between those Member States which take part in the SSM and those which do not, in full respect of the integrity of the single market in financial services. An acceptable and balanced solution is needed regarding changes to voting modalities and decisions under the European Banking Authority (EBA) Regulation, taking account of possible evolutions in the participation in the SSM, that ensures non-discriminatory and effective decision-making within the Single Market. On this basis, the EBA should retain its existing powers and responsibilities.

9. The European Council calls for the rapid adoption of the provisions relating to the harmonisation of national resolution and deposit guarantee frameworks

based on the Commission's legislative proposals on bank recovery and resolution and on national deposit guarantee schemes. The European Council calls for the rapid conclusion of the single rule book, including agreement on the proposals on bank capital requirements (CRR/CRD IV) by the end of the year.

10. In all these matters, it is important to ensure a fair balance between home and host countries.

11. The European Council notes the Commission's intention to propose a single resolution mechanism for Member States participating in the SSM once the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive have been adopted.

12. The Eurogroup will draw up the exact operational criteria that will guide direct bank recapitalisations by the European Stability Mechanism (ESM), in full respect of the 29 June 2012 euro area Summit statement. It is imperative to break the vicious circle between banks and sovereigns. When an effective single supervisory mechanism is established, involving the ECB, for banks in the euro area the ESM could, following a regular decision, have the possibility to recapitalize banks directly.

Integrated budgetary and economic policy frameworks and democratic legitimacy and accountability

13. The European Council invites the legislators to find an agreement with a view to adopting the "two-pack" by the end of 2012 at the latest. This is a key piece of legislation necessary for the reinforcement of the new economic governance in the EU, alongside the reinforced Stability and Growth Pact, the Treaty on Stability, Coordination and Governance (TSCG) and the "six-pack". It calls on national authorities and European institutions to implement all of these fully in accordance with their roles under the EU Treaties. Related to the ongoing regulatory work in the EU banking sector, the European Council takes note of the proposals of the high level expert group on the structure of the EU banking sector, which the Commission is now examining, including their possible impact on the objective of establishing a stable and efficient banking system.

14. An integrated budgetary framework is part of an economic and monetary union. In that context, further mechanisms, including an appropriate fiscal capacity, will be explored for the euro area. The process of exploration will be unrelated to the preparation of the next Multiannual Financial Framework.

15. The smooth functioning of EMU calls for stronger and sustainable economic growth, employment and social cohesion and requires stronger coordination, convergence and enforcement of economic policy. In this respect, the idea of the euro area Member States entering into individual arrangements of a contractual nature with the EU institutions on the reforms they commit to undertake and on their implementation will be explored. Such arrangements could be linked to the reforms identified in the country-specific recommendations adopted by the Council and build on EU procedures.

16. Governance within the euro area should be further improved, building on the TSCG and taking into account the euro area Summit statement of 26 October 2011. Ways to ensure that all planned major economic policy reforms are discussed ex ante and, where appropriate, coordinated within the framework of the EU's economic governance, in line with Article 11 of the TSCG, should be explored by participating Member States. The euro area Heads of State or Government shall adopt rules of procedure for their meetings.

17. Strong mechanisms for democratic legitimacy and accountability are necessary. One of the guiding principles in this context is to ensure that democratic control and accountability take place at the level at which decisions are taken and implemented. In this spirit, ways to ensure a debate in the context of the European Semester, both within the European Parliament and national parliaments, should be explored. In this respect, the European Council notes the intention of the Member States parties to the TSCG to improve the level of cooperation between national parliaments and the European Parliament, building on Article 13 of the TSCG and Protocol 1 to the TFEU.

II. STRATEGIC PARTNERS

18. The European Council held an exchange of views on the EU's relations with its strategic partners. It called for the full implementation of the internal arrangements agreed in September 2010 to improve the EU's external relations.

III. OTHER ITEMS

19. The European Council is appalled by the deterioration of the situation in Syria. It endorses the conclusions adopted by the Council on 15 October and the additional restrictive measures against the Syrian regime and its supporters. It fully supports the efforts of Lakhdar Brahimi in finding a political solution to the Syrian crisis. All key actors, notably those in the region and all members of the United Nations Security Council, should uphold their responsibilities and lend their support to the Joint Representative's endeavours. The EU is committed to working closely and comprehensively with international partners to ensure rapid support to Syria once transition takes place. The EU also commits to strengthening its support in building the capacity of civil society to participate in a future Syria. All opposition groups should agree on a set of shared principles in order to achieve an inclusive, orderly and peaceful transition.

The European Council strongly condemns the shelling by Syrian forces of Turkish territory and calls on all to prevent escalation and on the Syrian authorities to fully respect the territorial integrity and sovereignty of all neighbouring countries. The EU will continue to provide humanitarian assistance and calls on all donors to increase their contributions to the latest UN appeals. The European Council urges all parties to respect international humanitarian law (including the inviolability of all medical facilities, medical personnel and vehicles). All parties should put an end to all forms of violence, take special measures to protect all vulnerable groups, allow full and safe access for the delivery of humanitarian aid in all parts of the country. Those responsible for violations of international human rights law must be held accountable.

20. The European Council stresses its serious and deepening concerns over Iran's nuclear programme and supports the recent resolution adopted by the IAEA Board of Governors. The European Council recalls that Iran is acting in flagrant

violation of its international obligations and is refusing to cooperate fully with the IAEA. The European Council therefore welcomes the conclusions and the adoption of the additional restrictive measures by the Council on 15 October with the aim of achieving a serious and meaningful engagement from the Iranian regime. The European Council reaffirms its commitment to the dual track approach and fully supports the efforts of the High Representative on behalf of the E3+3 to engage Iran in meaningful and constructive discussions. The Iranian regime can act responsibly and bring sanctions to an end, but as long as it does not do so, the EU remains determined to increase in close coordination with international partners, pressure on Iran in the context of the dual-track approach.

21. The European Council endorses the conclusions adopted by the Council on 15 October and expresses its serious concern over the continuing political, security and humanitarian crisis in Mali. This situation poses an immediate threat to the Sahel region as well as to West and North Africa and to Europe. The EU is determined to provide comprehensive support to Mali, in close cooperation with international and regional partners. In particular, the EU will support Mali in its efforts to restore the rule of law and re-establish a fully sovereign democratic government with authority throughout Malian territory. The EU will gradually resume development cooperation as soon as a credible and consensual Roadmap is adopted for the restoration of constitutional order. In the meantime, the EU will step up its humanitarian response. Furthermore, the EU will examine support for the envisaged international military force in accordance with UN Security Council Resolution 2071 and speed up planning of a possible CSDP military operation to help reorganise and train the Malian defence forces. The EU will maintain the option to adopt targeted restrictive measures against those involved in the armed groups in northern Mali and those hindering the return to constitutional order.

* * *

The European Council is grateful that the European Union was awarded the Nobel Prize for Peace. The Prize is an honour for all European citizens and for all EU Member States and institutions. The Nobel Committee rightly reminds how "the Union and its forerunners have for over six decades contributed to the advancement of peace and reconciliation, democracy and human rights in Europe". At a time of uncertainty, this tribute to past achievements is a strong appeal to safeguard and *strengthen Europe for the next generation. Aware that advancing this community of peaceful interests requires constant care and an unwavering will, the members of the European Council regard it as their personal responsibility to ensure Europe remains a continent of progress and prosperity.*

EUROPEAN COUNCIL OF 13–14 DECEMBER 2012 CONCLUSIONS

The European Council agreed on a roadmap for the completion of the Economic and Monetary Union, based on deeper integration and reinforced solidarity. This process will begin with the completion, strengthening and implementation of the new enhanced economic governance, as well as the adoption of the Single Supervisory Mechanism and of the new rules on recovery and resolution and on deposit guarantees. This will be completed by the establishment of a single resolution mechanism. A number of other important issues will be further examined by the June 2013 European Council, concerning the coordination of national reforms, the social dimension of EMU, the feasibility and modalities of mutually agreed contracts for competitiveness and growth, and solidarity mechanisms and measures to promote the deepening of the Single Market and to protect its integrity. Throughout this process, democratic legitimacy and accountability will be ensured.

The European Council launched work on the 2013 European Semester on the basis of the Commission's Annual Growth Survey. It decided to launch work on the further development of the EU's Common Security and Defence Policy and will return to this issue in December 2013.

I. ECONOMIC POLICY

Roadmap for the completion of EMU

1. In the light of the fundamental challenges facing it, the Economic and Monetary Union needs to be strengthened to ensure economic and social welfare as well as stability and sustained prosperity. Economic policies must be fully geared towards promoting strong, sustainable and inclusive economic growth, ensuring fiscal discipline, enhancing competitiveness and boosting employment, and in particular youth employment, in order for Europe to remain a highly competitive social market economy and to preserve the European social model.

2. The consolidation of EMU rests not only on completing its architecture but also on pursuing differentiated, growth-friendly and sound fiscal policies. While fully respecting the Stability and Growth Pact, the possibilities offered by the EU's existing fiscal framework to balance productive public investment needs with fiscal discipline objectives can be exploited in the preventive arm of the SGP.

3. Further to the interim report submitted in October 2012, the President of the European Council, in close collaboration with the Presidents of the Commission, the European Central Bank and the Eurogroup, has drawn up a specific and time-bound road map for the achievement of genuine Economic and Monetary Union. The European Council notes the "Blueprint" issued by the Commission which provides a comprehensive analysis of the relevant issues combined with an assessment of their legal aspects. It also notes the contributions made by the European Parliament. The European Council sets out the next steps in the process of completing EMU, based on deeper integration and reinforced solidarity for the euro area Member States.

4. The process of completing EMU will build on the EU's institutional and legal framework. It will be open and transparent towards Member States not using the single currency. Throughout the process the integrity of the Single Market will be fully respected, including in the different legislative proposals which will be made. It is also important to ensure a level playing field between Member States which take part in the SSM and those which do not.

5. The immediate priority is to complete and implement the framework for stronger economic governance, including the "six-pack", the Treaty on Stability, Coordination and Governance (TSCG) and the "two-pack". Following the decisive progress achieved on the key elements of the "two-pack", the European Council calls for its rapid adoption by the co-legislators.

6. It is equally urgent to advance towards a more integrated financial framework, which will help restore normal lending, improve competitiveness and help bring about the necessary adjustment to our economies.

7. The Single Supervisory Mechanism constitutes a major qualitative step towards a more integrated financial framework. The European Council welcomes the agreement reached within the Council on 13 December and calls on the

co-legislators to rapidly agree so as to allow its implementation as soon as possible. It also reiterates the importance of the new rules on capital requirements for banks (CRR/CRD), which are of the utmost priority so as to develop a single rule book, and calls on all parties to work towards their agreement and rapid adoption.

8. The European Council urges the co-legislators to agree on the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive before June 2013; the Council for its part should reach agreement by the end of March 2013. Once adopted, these Directives should be implemented by the Member States as a matter of priority.

9. The European Council looks forward to the Commission's rapid follow up to the proposals of the high level expert group on the structure of the EU banking sector.

10. It is imperative to break the vicious circle between banks and sovereigns. Further to the June 2012 euro area Summit statement and the October 2012 European Council conclusions, an operational framework, including the definition of legacy assets, should be agreed as soon as possible in the first semester of 2013, so that when an effective single supervisory mechanism is established, the European Stability Mechanism will, following a regular decision, have the possibility to recapitalise banks directly. This will be done in full compliance with the Single Market.

11. In a context where bank supervision is effectively moved to a single supervisory mechanism, a single resolution mechanism will be required, with the necessary powers to ensure that any bank in participating Member States can be resolved with the appropriate tools. Therefore, work on the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive should be accelerated so that they can be adopted in line with paragraph 8. In these matters, it is important to ensure a fair balance between home and host countries. The Commission will submit in the course of 2013 a proposal for a single resolution mechanism for Member States participating in the SSM, to be examined by the co-legislators as a matter of priority with the intention of adopting it during the current parliamentary cycle. It should safeguard financial stability and ensure an effective framework for resolving financial institutions while protecting taxpayers in the context of banking crises. The single resolution mechanism should

be based on contributions by the financial sector itself and include appropriate and effective backstop arrangements. This backstop should be fiscally neutral over the medium term, by ensuring that public assistance is recouped by means of *ex post* levies on the financial industry.

12. In order for the EMU to ensure economic growth, competitiveness in the global context and employment in the EU and in particular in the euro area, a number of other important issues related to the coordination of economic policies and economic policy guidelines of the euro area will need to be further examined, including measures to promote the deepening of the Single Market and to protect its integrity. To this end, the President of the European Council, in close cooperation with the President of the Commission, after a process of consultations with the Member States, will present to the June 2013 European Council possible measures and a time-bound roadmap on the following issues:

(a) coordination of national reforms: the participating Member States will be invited to ensure, in line with Article 11 of the TSCG, that all major economic policy reforms that they plan to undertake will be discussed *ex ante* and, where appropriate, coordinated among themselves. Such coordination shall involve the institutions of the EU as required by EU law to this end. The Commission has announced its intention to make a proposal for a framework for *ex ante* coordination of major economic policy reforms in the context of the European Semester;

(b) the social dimension of the EMU, including social dialogue;

(c) the feasibility and modalities of mutually agreed contracts for competitiveness and growth: individual arrangements of a contractual nature with EU institutions could enhance ownership and effectiveness. Such arrangements should be differentiated depending on Member States' specific situations. This would engage all euro area Member States, but non euro Member States may also choose to enter into similar arrangements;

(d) solidarity mechanisms that can enhance the efforts made by the Member States that enter into such contractual arrangements for competitiveness and growth.

13. Governance within the euro area should be further improved, building on the TSCG and taking into account the euro area Summit statement of 26 October 2011. The euro area Heads of State or Government will be invited to adopt rules of procedure for their meetings at their meeting in March 2013, fully respecting Article 12.3 TSCG.

14. Throughout the process, the general objective remains to ensure democratic legitimacy and accountability at the level at which decisions are taken and implemented. Any new steps towards strengthening economic governance will need to be accompanied by further steps towards stronger legitimacy and accountability. At national level, moves towards further integration of the fiscal and economic policy frameworks would require that Member States ensure the appropriate involvement of their parliaments. Further integration of policy making and greater pooling of competences must be accompanied by a commensurate involvement of the European Parliament. New mechanisms increasing the level of cooperation between national parliaments and the European Parliament, in line with Article 13 of the TSCG and Protocol No 1 to the Treaties, can contribute to this process. The European Parliament and national parliaments will determine together the organisation and promotion of a conference of their representatives to discuss EMU related issues.

Annual Growth Survey

15. The European Council welcomes the timely submission of the Annual Growth Survey (AGS) by the Commission, which launches the 2013 European semester. It agrees that efforts at national and European level in 2013 should continue to focus on the five priorities agreed last March, namely to:

- pursue differentiated, growth-friendly, fiscal consolidation,
- restore normal lending to the economy,
- promote growth and competitiveness,
- tackle unemployment and the social consequences of the crisis, and
- modernise public administration.

16. The Council will examine in further detail the AGS package in accordance with the roadmap presented by the incoming Presidency and following the recommendations outlined in the Presidency report on lessons learned from the

2012 European Semester, with a view to providing its views to the March 2013 European Council. The European Council will then agree on the required guidance for Member States' Stability and Convergence Programmes and National Reform Programmes as well as for the implementation of the EU's flagship initiatives. The Commission is invited to include in its next Annual Growth Survey an assessment of the performance of labour and product markets with a view to promoting jobs and growth.

17. The completion of the Single Market can contribute much to growth and jobs and constitutes a key element of the EU's response to the financial, economic and social crisis. The European Council took stock of the state of play as regards the priority proposals of the Single Market Act I and welcomed the agreement reached among participating Member States on the Unitary Patent as well as the agreement on Alternative Dispute Resolution and Online Dispute Resolution for consumer disputes. It calls on the co-legislators to conclude the remaining SMA I files as a matter of urgency. In particular, work should be speeded up on professional qualifications, public procurement, posting of workers and e-signature and e-identification. As regards the Single Market Act II, the European Council calls on the Commission to present all key proposals by the spring of 2013. It invites the Council and the European Parliament to give these proposals the highest priority with a view to their adoption by the end of the current parliamentary cycle at the latest. It is also important to take urgent action in line with the Commission's communications on implementation of the Services Directive and on Single Market governance. The European Council will keep progress on all single market proposals under close review.

18. The European Council calls for the rapid examination of the Commission's communication on "Smart Regulation" and looks forward to the publication of the first SME scoreboard. The European Council welcomes the proposals by the Commission to reduce regulatory burdens and scrap regulations that are no longer of use as part of its overall approach to "Smart Regulation". It looks forward to concrete progress and a report back at its March 2013 meeting.

19. Recalling the January 2012 Statement of Heads of State or Government and the conclusions of its meetings in March, June and October, the European Council welcomes the progress made during the year towards a comprehensive EU approach to youth employment. It calls on the Council to give consideration

to the proposals of the Youth Employment Package without delay, in particular with a view to adopting the recommendation on a Youth Guarantee at an early date in 2013 while taking into account national situations and needs. It invites the Commission to rapidly finalise the quality framework for traineeships, establish the Alliance for Apprenticeships as well as propose the new EURES regulation. The Council, the Member States, and the Commission should ensure rapid follow-up to the Commission communication on "Rethinking Education".

II. OTHER ITEMS

Common Security and Defence Policy

20. The European Council recalls its conclusions of December 2008 and notes that in today's changing world the European Union is called upon to assume increased responsibilities in the maintenance of international peace and security in order to guarantee the security of its citizens and the promotion of its interests.

21. In this regard, the European Council remains committed to enhancing the effectiveness of the Common Security and Defence Policy (CSDP) as a tangible EU contribution to international crisis management. The EU plays an important role in its neighbourhood and globally. The European Council recalls that CSDP missions and operations are an essential element of the EU's comprehensive approach in crisis regions, such as the Western Balkans, the Horn of Africa, the Middle East, Sahel, Afghanistan and the South Caucasus and remains committed to increasing their operational effectiveness and efficiency. It also recalls that CSDP missions and operations should be carried out in close cooperation with other relevant international actors, such as the UN, NATO, the OSCE and the African Union, as well as partner countries, as called for in each specific situation. Enhancing the cooperation with interested partners in Europe's neighbourhood is of particular importance in this regard.

22. To deliver on security responsibilities, the European Council underlines that EU Member States must be ready to provide future-oriented capabilities, both in the civilian domain and in the field of defence. The European Council stresses that current financial constraints highlight the urgent necessity to strengthen European cooperation in order to develop military capabilities and fill the critical

gaps, including those identified in recent operations. It also underlines the benefits such cooperation may have for employment, growth, innovation and industrial competitiveness within the European Union.

23. The European Council invites the High Representative, notably through the European External Action Service and the European Defence Agency, as well as the Commission, all acting in accordance with their respective responsibilities and cooperating closely as required, to develop further proposals and actions to strengthen CSDP and improve the availability of the required civilian and military capabilities, and to report on such initiatives, at the latest by September 2013, with a view to the December 2013 European Council. Member States will be closely involved throughout this process.

24. To that end, the European Council underlines i.a. the following issues:

Increase the effectiveness, visibility and impact of CSDP by

- further developing the comprehensive approach to conflict prevention, crisis management and stabilisation, including by developing the ability to respond to emerging security challenges;
- strengthening the EU's ability to deploy the right civilian and military capabilities and personnel rapidly and effectively on the whole spectrum of crisis management action.

Enhance the development of defence capabilities by

- identifying current redundancies and capabilities shortfalls and prioritising future requirements for European civilian and military capabilities;
- facilitating a more systematic and longer term European defence cooperation, including through "pooling and sharing" of military capabilities; and in this regard, systematically considering cooperation from the outset in national defence planning by Member States;
- facilitating synergies between bilateral, sub-regional, European and multilateral initiatives, including the EU's "pooling and sharing" and NATO's "smart defence".

Strengthen Europe's defence industry by

- developing a more integrated, sustainable, innovative and competitive European defence technological and industrial base;

– developing greater synergies between civilian and military research and development; promoting a well-functioning defence market, in particular through the effective implementation of the directives on public procurement and on intra-EU transfers, open to SMEs and benefiting from their contributions.

25. The European Council will in December 2013 review progress achieved in pursuing these goals, assess the situation and, on the basis of recommendations by its President, provide guidance, including by setting priorities and timelines, to ensure the effectiveness of EU efforts aimed at meeting Europe's security responsibilities.

Regional Strategies

26. Recalling its June 2011 conclusions, and subject to the evaluation of the concept of macro regional strategies as foreseen in the Council conclusions of 13 April 2011, the European Council looks forward to the presentation by the Commission of a new EU Strategy for the Adriatic and Ionian region before the end of 2014. It also calls for the prompt implementation of the revised EU strategy for the Baltic Sea. In order to enhance co-operation with the neighbouring countries the European Council encourages the Council to take further action to make full use of the Northern Dimension and its partnerships.

Enlargement and the Stabilisation and Association Process

27. The European Council welcomes and endorses the conclusions adopted by the Council on 11 December on Enlargement and the Stabilisation and Association Process.

Syria

28. The European Council is appalled by the increasingly deteriorating situation in Syria. It endorses the conclusions adopted by the Council on 10 December. The European Council also welcomes the results of the 4th Ministerial meeting of the Group of Friends of the Syrian people, held in Marrakech on the 12th of December 2012. The European Council tasks the Foreign Affairs Council to work on all options to support and help the opposition and to enable greater support for the protection of civilians. The European Council repeats its view

that political transition is necessary in Syria towards a future without President Assad and his illegitimate regime. We support a future that is democratic and inclusive with full support for Human Rights and the rights of minorities. The European Council will continue to address the situation in Syria as a matter of priority.

General Secretariat of the Council

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