Council of the European Union

PRESS

EN

BACKGROUND BRIEF[1]
Brussels, 30 October 2020

Video conference of economics and finance ministers
Wednesday 4 November 2020

Starting at 9:00, ministers will hold a ministerial dialogue, by video conference, with their EFTA counterparts from Iceland, Liechtenstein, Norway and Switzerland on the topic 'Addressing the corona crisis – how to rebuild a resilient, sustainable and thriving European economy'.

*The **video conference of economics and finance ministers** is scheduled to **start at 10:30**.*

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Ministers will discuss Council conclusions on anti-money laundering and countering the financing of terrorism and take stock of the implementation of the 2017 action plan on non-performing loans.

The presidency will present Council conclusions on the European Court of Auditors' Special Report 16/2020 on the European Semester, Annual Sustainable Growth Strategy 2021, and EU statistics.

The chair of the European Fiscal Board will present the EFB's 2020 annual report.

The presidency and the Commission will debrief ministers on the discussions at the international finance meetings in October.

Under 'Any other business', the presidency will present the state of play of financial services legislative proposals and update ministers on the proposal for amending the directive on administrative cooperation in the field of taxation (DAC7).

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*On 3 November at 11.00 the **macroeconomic dialogue with social partners** will take place by video conference. The presidency and the two upcoming presidencies, the Commission, the European Central Bank President and the Eurogroup President will exchange views with representatives of social partners on the economic outlook as well as on employment and economic growth in Europe and the role of the Recovery and Resilience Facility.*

*The **Eurogroup** will hold a video conference at 15.00 in its regular format. It will discuss the economic outlook and challenges in view of COVID-19, as well as a digital euro and the banking union. At 17.30, it will be given an update in an 'inclusive format' (27 member states) on 'liquidity in resolution' and the three safety nets agreed on in response to the COVID-19 crisis.*

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

Press office - General Secretariat of the Council
Rue de la Loi 175 - B-1048 BRUSSELS - Tel.: +32 (0)2 281 6319
press@consilium.europa.eu - http://www.consilium.europa.eu/press

Press conferences (virtual):

- after the Eurogroup meeting *(Tuesday evening)*
- at the end of the Council *(Wednesday afternoon)*

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Video conference page

Eurogroup meeting page

Press conferences and public events by video streaming

Video conference - video coverage in broadcast quality (MPEG4) and photo gallery

Eurogroup video conference - video coverage in broadcast quality (MPEG4) and photo gallery

Anti-money laundering and terrorism financing

Ministers will discuss Council conclusions on anti-money laundering (AML) and countering the financing of terrorism.

The conclusions follow the publication of the Commission's AML package in May 2020, which included an action plan for a comprehensive EU policy on preventing money laundering and terrorism financing. The action plan is built on six pillars aimed at improving the EU's fight against money laundering and terrorism financing:

- effective implementation of EU rules
- establishing a single rule book on AML
- setting up an EU-level supervisor
- establishing a coordination and support mechanism for member states' financial intelligence units (FIUs)
- enforcing EU-level criminal law provisions and information exchange
- stepping up efforts on the world stage

In the action plan, the Commission also set out its intention to present in Q1 2021 legislative proposals for a more harmonised set of rules at EU level, for setting up an EU-level supervisor and for establishing an EU mechanism for coordinating the work of FIUs.

The aim of the Council conclusions is to provide the Commission with guidance for when it is preparing this legislative package.

In the draft conclusions, the Council outlines various areas of the financial sector which the Commission should consider regulating via a regulation (for direct application in all member states), with the possibility of enhancing AML supervision in the non-financial sector as well. The Council also expresses its support for the Commission's intention to table proposals for an EU AML supervisor with some direct supervisory powers over a selected number of high-risk obliged entities, and for the establishment of an FIU coordination and support mechanism, building on the activities of the current EU FIU platform.

The conclusions are due to be approved by the Council after the video conference.

- Fight against money laundering and terrorist financing (background information)

Non-performing loans

The Commission will report on work to implement the Council's July 2017 action plan on non-performing loans (NPLs) in the banking sector. It will also present elements of a new action plan for NPLs, due to be presented in the coming months.

Non-performing loans are bank loans that are subject to late repayment or are unlikely to be repaid without requiring the sale of collateral. High NPL levels can drag heavily on investment, and hence on the economy. A legacy of the financial crisis, NPLs remain at historically high levels within the EU despite significant progress in reducing them over the past few years. The COVID-19 crisis is expected to result in an increase in NPL ratios in the coming period.

In its July 2017 conclusions, the Council highlighted the need for action in order to reduce levels of NPLs and to prevent their build-up in the future, in particular as regards:

- bank supervision
- the reform of insolvency and debt recovery frameworks
- the development of secondary markets for NPLs ('distressed assets')
- restructuring of the banking industry

The Commission is proposing to accelerate work on the implementation of the outstanding measures of the 2017 NPL action plan. In addition, the new action plan for NPLs is expected to set out a comprehensive strategy with a mix of complementary policy actions to tackle NPLs in the EU.

European Semester

The presidency will present Council conclusions on the European Court of Auditors' special report on the European Semester and on the Annual Sustainable Growth Strategy 2021.

The two sets of conclusions are due to be approved by the Council after the video conference, either at a physical Council meeting or by written procedure.

a) European Court of Auditors' Special Report No 16/2020 on the European Semester

The European Court of Auditors published special report No 16/2020, "The European Semester – country specific recommendations address important issues but need better implementation", on 3 September. The report concludes that the Commission provided a sound analysis of member states' annual economic progress in its country reports, coordinated the Europe 2020 strategy which led to six out of eight targets being reached by 2020, and proposed relevant country-specific recommendations (CSRs). However, full or substantial implementation of CSRs by member states is low and adjustments in the European Semester process are suggested in the report to improve the process.

In the draft conclusions, the Council overall agrees with the main findings of the report, including that implementation of CSRs has been insufficient and should be strengthened. It stresses that member states' ownership is critical to ensuring the success of the reforms and it calls for improved transparency and open policy dialogue between the Commission and the member states on the identification of the main reform and investment challenges.

b) Annual Sustainable Growth Strategy 2021

The Annual Sustainable Growth Strategy (ASGS), which provides the starting point for the 2021 European Semester cycle, was published by the Commission on 17 September, two months earlier than usual. Against the background of the COVID-19 crisis and the recovery package, the strategy sets out strategic guidance for the implementation of the Recovery and Resilience Facility (RRF), which will be integrated in the European Semester.

In the draft conclusions, the Council welcomes the fact that the ASGS 2021 and the RRF are rooted in the EU's aim of achieving competitive sustainability and acknowledges the need to temporarily adapt the European Semester to ensure consistent and effective implementation of the RRF. It strongly encourages member states to pursue coherent sets of essential reforms and investments, addressing national structural challenges. At the same time, the Council highlights that structural policy surveillance and horizontal discussions should continue and calls for returning to a fully-fledged European Semester process as soon as possible. The Council also agrees with the Commission's assessment that member states should continue to provide targeted and temporary fiscal support in 2021, while safeguarding fiscal sustainability in the medium-term and enhancing investments. It also considers that the timing of measures that facilitate a reallocation of resources and support the recovery should vary between the member states, depending on the needs of the country and of different sectors in relation to the evolution of the pandemic.

2020 annual report of the European Fiscal Board

The chair of European Fiscal Board, Niels Thygesen, will present the EFB 2020 annual report.

The EFB annual report provides an analysis of fiscal policy surveillance and coordination in the euro area and aims at informing relevant stakeholders, mainly the Commission, in their efforts to strengthen and improve the EU's fiscal framework. In particular, it offers an assessment of the implementation of the Stability and Growth Pact (SGP) in 2019 and a forward-looking analysis of improvements to the EU fiscal framework.

G20 and IMF meetings in October – follow up

The presidency and the Commission will report on international finance meetings held in virtual format in October, namely:

- the G20 finance ministers' and central bank governors' meeting on 14 October, which focused on the state of the response to the COVID-19 pandemic (including global economic development and outlook, update of the G20 Action Plan addressing the pandemic, and the Debt Service Suspension Initiative (DSSI)), international taxation, and financial sector issues
- the IMF/World Bank annual meetings, on 15-16 October

EU statistics

The presidency will inform ministers about Council conclusions on European official statistics in the context of the EU's economic governance framework.

The conclusions are due to be approved by the Council after the video conference, either at a physical Council meeting, without discussion, or by written procedure.

Council conclusions on EU statistics are part of a yearly exercise in which the Council examines reports prepared by various EU statistical bodies and institutions. The conclusions review progress achieved on the priorities for EU statistics established by the Council the previous year, and provide guidance on further work. In particular, they look into statistics used for the excessive deficit procedure, surveillance of macroeconomic imbalances, and structural statistics.

High-quality, comparable and reliable statistics are of key importance to EU economic policy-making, in particular for EU economic surveillance procedures and coordination. EU policies rely on a variety of statistics that require the timely submission of high-quality socio-economic statistical data.

Any other business

a) Financial services legislation

Under 'Any other business', the presidency will update ministers on legislative proposals in the field of financial services, in particular on the negotiating mandates for the Capital Markets Recovery Package and the Benchmark Regulation recently agreed by the Council.

October 2020 note on the progress on financial services legislative files

b) Amendments to the Council directive on administrative cooperation in the field of taxation

The presidency will also inform ministers about the importance of reaching a quick agreement on the proposal to amend the directive on administrative cooperation in the field of taxation (DAC 7).

The Commission presented the proposal in July as part of its package for fair and simple taxation. It has been discussed intensively within the Council at expert level.

The aim of the revision is to extend the EU tax transparency rules to digital platforms and to improve a number of provisions of the directive in order to strengthen administrative co-operation between member states' tax authorities.