

# **Treaty on the Functioning of the EU (TFEU): stability mechanism for Member States whose currency is the euro (amend. Article 136 TFEU)**

2010/0821(NLE) - 20/12/2010 - Legislative proposal

**PURPOSE:** to establish a permanent crisis mechanism to safeguard the financial stability of the euro area and amending Article 136 of the Treaty on the Functioning of the European Union

**PROPOSED ACT:** European Council Decision.

**BACKGROUND:** at the meeting of the European Council of 28 and 29 October 2010, the Heads of State or Government agreed on the need for Member States to establish a permanent crisis mechanism to safeguard the financial stability of the euro area as a whole and invited the President of the European Council to undertake consultations with the members of the European Council on a limited treaty change required to that effect. On 16 December 2010, the Belgian Government submitted, in accordance with Article 48(6) a proposal for revising Article 136 of the TFEU by adding a paragraph under which the Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole and stating that the granting of any required financial assistance under the mechanism will be made subject to strict conditionality. At the same time, the European Council adopted conclusions about the future stability mechanism

**LEGAL BASIS:** Article 48(6) of the Treaty on the Functioning of the European Union (TFEU). This Article allows the European Council, acting by unanimity after consulting the European Parliament, the Commission and, in certain cases, the European Central Bank, to adopt a decision amending all or part of the provisions of Part Three of the TFEU. Such a decision may not increase the competences conferred on the Union in the Treaties and its entry into force is conditional upon its subsequent approval by the Member States in accordance with their respective constitutional requirements.

**CONTENT:** **the draft decision states that a paragraph shall be added to Article 136 TFEU.** This provides that Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality.

Member States must notify the Secretary-General of the Council without delay of the completion of the procedures for the approval of this Decision in accordance with their respective constitutional requirements.

The Decision will enter into force on 1 January 2013, provided that all relevant notifications have been received, or, failing that, on the first day of the month following receipt of the last of the notifications.

Lastly, the recitals to the draft Decision state that the stability mechanism will provide the necessary tool for dealing with such cases of risk to the financial stability of the euro area as a whole as have been experienced in 2010, and hence help preserve the economic and financial stability of the Union itself. At its meeting of 16 December 2010, the European Council agreed that, as this mechanism is designed to safeguard the financial stability of the euro area as whole, Article 122(2) of the TFEU will no longer be needed for such purposes. The Heads of State or Government therefore agreed that it should not be used for such purposes.