**Follow up to the European Parliament non-legislative resolution on
strengthening the international role of the euro**

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2. **Reference numbers:** 2020/2037 (INI) / A9-0043/2021 / P9\_TA-PROV(2021)0110
3. **Date of adoption of the resolution:** 25 March 2021
4. **Competent Parliamentary Committee:** Committee on Economic and Monetary Affairs (ECON)
5. **Brief analysis/ assessment of the resolution and requests made in it:**

On its resolution, the European Parliament proposed a set of recommendations to the Commission and the Council for strengthening the international role of the euro. The resolution is very supportive of the Commission’s strategy to reinforce Europe’s open strategic autonomy in the economic and financial fields as set out in the Communication ‘European economic and financial system: fostering openness, strength and resilience’ adopted in January 2021.

The resolution reflects to an important degree the considerations and actions proposed by the Commission in its Communication of 19 January 2021 on The European economic and financial system: fostering openness, strength and resilience. It emphasises the importance of strengthening the Economic and Monetary Union (EMU), of scaling down the EU’s reliance on third country market infrastructures as well as the need for a rapid implementation of the recovery plan and for a credible fiscal framework to reinforce the euro’s attractiveness and overall growth and stability in the EU.

In some parts, the recommendations of the resolution go beyond actions proposed in the Communication and include: greater harmonisation of Member States’ insolvency rules, single representation of the euro area in international organisations like the International Monetary Fund (IMF), and other specific recommendations for the European Central Bank (ECB) on digital euro and on extending the opening hours of its Target 2 payments settlement system. Moreover, the report highlights some additional responsibilities for the EU and the ECB implied by a stronger international role of the euro.

1. **Response to the requests and overview of the action taken, or intended to be taken, by the Commission:**

The Commission continues to work towards further enlargement of the euro area including on the assessment of its potential impact on the EU economy, financial system and its financial and monetary stability (paragraph 1). Euro adoption is a Treaty obligation for all the Member States (except Denmark), and the Commission supports all Member States that have not yet adopted the euro in their efforts to achieve sustainable economic convergence and prepare their economies in view of euro adoption. Currently Bulgaria and Croatia are working towards a successful membership in the euro area and the Commission is supporting the efforts of the two countries.

The Commission assesses the economic convergence achieved by the Member States outside the euro area at least every two years, or at the request of a Member State that has not yet adopted the euro. The Commission also provides analytical support to those Member States, as well as technical guidance on the practical preparation for euro changeover when all convergence criteria are met. The general impact of an expanded euro area on the process of strengthening the international role of the euro should be positive. As economic size and international trade are important determinants for the internationalisation of a currency, expanding the euro area should contribute to strengthening the international role of the euro along both these dimensions.

The Commission continues the dialogue with relevant European and national institutions, including the ECB, the Single Resolution Board (SRB), the European Supervisory Authorities (ESAs) and the European Investment Bank (EIB), in order to secure their engagement and support for the strategy to enhance the international role of the euro, and more broadly to foster the openness, strength and resilience of Europe’s economic and financial system (paragraph 5).

Work to further deepen the EMU, complete the Banking Union and make further progress on the Capital Markets Union is already well anchored in the Commission Work Programme (paragraphs 6-10 and 12). The strategy for operationalising NextGenerationEU fund-raising is being finalised and outreach to investors will start after the approval/ ratification by the Member States. This will add depth and liquidity to markets in euro-denominated high-quality debt (paragraphs 13 and 15).

Swift and ambitious implementation of the NextGenerationEU initiative and in particular the Recovery and Resilience Plans (RRP) will contribute to address structural weaknesses and increase the euro area’s resilience to withstand future shocks and improve Member States’ future economic performance. This in turn should increase the euro’s international role via an improvement of framework conditions while at the same time increasing investor appetite for euro investments.

The Commission’s economic governance review of February 2020 identified the strengths and weaknesses of the EU fiscal framework and its implementation. On the positive side, the framework has overall succeeded in bringing down public deficit and debt levels. On the negative side, public debt remained high in some Member States, the fiscal stance was frequently pro-cyclical, the composition of public finances had not become more growth- and investment-friendly and the achievement of an appropriate euro area fiscal stance was constrained, partly due to the lack of a central fiscal capacity. The fiscal rules had also grown increasingly complex. In light of the COVID-19 crisis and the need to focus on the Recovery and Resilience Facility and the immediate policy response, the public consultation has been put on hold. The pandemic has significantly changed the context of the public finance debate, with higher levels of debt and deficit and significant output losses, increased investment needs and the related introduction of new policy tools at EU level. Moreover, the general escape clause was used for the first time in the implementation of the fiscal surveillance. Therefore, the crisis has highlighted the relevance and importance of many of the challenges that the Commission sought to discuss and address in the public debate. When the recovery takes hold, the Commission intends to relaunch the public debate on the economic governance framework (paragraph 14).

A premature withdrawal of current fiscal support should indeed be avoided (paragraph 14), as stated in the Commission’s Communication of 3 March 2021 on the fiscal policy response to the crisis. The Recovery and Resilience Facility is a unique window of opportunity to improve the underlying fiscal position without choking off growth. As health risks abate and emergency measures are phased out, the rollout of the Recovery and Resilience Facility investments and reforms provides an opportunity for Member States to improve their underlying fiscal positions in the medium term while still supporting growth and job creation.

Almost half of all global green bond issuances is denominated in euro and this share is expected to grow along with the objective of having 30% of NextGenerationEU investments funded by green bonds. The recently adopted EU taxonomy Regulation[[1]](#footnote-1), followed by a delegated act[[2]](#footnote-2) specifying the technical screening criteria, will guide investments into green economic activities and fight against greenwashing. The Commission’s proposal for an EU Green Bond Standard is scheduled for later this year. The Commission organised last year a public consultation on the Renewed Sustainable Finance Strategy that will feed into the upcoming new action plan on sustainable finance (paragraph 16).

In order to address risks stemming from the extra-territorial application of sanctions by third countries on EU operators (paragraph 18), the Commission launched a dialogue with financial-market infrastructures, with relevant ESAs and with the ECB with the aim to assessing relevant vulnerabilities. Relatedly, the Commission is discussing with the European Banking Authority (EBA) the approach, scope and feasibility of the study on EU dependence on non-EU financial operators and on funding in foreign currencies. On that basis, the Commission will assess the need for issuing related recommendations.

The Commission also continues its work on identifying possible solutions to facilitate legitimate trade and the provision of financial services with countries hit by other third-countries’ unilateral sanctions. In order to strengthen the effective implementation of EU sanctions, an expert group of representatives of Member States on sanctions’ implementation and extra-territoriality will be operational in the first half of 2021. The Commission is currently working to establish a single contact point for enforcement and implementation issues with cross-border dimension and to ensure that EU funds and economic resources are used in compliance with EU sanctions. Finally, the Commission will consider policy options to further deter and counteract the effect of the extra-territorial application of unilateral sanctions by third countries, including a possible amendment of the blocking statute.

As regards the need for a unified representation of the euro area in multilateral organisations such as the International Monetary Fund (IMF) (paragraph 19), the Commission in 2015 presented a Communication entitled “A roadmap for moving towards a more consistent external representation of the euro area in international fora” (2015, COM(2015) 602 final), which laid out a proposal to strengthen the representation of the euro area at the IMF. While several institutional and organizational obstacles hamper a unified representation of the euro area in the IMF, coordination on IMF-related topics in the EU has improved considerably over the last years with the help of the Commission. However, a more consistent euro area representation would allow delivering single euro area messages at the IMF on issues such as economic and fiscal policy, macroeconomic surveillance, exchange rate policies, and financial stability. Currently, the Commission’s proposal is still under consideration by the Council.

In the context of excessive exposures of EU market participants to system central counterparties in third countries, in particular for clearing of euro-denominated interest-rate derivatives which depends heavily on UK-based operators (paragraph 23), the assessment of possible technical issues relating to the transfer of financial contracts cleared outside the EU to central counterparties located in the EU is ongoing and is expected to be finalised by mid-2021. The impact on the real economy will also be considered.

In relation to voluntary, regulatory cooperation in financial services between the EU and the UK (paragraph 23), the Commission has concluded negotiations at a technical level with HM Treasury on the establishment of a framework for regulatory cooperation in financial services as set out in the Joint Declaration annexed to the EU-UK Trade and Cooperation Agreement. The formal adoption processes in the Commission and the Council are expected to be concluded in due course.

Regarding the dialogue with stakeholders in third countries to promote the use of the euro (paragraph 25), the Commission is launching outreach in the form of dialogues, workshops and surveys with the private and public sector in third countries in order to identify hindrances and opportunities for a higher use of the euro as a reserve, financing, investment and invoicing currency. A first workshop with representatives of debt management offices and Central Banks of Eastern Partnership countries (Armenia, Moldova, Azerbaijan, Ukraine, Belarus and Georgia) took place in February 2021. Further outreach to Southern Neighbourhood countries is planned in 2021, as well as macroeconomic dialogues with a number of key global partners of the EU. The Commission will also encourage EU institutions, public authorities, national promotional banks and multilateral banks to maximise the use of the euro in their activities and respective bond issuances.

Regarding the importance of green energy, commodity markets and of the EU emissions trading system (paragraph 26), the Commission strives to promote the use of the euro in strategic sectors and commodity markets including gas and other materials. To this end, the Commission maintains regular dialogue with main market players. The Commission is also looking for possibilities to expand the role of the EU Emissions Trading System to maximize its environmental outcome by covering additional sources of greenhouse gas emissions and to meet the EU’s greenhouse gas emissions reduction target of at least 55% by 2030, compared to 1990. The Commission will make legislative proposals by July 2021.

To further facilitate the take-off of euro-denominated contracts, in particular for sustainable energy sources and nascent energy markets (paragraph 26), the Commission will review the Markets in Financial Instruments Regulation / Directive (MiFIR/MiFID) framework in the area of exchanged-traded derivatives. The review of the Benchmarks Regulation is planned for 2022, so as to facilitate the emergence of euro-denominated indices and to ensure their robustness.

With a view to achieving a balance between global competitiveness, innovation, security and privacy, the Commission is implementing its comprehensive strategies on digital finance and retail payments. In this context, the Commission has tabled a proposal for a regulation on markets in crypto assets including so-called “stablecoins” (COM/2020/593) and is working on revamping the EU instant payments framework, and with the ECB, on assessing technical issues regarding the potential introduction of a digital euro (paragraphs 32 and 33). Along these initiatives, and in light of the continuous digitalisation of finance, the Commission is also taking steps to increase the resilience and the risk management of information and communication technology (ICT) used in the financial sector, which are included in the proposed amendments to existing Directives (COM/2020/596) and new Regulation on digital operational resilience (COM/2020/595).

In the context of the fight against money laundering (paragraph 33), the Commission is committed to delivering a new, comprehensive approach to fighting money laundering and terrorist financing. On 7 May 2020, the Commission laid out its vision on how to achieve this in an Action Plan building on six pillars. Two pillars cover institutional reforms. The Commission will propose a system for EU-level supervision that will leave no weak links across all sectors and will ensure consistent and high-quality supervision across the EU. The Commission also commits to strengthening the framework for cooperation among Financial

Intelligence Units (FIUs). The legal and practical issues around the possible creation of an operational EU FIU will be analysed in the impact assessment accompanying the planned legislation.

The Commission continuously monitors the development and risks linked to crypto assets (paragraph 34) including ‘stablecoins’. Last year, the Commission issued a proposal for a new EU Regulation that aims to improve legal certainty in the regulatory treatment of crypto-assets, to support the development of crypto-assets, to ensure consumer protection and market integrity in crypto-asset markets and to preserve financial stability.

1. <https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852_en> [↑](#footnote-ref-1)
2. <https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800_en.pdf> [↑](#footnote-ref-2)