



COMPLETING EUROPE'S ECONOMIC AND MONETARY UNION

The Commission's Contribution to the Leaders' Agenda

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A EUROPEAN MONETARY FUND



"The euro area is more resilient now than in past years. We now have the European Stability Mechanism (ESM). I believe the ESM should now progressively graduate into a European Monetary Fund which, however, must be firmly anchored in the European Union's rules and competences."

European Commission President Jean-Claude Juncker, State of the Union Address, 13 September 2017

As announced in the **Five Presidents' Report** of June 2015 and President Juncker's **2017 State of the Union Address**, the Commission proposes to build on the structure of the European Stability Mechanism to establish a European Monetary Fund anchored within the EU's legal framework. Under this proposal, the European Monetary Fund will be set up as a unique legal entity under Union law.

Article 352 of the Treaty on the Functioning of the European Union¹

The Commission is proposing a Council Regulation, which is subject to the consent of the European Parliament, under Article 352 of the Treaty on the Functioning of the EU. Article 352 allows for the integration of the European Stability Mechanism into the Union framework, as this action is necessary for the financial stability of the euro area. It also foresees a specific role for national Parliaments.

Features of the new European Monetary Fund

- ▶ The European Monetary Fund will succeed the European Stability Mechanism leaving its current financial and institutional structures essentially preserved.
- ▶ In recent years, the European Stability Mechanism has proven decisive in helping to preserve the financial stability of the euro area by providing additional financial support to euro area Member States in distress. The European Monetary Fund will continue to **provide financial stability support to Member States in need**. The financial firepower available to the European Monetary Fund to react to crises will be identical, with an overall lending capacity of €500 billion.
- ▶ The European Monetary Fund will, as a last resort, **provide the common backstop to the Single Resolution Fund as part of the Banking Union**. This would instil confidence in the banking system by underpinning the credibility of actions taken by the Single Resolution Board, thereby reducing the likelihood of a situation in which a backstop would need to be called on in the first place. The creation of such a backstop has already been agreed in principle, but needs to be made operational. Any potential deployment of the backstop would be fiscally neutral over time since any funds used would be recovered from the banking sectors in the Member States participating in the Banking Union.

¹For further details, see the factsheet: [The role of the 'Flexibility Clause': Article 352](#)

- ▶ **Faster decision-making** is foreseen in specific urgent situations. Decisions on stability support could be taken by a reinforced qualified majority, in which 85% of the votes of the Board of Governors are required to proceed.*
- ▶ The European Monetary Fund will **play a more direct role in the management of financial assistance programmes**, alongside the European Commission.
- ▶ Over time, the European Monetary Fund could **develop new financial instruments to supplement or support other EU financial instruments** and programmes, for instance in support of a possible stabilisation function in the future.
- ▶ The establishment of the European Monetary Fund within the Union framework will strengthen efficiency and accountability at EU level, while **fully respecting the role of national Parliaments**.
- ▶ The **Council and the Commission will retain their competences** and responsibilities in terms of economic and fiscal surveillance and policy coordination, as set out in the EU Treaties.

Next steps



* Amended: 6 December 2017