Council of the European Union

PRESS

EN

BACKGROUND[1]
Brussels, 4 October 2019

ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
Thursday 10 October in Luxembourg

The Council will be chaired by Mika Lintilä, Finnish minister of finance.

~ ~ ~

The Chair of the Wise Persons' Group on the European financial architecture for development will present its report on how to maximise the added value of the European financial architecture for development, taking into account existing national and international bodies involved. The presentation will be followed by an exchange of views.

The European Court of Auditors will present its annual report on the implementation of the budget of the European Union for the financial year 2018 which is expected to be published on 8 October.

The Council will hold an exchange of views on lessons learnt from the European Semester 2019 exercise and prepare upcoming international meetings (G20, IMF and coalition of finance ministers for climate action) in Washington on 17-19 October.

The Council will take stock of the progress achieved in the implementation of the anti-money laundering (AML) action plan adopted in December 2018 and will consider the future strategic priorities in the area. In this context, the Commission will present its package of reports on AML published in July 2019. Ministers will also discuss the main elements of the methodology to establish a list of AML-related "high risk third countries".

The Council is also expected to adopt a recommendation to the European Council on the appointment of a new member of the Executive Board of the European Central Bank. The new member will succeed Mr Benoît Cœuré, whose term of office expires on 31 December 2019.

Without discussion, the Council is expected to adopt an update to the list of non-cooperative jurisdictions for taxation purposes.

~ ~ ~

The Eurogroup will meet at 13:00 in a regular format. It will discuss in particular the banking union, competitiveness in the euro-area, the 10th post-programme surveillance mission in Portugal and the selection process to appoint new ECB executive board members. At 15:30, the Eurogroup will then meet in an inclusive format to discuss the reform of the Economic and Monetary Union.

Press conferences:

- after the Eurogroup *(Wednesday evening)*;
- at the end of the Council *(Thursday after the Ecofin meeting).*

Press conferences and public events by video streaming

Video coverage in broadcast quality (MPEG4) and photo gallery

---

1 This note has been drawn up under the responsibility of the press office.

European financial architecture for development

The Chair of the Wise Persons' Group on the European financial architecture for development will present the final report on how to maximise the added value of the European financial architecture for development, taking into account existing national and international bodies involved. The presentation will be followed by an exchange of views among ministers.

The Wise Persons' Group was established in April 2019 with the aim of submitting a report setting out the challenges and opportunities for rationalising the way development policies are financed at EU level and recommending possible options for reforming the existing setup. The group was charged, in particular, with looking at all the existing instruments for development managed by the Commission, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) and determining how to maximise the added value of the European financial architecture for development.

The European Union and its members states have historically been the largest development donors in the world: they provide more than half of the total world development aid, amounting about EUR 80 billion. The European development financial architecture plays an important global role in fighting poverty and inequalities, working towards achieving the Sustainable Development Goals and tackling climate change. However, the structure is complex, with a multiplicity of EU and national actors, as well as financial instruments. The present fragmentation of the system, especially in relation to overlaps and underlaps in the work of the EIB and the EBRD outside the EU, is detrimental to achieving the EU priorities and desired development impact.

The report therefore argues for consolidating and streamlining the development finance and climate activities outside the EU in order to avoid overlaps, strengthen the EU presence, visibility, role and long-term capacity to deliver on the EU development priorities. It outlines several options for achieving such a consolidation, while recommending shorter term actions to improve the existing system.

Report on implementation of the 2018 budget

The president of the European Court of Auditors, Klaus-Heiner Lehne, will present the Court's annual report on management of the EU's general budget. Ministers may hold an exchange of views.

The report, which is expected to be issued on 8 October 2019, will cover the EU's budget for the financial year 2018. Its central part is the statement of assurance on the reliability of the EU consolidated accounts and the legality and regularity of transactions. This statement is supplemented by specific assessments for each major area of EU activity.

The Court's assessment will be the basis for a discharge to be given to the Commission for implementation of the EU 2018 budget. The Council is expected to issue a recommendation in February 2020. It will then be for the European Parliament to decide if it grants discharge to the Commission.

European Semester 2019 - Lessons learnt

The Council will assess challenges for the 'European Semester' policy monitoring process in the light of lessons learned from the 2019 exercise.

The chairman of the Economic and Financial Committee (EFC) will report on discussions in the EFC and the Economic Policy Committee.

The exchange of views among ministers is expected to focus in particular on:

- the main novelties brought by the 2019 European Semester exercise, namely the cross-country focus on investment in the country-specific recommendations (CSRs), as well as the fact that the CSRs addressed issues related to aggressive tax planning and anti-money laundering:
- the future of the European Semester and the need to ensure that the Semester remains focused on key challenges;
- the importance of improving the degree of implementation of CSRs and of national ownership of the reforms.

The European Semester involves simultaneous monitoring of the member states' economic, fiscal and employment policies during a roughly six-month period every year.

Covering a broad range of policy areas, it involves several Council configurations and preparatory committees.

In the light of policy guidance from the European Council annually in March, the member states present each year:

- national reform programmes for their economic and employment policies;
- stability/convergence programmes for their fiscal policies.

The European Semester concludes in July with the adoption of country-specific recommendations.

The 2020 European Semester will start in November 2019 with the Commission's publication of its annual growth survey.

G20 and IMF meetings in Washington DC

G20 and IMF meetings in Washington DC

The Council will discuss preparations for the EU participation in the international meetings to be held in Washington DC in October 2019, namely:

- a G20 finance ministers and central bank governors meeting on 17-18 October featuring discussions on the risks to the global economic outlook, international taxation, stablecoins, the G20 Compact of Africa as well as exchanges on quality infrastructure investment, debt sustainability and financing of universal health coverage.
- IMF annual meetings, on 14-20 October, bringing together central bankers, ministers of finance and development, parliamentarians, private sector executives, representatives from civil society and academics to discuss issues of global concern, including the world economic outlook, poverty eradication, economic development, and aid effectiveness.

Coalition of finance ministers for climate action

The Finnish presidency, as co-chair of the coalition of finance ministers for climate action together with Chile, will present the state of play of the coalition's activity.

The coalition is aimed at driving stronger collective action on climate change and its impact. Finance ministers endorsed a set of six common principles, known as the "Helsinki principles" that promote national climate action, especially through fiscal policy and the use of public finance.

The coalition of finance ministers for climate action was launched in the context of the World Bank and IMF spring meetings by finance ministers from more than twenty countries, in April 2019.

A sherpa meeting was held on 4-5 June in Santiago (Chile). At the meeting, coalition members initiated the development of a Santiago Action Plan, which would outline the coalition's efforts in championing and achieving the Helsinki principles, and discussed issues related to carbon pricing, fiscal planning and budgeting, as well as private finance mobilisation.

The coalition will host finance ministers during the World Bank-IMF annual meetings in October 2019 to report on the progress of its work.

ECB executive board - nomination of a new member

The Council is expected to issue a recommendation to the European Council on the nomination of a new member of the executive board of the European Central Bank.

Following his call for applications at the September 2019 Eurogroup meeting, the President of the Eurogroup received one candidature: Italy has proposed Fabio Panetta, the Senior Deputy Governor of the Bank of Italy.

The European Council is expected to take a formal decision on the appointment by the end of the year, after having consulted the European Parliament and the ECB's Governing Council.

The new member will succeed Benoit Coeuré, whose term of office expires on 31 December 2019 for a non-renewable 8-year term.

The Council needs a 'reinforced' qualified majority to adopt the recommendation. This requires the support of 72% of euro-area member states (i.e. 14 out of 19), representing 65% of the population of the euro-area. (Legal basis: article 283(2) of the Treaty on the Functioning of the European Union.)

Appointment of the ECB executive board - Council infographic

Anti-money laundering

Implementation of the anti-money laundering action plan

The Council will discuss the progress made in the implementation of the anti-money laundering (AML) action plan. The Commission will present its package of four reports on anti-money laundering published on 24 July. The ensuing debate will provide orientation for Council conclusions, that are foreseen to be adopted in December, with a view to setting strategic priorities to guide the Commission's longer-term actions in this area.

The issue is considered as a priority for the Finnish presidency. This is also in line with the EU strategic agenda 2019-2024 of the European Council which calls for "strengthening our fight against terrorism and cross-border crime, improving cooperation and information-sharing and further developing our common instruments".

In December 2018, the Council set out an action plan with short-term non-legislative actions in order to better tackle money laundering and terrorist financing, which it continues to monitor on a regular basis. As part of the action plan, the Council called on the Commission to conduct a "post-mortem" review of recent alleged money laundering cases involving EU banks. In July 2019, the Commission published a communication and four reports that provide an overview of current challenges.

In its reports, the Commission identifies a range of shortcomings with respect to banks, AML authorities, prudential supervisors and intra-EU cooperation and concludes to the existence of fragmentation in both AML rules and supervision. The implementation of the 5th revision of the AML directive, adopted in May 2018, the new capital requirements for banks (CRD5), adopted in May 2019, and the review of the functioning of the European Supervisory Authorities, to be adopted by the end of the year, will enhance the legal framework for anti-money laundering. Nevertheless, the Commission recommends to consider the possibility to further harmonise AML rules, as regards both obligations of credit institutions and powers, duties and tools necessary for effective supervision, in particular by turning the AML directive into a regulation and conferring specific AML supervisory tasks to an EU body.

On the basis of a Presidency note, ministers will be invited to discuss in particular the following issues:

- the most appropriate scope of further reforms,
- the aspects that would benefit most from further harmonisation through a regulation,
- the most appropriate way to address inadequate supervision (possibly through the creation of a new EU body);
- ways to ensure effective cooperation between the relevant authorities and bodies involved in anti-money laundering and terrorist financing.

Policy towards "high-risk third countries"

The Commission will present the main elements of its revised methodology for preparing a list of "high-risk third countries" in the area of money laundering and terrorist financing. The presentation will be followed by an exchange of views among ministers.

The 5th directive on anti-money laundering and terrorist financing, adopted in May 2018, sets out an obligation to identify third country jurisdictions which have strategic deficiencies in their anti-money laundering and terrorist financing regimes that pose significant threats to the financial system of the EU.

The objective of the listing is to protect the EU financial system from risks of money laundering and terrorist financing coming from third countries. On this basis, banks and other financial institutions are required to be more vigilant and to carry out extra checks in the context of transactions involving high-risk third countries.

On 7 March 2019, the Council unanimously decided to reject a draft list put forward by the Commission of 23 "high-risk third countries" in the area of money laundering and terrorist financing. In a statement, the Council justified its decision on the grounds that it was not established in a sufficiently transparent way.

In this context, the Commission initiated a process to improve the methodology to put together a the new list, in a way that would take into account the Council's concerns while maintaining an autonomous EU listing process.

At this stage, ministers will only exchange views on the methodology as revised by the Commission. Once the methodology is settled, the Commission will put forward a new draft list, in the form of a delegated act.

Commission non-paper on key elements of a refined methodology for identifying high-risk third countries for AML purposes

Other items

The Council will take note of the following under 'other business':

- **Euro-area instrument for convergence and competitiveness:** the Commission will present its proposal on a governance framework for the instrument published on 24 July 2019. The instrument is meant to help euro area member states and other participating member states to enhance the resilience of their economies and of the euro area.
- **Capital markets union**: the Commission will share information regarding the Capital Markets Union. The issue was discussed at the informal ECOFIN in Helsinki on 13 September, on the basis of a Presidency issues note. Council conclusions are foressen to be adopted in December.
- **International platform on sustainable finance:** the Commission will give an update on the launch of an international initiative to exchange best practices and to coordinate regulatory policy tools on environmentally sustainable finance and investment.
- **Financial services:** the Council will be updated regarding ongoing work on legislative proposals. The Commission will also report on the implementation of adopted legislation.

  October 2019 progress report on financial services legislative proposals

Without discussion, the Council is expected to adopt an **update to the EU list of non-cooperative jurisdictions:** it should agree to remove the United Arab Emirates (UAE) and the Marshall Islands from the EU's list of non-cooperative jurisdictions for tax purposes. In addition, Albania, Costa Rica, Mauritius, Serbia and Switzerland are expected to be found compliant with all commitments on tax cooperation.