

Procedure file

Basic information			
APP - Consent procedure	2017/0333(APP)	Preparatory phase in Parliament	
European Monetary Fund Accompanying procedure 2017/0333R(APP)			
Subject 5.20.01 Coordination of monetary policies, European Monetary Institute (EMI), Economic and Monetary Union (EMU) 5.20.02 Single currency, euro, euro area			
Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		
	Former committee responsible		
	ECON Economic and Monetary Affairs		
	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets		
	CONT Budgetary Control	The committee decided not to give an opinion.	
	AFCO Constitutional Affairs		
Council of the European Union European Commission	Former committee for opinion		
	BUDG Budgets		
	CONT Budgetary Control		
	AFCO Constitutional Affairs		
	Commission DG	Commissioner	
	Secretariat-General	DOMBROVSKIS Valdis	
Key events			
06/12/2017	Preparatory document	COM(2017)0827	Summary
Technical information			
Procedure reference	2017/0333(APP)		
Procedure type	APP - Consent procedure		
Procedure subtype	Legislation		
Legal basis	Treaty on the Functioning of the EU TFEU 352-p1sub1		
Stage reached in procedure	Preparatory phase in Parliament		

Documentation gateway

Preparatory document	COM(2017)0827	06/12/2017	EC	Summary
European Central Bank: opinion, guideline, report	CON/2018/0020 OJ C 220 25.06.2018, p. 0002	11/04/2018	ECB	Summary

Additional information

Research document	Briefing
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European Monetary Fund

PURPOSE: to establish the European Monetary Fund (EMF) to replace the European Stability Mechanism (ESM).

PROPOSED ACT: Council Regulation.

ROLE OF THE EUROPEAN PARLIAMENT: Council may adopt the act only if Parliament has given its consent to the act.

BACKGROUND: the unprecedented financial and economic crisis that hit the world and the Union since 2007 seriously threatened financial stability and damaged economic growth, resulting in a strong deterioration in the government deficit and debt position of several Member States, leading a number of them to seek financial assistance within and outside the framework of the Union.

In response to the exceptional situation of a severe deterioration of the borrowing conditions of several Member States, a number of measures were adopted:

- a European Financial Stabilisation Mechanism (EFSM) through which the Union could provide financial assistance to Member States was established in 2010 but with a limited financial capacity and on a purely temporary basis.
- in 2010, the Member States whose currency is the euro also established among themselves the European Financial Stability Facility (EFSF), on a temporary basis. The EFSF has provided financial assistance to Ireland, Portugal and Greece;
- the European Stability Mechanism (ESM) was established as an international financial institution by the Treaty establishing the European Stability Mechanism of 2 February 2012, concluded outside the framework of the Union. The ESM assumed the EFSF's task of providing financial assistance to Member States whose currency is the euro and became operational in October 2012.

Over the years, the ESM 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 Commission considers that the ESMs transformation into a European Monetary Fund (EMF) will further strengthen its institutional anchoring. It will help to create new synergies within the EU framework, notably in terms of transparency, efficiency of the EU financial resources and legal review, thus offering a better support to Member States. It will also help improve further cooperation with the Commission and accountability to the European Parliament. This will be done without affecting the way in which national governments are held to account by their own national Parliaments and preserving the ESM commitments.

The Commission considers that the transformation of the ESM into a European Monetary Fund (EMF) will further strengthen its institutional anchoring. It will help to create new synergies within the EU framework, notably in terms of transparency, efficiency of the EU financial resources and legal review, thus offering a better support to Member States. It will also help improve further cooperation with the Commission and accountability to the European Parliament.

CONTENT: this proposed Regulation builds on the well-established structure of the European Stability Mechanism by creating a European Monetary Fund anchored within the EU's legal framework. The EMF shall succeed to and replace the European Stability Mechanism, including its legal position and assuming all its rights and obligations. This means that the European Monetary Fund will continue to provide financial stability support to Member States in need, to raise funds by issuing capital market instruments and to engage in money market transactions. The membership will not change and the participation of additional Member States will remain possible, once they adopt the euro.

Given that the European Monetary Fund would become a Union body, the proposal includes the introduction of an approval process by the Council for decisions taken by the Board of Governors or Board of Directors which exhibit political discretion and the related publication requirements, and dedicated accountability provisions towards the European Parliament and national Parliaments.

In addition, the proposal adds a limited number of new features:

- the EMF will be able to provide the common backstop to the Single Resolution Fund and act as lender as a last resort to facilitate the orderly resolution of troubled banks;
- faster decision-making in the event of an emergency and more direct involvement in the management of financial assistance programmes alongside the European Commission;
- lastly, the EMF could develop new financial instruments that may complement or support other EU programmes and financial instruments. This could be useful if the EMF were to play a supporting role in providing a possible function in the future.

The Annex to the proposed Regulation contains the Statute of the EMF. It contains changes in order to ensure consistency with Union law such as: the determination of the lending capacity, the principles for stability operations, inclusion of the instrument for providing assistance for the direct recapitalisation of credit institutions, the procedure related to the EMF budget, the annual accounts, the financial statements and the annual reports and the external audit.

BUDGETARY IMPLICATION: the proposal shall have no budgetary implications. The EMF's capital will be subscribed by the euro area Member States. The Union budget will not be liable for any expenses or losses of the EMF. The EMF will also have a self-financed budget.

European Monetary Fund

OPINION of the European Central Bank on a proposal for a regulation on the establishment of the European Monetary Fund. The ECB supports the European Commission's initiative to bring the European Stability Mechanism (ESM) into the Union legal framework. The establishment of the ESM as a body of the Union would allow it to better achieve its objective of contributing to safeguarding the financial stability of the euro area, as well as of the Member States participating in the banking union.

The ECB emphasises that the proposed regulation is an important first step, and that further reforms of the ESM will be essential:

(1) the ESM should be provided with the financial instruments necessary to achieve its objectives and to fulfil its tasks. The ECB recommends that these financial instruments should be further reviewed, to ensure that these are adequate to effectively address the causes of financial instability and contagion in situations of acute market instability and to support the Banking Union. In particular, the precautionary financial assistance instruments, with adequate conditionality, should be improved in order to better contribute to crisis prevention;

(2) in order to effectively apply these instruments, it is important to enhance the ESM's governance arrangements, in order to achieve swift and credible decision-making procedures, based on high quality independent technical advice.

The role of the ECB: the role of the ECB under the proposed regulation remains largely the same as under the ESM Treaty.

The ECB recommends that, in the light of further development and enhancement of the Union's permanent crisis management framework in a post-crisis environment, any contributory role of the ECB should be further clarified to better reflect the ECB's tasks and independence under the Treaties and the clear allocation of technical expertise and responsibilities in the future framework of the ESM. Going forward, the ECB may deal, in an appropriate manner and where necessary, in accordance with its competences, with financial sector policies and macro-critical issues, such as headline fiscal targets and sustainability and financing needs.

The ECB recommends that clarifications should be introduced to the proposed regulation to reflect the role of the ECB under other pieces of legislation, including, in particular, the role of the ECB within the [Single Supervisory Mechanism](#) (SSM), which was established in 2013, after the entry into force of the ESM Treaty. Financial assistance instruments addressed to the banking sector should take into account the responsibilities of the ECB for the supervision of credit institutions within the framework of the SSM. In this respect, the proposed regulation should ensure adequate and timely involvement of, or provision of information to, the ECB, as appropriate, in preparation for providing support under those instruments.

Support to the Single Resolution Board: the ESM is tasked with providing financial support, in the form of credit lines or guarantees, to the Single Resolution Board (SRB), which was established in accordance with Regulation (EU) No 806/2014 of the European Parliament and of the Council.

The ECB supports the initiative to assign the ESM with the task to provide a credible common backstop to the Single Resolution Fund (SRF). Such a backstop should be implemented as soon as possible, and at the latest before the end of the transition period on 1 January 2024 provided for under [Regulation \(EU\) No 806/2014](#).

It is very important that the backstop supports all possible measures by the SRB, including the provision of both solvency support and liquidity support to institutions under resolution.

The ECB emphasises the need to ensure that the whole procedure regarding such support to the SRB can be completed rapidly and does not delay the adoption and execution of the SRB's decision on the resolution scheme. Decisions on ESM disbursements should be as automatic, swift and efficient as possible.

Renaming the European Stability Mechanism (ESM): the ECB suggests that the existing name of the ESM should be maintained, as this will ensure clarity and continuity for the public. In this respect, the use of the term monetary in the new name of the Union body under the proposed regulation is inaccurate, in particular as the objectives and tasks of the ESM are not monetary in nature.

In accordance with the Treaties, economic policy is based on the close coordination of Member States' economic policies, on the internal market, and on the definition of common objectives, while the basic tasks to define and implement the monetary policy of the Union and to conduct foreign exchange operations are conferred on the ESCB, which is governed by the decision-making bodies of the ECB.