

12896/19

(OR. en)

PRESSE 51
PR CO 51

OUTCOME OF THE COUNCIL MEETING

3718th Council meeting

Economic and Financial Affairs

Luxembourg, 10 October 2019

President **Mika Lintilä**
Minister for finance of Finland

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¹ • Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
 • Documents for which references are given in the text are available on the Council's internet site (<http://www.consilium.europa.eu>).
 • Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's internet site or may be obtained from the Press Office.

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ITEMS DEBATED**EUROPEAN FINANCIAL ARCHITECTURE FOR DEVELOPMENT**

The Chair of the Wise Persons' Group on the European financial architecture for development presented 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 report argues in support of consolidating and streamlining development finance and climate activities outside the EU into a single entity, a "European Climate and Sustainable Development Bank", in order to avoid overlaps and to strengthen the EU's presence, role and long-term capacity to deliver on its development priorities. It also outlines several options on how to achieve this. In addition, the report makes the case for taking more immediate steps to create a strong policy centre in the EU and to use the EU development budget in the forthcoming MFF as a catalyst for reforming the existing system.

During the discussion, ministers stressed the importance of working towards a common view and taking advantage of the new EU institutional cycle and ongoing negotiations on the multiannual financial framework. In the meantime, work should be taken forward on the short-term measures as soon as possible. The Finnish presidency will deal with this issue as a matter of priority and aims to adopt Council conclusions on the report by December 2019.

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 member states have historically been the largest development donors in the world: they provide more than half of total world development aid, amounting to 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's priorities and the desired development impact.

[Report of the high-level group of wise persons on the European financial architecture for development](#)

IMPLEMENTATION OF THE 2018 BUDGET

The president of the Court of Auditors, Klaus-Heiner Lehne, presented the Court's annual report on the management of the EU's general budget.

The report, which was issued on 8 October 2019, covers the EU's budget for 2018. It gives a clean opinion on the reliability of the 2018 accounts of the European Union.

The Court concludes that the revenue for 2018, taken as a whole, was legal and regular, as in previous years. As regards payments, it issues for the third year in a row a qualified (rather than an adverse) opinion. This means that a significant part of the EU's 2018 expenditure was not materially affected by errors and that such errors are no longer pervasive across spending areas.

Altogether, the auditors estimated a 2.6 % error in 2018 expenditure (4.4% in 2014, 3.8% in 2015, 3.1% in 2016 and 2.4% in 2017). Over half of the audited expenditure examined was free from material error.

Problems remain in certain spending areas where payments from the EU budget are subject to complex rules and beneficiaries have to submit claims for eligible costs they have incurred (e.g. for research projects and regional and rural development projects). By contrast, the risk of error is lower for expenditure subject to simpler rules, mainly for “entitlement-based payments”, where beneficiaries receive payments if they meet certain conditions (e.g. direct aid for farmers, administrative expenditure, student fellowships or budget support for non-EU countries).

The Court's assessment will be the basis for a discharge to be given to the Commission for implementation of the 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 can grant a discharge to the Commission.

Managing the EU budget is the responsibility of the Commission, along with other EU institutions and bodies. But for roughly two-thirds of expenditure – principally on agriculture and cohesion policy – that responsibility is shared with the member states.

EU spending totalled €156.7 billion in 2018. This amounts to around 1.0% of EU gross national income and represents approximately 2% of total public spending in EU member states.

[Court of Auditors report on implementation of the EU's 2018 budget](#)

ANTI-MONEY LAUNDERING

– Implementation of the anti-money laundering action plan

The Council discussed progress in the implementation of the anti-money laundering action plan set out in December 2018, as well as strategic priorities which will guide the Commission's longer-term actions. The Council is set to adopt conclusions on the matter in December 2019.

Ministers took stock of the shortcomings identified by the Commission in its July 2019 package of reports, including a "post-mortem" review of recent alleged money laundering cases involving EU banks. They stressed the importance of implementing recently agreed reforms, in particular the 5th revision of the AML directive, the new capital requirements for banks (CRD5) and the revised European system of financial supervision, and of enhancing cooperation and exchanges of information among competent authorities. Ministers also considered the possibility of further harmonising AML rules, in particular by turning the AML directive into a regulation and conferring specific AML supervisory tasks to an EU body.

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 that fragmentation exists 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 considering the possibility of further harmonising 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 entrusting specific AML supervisory tasks to an EU body.

– ***Policy towards "high-risk third countries"***

Ministers exchanged views on the main elements of the Commission's revised methodology for preparing a list of "high-risk third countries" in the area of money laundering and terrorist financing. Once the methodology is settled, the Commission will put forward a new draft list of countries in the form of a delegated act.

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 the list had not been drawn up in a sufficiently transparent way.

The Commission then initiated a process to improve the methodology for drawing up a 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](#)

EUROPEAN SEMESTER 2018 - LESSONS LEARNED

The Council took stock of the 'European Semester' annual policy monitoring process in the light of lessons learned from the 2019 exercise.

The exchange of views among ministers focused in particular on:

- the main new features introduced in 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.

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

PREPARATION OF INTERNATIONAL MEETINGS

– G20 and IMF meetings in Washington DC

The Council discussed and finalised 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, stable coins, and 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 of 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, presented 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 issued 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 consulting 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](#)

OTHER BUSINESS

– ***Euro-area instrument for convergence and competitiveness***

The Commission presented 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.

– ***Financial services***

The presidency updated ministers regarding work on legislative proposals in the field of financial services. The Commission also reported on the implementation of legislation adopted.

[October 2019 progress report on financial services legislative proposals](#)

– ***International platform on sustainable finance***

The Commission gave 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.

– ***Capital markets union***

The Commission shared 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 expected to be adopted in December.

MEETINGS IN THE MARGINS OF THE COUNCIL**– Eurogroup**

Ministers of the euro-area member states attended a meeting of the Eurogroup on 9 October.

Ministers discussed 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.

In an inclusive format, the Eurogroup then discussed the reform of the Economic and Monetary Union. Ministers reached agreement on the main features of the future euro area budgetary instrument for convergence and competitiveness, in particular on issues related to governance, financing, allocation and modulation as well as arrangements concerning non-euro area member states not participating in the BICC.

[Term sheet on the budgetary instrument for convergence and competitiveness \(BICC\)](#)

[Eurogroup main results](#)

OTHER ITEMS APPROVED**ECONOMIC AND FINANCIAL AFFAIRS****Taxation - non-cooperative jurisdictions**

The Council agreed to remove the United Arab Emirates (UAE) and the Marshall Islands from the EU's list of non-cooperative jurisdictions for tax purposes. Both countries passed the necessary reforms to implement the commitments they had made to improve their tax policy framework by the end of 2018, by introducing economic substance requirements

In addition, it found Albania, Costa Rica, Mauritius, Serbia and Switzerland have implemented ahead of their deadline all necessary reforms to comply with EU tax good governance principles. These countries will be removed from annex II of the conclusions.

For more information, read the [press release](#)

BUDGET**Draft amending budget No 4 to the 2019 EU budget**

The Council confirmed that it cannot approve all the amendments adopted by the European Parliament as regards the Council's position on draft amending budget No 4 to the general budget for 2019.

The Conciliation Committee provided for in Article 314(5) TFEU would therefore need to be convened. Its task is to reach agreement on a joint text on the basis of the positions of the Parliament and the Council.

FOREIGN AFFAIRS**EU positions for international negotiations - Relations with Armenia**

The Council agreed the position to be adopted on behalf of the EU within the Partnership Committee established by the Comprehensive and Enhanced Partnership Agreement between the European Union and Armenia as regards the establishment of the list of individuals to serve as arbitrators in dispute-settlement proceedings.

AGRICULTURE

Extraordinary General Assembly of the OIV: establishment of the EU position

The Council confirmed agreement on the position to be taken by the EU on the occasion of the Extraordinary General Assembly of the International Organisation for Vine and Wine (OIV), which will be held on 18 October 2019 in Tours (France).

The EU position concerns the OIV draft resolution OENO-TECHNO 14-567B2 ([12738/1/19 REV 1](#)).

The European Parliament will be informed about the Council position accordingly.

TRANSPARENCY

Public access to documents

On 10 October 2019, the Council approved the reply to confirmatory application

- No 28/c/01/19 (doc. 12411/19)
