THE 6 DECEMBER PACKAGE
Deepening EMU, a process to be completed by 2025

- **22 June 2015**: Five Presidents' Report on Completing Europe's Economic and Monetary Union
- **1 March 2017**: the White Paper on the Future of Europe
- **31 May 2017**: Reflection Paper on the Deepening of the Economic and Monetary Union
- **13 September 2017**: President Juncker's State of the Union Speech
- **11 October 2017**: Communication on completing Banking Union adopted by Commission
- **6 December 2017**: EMU package of proposals adopted by Commission
- **15 December 2017**: Euro Summit
- **June 2018**: Euro Summit
- **2018 – 1H2019**: Decisions under the current EU legislature
- **2H2019**: New mandate for European institutions
- **By 2025**: Complete EMU
### EMU institutional changes since 2011

<table>
<thead>
<tr>
<th>Fiscal</th>
<th>Stronger preventive arm SGP</th>
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<tr>
<td></td>
<td>• Introduction of an expenditure rule (6-P) and balanced budget rule (TSCG)</td>
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<td>• Possibility of imposing sanctions (6-P)</td>
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<td>• Surveillance of draft budgetary plans by Commission (2-P)</td>
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<td><strong>Stronger corrective arm SGP</strong></td>
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<td>• Introduction of a numerical debt benchmark (6-P)</td>
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<td>• Earlier and more gradual sanctions (6-P)</td>
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<td>• More automaticity in decision-making via new voting scheme (TSCG)</td>
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<td>• Enhanced surveillance for MS threatened with financial difficulties (2-P)</td>
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<td><strong>National fiscal frameworks</strong></td>
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<td>• Mandatory minimum requirements at the national level (accounting &amp; statistics, forecasts, fiscal rules monitored by independent bodies, transparency)</td>
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<th>Macro</th>
<th>MIP</th>
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<td>• Prevention and correction of macroeconomic imbalances via the introduction of the Macroeconomic Imbalance Procedure (MIP) (6-P)</td>
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<tr>
<th>Crisis resolution mechanism</th>
<th>ESM, ECB OMT</th>
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<tr>
<td></td>
<td>• European Stability Mechanism (ESM)</td>
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<td>• OMT programme by the European Central Bank (ECB)</td>
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<td>• Macro-prudential: European Systemic Risk Board (ESRB)</td>
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<td>• Micro-prudential: European Supervisory Authorities (ESAs) with EBA (for banks), ESMA (securities), EIOPA (insurance), national authorities etc.</td>
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<th>Banking Union</th>
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<td>• Single Supervisory Mechanism (SSM)</td>
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<td>• Single Resolution Board (ERB) and Single Resolution Fund (SRB)</td>
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The case for completing the Economic and Monetary Union

A determined response to the crisis stabilised the situation, but challenges remain to be addressed

- Remaining sources of financial vulnerability, esp. given high public and private debt
  - Have the financial-sovereign doom loops been sufficiently severed?

- Low growth potential and persisting economic and social divergences
  - Can we create the right incentives for the necessary reforms (in good times)?
  - How to recreate the fiscal buffers?

- Insufficient collective stabilisation tools
  - Does the EMU have the capacity to withstand the next large shock?

- Complex governance and democratic deficit
  - Can the decision-process be made more efficient and accountable?
Elements for a political synthesis *outlined in the Reflection Paper*

1. Financial Union
   - Complete Banking Union and Capital Markets Union

2. Economic and Fiscal Union
   - Economic and social convergence
   - Common fiscal stabilisation capacity

3. Institutions and Governance
   - Accountable institutions and effective governance
6th December "EMU package"

- **Transformation of the ESM into a European Monetary Fund**

- **Creation of a dedicated euro area budget line in the EU budget**
  - Stabilisation function
  - Structural reform assistance
  - Convergence instrument for euro pre-ins
  - Backstop for the Banking Union

- **Integration of the substance of the TSCG into EU law**

- **European Minister of Economy and Finance**
Elements for a political synthesis: the EMU package

1. Financial Union

2. Economic and Fiscal Union

3. Institutions and Governance

- Complete Banking Union and Capital Markets Union
- Communication on Banking Union (October 2017)

**Euro area budget line:**
- **Backstop** for the BU
- **Structural reform** assistance
- **Convergence** instrument for euro pre-ins
- **Stabilisation** function

**Common fiscal stabilisation capacity**

**Economic and social convergence**

**Accountable institutions and effective governance**

- Transformation of the ESM into a **European Monetary Fund**
- Integration of the substance of the **TSCG** into EU law
- **European Minister of Economy and Finance**
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