

## EUROPEAN COUNCIL THE PRESIDENT



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## Remarks by President Van Rompuy following the first session of the European Council

I am happy to brief you on our progress in this European Council. We started with a discussion about general political developments and challenges in Europe, in presence of the President of the European Parliament. Many colleagues referred to the Nobel Prize as a tribute for the Union's past achievements and an encouragement for the future. Over dinner, we focussed on the future of the Economic and Monetary Union. The interim report I circulated last week served as a basis.

Tonight, our main priority was progress on the banking union. We also sought to clarify new concepts and to test the degree of support for various ideas in view of reaching conclusions in December.

Let me start with the banking sector. In June, we agreed to break the vicious circle between banks and sovereigns. The urgent element now is setting up a Single Supervisory Mechanism, to prevent banking risks and cross-border contagion from emerging. That's why the European Council called tonight for swift progress, with the objective of agreeing on the legislative framework by 1st of January 2013. Once this is agreed, the SSM could probably be effectively operational in the course of 2013.

When establishing it, several aspects need taking into consideration:

- For the European Central Bank, which will play a central part, there must be a clear separation between its monetary responsibilities and its supervision functions.
- The ECB should also be able to carry out supervision directly in a differentiated manner, meaning: using national supervisors in regular supervisory tasks as much as possible.
- Obviously, the SSM will be built and implemented with the integrity of the Single Market for financial services in mind.
- And finally, it should be inclusive and transparent: all Member States are free and invited to join. This openness should be reflected in the governance structure, with appropriate rights and obligations for all participating countries.

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The SSM is a first, essential step toward a complete integrated framework for the financial sector. Other steps also need to be taken quickly, starting with harmonising national resolution and deposit guarantee schemes.

As agreed in June, direct recapitalisation by the European Stability Mechanism will be possible once an effective SSM has been established. We're asking the Eurogroup to draw up the exact operational criteria.

For a stable Economic and Monetary Union we also need stronger integrated frameworks for budgetary matters and economic policies. On both these fronts we have already done a lot.

Let's put it this way: if we fully use all our tools – the six-pack, the semester, the new excessive imbalance procedure and so on, that will already be a major step towards fiscal and economic union! Yet to secure the eurozone's long-term stability, we need to be able to better deal with economic shocks, and spur closer economic convergence.

Here, some avenues in my report attracted attention; they would improve the resilience of the Economic and Monetary Union as a whole. I received a mandate, together with my colleagues, to explore them further between now and December.

One of these new ideas is that Member States could enter in individual arrangements of a contractual nature with the EU institutions on the reforms they commit to undertake.

It will be crucial for the new EMU to be fully legitimate and accountable. As a general principle, we all agree that democratic control should occur at the level where decisions are taken. It's also important to build this genuine EMU on the EU's institutional and legal frameworks, and to make sure that it remains open and transparent towards Member States outside the eurozone. All in all, without a stable monetary union, there cannot be a stable European Union. Therefore our goal is to make the euro fully stable – financially, economically, and also politically.

Finally a few words on Greece. Prime-Minister Samaras told us extensively about the situation in his country, and the progress achieved to bring the adjustment programme back on track. I want to emphasize the appreciation around the table for the determination of the government and for the remarkable efforts of the Greek people. As you will see, euro area leaders issued a common statement that sends a clear message, ending:

"We expect Greece to continue budgetary and structural policy reforms and we encourage its efforts to ensure swift implementation of the programme. This is necessary in order to bring about a more competitive private sector, private investment and an effective public sector. These conditions will allow Greece to achieve renewed growth and will ensure its future in the euro area."

Tomorrow we will review progress on the important measures we agreed on growth and employment and we will also discuss foreign policy issues.

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