Council of the European Union

PRESS EN

BACKGROUND BRIEF[1]
Brussels, 15 May 2023

Economic and Financial Affairs Council
Brussels, 16 May 2023

Chair: **Elisabeth Svantesson**, Minister for Finance of Sweden

European Commission representatives: Commission Vice-President Valdis Dombrovskis, Commissioner Paolo Gentiloni, Commissioner Mairead McGuinness

Starting time: 10.30

Press conferences:

• after the Eurogroup meeting (Monday evening, +/- 18:30)

• after the Economic and Financial Affairs Council (Tuesday +- 13:30)

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The Council will aim to agree its position (general approach) on the **'DAC8'** directive which concerns administrative cooperation in the field of **taxation**.

The Commission will present its proposals on the review of the **Bank Crisis Management and Deposit Insurance framework (CMDI)**, and ministers may give their initial reactions.

The Presidency will then present the state of play as regards current legislative proposals in the field of **financial services**. At the May Ecofin Council, as items without discussion the Council will also adopt the regulation on **markets in crypto-assets (MiCA)** as well as the regulation on information accompanying **transfers of funds** and certain crypto-assets.

The Council will take stock of the economic and financial impact of **Russia's war against Ukraine**, focusing in particular on **customs-related issues**. The Commission will update ministers on the implementation of sanctions against Russia, focusing on the possible circumvention of restrictive measures on the export and import of goods from a customs perspective. Ministers will have the opportunity to comment on the information received.

Concerning the **Recovery and Resilience Facility** (RRF), the Commission will update ministers on the state of play on its implementation and ministers will have the opportunity to exchange views, including as regards the demand for RRF loans and the experiences with the RRF's performance-based structure.

As regards **international meetings**, the Presidency and the Commission will inform the Council of the outcomes of the **G20** meeting of finance ministers and central bank governors, which took place in Bangalore in February, and the **IMF** spring meetings held in April 2023.

As items without discussion, the Council is expected to formally adopt the **recommendation on the economic policy of the euro area**.

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

Taking work forward on the **EU budget**, the Council will aim to adopt its position on the draft amending budget No 1/2023, which concerns technical adjustments including in respect to REPowerEU, CBAM and the USC programme.

In the margins of Ecofin, on 16 May at 8h an **economic and financial dialogue between the EU and the Western Balkans and Türkiye** will take place. The EU, represented by the current and two forthcoming presidencies, and the Western Balkans and Türkiye are expected to endorse the Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye. The meeting will focus on the economic challenges in the region, in particular regarding policies to tackle the economic fallout from Russia's war of aggression against Ukraine.

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The Eurogroup will meet on Monday 15 May (15.00).

In regular format, it will discuss:

- *Macroeconomic developments in the euro area*
- *Thematic discussion – Corporate sector: structural challenges ahead in a context of heightened geopolitical tensions*
- *Debrief from the international meetings*

In Banking Union format, it will discuss:

- *Reporting on Banking Union:*
    - *Seventeenth hearing of the Chair of the Supervisory Board*
    - *Reporting on recent activities of the Single Resolution Board*

In inclusive format, it will discuss:

- *Central Bank Digital Currencies (CBDCs) - international aspects including an update on digital euro and CBDC projects in the EU*
- *Capital Markets Union – follow-up to the Eurosummit*

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Economic and Financial Affairs Council - meeting page

Eurogroup - meeting page

Economic and Financial Affairs Council - video coverage in broadcast quality (MPEG4) and photo gallery

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

Press conferences and public events by video streaming

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Directive on administrative cooperation in the area of taxation (DAC8)

In public session, the Council will aim to reach agreement on its position (general approach) regarding amendments to the directive on administrative cooperation in the area of taxation. The amendments mainly concern the exchange of information on **crypto-assets** and tax rulings for **wealthy individuals**. The aim is to strengthen the existing legislative framework by enlarging the scope for **registration and reporting obligations** and overall administrative cooperation of tax administrations.

Additional categories of assets and income, such as crypto-assets, will now be covered. There will be a **mandatory automatic exchange of information** which will have to be provided by reporting crypto-asset service providers. So far, the decentralised nature of crypto-assets has made it difficult for member states' tax administrations to ensure tax compliance. The inherent cross-border nature of crypto-assets **requires strong international administrative cooperation** to ensure effective regulation.

For the purpose of this directive, what constitutes crypto-assets will be defined very broadly and it will include those crypto-assets that have been issued in a **decentralised** manner, as well as **stablecoins**, including **e-money tokens** and certain **non-fungible tokens** (NFTs).

Background

On 27 November 2020, the Council approved conclusions "On fair and effective taxation in times of recovery, on tax challenges linked to digitalisation and on tax good governance in the EU and beyond." The Council recognised that the rapid development and increasing worldwide use of alternative means of payment and investment – such as crypto-assets and e-money – may undermine the progress made on tax transparency in recent years and pose substantial risks of tax fraud, tax evasion and tax avoidance; and that it is important to discuss at technical level on how to update the rules on administrative cooperation within the EU and on a global level in order to address these potential risks.

On 7 December 2021, the Council indicated in the report to the European Council on tax issues that it expects the European Commission to table in 2022 a legislative proposal on further revision of the Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC), concerning exchange of information on crypto-assets and tax rulings for wealthy individuals.

On 8 December 2022 the Commission presented a proposal for a Council directive amending directive 2011/16/EU on administrative cooperation in the field of taxation (DAC8). The key objectives of this legislative proposal are the following:

- to extend the scope of automatic exchange of information under DAC to information that will have to be reported by crypto-asset service providers on transactions (transfer or exchange) of crypto-assets and e-money. Expanding administrative cooperation to this new area is aimed at helping Member States to address the challenges posed by the digitalisation of the economy. The provisions of DAC8 on due diligence procedures, reporting requirements and other rules applicable to reporting crypto-asset service providers will reflect the Crypto-Asset Reporting Framework ("CARF") and a set of amendments to the Common Reporting Standard ("CRS"), which were prepared by the OECD under the mandate of the G20. The G20 endorsed the CARF and the amendments to CRS, both of which it considers to be integral additions to the global standards for automatic exchange of information.
- to extend the scope of the current rules on exchange of tax-relevant information by including provisions on exchange of advance cross-border rulings concerning high-net-worth individuals, as well as provisions on automatic exchange of information on non-custodial dividends and similar revenues, in order to reduce the risks of tax evasion, tax avoidance and tax fraud, as the current provisions of DAC do not cover this type of income;

- to amend a number of other existing provisions of DAC. In particular, the proposal seeks to improve the rules on reporting and communication of the Tax Identification Number (TIN), in order to facilitate the task of tax authorities of identifying the relevant taxpayers and correctly assessing the related taxes, and to amend DAC provisions on penalties that are to be applied by Member States to persons for the failure of compliance with national legislation on reporting requirements adopted pursuant to DAC.

Experts of the member states have since analysed the proposal. The Council Presidency has prioritised work on this proposal with the objective of reaching an agreement by the Ecofin Council at its May meeting.

Commission proposal

Agreement reached on amendments to the directive on administrative cooperation in the field of taxation ('DAC 7') – main results of the video conference of economic and finance ministers of 1 December 2020

Fair and effective taxation: Council adopts conclusions (press release, 27 November 2020)

Taxation: Council agrees on the postponement of certain tax rules (press release, 24 June 2020)

Taxation: Council approves conclusions on future administrative cooperation and excise duty on tobacco (press release, 2 June 2020)

Bank Crisis Management and Deposit Insurance framework

In public session, ministers will hear a presentation from the Commission of its recent proposals on the review of the Bank Crisis Management and Deposit Insurance framework (CMDI). The package consists of **four legislative proposals** and a **communication** on the **future of the Banking Union and the European Deposit Insurance Scheme (EDIS)**:

- amendments to the bank recovery and resolution directive (BRRD) to enlarge resolution in scope to **improve the resolvability of small and medium sized banks, to close loopholes** that currently allow avoiding resolution, and to ensure more clarity as regards the use of **early intervention measures** and the **cooperation arrangements** between supervisors and resolution authorities;
- amendments to the BRRD to **cater for specific bank group structures** in the allocation of internal loss absorbing capacity (so called **Daisy Chains**);
- amendments to the Single Resolution Mechanism Regulation (SRMR) to ensure **consistency** between the changes to BRRD (to be applied by national resolution authorities) and the SRMR (to be applied by the Single Resolution Board for the largest lenders in the euro area);
- amendments to the deposit insurance guarantee schemes directive (DGSD) to improve the **usability of deposit guarantee funds** as alternative or preventive measures under resolution, to facilitate the **least costly intervention** for a deposit insurance guarantee scheme and increase **cross-border cooperation and convergence.**

Ministers will have the opportunity to express their initial reaction on these proposals.

Background

In the context of improving the framework for banking regulation and resolution, in June 2022 the Eurogroup issued a statement inviting the Commission to bring forward proposals on enhancing the crisis management framework.

On 18 April 2023 the Commission adopted a set of legislative proposals to strengthen the EU's bank crisis management and deposit insurance framework (**CMDI package**).

The bank resolution framework laid down in the BRRD and the SRMR is part of a broader set of reforms agreed upon at the international level in the aftermath of the financial crisis. The resolution of a bank in distress seeks to ensure that such banks can be recapitalised or exit markets **in an orderly manner, without risking contagion or spill overs to other banks or the real economy**. One of the key aims of bank resolution is to **safeguard financial stability and prevent wider distress** in (global) banking markets. This is, in principle, sought to be achieved by requiring banks to hold sufficient levels of own funds and certain debt instruments (so called MREL) - loss absorbing capacity - that can be converted or written down ("bailed-in") in a distress scenario and by empowering resolution authorities to step in and write down such instruments to recapitalise banks **without recourse to taxpayer money.** Instead, such losses should be shifted to **private investors** in the mentioned instruments (which, in return, receive higher interest or coupon payments on such instruments).

The BRRD sets out a common resolution framework and the SRMR establishes the Single Resolution Board to ensure a level playing field and a harmonised execution of resolution rules in the euro area. However, since the framework's entry into force in 2015 the practice in bank resolution over the years has shown that **harmonisation can be improved**. The Single Resolution Board has only **rarely used** its powers, which meant that banks were then subject to unharmonised national insolvency or liquidation rules. National resolution authorities have used very different approaches to deal with ailing banks: there have been cases of state aid as well as cases under which deposit insurance funds were used to bail-out banks instead of bailing in investors. The resolution of smaller banks, in particular, has proven challenging, because for these banks an open bank-bail in strategy using MREL is often difficult to achieve insofar as they are often not active in capital markets and have hence very limited ability to issue MREL liabilities. The proposed updates to the rules are intended to address the shortcomings of the resolution framework which is currently in place**.**

Commission proposal for a Single Resolution Mechanism Regulation (SRMR)

Commission proposal for a Bank Recovery and Resolution Directive (BRRD)

Commission proposal for a Bank Recovery and Resolution Directive (Daisy chains)

Commission proposal for a Deposit Guarantee Schemes Directive (DGSD)

Eurogroup statement on the future of the Banking Union of 16 June 2022 (press release, 16 June 2022)

Banking Union (background information)

Financial services

The Presidency will present the state of play as regards **current legislative proposals** in the field of financial services.

At the May Ecofin Council, as items without discussion the Council will also aim to adopt the regulation on **markets in crypto-assets (MiCA)** as well as one of the regulations of the legislative package on anti-money laundering. The latter will improve the availability of information regarding **crypto-asset transfers** and make it more difficult to misuse crypto-assets for money laundering purposes.

Progress on financial services files

Digital finance: agreement reached on European crypto-assets regulation (MiCA) (press release, 30 June 2022)

Anti-money laundering: Provisional agreement reached on transparency of crypto asset transfers (press release, 29 June 2022)

Digital finance (background information)

Capital markets union (background information)

Economic and financial impact of Russia's war against Ukraine

Ministers will exchange views on the economic and financial impact of Russia's war against Ukraine. Since the beginning of the war, this has been a regular agenda item for Economic and Financial Affairs Council meetings.

At their meeting, ministers will focus in particular on **customs-related issues**. First, the Commission will update ministers on the implementation of sanctions against Russia, focusing on the possible circumvention of restrictive measures on the export and import of goods from a **customs perspective**. Ministers will then have the opportunity to comment on the information received.

EU response to Russia's invasion of Ukraine (background information)

Recovery and Resilience Facility (RRF)

Ministers will hear from the Commission on the state of play of **implementation** of the Recovery and Resilience Facility (RRF). Ministers will then have the opportunity to exchange views, including as regards the **demand for RRF loans** and the experiences with the RRF's **performance-based structure**.

Background

The Recovery and Resilience Facility is the EU's programme of large-scale financial support in response to the challenges the pandemic has posed to the European economy. It is the centrepiece of NextGenerationEU, a temporary recovery instrument that allows the Commission to raise funds to help repair the immediate economic and social damage caused by the COVID-19 pandemic. The facility currently makes available €744 billion (in current prices) to support the reforms and investments outlined in the member states' recovery and resilience plans.

A recovery plan for Europe (background information)

International meetings

The Presidency and the Commission will inform the Council on the outcomes of the latest **G20** meeting of finance ministers and central bank governors, which took place in Bangalore on 24 and 25 February and the **IMF** spring meetings held on 10-16 April 2023.

The G20 meetings of finance ministers and central bank governors provide a forum for key countries in the international financial system to discuss major international economic issues and to coordinate the global economy's stable and sustainable growth.

G20 website

IMF website

European Semester: Economic policy of the euro area

Without discussion, the Council is expected to adopt its recommendation on the economic policy of the euro area.

On 17 January 2023, the Council had approved the text, subject to the legal linguistic revision, and the European Council had endorsed it at its meeting on 23–24 March 2023.

Main results of the European Council, 23 March 2023

Main results of the Economic and Financial Affairs Council, 17 January 2023

European Semester in 2023 (background information)

EU budget

As items without discussion, the Council will aim to adopt its position on the draft amending budget No 1/2023 which concerns technical adjustments, including on REPowerEU, CBAM and the USC programme, and it will aim to approve budgetary transfer No DEC 07/2023. Taking work forward on the EU's annual budget for 2024, it will also aim to approve a joint statement on the dates for the budgetary procedure and modalities for the functioning of the Conciliation Committee in 2023.

The EU's annual budget (background information)

EU budget (background information)