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14.12.2010

B7-0733/2010

## **MOTION FOR A RESOLUTION**

further to Question for Oral Answer B7-0659/2010

pursuant to Rule 115(5) of the Rules of Procedure

on establishing a permanent crisis mechanism to safeguard the financial stability of the euro area

**Sharon Bowles**

on behalf of the Committee on Economic and Monetary Affairs

## **B7-0733/2010**

### **European Parliament resolution on establishing a permanent crisis mechanism to safeguard the financial stability of the euro area**

*The European Parliament,*

- having regard to Articles 121, 122, 126, 136 and 148 of the Treaty on the Functioning of the European Union (hereinafter ‘TFEU’),
- having regard to its resolution of 7 July 2010 with recommendations to the Commission on Cross-Border Crisis Management in the Banking Sector<sup>1</sup> (hereinafter ‘the Ferreira Report’),
- having regard its resolution of 7 July 2010 on the European Financial Stability Facility and European Financial Stabilisation Mechanism and future actions<sup>2</sup>,
- having regard to the question of 24 June 2010 to the Commission on the European Financial Stability Facility and European Financial Stabilisation Mechanism and future actions<sup>3</sup>,
- having regard to its report of 30 June 2010 on the proposal for a Council Regulation amending Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the excessive deficit procedure<sup>4</sup>,
- having regard to its legislative resolution of 22 September 2010 on the proposal for a regulation of the European Parliament and of the Council establishing a European Banking Authority<sup>5</sup> (hereinafter ‘the Garcia-Margallo Report’),
- having regard to its resolution of 20 October 2010 on improving the economic governance and stability framework of the Union, in particular in the euro area<sup>6</sup> (hereinafter ‘the Feio Report’),
- having regard to its resolution of 20 October 2010 on the financial, economic and social crisis: recommendations concerning measures and initiatives to be taken (mid-term report)<sup>7</sup> (hereinafter ‘the Berès Report’),
- having regard to the Statement by the Heads of State and Government of the euro area of 25 March 2010,
- having regard to the Conclusions of the Extraordinary Ecofin of 9-10 May 2010,

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<sup>1</sup> Texts Adopted, P7\_TA-PROV(2010)0276.

<sup>2</sup> Texts Adopted, P7\_TA-PROV(2010)0277.

<sup>3</sup> Oral question 0095/2010.

<sup>4</sup> Texts Adopted, P7\_TA(2010)0253.

<sup>5</sup> Texts Adopted, P7\_TA-PROV(2010)0337.

<sup>6</sup> Texts Adopted, P7\_TA-PROV(2010)0377.

<sup>7</sup> Texts Adopted, P7\_TA-PROV(2010)0376.

- having regard to Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism<sup>1</sup>,
  - having regard to the Commission Communication of 12 May 2010 on ‘Reinforcing economic policy coordination’ (COM(2010)250),
  - having regard to the European Central Bank (hereinafter ‘ECB’) paper of 10 June 2010 on ‘Reinforcing the economic governance in the Euro area’,
  - having regard to the Commission Communication of 30 June 2010 on ‘Enhancing economic policy coordination for stability, growth and jobs – Tools for stronger EU economic governance’ (COM(2010)367/2),
  - having regard to the six Commission legislative proposals on EU economic governance of 29 September 2010 (hereinafter ‘the economic governance legislative package’ - COM(2010)522, COM(2010)523, COM(2010)524, COM(2010)525, COM(2010)526 and COM(2010)527),
  - having regard to Decision 2010/624/EU of the European Central Bank of 14 October 2010 concerning the administration of the borrowing and lending operations concluded by the Union under the European financial stabilisation mechanism<sup>2</sup>,
  - having regard to the Report of the Task Force on Economic Governance to the European Council of 21 October 2010 on ‘Strengthening Economic Governance in the EU’,
  - having regard to the Conclusions of the European Council of 28-29 October 2010,
  - having regard to the Statement by the Euro Group of 28 November 2010,
  - having regard to Question B7-0199/2010 to the Commission on establishing a permanent crisis mechanism to safeguard the financial stability of the euro area,
  - having regard to Rules 115(5) and 110(2) of its Rules of Procedure,
- A. whereas a comprehensive and integrated solution to the euro area debt crisis is needed since a piecemeal approach has not worked so far,
- B. whereas at the extraordinary Ecofin of 9-10 May 2010 the Council and the Member States agreed on a temporary mechanism to preserve financial stability totalling EUR 750 billion, including a rapid reaction stabilisation fund (European Financial Stabilisation Mechanism, hereinafter ‘EFSM’) with a total volume of up to EUR 60 billion and a European Financial Stability Facility (hereinafter ‘EFSF’) with a total volume of up to EUR 440 billion, to be complemented by IMF funds of up to EUR 250 billion,
- C. whereas the EFSM is based on Article 122(2) TFEU and an intergovernmental agreement between Member States; whereas its activation is subject to strong conditionality, in the

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<sup>1</sup> OJ L 118, 12.5.2010, p. 1.

<sup>2</sup> OJ L 275, 20.10.2010, p. 10.

context of joint EU/IMF support, and to terms and conditions similar to those of the IMF, adjusted to the social and economic specificities of the countries in which it is being implemented, as well as according to their development agenda,

- D. whereas the EFSF is set up as a Special Purpose Vehicle that is guaranteed on a pro rata basis by participating Member States in a coordinated manner in accordance with their share in the paid-up capital of the ECB and pursuant to their national constitutional requirements, and that will expire after three years,
- E. whereas the Commission, in its Communication of 12 May 2010, stated that the crisis has demonstrated that a robust framework for crisis management is a necessary complement to the implementation of the enhanced Stability and Growth Pact as well as the new macroeconomic surveillance mechanism intended to prevent adverse developments in the budgetary stance and competitiveness,
- F. whereas the ECB, in its paper of 10 June 2010, included proposals for a debt crisis management framework, providing financial support for euro area Member States experiencing impaired access to private credit,
- G. whereas, at the European Council of 28-29 October 2010, 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 (the European Stability Mechanism, hereinafter 'the ESM'),
- H. whereas the ESM is meant to complement the new framework of reinforced economic governance, aimed at effective and rigorous economic surveillance and coordination, which will focus on prevention and will substantially reduce the probability of a crisis arising in the future,
- I. whereas Parliament is convinced of the need for a permanent crisis mechanism to safeguard the financial stability of the euro and has called for the creation of a European Monetary Fund (hereinafter 'EMF') in the Feio Report,
- J. whereas Parliament has also identified the need for a crisis resolution mechanism for the banking sector in the Ferreira and Garcia-Margallo Reports as a necessary complement to the supervisory powers granted to the new authorities (ESAs) in order to ensure the supervision of the Union's financial system,
- K. whereas at the Euro Group meeting of 6 December 2010 the creation of pan-European bonds to support countries that run into financial trouble was proposed by its President but was not discussed, as some of the countries expressed objections to this idea,
- L. whereas since the Commission presented the legislative proposals on economic governance to Parliament and the Council on 29 September 2010 the markets have suffered several crises, inter alia the Irish debt crisis, that must be taken into account by Parliament and the Council,
- M. whereas it is essential to streamline the current processes of economic policy coordination and remove overlaps to ensure that EU strategy is understandable to market operators and

citizens, as well as to move to more integrated approaches and to bring about a change in the decision-making process,

- N. whereas the European Systemic Risk Board (hereinafter the ‘ESRB’) is responsible for the macroprudential oversight of the financial system in order to contribute to the prevention of systemic risks to financial stability in the EU so as to avoid periods of widespread financial distress and contribute to smooth functioning of the internal market and thereby ensure a sustainable contribution of the financial sector to economic growth,
1. Calls on the European Council to specify as soon as possible the Treaty changes required in order to establish a permanent ESM;
  2. Recalls that it has welcomed the establishment of a financial stability mechanism to address the risks of default by sovereign borrowers, partly using Article 122 TFEU as the legal basis of this plan, and that it has noted the inherent democratic deficit and lack of accountability of the Council's rescue package decisions, which did not include consultation with the European Parliament; demands that the European Parliament be involved as co-legislator in forthcoming crisis rescue proposals and decisions;
  3. Underlines that, from a rational, practical and democratic point of view, consideration of the economic governance legislative package cannot be dissociated from the decision taken by the European Council to create a permanent crisis mechanism;
  4. Wishes, as a co-legislator, to stress the need to create a permanent EMF based on the Community method; notes that, in any case, the ESM and/or an EMF should be based on solidarity, subject to strict conditionality rules and financed, amongst other sources, by the fines applied to Member States as the outcome of a procedure for dealing with excessive deficits, excessive debts or excessive imbalances;
  5. Considers that a permanent crisis mechanism that is credible, robust, lasting and grounded in the essential technical realities should be adopted under the ordinary legislative procedure and be inspired by the Community method in order to strengthen the involvement of the European Parliament, so as to improve democratic accountability and to rely on the expertise, independence and impartiality of the Commission; urges in this perspective the European Council to provide an adequate legal basis in the framework of the revision of the TFEU for this purpose;
  6. Calls on the Commission to present a Communication bringing together the broad guidelines of the economic policies (Article 121(2) TFEU) as well as the guidelines on employment policies (Article 148(2) TFEU) for consideration in the debate on the ‘European Semester’ to reduce meaningless and endless discussions; urges the Commission to ensure greater involvement of the European Parliament at every stage of this debate to enhance democratic accountability and raise its public profile;
  7. Considers that the policy response to the specific recommendations addressed to Member States in the framework of the ‘European Semester’ should be specifically taken into account when implementing the legislative proposals on economic governance currently being discussed by Parliament and the Council;

8. Notes that the ESRB should cooperate closely with the Commission, Council and Parliament in identifying systemic risk and ensuring proper functioning of the ESM, especially as regards assessment of the solvency of the country concerned;
9. Calls on the Commission to present a Communication, after consultation with the ECB, containing a comprehensive description of the ESM, clarifying the position of investors, savers and market participants and stating explicitly that the ESM will be fully consistent with IMF policy and IMF practices as regards private-sector involvement in order to dissipate market concerns;
10. Notes that the permanent crisis mechanism should be implemented as soon as possible in order to ensure stability in the markets and to dissipate uncertainty as regards bonds that have been issued under the temporary mechanism but that are to be repaid after the permanent crisis mechanism is set up;
11. Recognises that, while it is in the interest of all Member States that a workable crisis mechanism is established, not all Member States will be members or candidate members of the euro area by the time such a mechanism is set up, and notes that their particular situations should be clarified, especially for those moving towards the euro area and which have sovereign debt in euros; recalls that non-euro area members benefit from the balance of payments facility under Article 143 TFEU;
12. Notes therefore that Member States outside the euro area should be involved in the creation of such a mechanism and that those Member States which are willing to participate in the mechanism should have such a possibility;
13. Notes that, in any case, the ESM should be subject to strict conditionality rules and financed, amongst other sources, by innovative financing tools and/or by the fines applied to Member States as the outcome of an excessive deficit, excessive debt or excessive imbalance procedure, if they are included in the legislation currently being negotiated and in accordance with the form they take;
14. Underlines that the financing of the permanent crisis mechanism must be based upon the 'polluter pays principle', meaning that Member States creating bigger risks by their deficits and debt burdens should finance a larger proportion of the total assets;
15. Stresses that this strict and incremental conditionality should serve to restore sustainable growth and not be achieved at the expense of the most vulnerable and therefore should not equate to lowering minimum incomes and aggravating poverty and inequalities;
16. Insists that the private sector be involved in the burden-sharing and that, in this regard, rules should be adapted to provide for case-by-case participation of private-sector creditors, fully consistent with IMF policies;
17. Stresses the need for a high degree of transparency in the information relating to national accounts, including all off-balance sheet activity; notes that this must be backed up by external audits, reliable statistics and data, and accountability; welcomes the enhanced powers of Eurostat and recalls that Parliament has in the past asked for Eurostat to be able to make unannounced inspections of a Member State's accounts as a measure to enhance

fiscal surveillance;

18. Calls on the Commission to present a Communication containing a comprehensive description of clauses and conditions attached to the EFSM, as well as other EU financial assistance instruments and packages granted as a response to the crisis;
19. Asks the Commission to inform the European Parliament of the estimated effect on the EU's credit rating (a) of the creation of the financial stabilisation mechanism, and (b) of the utilisation of the full line of credit;
20. Asks the Commission to prioritise the spending in the EU budget in each year of the existence of the EFSM to establish the order in which the budget will have to be cancelled in the event of having to return up to EUR 60 billion;
21. Instructs its President to forward this resolution to the President of the European Council, the Council, the President of the Euro Group, the Commission, the ECB and the parliaments and governments of the Member States.