



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Assemblée nationale for its Opinion on the current governance of the euro area and the different initiatives put forward as a basis for deepening the Economic and Monetary Union in the future. This policy objective is one of the top priorities of the Commission.

The Commission is very pleased to note the support of the Assemblée nationale for most of the aims and the substantive content of the proposals that it has put forward. In particular, the Commission strongly welcomes the recognition by the Assemblée nationale of the benefits brought by European economic integration and the crucial role played by the euro in this respect. It also shares the view that the current governance of the Economic and Monetary Union needs to be further strengthened in order to better deliver benefits for its citizens and to become more accountable and transparent in its functioning.

The Commission has carefully considered the remarks expressed by the Assemblée nationale on the specific components of the deepening packages of the Economic and Monetary Union that it has put forward. In this regard, it considers that the Euro Summit that took place in December 2018 provided an important opportunity to discuss the various elements on the table and constituted a further step towards a more robust Economic and Monetary Union.

In particular, the Commission welcomes the commitment made by the European Leaders at the Euro Summit to strengthen the ESM as a support mechanism for Member States in difficulty and the call for setting up a High Level Working Group to in view of launching political discussions on a European Deposit Insurance Scheme.

In response to the more specific considerations included in the Opinion, the Commission would like to refer to the attached Annex.

*Mr Richard FERRAND
President of the Assemblée nationale
Palais Bourbon
126, rue de l'Université
F – 75007 PARIS*

The Commission hopes that these clarifications address the issues raised by the Assemblée nationale and stands ready to provide any further assistance for the Assemblée's further deliberations on the future of the euro.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Pierre Moscovici
Member of the Commission*

Annex

The Commission has carefully considered the suggestions expressed by the Assemblée nationale in its Opinion and is pleased to offer the following clarifications, taking also into account the political guidelines agreed by the European leaders at the Euro Summit in December 2018.

The commitments taken in the summit are in line with the Commission short-term priority to complete the Banking Union in order to strengthen financial markets and to increase the resilience of the Euro Area economy. In this regard, the agreement to entrust the European Stability Mechanism with the provision of the common backstop to the Single Resolution Fund will need to be completed with more technical details such as the operational activation of the backstop and the features and the instruments of the Reform of the European Stability Mechanism, including reviewing the existing precautionary tools. All this work will have to be finalised in view of a clear deadline.

The Commission reiterates its position that the integration of the European Stability Mechanism into the Union's legal framework would be crucial in order to allow full accountability and democratic oversight of the activities of the Mechanism not just at the national but also at the euro area level, to promote the interest of the whole Union and to ensure swift and timely actions of the Mechanism under a well-defined framework. The Commission takes note that at this stage the consensus among Member States is to develop the Mechanism's role on an intergovernmental basis. The Commission also takes note of the reservations expressed in relation to the use of the name "European Monetary Fund" in the context of its proposal, and stands ready to give consideration to views expressed by the co-legislators.

The Commission will continue to provide every support to Member States in finding a viable solution to enable the backstop to work effectively. The Commission recalls that this requires a decision-making process consistent with the need to act with speed, which is a necessary condition in the context of bank resolutions and ensuring certainty over the availability of funds.

The Commission also shares the view of the Assemblée nationale regarding the crucial benefits of further integration of European financial markets with the aim, amongst others, of ensuring more uniform opportunities for access to funding for firms and households across the Union. In this regard, the Commission has called on co-legislators to act now, before the European Parliament elections in 2019, to put in place all the necessary key building blocks for a complete Capital Markets Union, and is committed to delivering the non-legislative actions announced in this field. Furthermore, the Commission also regards positively the role that a European safe asset could play in reinforcing integration and financial stability. In this respect, the Commission will continue reflecting on different options for the issuance of safe assets to encourage a discussion on its possible introduction and design, as indicated in our December 2017 roadmap on the completion of the Economic and Monetary Union.

On the euro area budget, the Eurogroup has started working on the design, modalities of implementation and timing of a budgetary instrument for convergence and competitiveness as mandated by the Heads of State and Government in the December 2018 Euro Summit. Technical discussion will also continue in the direction of reaching a common view on the need and possible features of a stabilisation function. The Commission has already put forward a set of carefully balanced proposals that can therefore be used as the starting point for discussions. The proposals acknowledge the need for a central solidarity instrument while at the same time respect the limitations in terms of available resources as well as the need to set incentives for sound macroeconomic policies. However, the limited scale of the initial financial resources should not be interpreted as a scaling-back on the degree of ambition. This is why the Commission proposal also states that the euro area budget can be complemented over time by additional financing resources outside the Union's budget, such as a possible role for the European Stability Mechanism or the future European Monetary Fund, and a possible voluntary mechanism to be set up by the Member States.

The Commission is of the opinion that discussions among Member States should continue on the basis of its proposals and that amendments could be made during the course of the legislative negotiations. Against this background, discussions on the euro area instruments to strengthen European Economic and Monetary Union will continue within the context of negotiations on the next long-term Union budget.

The Commission stresses that the European Union budget already today plays a strategic role in fostering intra-EU convergence, long-term growth and investment. The Commission proposal on the next multiannual financial framework aims to increase the role and the means of the Union Budget to achieve these goals. In this regard and in line with your considerations, the role of a future European Minister of Economy and Finance would in particular involve overseeing the coherent and effective use of euro area budgetary instruments, including the new resources in support of reforms and convergence. To this end, the Minister could exploit synergies in the implementation of all relevant instruments of the European Union, in close cooperation with the Commissioners responsible and public authorities at all levels.

The Commission has taken due note of the concerns expressed by the Assemblée nationale as regards the existing rules on budgetary discipline and a possible revision thereof. The Stability and Growth Pact aims to ensure sound public finances across the Union and, if needed, to correct excessive government deficit and debt levels. The Commission applies the rules of the Pact with the necessary degree of interpretation and institutional discretion, within the limits laid down by the Treaty. As indicated in the Communication on the Roadmap towards completing Europe's Economic and Monetary Union {COM(2017) 821 final}, stronger economic, fiscal and financial integration, together with market discipline, should pave the way for a review of the European fiscal rules in the longer term, with the aim of a substantial simplification by 2025.
