Briefing

ECONOMIC AND MONETARY AFFAIRS

# Institutions and Bodies in the Economic and Monetary Union

*This document provides an overview of the main institutions and bodies in charge of economic governance, including banking supervision and resolution, in the Economic and Monetary Union. It focuses on their tasks and composition, and on the role played by Parliament. A presentation of the economic governance tools and their possible development is available in a separate [EGOV document](#).*

For the purposes set out in Article 3 of the Treaty on European Union ('*balanced economic growth and price stability, based on a highly competitive social market economy aimed at full employment and social progress*') the activities of the Member States and of the EU include a single currency and a close coordination of economic policies. The governance framework of the Economic and Monetary Union (EMU) is the system of institutions and procedures that contributes to the attainment of these goals, through appropriate **monetary, fiscal and economic policies**. The ways these policies are conducted in the EU have evolved over time, and are still developing, with new or revised legal provisions and the setup of specific institutions. Tools range from the soft *'coordination among Member States'* to *'surveillance and enforcement through legal provisions'* up to *'independent decisions taken by specific EU institutions'*.

The financial, fiscal and economic crises, which started in 2008, showed that the EU needed to establish a robust framework for the prevention and management of financial crises, including financial **supervision** and **emergency mechanisms,** aimed at breaking the links between banks and public debts. Specific governance procedures and institutions are set up for countries in the **euro area**.

The table overleaf gives a schematic representation of the policies and related institutions.

The bodies and institutions are grouped as follows:

- Institutions in charge of **monetary policy.** The central institution is the European Central Bank, whose primary objective is to maintain price stability in the Euro Area.
- Institutions in charge of **fiscal policies**. Fiscal policies are the responsibility of the Member States, but are subject to EU surveillance (essentially by the European Commission) as defined in primary and secondary law (the Stability and Growth Pact). Decisions are taken by the Council (ECOFIN formation).
- Institutions in charge of **economic policies.** Economic policies are coordinated among Member States in the Council, under the umbrella of the Broad Economic Policy Guidelines recommended by the Council following a proposal from the Commission. Coordination, surveillance and enforcement have recently been strengthened under the European Semester for economic policy coordination, with the establishment of the macroeconomic imbalances procedure.
- Institutions in charge of **financial supervision and resolution.** The European Systemic Risk Board and three supervisory authorities are in charge of financial supervision in the EU. The European Central Bank has recently taken on the role of supervisor of banks in the Banking Union (with the Single Supervisory Mechanism); the Single Resolution Board deals with failing banks, making use of the Single Resolution Fund within the Single Resolution Mechanism.
- Bodies and funds acting as **emergency mechanisms.** The European Stability Mechanism, the European Financial Stability Facility, the European Financial Stability Mechanism and the Balance of Payments assistance instrument were set up to support countries in financial distress.

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EN
February 2016

**Table: Main bodies and institutions of the EMU**

| Common to entire EUROPEAN UNION | Specific to the EURO AREA and BANKING UNION |
|---|---|
| **Monetary Policy** | |
| **ESCB**: European System of Central Banks | **ECB/Eurosystem:** European Central Bank |
| **Financial Supervision and Resolution** | |
| **ESFS**: European System of Financial Supervision<br>**ESRB**: European Systemic Risk Board<br>**ESAs**: European Supervisory Authorities:<br>• **EBA**: European Banking Authority,<br>• **ESMA**: European Securities and Markets Authority<br>• **EIOPA**: European Insurance and Occupational Pensions Authority<br>*COM-FISMA: Commission, DG Financial Services and Markets*<br>*COM-COMP: Commission, DG Competition* | **ECB/Eurosystem:** European Central Bank<br>**SSM and SB**: Single Supervisory Mechanism and Supervisory Board<br>**SRM, SRB and SRF**: Single Resolution Mechanism, Single Resolution Board and Single Resolution Fund |
| **Fiscal Policies** | |
| *European Council*<br>*ECOFIN Council*<br>**EFC**: Economic and Financial Committee<br>*COM-EAFB: Commission, European Advisory Fiscal Board*<br>*COM-ECFIN: Commission, DG Economic and Financial Affairs* | *Euro summit*<br>*Eurogroup*<br>**EWG**: Euro Working Group |
| **Economic Policies** | |
| *European Council*<br>*ECOFIN Council*<br>**EFC**: Economic and Financial Committee<br>**EIB** and **EFSI**: European Investment Bank and European Fund for Strategic Investments<br>*COM-ECFIN: Commission, DG Economic and Financial Affairs* | *Euro summit*<br>*Eurogroup*<br>**EWG**: Euro Working Group |
| **Emergency Mechanisms for Member States** | |
| *EFSM: European Financial Stability Mechanism*<br>*EU Balance of Payments Instrument*[1] | **ESM**: European Stability Mechanism<br>**EFSF**: European Financial Stability Facility |

In this table:

- Links in **bold** refer to bodies and institutions described in this document.
- Links in *italics* refer to bodies and institutions which are not described in this document and correspond to websites that provide description of their activities and further information.

[1] For non-Euro area Member States only.

# The European Central Bank, The European System of Central Banks and the Eurosystem

## European Central Bank (ECB): Main task

- Defining and implementing the **monetary policy** of the euro area, with the key mandate being price stability[2].

## Other roles

- **Supervising credit institutions** in the Banking Union, and facilitating the resolution of failing banks through the Single Supervisory Mechanism.
- **Overseeing macro-prudential policy** in the EU through the European Systemic Risk Board.
- Participation (with an advisory role) in the design and monitoring of **financial assistance programmes** for crisis-hit countries.

## Composition

The ECB and all the national central banks of the Member States together constitute the **European System of Central Banks (ESCB).** The ECB and the national central banks of the Member States that have adopted the euro, together constitute the **Eurosystem**, which is responsible for the monetary policy in EMU. The **Executive Board** and **the Governing Council** are the key decision-making bodies of the ECB.

- The **Executive Board** comprises the ECB President, the Vice-President, plus four members appointed by the European Council upon recommendation of the Council. **The Governing Council** is composed of the governors of the national central banks of the Member States whose currency is the euro, plus the members of the Executive Board.
- For as long as there are Member States outside the euro area, a **General Council** is constituted to act as a third decision-making body, composed of the ECB President, the ECB Vice-President and the governors of all the EU national central banks. Its main tasks concern, in particular, cooperation between national central banks in the field of monetary policy, exchange rates and the stability of financial institutions and markets. When exercising their powers and carrying out their tasks, neither the ECB nor a national central bank, nor any member of their decision-making bodies, may take instructions from Union institutions, offices or agencies, from any government of a Member State or from any other body.

## Role of the European Parliament

- o Before recommending to the European Council its proposals for the **Members of the Executive Board** (including the ECB President), the Council **consults** the European Parliament. According to Rule 122 of the EP Rules of Procedures (RoP), the candidates are invited to appear in front of the committee responsible. If the opinion adopted by Parliament is unfavourable, the President of the EP asks the Council to withdraw its nomination and submit a new nomination to Parliament.
- o The President of the ECB presents the **Annual Report** on the activities of the ESCB in **plenary**.
- o '**Monetary Dialogues**' with the President (or, the Vice-President and other Executive Board Members) are organised with the Committee on Economic and Monetary Affairs (ECON)[3].
- o Any EP Member may put a maximum of six **questions** per month for written answer to the ECB (Rule 131 RoP).

## Legal basis

- ➢ Article 13 TEU (the ECB is one of the institutions of the EU).
- ➢ Articles 127-133 TFEU (Monetary Policy).
- ➢ Articles 282-284 TFEU (The ECB).
- ➢ Protocol (No 4) on the Statute of the ESCB and of the ECB.

[2] '*The primary objective of the ESCB shall be to maintain the price stability. Without prejudice to that objective, it shall support the general economic policies in the Union in order to contribute to the achievement of the latter's objectives*' (Article 282 (2) TFEU).

[3] According to standard practice, the ECB President appears before the ECON committee four times a year for monetary dialogues.

# The Single Supervisory Mechanism

## Main tasks

The **Single Supervisory Mechanism (SSM)** was established in 2013 to supervise the banks in the **Banking Union**. All euro area Member States automatically participate in the Banking Union, while non-euro area Member states can opt to participate, on a voluntary basis. In the framework of the SSM, the ECB is exclusively competent for carrying out a number of **supervisory tasks,** aimed at:

- Ensuring the **safety** and **soundness** of credit institutions.
- Contributing to the **stability** of the financial system.
- Preserving the **internal market** by ensuring consistent supervision.

The planning and execution of these tasks is undertaken by the **Supervisory Board (SB)**, whose draft decisions are then adopted by the **ECB Governing Council (GC)**. Only so-called **significant banks**[4] fall automatically under the direct supervision of the ECB, while the other banks are supervised by the **National Supervisory Authorities** (**NSAs**). In 2014, the ECB carried out a financial health check ('comprehensive assessment') of these banks, before taking over direct responsibility for their supervision.

## Composition

The SSM comprises the ECB (including the **GC** and the **SB**) and the **NSAs** of the Member States participating in the Banking Union. The ECB's supervisory tasks are separated from those relating to monetary policy. In particular, the SB is composed of a Chair, a Vice-Chair, four representatives of the ECB and one representative of the NSA in each participating Member State. The Vice-Chair is chosen from among the members of the ECB Executive Board.

## Role of the European Parliament

- The ECB is **accountable to the EP** for the implementation of its supervisory powers (Article 20 (1) of the SSM Regulation).
- **Approval of the candidates** proposed by the ECB for SB Chair and SB Vice-Chair (after a public hearing before the EP's competent committee).
- The **Annual Report** on the ECB activities as common supervisor is presented by the SB Chair at a **public hearing** in the EP.
- Ordinary **public hearings** of the SB Chair are organised twice a year in the Parliament's competent committee (ECON); the competent committee may invite the SB Chair for additional ad hoc exchanges of views on supervisory issues. In addition, the competent committee's Chair may request special confidential meetings with the SB Chair.
- Members of Parliament may put **written questions** to the SB Chair. The questions are channelled to the SB via the competent committee's Chair.
- Access to the Supervisory Board **confidential record of proceedings** and **oral confidential debriefings**.

## Legal basis

- Article 127(6) TFEU ('specific tasks to ECB')
- SSM Regulation (Council Regulation (EU) No 1024/2013) and SSM Framework Regulation (Regulation n. 468/2014 of the ECB); the 4th Capital Requirements Directive - CRD IV (Directive 2013/36/EU) and the Capital Requirement Regulation - CRR (Regulation (EU) No 575/2013).
- Inter-institutional Agreement between the EP and the ECB on the practical modalities of the exercise of democratic accountability and oversight over the exercise of the tasks conferred upon the ECB within the framework of the Single Supervisory Mechanism (Annex XXI to the Rules of Procedure of the EP).

[4] According to the SSM Regulation, a bank is qualified as significant if it fulfils at least one of the following four criteria: i) the total value of its assets exceeds EUR 30 bn; ii) it is economically important for the specific country or for the EU as a whole; iii) the total value of its assets exceeds EUR 5 bn and the ratio of its cross-border assets/liabilities in more than one other participating Member State to its total assets/liabilities is above 20%; iv) it has requested or received funding from the European Stability Mechanism or the European Financial Stability Facility. National supervisors remain responsible for the supervision of the non-significant banks, under the ultimate responsibility of the SB. National supervisors are also closely involved in the supervision of significant banks, through their participation in Joint Supervisory Teams.

# The Single Resolution Mechanism, The Single Resolution Board and the Single Resolution Fund

## Main tasks

The **Single Resolution Mechanism (SRM)** deals with failing banks in the Banking Union (BU). The SRM ensures that, in the event that a financial institution is failing or likely to fail, it can be resolved with minimal costs for the economy and the public finances of the participating Member States.

The decision-making body of the SRM is the **Single Resolution Board (SRB)** that is directly responsible for the resolution of **significant banks** of the Banking Union as well as other cross-border banks, while National Resolution Authorities (NRAs) remain responsible for the resolution of less significant financial institutions. The SRB has been in operation since January 2016 and is in charge of:

- **Overviewing the resolution plans** submitted by **significant banks** and setting the amount of eligible liabilities that those banks are required to hold.
- **Putting in place resolution schemes** for **failing banks**. The SRB decides which activities are sold, which are transferred to a new entity (which will bear the losses) and how much money is needed from the **Single Resolution Fund (SRF).** The resolution schemes are then implemented in cooperation with NRAs.
- **Managing** the **Single Resolution Fund**.

## Composition

Following the SSM model, the SRM comprises:

- The **Single Resolution Board (SRB),** which is the common authority for the resolution of banks.
- The **National Resolution Authorities (NRAs)** of Member States participating in the BU.
- The **Single Resolution Fund (SRF)**, which provides the resources to cover resolution costs[5].

The SRB can meet in an **executive** or **plenary** session. The executive session includes the SRB Chair, four full-time members and the representative(s) of the NRA(s) of the Member State(s) in which the troubled bank and its branches/subsidiaries are located. It takes decisions on banks' resolutions requiring resources up to EUR 5 bn. The plenary session, where all NRAs are represented, takes decisions on matters of general importance and on the resolution of banks requiring resources more than EUR 5 bn. The SRB Chair and the four full-time members are appointed by the Council, on proposal from the Commission and following approval of the Parliament. Their term is five years, not renewable.

## Role of the European Parliament

- o **Co-legislator** on the SRM Regulation and on the Bank Recovery and Resolution Directive.
- o **Approval** of the candidates for SRB Chair, Vice-Chair and other full-time members.
- o The **Annual Report on the SRB** is presented by the SRB Chair in public to the EP.
- o **Hearings** of the SRB Chair by the competent EP committee (at least twice a year).
- o MEPs may put **questions** (the SRB replies orally or in writing).
- o **Confidential discussions** can be held with the Chair and Vice-Chairs of the EP competent committee and Members may have restricted access to classified, non-confidential information.

## Legal basis

- ➢ Article 114 TFEU ('functioning of internal market').
- ➢ SRM Regulation (Regulation (EU) No 806/2014), BRRD (2014/59/EU) and the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF.
- ➢ Agreement between the EP and the SRB on the practical modalities of the exercise of democratic accountability and oversight over the exercise of the tasks conferred on the SRB within the framework of the SRM (O.J. 24 December 2015).

[5] The SRF has been set up with an Intergovernmental Agreement, by raising contributions from banks in order to gradually complete the SRF, until 2023. Pre-conditions for the use of the SRF are that losses totalling not less than 8 % of total liabilities (including own funds) have already been absorbed by shareholders and creditors, and that the funding provided by the SRF is limited to 5 % of total liabilities.

## The European System of Financial Supervision

The **European System of Financial Supervision (ESFS)** is a multi-layered system of national supervisory authorities and EU bodies in charge of financial oversight in the **European Union** as a whole, set up in 2010. It coordinates the national financial supervisory authorities, with the main objectives of preserving financial stability and guaranteeing sufficient protection for the customers of financial services. It is based on the so-called Single Rulebook, a single set of harmonised prudential rules which institutions throughout the EU must respect.

The **European Systemic Risk Board (ESRB)** deals with systemic financial stability risks in the EU, placing emphasis on the stability of the financial system as whole (macro-prudential supervision). It has a cross-sectorial, EU-wide, preventative mandate and no binding powers.

Three **European Supervision Authorities (ESAs)** focus on individual financial institutions, ensuring that the EU harmonised rules are adequately formulated and implemented (micro-prudential supervision). See below for further information.

## The European Systemic Risk Board

### Main tasks

- Collection and analysis of all relevant and necessary information and/for the **identification of systemic risks.**
- Issuance of **warnings and recommendations** for remedial action in response to the risks identified and monitoring of the follow-up.
- **Cooperation with the other parties** to the ESFS and with relevant international financial organisations, particularly the International Monetary Fund and the Financial Stability Board.
- **Issuance of opinions and recommendations** on Member States capital buffer rates under CRD IV/CRR.

### Composition

The internal organisation of the ESRB consists of five bodies:

- The **General Board** (the ECB President and Vice-President, the governors of all the EU National Central Banks, one member from the European Commission, the three Chairmen of the ESAs, the Chair and the two Vice-Chairs of the Advisory Scientific Committee (ASC), the Chair of the Advisory Technical Committee (ATC) and, as observers, the heads of the competent national supervisory authorities and the President of the Economic and Financial Committee (EFC)). It takes the decisions necessary to ensure the performance of the tasks entrusted to the ESRB.
- The **Steering Committee** (the ESRB Chair and First Vice-Chair, the ECB Vice-President, four ESRB General Board Members, one member from the Commission, the three Chairmen of the ESAs, the EFC President, the ASC Chair, the ATC Chair). It assists in the decision-making process of the ESRB by preparing the meetings of the General Board, reviewing the documents to be discussed and monitoring the progress of the ESRB's ongoing work.
- The **Advisory Scientific Committee** (15 external experts and the ATC Chair).
- The **Advisory Technical Committee** (one representative of each National Central Bank, one ECB representative, one representative from each competent national supervisory authorities of the Member State, three ESAs representatives, two Commission representatives, an EFC representative and an ASC representative).
- The **Secretariat**, which provides analytical, statistical, administrative and logistical support to the ESRB (according to the ESRB Regulation, the ECB has to ensure the ESRB secretariat).

The ESRB Chair is currently the ECB President; the First Vice-Chair is elected by and from the members of the ECB General Council; the Second Vice-Chair is the Chair of the ESAs' Joint Committee. There is a strong organisational link between the ESRB and the ECB.

### Role of the European Parliament

- **Co-legislator**.
- **Annual hearing** of the ESRB Chair to present the annual ESRB report.
- Possibility of **hearings** of the ESRB Chair and Vice-Chairs before the EP's competent committee.
- **Confidential oral discussions** at least twice a year behind closed doors between the ESRB Chair and the Chair and Vice-Chairs of the ECON committee on the ongoing ESRB activity.
- Access to **confidential information**.

### Legal basis

- Articles 114 and 127 (6) TFEU.
- Regulation (EU) No 1092/2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board.
- Council Regulation (EU) No 1096/2010 conferring specific tasks upon the ECB concerning the functioning of the European Systemic Risk Board.
- the 4th Capital Requirements Directive - CRD IV (Directive 2013/36/EU) and the Capital Requirement Regulation - CRR (Regulation 575/2013).

# The European Supervisory Authorities

## Main tasks

The three ESAs – the **European Banking authority (EBA)**, the **European Insurance and Occupational Pensions Authority (EIOPA)** and the **European Securities and Markets Authority (ESMA) –** contribute to the establishment of high-quality common regulatory and supervisory standards and practices, in particular by providing opinions to the Union institutions and by developing guidelines, recommendations, and draft regulatory and implementing technical standards. Through the drafting of regulatory and implementing technical standards (then approved by the Commission as delegated or implementing acts), the ESAs play a key role in building up the Single Rulebook.

- **EBA** has competence in the field of banking activity.
- **EIOPA** deals with the insurance sector.
- **ESMA** has advisory, drafting and cooperation tasks in the field of securities markets and their participating institutions, being the only ESA to be provided with a direct supervisory role (over Credit Rating Agencies and Trade Repositories, plus some direct responsibilities in relation to Central Counterparties).

## Composition

The ESAs have the same organisational structure, which comprises:

- The **Board of Supervisors** (the main decision-making body, composed of the Chair, the heads of national competent supervisory authorities, one representative each from the Commission, the ECB, the ESRB, the other two ESAs).
- The **Management Board** (composed of the Chair and six other members of the Board of Supervisors) which ensures that each ESA carries out its mission in accordance with the relevant regulation, and takes decision of a more general nature (draft work programme, draft budget); a **Chairperson**.
- The **Executive Director**.
- The **Board of Appeal** (a joint body for the three ESAs).

A Joint Committee of the ESAs, composed of the Chairs of the three authorities, serves as a forum for regular cooperation to ensure cross-sectorial supervisory consistency.

## Role of the European Parliament

- **Co-legislator**.
- Powers related to the **adoption**, by the Commission, of **delegated or implementing acts** drafted by the ESAs (regulatory and implementing technical standards).
- The three ESAs are **accountable to the EP** (Article 3 of the ESA Regulations). The EP also receives their annual/multiannual work programmes, and their annual reports.
- Involvement in the **appointment procedures** for ESAs' Chairs (right to object) and Executive Directors (right to confirm).
- Power of **discharge of their budgets** (like other EU decentralised agencies).

## Legal basis

- Article 114 TFEU.
- Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (EBA) amended by Regulation No 1022/2013.
- Regulation (EU) No 1094/2010 establishing a European Supervisory Authority (EIOPA).
- Regulation (EU) No 1095/2010 establishing a European Supervisory Authority (ESMA).

# The European Stability Mechanism and the European Financial Stability Facility

## Main tasks

The **European Stability Mechanism (ESM)** is a **permanent intergovernmental mechanism**, providing **financial assistance** to euro-area Member States whose access to market financing is impaired or at risk of being impaired[6]. It has a maximum lending capacity of EUR 500 bn, and offers several financial assistance instruments:

- **Stability support loans** with a macro-economic adjustment programme.
- Financial assistance for the ('indirect') **recapitalisation** of **financial institutions**.
- **Precautionary financial assistance** to prevent crisis situations (conditioned credit line).
- **Primary** and **secondary market support facility** (purchases of bonds in the primary or secondary market to facilitate the return of a country to the market).
- **Direct recapitalisation instrument** (which allows the ESM to recapitalise a systemic and viable euro area financial institution directly, under specific circumstances and as a last resort measure. The total amount of ESM resources available for this instrument is limited to EUR 60 bn).

The granting of the assistance is decided by the Board of Governors and is subject to strict conditions to ensure that structural reforms are adopted by the country (a Memorandum of Understanding is signed by the concerned Member State and the Commission on behalf of the ESM).

The ESM replaces the **European Financial Stability Facility (EFSF)**, which was created as a **temporary crisis resolution mechanism** by the euro area Member States in June 2010. The EFSF has provided financial assistance to Ireland, Portugal and Greece. The assistance was financed by the EFSF through the issuance of bonds and other debt instruments on capital markets, and is still operational for the financial management of these programmes.

## Composition

The ESM is governed by the **Board of Governors (BoG)** and managed the **Board of Directors (BoD).**

- The **Board of Governors** comprises euro area finance ministers. It can decide either to be chaired by the President of the **Eurogroup** or to elect a Chairperson from among its members for a term of two years. So far, the BoG decided to be chaired by the Eurogroup President. Depending on the issue at stake, the BoG takes decisions by mutual agreement, by qualified majority or by simple majority; the number of voting rights attributed to each member is equal to the number of shares allocated to it in the authorised capital stock of the ESM.
- The **Board of Directors** ensures the management of the ESM and is composed by directors chosen by the governors from among people of high competence in economic and financial matters (appointment revocable at any time). Unless otherwise stated in the ESM Treaty, the BoD usually takes decisions by qualified majority. It is chaired by a Managing Director, who is appointed by the BoG from among candidates who are nationals of an ESM member country, have relevant international experience and a high level of competence in economic and financial matters. The Managing Director is the chief of the ESM staff, the legal representative of the ESM and conducts its current business.

## Role of the European Parliament

o Although formal role for the European Parliament is not envisaged in the ESM Treaty, the ESM Chair and Managing Director do appear regularly in the ECON Committee for an **informal exchange of views**.

## Legal basis

➢ Article 136 (3) TFEU.
➢ Treaty establishing the ESM.

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[6] Granting of financial assistance under the ESM Treaty is conditional on the ratification of the TSCG Treaty (Fiscal compact) by the ESM Member concerned.

# The Economic and Financial Committee and the Euro Working Group

## Main tasks

The **Economic and Financial Committee (EFC)** is established by the Treaty and provides opinions at the request of the Council or of the European Commission.

- The ECF **prepares the work of the ECOFIN Council**. Opinions include assessments of the economic and financial situation, the coordination of economic and fiscal policies (in particular, in the framework of the multilateral fiscal surveillance and of the excessive deficit procedure), contributions on financial market matters, exchange rate polices and relations with third countries and international institutions.
- The EFC also provides the framework for preparing and pursuing the **dialogue between the Council and the ECB.**
- In its **Euro Working Group (EWG) configuration**, the Committee prepares the work of the Eurogroup.

## Composition

- The members of the **EFC** are appointed by the **Member States**, the **Commission** and the **ECB**, which appoint **two members** each. The two members appointed by the Member States are selected respectively from among senior officials of the administration and the National Central Bank. The EFC can meet in its full configuration, or without the members from national central banks. It elects a President for a two-year term (renewable), who can be either the President of the EWG or elected from among the Committee members who are national administration officials. It also elects a Vice-President for a two-year term, who can be, again, either the President of the EWG or elected from among the Committee members who are officials from national administrations.
- According to Article 1 of the Protocol on the Eurogroup, the **EWG** is composed of the representatives of the Commission and of the Ministers with responsibility for finance of the Member States whose currency is the euro. As a matter of fact, the EWG is composed of the EFC members of those Member States whose currency is the euro, plus those from the Commission and the ECB. It is chaired by a full-time President elected from among its members.

The **ECF** and **EWG secretariats** are provided by the European Commission, which appoints the Secretary after consultation with the EFC.

## Role of the European Parliament

o A **general obligation** exists for the EFC President to maintain the EFC's relations with the EP.

## Legal basis

- Articles 134 and 242 TFEU.
- Protocol No 14 on the Eurogroup.
- Council Decision of 21 December 1998 on the detailed provisions concerning the composition of the Economic and Financial Committee (98/743/EC).
- Council Decision of 31 December 1998 adopting the Statutes of the Economic and Financial Committee (1999/8/EC), as revised by Council Decision of 18 June 2003 on a revision of the Statutes of the Economic and Financial Committee (2003/476/EC) and by Council decision of 26 April 2012 on a revision of the Statutes of the Economic and Financial Committee (2012/245/EU).

# The European Investment Bank

## Main tasks

The **European Investment Bank (EIB)** was set up to contribute to the balanced development of the internal market by **granting loans and guarantees** to facilitate the financing of:

- Projects for **developing less-developed regions**.
- Projects for **modernising or converting enterprises** or for developing new activities called for by the establishment or functioning of the internal market, where these projects are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States.
- Projects of **common interest to several Member States** which are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States[7].

The EIB funds its operations by **borrowing on the capital markets** rather than drawing on the EU budget. It has a subscribed capital of more than EUR 200 bn. The shareholders of the European Investment Bank are the Member States of the European Union. Each Member State's share in the Bank's capital is based on its economic weight within the European Union (expressed in GDP) at the time of its accession. Under its statute, the Bank's maximum amount of loans outstanding cannot exceed two and a half times its capital. The Bank enjoys decision-making independence within the EU's institutional system.

## Composition

The EIB is directed and managed by a Board of Governors, a Board of Directors and a Management Committee.

- The **Board of Governors (BoG)** is composed of the ministers designated by the Member States. It defines the credit policy of the Bank, in accordance with the Union's objectives, and takes decisions of a more general nature (principles applicable to financing operations, approval of the annual report of the BoD, approval of the balance sheet and of the profit and loss account, approval of the Bank's rules of the procedure). The BoG also decides on whether to increase the subscribed capital of the Bank.
- The **Board of Directors (BoD)** is composed of 29 Directors, appointed by the BoG for five years: each Member State nominates one Director and one is nominated by the Commission. Three non-voting experts are also full members of the BoD. Its meetings are chaired by the President of the Management Committee (who has no voting rights). The BoD takes decisions in respect of granting finance, in particular in the form of loans and guarantees, and raising loans.
- The **Management Committee** is composed of a President and eight Vice-Presidents[8], appointed for a period of six years by the BoG, upon a proposal of the BoD. It is responsible for the current business of the Bank; it prepares the BoD decisions on the raising of loans and the granting of finance, and it ensures these decisions are implemented.
- An **Audit Committee**, consisting of six members appointed by the BoG, is tasked to verify that EIB's activities conform to best banking practice and is responsible for the auditing of its accounts.

## Role of the European Parliament

o Power of **discharge** of the EIB's budget.

## Legal basis

➢ Articles 308 and 309 TFEU.

➢ Protocol No 5 on the Statute of the European Investment Plan.

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[7] In carrying out its task, the Bank facilitates the financing of investment programmes in conjunction with assistance from the Structural Funds and other Union Financial Instruments. In addition, the BoG can authorise the granting of finance for investment operations to be carried out outside the territories of the Member States.

[8] The BoG may, acting unanimously, vary the number of members of the Management Committee.

# The European Fund for Strategic Investments

## Main tasks

The **European Fund for Strategic Investments (EFSI)** supports the realisation of the **Investment Plan for Europe**. The plan is aimed at overcoming the current investment gap in the EU by mobilising private financing for strategic investments which the market alone cannot finance[9]. The EFSI is a guarantee (EUR 16 bn from the EU budget, complemented by an allocation of EUR 5 bn of EIB's own capital) managed by the European Investment Bank Group.

## Composition

EFSI's decision-making bodies are:

- **The Steering Board,** which decides on the strategic orientation of the EFSI. It comprises four members: three appointed by the Commission, one by the EIB. It elects from among its members a Chairperson, for a term of three years, renewable once.
- **The Investment Committee**, which assesses and approves the use of the EU budget guarantee in specific EIB operations. The Committee is composed of eight independent experts (appointed by the Steering Board) and the Managing Director.
- **The Managing Director**, responsible for the daily management of the EFSI and for the preparation and chairing of meetings of the Investment Committee. He and a Deputy Managing Director are appointed by the EIB President, upon proposal of the Steering Committee and after approval of the EP, for a term of three years, renewable once.

## Role of the European Parliament

- **Co-legislator**.
- **Discharge** of the **EIB's budget** (EFSI operations).
- **Hearing/power of appointment** of (candidate) **Managing Director** (and its Deputy).
- Possibility to request that the Chairperson of the Steering Committee and the Managing Director **report to the EP** on the performance of the EFSI, including **hearings**.
- **Possibility to submit questions** to the Chairperson of the Steering Committee and to the Managing Director, who replies orally or in writing within five weeks.
- Commission may be requested to submit a **report** on the application of EFSI Regulation.
- A **hearing** of the **EIB President** is foreseen, at the request of the EP, concerning EIB financing operations covered by the EFSI Regulation; the President replies orally or in writing to questions submitted by the EP on the same issue.

## Legal basis

- Articles 172, 173, 175 (3) and 182 (1) TFEU.
- Regulation (EU) 2015/1017 on the European Fund for Strategic Investments.
- EFSI agreement on working methods between the EU Commission and the EIB.
- Commission Delegated Regulation (EU) 2015/1558 of 22 July 2015 supplementing Regulation (EU) 2015/1017 of the EP and of the Council by the establishment of a scoreboard of indicators for the application of the EU guarantee.
- An agreement between EP and EIB with detailed rules on the accountability of EFSI towards EP is currently under negotiation.

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[9] The Plan, launched by the Juncker Commission in October 2014, is expected to mobilise EUR 315 bn in additional investment over the next 3 years.



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Manuscript completed in February 2016. MISC 2016-01. PE 574.388