



## EUROPEAN COMMISSION

*Brussels, 15.11.2016*  
*C(2016) 7199 final*

*Mr Pietro GRASSO*  
*President of the Senato della Repubblica*  
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*Dear President,*

*The Commission would like to thank the Senato della Repubblica for its Opinion covering the Report on the appropriateness of the development of a European creditworthiness assessment for sovereign debt {COM(2015) 515 final}, the Communication "On steps towards completing Economic and Monetary Union" {COM(2015) 600 final}, the Council Recommendation on the establishment of national competitiveness boards within the euro area {COM(2015) 601 final}, the Communication "A roadmap for moving towards a more consistent external representation of the euro area in international fora" {COM(2015) 602 final}, the proposal for a decision laying down measures in view of progressively establishing unified representation of the euro area in the International Monetary Fund {COM(2015) 603 final}, and the Commission Decisions establishing an independent advisory European Fiscal Board {C(2015) 8000 final} and the representation of the Community at international level in the context of EMU {C(2015) 8001 final}.*

*The Five Presidents' Report of June 2015 maps the way ahead to complete EMU by 2025 at the latest. The report is ambitious, yet pragmatic. Many steps have already been implemented, others will take more time. In order to help ensure a fast and concrete implementation of the next steps, the Commission published a package of measures towards the deepening of EMU in October 2015, which was followed by the Commission's proposal for a European Deposit Insurance Scheme (EDIS)<sup>1</sup>.*

*As the Senato della Repubblica notes, the result of the EU referendum in the United Kingdom has created some uncertainty. But it is too early to judge the longer-term consequences. We are monitoring the situation closely in liaison with all actors.*

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<sup>1</sup> Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 806/2014 in order to establish a European Deposit Insurance Scheme {COM(2015) 586 final}.

*Regardless of the UK referendum, we must continue completing EMU to equip the euro area with the necessary policy tools and to remove any doubts about the stability and long-term sustainability of the single currency. Therefore, the Five Presidents' roadmap remains valid.*

*The Commission thanks the Senato della Repubblica for its support for moving ahead with the development of Economic and Monetary Union (EMU). It welcomes in particular the Senato della Repubblica's support for the creation of National Productivity Boards (called 'competitiveness boards' in the Commission proposal), a European Fiscal Board, the completion of the Banking Union, and the strengthening of the external representation of the euro area. The Commission also notes the Senato della Repubblica's observations on the future stages of the EMU and welcomes this opportunity to add a few words on some of these observations.*

*Following the Commission proposal, the ECOFIN Council approved a Recommendation for National Productivity Boards mainly addressed to euro area Member States but open to all. The national boards will take a broad approach tracking performance and policies in the area of productivity and competitiveness, as well as identify policy challenges. In doing so, they should take into account euro area and union aspects. The aim of the boards will be to contribute to the enhancement of ownership of the necessary policies and reforms at national level with a view to support growth and convergence and to improve the knowledge base for the Union's economic policy coordination in the European Semester. The Commission will exchange views on a regular basis with the participating boards and facilitate the exchange of views between them. The Commission expects these entities will support the enhancement of structural competitiveness and help countries boost their productivity growth.*

*The Commission sees the need for strengthening the current system of economic and fiscal surveillance. The independent advisory European Fiscal Board has been set up and is expected to become operational in October 2016. The Board's mission is to advise the Commission on the multilateral fiscal surveillance, including on the appropriate fiscal stance in the euro area. The Board will cooperate with national fiscal councils across the EU to promote the exchange of best practices and a common understanding on EU fiscal matters. As suggested in the Five Presidents' Report, reflections are also ongoing on the creation of a new euro area fiscal capacity in stage 2 of completing EMU.*

*The Senato della Repubblica emphasises the role of investment for growth and jobs. Indeed, strengthening competitiveness and stimulating investment is the first of the Commission's ten priorities, as presented by President Juncker in 2014. As the Senato della Repubblica rightly points out, the Investment Plan for Europe is only the first step, but it is an important one. On 1 June 2016, the Commission adopted a Communication that took stock of the first year of the implementation of the Investment Plan<sup>2</sup>. Building on the Investment Plan's early successes (within only one year, over EUR 115 billion in investments are expected to be mobilised) and in order to maintain and strengthen the Union's capacity to tackle the persisting investment*

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<sup>2</sup> Communication of the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions Europe investing again. Taking stock of the Investment Plan for Europe and next steps {COM(2016) 359 final}.

*challenge, the European Council endorsed the priorities set out in the Communication. The Commission is now following up on the European Council conclusions and presented a proposal to extend the duration of the EFSI on 14 September 2016<sup>3</sup>, with a target of at least half a trillion euro investments by 2020.*

*As highlighted by the Senato della Repubblica, the Commission notes the concerns of some countries regarding the European Deposit Insurance Scheme (EDIS). The idea of having a common European deposit protection system, rather than isolated national schemes, is not new, and the Commission has always seen it as one of the three pillars (alongside common supervision and resolution) of the Banking Union. The Banking Union is an indispensable step towards completing EMU and now is the time to put EDIS into effect. The EDIS proposal was accompanied by a Commission Communication<sup>4</sup> suggesting a number of measures to further reduce risk in the banking sector including an effective bridge-financing arrangement for the Single Resolution Fund and a common fiscal backstop which should be fiscally neutral over the medium term. The risk sharing implied by steps to reinforce Banking Union must be accompanied by risk reducing measures in parallel with ongoing work to establish EDIS.*

*The Commission is therefore now proposing a common deposit insurance scheme for the Banking Union, based on a reinsurance approach that will be progressively converted to a full insurance scheme over a number of years. Member States should also begin work to reinforce the agreed bridge-financing arrangements for the Single Resolution Fund and on developing a common fiscal backstop. These steps to complete the Banking Union are logical in the context of efforts to deepen EMU. A common feature of these steps is that they reduce the bank/sovereign links in individual Member States by means of risk sharing among all the Member States in the Banking Union, and thereby reinforce the Banking Union in achieving its key objective. However, the risk sharing implied by steps to reinforce the Banking Union must be accompanied by risk reducing measures designed to break the bank-sovereign link more directly.*

*The Commission will work to ensure that further measures to reduce risk are taken in parallel with ongoing work to establish EDIS, including any necessary regulatory changes.*

*As a final remark, the Commission fully shares the Senato della Repubblica's view that national Parliaments should be more closely involved in the governance of the euro area. In this respect, the further streamlining of the European Semester in 2015 has enabled improved parliamentary oversight from both the European Parliament and national Parliaments. The Commission continues to encourage national Parliaments' close involvement in the European Semester, in line with national practices, for instance in the adoption of National Reform Programmes. National Parliaments are also encouraged to make better use of the right*

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<sup>3</sup> Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1316/2013 and (EU) No 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub {COM(2016) 597 final}.

<sup>4</sup> Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions "Towards the completion of the Banking Union" {COM(2015) 587 final}.

*enshrined in the 'Two-Pack' legislation to invite the Commission to present its opinion on a Member State's draft budgetary plan. Moreover, inter-parliamentary cooperation has been established to bring together European and national actors. The Parliamentary Week is a key opportunity in the economic governance cycle to take stock, listen to national experiences and ideas on how to go forward.*

*The Commission hopes that the clarifications provided in this reply address the issues raised by the Senato della Repubblica and looks forward to continuing the political dialogue in the future.*

*Frans Timmermans  
First Vice-President*

*Pierre Moscovici  
Member of the Commission*