



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2016) 2179 final

- English language version of the French text which is authentic -

Brussels, 13 September 2016

TEXTE EN

MINUTES

of the 2179th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 27 July 2016

(morning)

PV(2016) 2179 final

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Single sitting: Wednesday 27 July 2016 (morning)

The sitting opened at 10.23 with Mr JUNCKER, President, in the chair. Items 12 and 13 (in part) were chaired by Mr TIMMERMANS.

Present:

Mr JUNCKER	President	Items 1 to 11, 13 (in part) and 14
Mr TIMMERMANS	First Vice-President	Items 1 to 13
Ms MOGHERINI	High Representative / Vice-President	
Ms GEORGIEVA	Vice-President	Items 1 to 13
Mr ANSIP	Vice-President	
Mr ŠEFČOVIČ	Vice-President	
Mr DOMBROVSKIS	Vice-President	Items 1 to 11, 13 (in part) and 14
Mr KATAINEN	Vice-President	
Mr OETTINGER	Member	
Mr HAHN	Member	
Ms MALMSTRÖM	Member	
Mr MIMICA	Member	
Mr ARIAS CAÑETE	Member	
Mr VELLA	Member	
Mr ANDRIUKAITIS	Member	
Mr AVRAMOPOULOS	Member	
Mr MOSCOVICI	Member	Items 1 to 11, and 13 (in part)
Mr STYLIANIDES	Member	Items 1 to 8/9/10/11 (in part)
Mr HOGAN	Member	
Ms JOUROVÁ	Member	
Mr NAVRACSICS	Member	
Ms VESTAGER	Member	
Mr MOEDAS	Member	

Absent:

Ms THYSSEN	Member
Ms BULC	Member
Ms BIEŃKOWSKA	Member
Ms CREȚU	Member

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*- English language version of the French text which is authentic -*The following sat in to represent absent Members of the Commission:

Ms PASERMAN	Deputy Chef de cabinet to Ms THYSSEN
Mr ZAKONJŠEK	Chef de cabinet to Ms BULC
Mr HUSAK	Chef de cabinet to Ms BIENKOWSKA
Ms VON BUTTLAR	A member of Ms CREȚU's staff

The following also sat in:

Mr SELMAYR	Chef de cabinet to the PRESIDENT	Items 1 to 11, 13 (in part) and 14
Ms MARTÍNEZ ALBEROLA	Deputy Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr PESONEN	Director-General, DG Communication	
Mr SCHINAS	Head of the Spokesperson's Service and Chief Spokesperson of the Commission	Items 1 to 13
Ms ANDREEVA	Commission Spokesperson's Service	
Ms METTLER	Head of the European Political Strategy Centre	
Mr PAQUET	Deputy Secretary-General	
Ms KRAMER	Director of Coordination and Administration in the PRESIDENT's Office	Item 13
Mr THOLONIAT	Adviser in the PRESIDENT's Office	Items 1 to 11, 13 (in part) and 14
Mr KASEL	Adviser in the PRESIDENT's Office	Item 13
Ms ARKI	PRESIDENT's Office	
Ms WERNER	Chef de cabinet to Ms GEORGIEVA	Items 1 to 6, and 13
Mr SCHWARZ	Deputy Chef de cabinet to Ms GEORGIEVA	Item 13
Mr WYNANDS	Chef de cabinet to Mr DOMBROVSKIS	
Mr BAILLY	Chef de cabinet to Mr MOSCOVICI	Items 1 to 11

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Mr ELING	Deputy Chef de cabinet to Mr STYLIANIDES	Items 13 and 14
Ms COUSIN	A member of Ms VESTAGER's staff	Item 14
Ms BREIDTHARDT	Commission Spokesperson's Service	Items 1 to 11
Ms CALVIÑO	Director-General, DG Budget	Item 13

Secretary: Mr ITALIANER, Secretary-General, assisted by Mr AYET PUIGARNAU, Director in the Secretariat-General.

1. AGENDAS

(OJ(2016) 2179/FINAL; SEC(2016) 341/FINAL/2)

The Commission took note of that day's agenda and of the tentative agendas for forthcoming meetings. It also took note of the addition to the agenda for that day's meeting of items 6.1 to 6.4, 6.10 and 6.12, relating to six administrative decisions.

2. WEEKLY MEETING OF CHEFS DE CABINET

(RCC(2016) 2179)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 25 July.

3. APPROVAL OF MINUTES OF 2176TH MEETING (5 JULY), MINUTES AND SPECIAL MINUTES OF 2177TH MEETING (13 JULY), AND MINUTES OF 2178TH MEETING (20 JULY)

(PV(2016) 2176; PV(2016) 2177; PV(2016) 2177, PART II)

The Commission approved the minutes of its 2176th and 2177th meetings and decided to hold over approval of the minutes of its 2178th meeting for a later date.

4. INTERINSTITUTIONAL RELATIONS

(RCC(2016) 102)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held on Friday 22 July (RCC(2016) 102).

It paid particular attention to the following points.

4.1. LEGISLATIVE MATTERS

i) Trilogue

(point 3.1 of the IRG record)

- Specific conditions for fishing for deep-sea stocks in the North-East Atlantic and provisions for fishing in international waters of the North-East Atlantic and repeal of Regulation (EC) 2347/2002 (Regulation) – THOMAS report – 2012/0179 (COD)

The Commission approved the line set out in SI(2016) 316.

ii) Council dossier

(point 3.3 of the IRG record)

- Amendment of Council Framework Decision 2004/757/JHA of 25 October 2004 laying down minimum provisions on the constituent elements of criminal acts and penalties in the field of illicit drug trafficking, as regards the definition of drug (Directive) – JIMÉNEZ-BECERRIL BARRIO report – 2013/0304 (COD) / New psychoactive substances (Regulation) – BONI report – 2013/0305 (COD)

The Commission took note of the information in SI(2016) 310.

4.2. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

iii) Non-legislative dossier

(point 4.1 of the IRG record)

- Amendments to Regulations (EU) 2016/72 and (EU) 2015/2072 as regards certain fishing opportunities (Council Regulation) – 2016/0203 (NLE)

The Commission approved the line set out in SI(2016) 318.

4.3. RELATIONS WITH PARLIAMENT

iv) Non-legislative dossiers

(point 5.1 of the IRG record)

- Committee of Inquiry into Emission Measurements in the Automotive Sector (EMIS) – Preparation of the Hearing of Mr Günther VERHEUGEN, former Vice-President of the European Commission, on 30 August 2016 – Preparation of written answers

The Commission took note of SP(2016) 502 and the replies to the questions set out in the Annex thereto.

- Committee of Inquiry into Emission Measurements in the automotive sector (EMIS) – Information on the investigation following the emission measurements case – Follow-up to Resolution 2015/2865 (RSP) of the European Parliament of 27 October 2016

The Commission approved the line set out in SP(2016) 512, took note of the report set out in the Annex thereto, and authorised Ms BIENKOWSKA, in agreement with Mr KATAINEN, to send it to the Chair of the EMIS Committee.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED

(SEC(2016) 342 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 18 and 22 July.

5.2. EMPOWERMENT

(SEC(2016) 343 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 18 and 22 July.

5.3. DELEGATION / SUBDELEGATION OF POWERS

(SEC(2016) 344 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 18 and 22 July, as archived in Decide.

5.4. SENSITIVE WRITTEN PROCEDURES

(SEC(2016) 345)

The Commission took note of the sensitive written procedures for which the time limit expired between 25 and 29 July.

6. ADMINISTRATIVE AND BUDGETARY MATTERS

(SEC(2016) 346/2)

ADMINISTRATIVE MATTERS**(PERS(2016) 80/2)**

Ms GEORGIEVA proposed the appointment of four new Deputy Directors-General in the Directorate-General for Informatics, the Joint Research Centre, the Directorate-General for Research and Innovation and the Directorate-General for Interpretation (see items 6.1 to 6.4 of these minutes).

She also referred to the main conclusions of the first annual report on the representation of women in management positions in the Commission. Some satisfactory progress had been made as regards directors-general and deputy directors-general, but progress was still insufficient with regard to directors and heads of unit. Fourteen Directorates-General, in particular, were lagging behind and would have to catch up in 2017 (see item 6.11 of these minutes).

Ms MOGHERINI presented to the Commission the lists of candidates for EU Heads of Delegation posts in Burundi and Saudi Arabia and said that she would subsequently inform the College of the final appointment decisions. With regard to the appointment of the new Head of Delegation to Turkey, Mr Christian BERGER, she emphasised his wide and solid experience (see item 6.12 of these minutes).

The PRESIDENT announced his decision to entrust to Mr Michel BARNIER, former Vice-President of the Commission and a former minister in various French governments, the function of Chief Negotiator in charge of the Commission Taskforce for the Preparation and Conduct of the Negotiations with the United Kingdom under Article 50 of the TEU. He was pleased that this important and delicate mission was entrusted to an experienced politician and seasoned negotiator who, moreover, was particularly well-versed in the political issues that would be addressed during these negotiations. Mr BARNIER would take up his duties on 1 October 2016. The Commission took note of these decisions and expressed its support for them.

6.1. DG INFORMATICS – APPOINTMENT OF AD15/16 DEPUTY DIRECTOR-GENERAL
(PERS(2016) 34 TO /4)

The Commission had before it the list of applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Deputy Director-General of DG Informatics (PERS(2016) 34 and /2).

It took note of the opinions of the Consultative Committee on Appointments of 14 and 20 July 2016 (PERS(2016) 34/3 and /4).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and after consulting Mr OETTINGER and also Mr ANSIP and Mr KATAINEN, it decided to appoint Mr Mario CAMPOLARGO to the post.

This decision would take effect on 1 September 2016.

6.2. JOINT RESEARCH CENTRE – APPOINTMENT OF AD15/16 DEPUTY DIRECTOR-GENERAL
(PERS(2016) 35 TO /4)

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Deputy Director-General in charge of Directorates B, C, D, E, F and G in the Joint Research Centre (PERS(2016) 35 and /2).

It took note of the opinions of the Consultative Committee on Appointments of 5 and 12 July 2016 (PERS(2016) 35/3 and /4).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On

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a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and after consulting Mr NAVRACSICS and also Mr ANSIP, Mr DOMBROVSKIS and Mr KATAINEN, it decided to appoint Ms Charlina VITCHEVA to the post.

This decision would take effect on 1 September 2016.

**6.3. DG RESEARCH AND INNOVATION – APPOINTMENT OF AD15/16
DEPUTY DIRECTOR-GENERAL
(PERS(2016) 44 TO /4)**

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Deputy Director-General in charge of Directorates D, E, F, G, H and I in DG Research and Innovation (PERS(2016) 44 and /2).

It took note of the opinions of the Consultative Committee on Appointments of 12 and 15 July 2016 (PERS(2016) 44/3 and /4).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and after consulting Mr MOEDAS and also Mr ANSIP, Mr ŠEFČOVIČ, Mr DOMBROVSKIS and Mr KATAINEN, it decided to appoint Ms Ruxandra DRAGHIA-AKLI to the post.

This decision would take effect on 1 September 2016.

6.4. DG INTERPRETATION – APPOINTMENT OF AD15/16 DEPUTY DIRECTOR-GENERAL
(PERS(2016) 36 TO /4)

The Commission had before it the list of applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Deputy Director-General of DG Interpretation (PERS(2016) 36 and /2).

It took note of the opinions of the Consultative Committee on Appointments of 2 June and 6 July 2016 (PERS(2016) 36/3 and /4).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, it then decided to appoint Mr Carlos ALEGRIA to the post.

This decision would take effect on 1 September 2016.

6.5. DG ECONOMIC AND FINANCIAL AFFAIRS – APPOINTMENT OF AD14/15 DIRECTOR
(PERS(2016) 3 TO /4)

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director, 'Resources', in DG Economic and Financial Affairs (PERS(2016) 3 and /2).

It took note of the opinions of the Consultative Committee on Appointments of 21 April and 2 June 2016 (PERS(2016) 3/3 and /4).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and

after consulting Mr MOSCOVICI and also Mr DOMBROVSKIS and Mr KATAINEN, it decided to appoint Ms Michaela DI BUCCI to the post.

This decision would take effect on a date to be determined.

6.6. DG HEALTH AND FOOD SAFETY – APPOINTMENT OF AD14/15 DIRECTOR
(PERS(2016) 28 TO /3)

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director, 'Public health, country knowledge, crisis management', in the Directorate-General for Health and Food Safety (PERS(2016) 28).

It took note of the opinions of the Consultative Committee on Appointments of 13 and 23 June 2016 (PERS(2016) 28/2 and /3).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and after consulting Mr ANDRIUKAITIS and also Mr KATAINEN, it decided to appoint Mr John RYAN to the post.

This decision would take effect on 1 September 2016.

6.7. SECRETARIAT-GENERAL – APPOINTMENT OF AD14/15 DIRECTOR
(PERS(2016) 60 TO /3)

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director, 'Policy Coordination I', in the Secretariat-General (PERS(2016) 60).

It took note of the opinions of the Consultative Committee on Appointments of 8 and 12 July 2016 (PERS(2016) 60/2 and /3).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, it then decided to appoint Mr Marcel HAAG to the post.

This decision would take effect on 1 September 2016.

**6.8. SECRETARIAT-GENERAL – APPOINTMENT OF AD14/15 DIRECTOR
(PERS(2016) 61 TO /3)**

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director, 'Relations with other Institutions', in the Secretariat-General (PERS(2016) 61).

It took note of the opinions of the Consultative Committee on Appointments of 14 and 20 July 2016 (PERS(2016) 61/2 and /3).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, it then decided to appoint Mr Enrico FORTI to the post.

This decision would take effect on 1 September 2016.

**6.9. DG RESEARCH AND INNOVATION – APPOINTMENT OF AD14/15
PRINCIPAL ADVISER
(PERS(2016) 30 TO /3)**

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Principal Adviser in DG Research and Innovation (PERS(2016) 30).

It took note of the opinions of the Consultative Committee on Appointments of 26 May and 30 June 2016 (PERS(2016) 30/2 and /3).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and after consulting Mr MOEDAS and also Mr ANSIP, Mr ŠEFČOVIČ, Mr DOMBROVSKIS and Mr KATAINEN, it decided:

- to appoint Mr Pablo AMOR ECHEVERRI to the post of principal adviser;
- to second him in the interest of the service to the post of Director of the European Research Council Executive Agency (ERCEA) for the duration of his four-year term of office.

This decision would take effect on 1 August 2016.

6.10. SECRETARIAT-GENERAL – APPOINTMENT OF THE DIRECTOR OF THE AUTHORITY FOR EUROPEAN POLITICAL PARTIES AND EUROPEAN POLITICAL FOUNDATIONS
(SEC(2016) 363)

The Commission noted the procedure followed, as set out in point 10 of PERS(2016) 80/2, and, in agreement with the PRESIDENT, Mr TIMMERMANS and Ms GEORGIEVA, decided:

- to approve the appointment of Mr Michael ADAM as Director of the Authority for European political parties and European political foundations;
- to approve the draft decision of the European Parliament, the Council and the Commission, as set out in SEC(2016) 363;
- to authorise Mr TIMMERMANS to sign this decision on behalf of the Commission;
- to confer on the appointing authority of the European Parliament the

Commission's share of joint appointing authority powers for the post of Director, with the exception of those of appointment and dismissal.

These decisions would take effect immediately.

6.11. DG HUMAN RESOURCES AND SECURITY – FIRST ANNUAL REPORT ON TARGETS FOR FEMALE REPRESENTATION IN MANAGEMENT FUNCTIONS IN THE EUROPEAN COMMISSION FOR THE YEARS 2015-2019 – FOLLOW-UP AND ADDITIONAL MEASURES

(SEC(2016) 362)

The Commission noted the information in point 11 of PERS(2016) 80/2 and, on a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, decided:

- to take note of the first annual report on progress towards the objective of 40% representation for women in management positions by 2019, circulated as SEC(2016) 362;
- to call on all Directorates-General, especially those in which the figures had declined since November 2014, to take advantage of all the opportunities that arose to address the issue, bearing in mind expected vacancies as a result of retirements, secondments, leave on personal grounds, inter-institutional transfers, appointments to senior management positions and the discontinuance of middle-management positions;
- to call on those Directorates-General which were projected to have limited scope for achieving their objectives by 2019 to look favourably on transfers of women in middle-management positions and to take advantage of all the opportunities that arose, including through the next mobility exercise between Directorates-General;

- to take the following measures regarding the selection procedures planned for middle management as adopted by the Commission at its meeting on 15 July 2015 (see item 5.1 of the Minutes of the meeting of 15 July 2015 – PV(2015) 2135 final):
 - (i) the final reports of selection panels engaged in recruitment procedures for middle-management staff would include an extra section on gender representation within the Directorate-General concerned, based on a standard model sent by the Directorate-General for Human Resources and Security; it would provide information with respect to, in particular, the rates of gender representation in middle management at the date of presentation of the report, the representation objective assigned to the Directorate-General and the number of first appointments of women still required to attain the specific objective for the Directorate-General on this point;
 - (ii) in order to keep the member of the Commission with authority for the Directorate-General fully informed of the level of female representation there, the Director-General in charge of recruitment would explain in detail the impact that the proposed appointment might have on attainment of the female representation objectives for the Directorate-General as part of the consultation procedure provided for by Article 8(2)(a) of the Commission Decision on middle-management staff;
 - (iii) Directorates-General could be prevented from filling a vacant middle-management position if they did not make significant progress towards attaining their objectives by 2019;
- to update, if necessary in January 2017, the subtargets for female representation at middle-management level by Directorate-General, taking

account, in particular, of the outcome of the first mobility exercise between Directorates-General organised for middle-management staff and the outcome of the selection procedures for senior-management positions published in 2016.

These decisions would take effect immediately.

6.12. DG HUMAN RESOURCES AND SECURITY – APPROVAL OF LISTS OF CANDIDATES FOR HEAD OF EUROPEAN UNION DELEGATION POSTS IN BURUNDI AND SAUDI ARABIA (GRADES AD9-14), AND APPROVAL OF A TRANSFER IN THE INTEREST OF THE SERVICE TO FILL THE AD14 POSITION OF HEAD OF THE EUROPEAN UNION DELEGATION IN TURKEY (PERS(2016) 81; PERS(2016) 82; PERS(2016) 83)

The Commission noted the information in item 12 of PERS(2016) 80/2 and, on a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, decided:

- to approve the lists of candidates for Head of European Union Delegation posts in Burundi and Saudi Arabia set out in PERS(2016) 81 and PERS(2016) 82 respectively;
- to approve Ms MOGHERINI's intention to transfer in the interests of the service, pursuant to Article 95(2) of the Staff Regulations, Mr Christian BERGER, the Deputy Managing Director for the Middle East and North Africa at the European External Action Service (EEAS), to the position of Head of the European Union Delegation in Turkey in line with PERS(2016) 83.

In view of the above, the competent authority of the European External Action Service would make the final appointments.

These decisions would take effect immediately.

**7. EU FRAMEWORK TO STRENGTHEN THE RULE OF LAW –
COMMISSION RECOMMENDATION ON THE RULE OF LAW IN
POLAND
(C(2016) 5703 AND /2)**

Mr TIMMERMANS recalled that he had provided the Commission at its meeting of the previous week with an assessment of the exchanges he had had with the Polish authorities on behalf of the institution following the adoption by the Commission of its opinion on the rule of law and its transmission to the Polish government on 1 June.

He noted with disappointment that little real progress had been made, despite the intense discussions with the Polish authorities since the beginning of the year. With respect to the Law on the Constitutional Tribunal passed by the Polish Parliament on 22 July, he pointed out that, while a certain number of positive amendments had been made, other key aspects which constituted a threat to the rule of law had been retained or added to it, in particular as far as the effective functioning of the Tribunal and the effectiveness of its constitutional review of new laws were concerned.

Consequently, Mr TIMMERMANS tabled for adoption by the Commission a recommendation on the rule of law in Poland, the text of which had been circulated before the meeting with a view to sending it to the Polish authorities that day. He explained that the document highlighted the matters of concern for the Commission with respect to the threat to the rule of law in the country and made a certain number of recommendations to the Polish authorities on possible measures to resolve matters.

He explained that in this second stage of the process laid down in the EU framework

for strengthening the rule of law, the Polish government would be asked to adopt the measures necessary to remove the systemic threat to the rule of law within three months and to inform the Commission accordingly. The Commission was, he added, ready to pursue a constructive dialogue with the Polish government.

Finally, Mr TIMMERMANS noted that, if the systemic threat to the rule of law continued, under the third stage of the EU Framework for strengthening the rule of law, the Member States, the European Parliament or the Commission could avail themselves of the procedure laid down in Article 7 of the Treaty on European Union, which could eventually lead the Council to suspend certain of the rights deriving from the application of the Treaties to the Member State concerned.

The PRESIDENT noted the Members' agreement with the proposal submitted by Mr TIMMERMANS.

The Commission therefore decided to adopt, in the authentic language (Polish), the recommendation contained in C(2016) 5703/2, to notify it to the Republic of Poland and to publish it, for information, in the *Official Journal of the European Union*.

- 8. RECOMMENDATION FOR A COUNCIL IMPLEMENTING DECISION IMPOSING A FINE ON SPAIN FOR FAILURE TO TAKE EFFECTIVE ACTION TO ADDRESS AN EXCESSIVE DEFICIT (COM(2016) 517)**
- 9. RECOMMENDATION FOR A COUNCIL DECISION GIVING NOTICE TO SPAIN TO TAKE MEASURES FOR THE DEFICIT REDUCTION JUDGED NECESSARY IN ORDER TO REMEDY THE SITUATION OF EXCESSIVE DEFICIT (COM(2016) 518; SWD(2016) 263)**

- 10. RECOMMENDATION FOR A COUNCIL IMPLEMENTING DECISION IMPOSING A FINE ON PORTUGAL FOR FAILURE TO TAKE EFFECTIVE ACTION TO ADDRESS AN EXCESSIVE DEFICIT
(COM(2016) 519)**
- 11. RECOMMENDATION FOR A COUNCIL DECISION GIVING NOTICE TO PORTUGAL TO TAKE MEASURES FOR THE DEFICIT REDUCTION JUDGED NECESSARY IN ORDER TO REMEDY THE SITUATION OF EXCESSIVE DEFICIT
(COM(2016) 520; SWD(2016) 264)**

Mr DOMBROVSKIS presented the proposals tabled that day for a decision by the College under the Stability and Growth Pact. They concerned in particular the measures to be taken in relation to Spain and Portugal after the Council had established on 12 July, pursuant to Article 126(8) of the Treaty on the Functioning of the European Union, that these two Member States had not taken effective action to reduce their excessive deficit.

The proposals consisted, first, in a recommendation to the Council to set new budgetary paths for Spain and Portugal with a view to correcting their excessive deficit by a certain deadline through additional measures and, second, in a recommendation to the Council to impose fines for ineffective action, as it was legally required to do within 20 days of the Council decision referred to above.

Under existing legislation, the Commission would also have to give its opinion on the partial suspension of financial commitments for 2017 relating to the Structural and Investment Funds for Spain and Portugal. The Commission had consulted Parliament on this point, under a structured dialogue that Parliament had accepted.

Mr DOMBROVSKIS highlighted the difficult choices on which the Commission had to give its view that day in order to take a balanced decision for Spain and Portugal, while at the same time ensuring the credibility of the institutions and

mechanisms of economic and fiscal governance.

With regard, first, to the adjustment paths recommended to end the excessive deficit situation in each of these two countries, he proposed, in agreement with Mr MOSCOVICI, a reasonable timetable which required Portugal to achieve the target of a deficit below the 3% threshold in 2016, and Spain in 2018. He took the view that the two Member States should achieve that if current trends continued.

The fines could reach up to 0.2% of the gross domestic product (GDP) of the Member State concerned. In order to determine the amount, his view was that account should be taken of the substantial efforts made by Spain and Portugal over the past six or seven years, since the start of the financial crisis in 2008, thanks to which these countries had substantially consolidated their public finances, undertaken fruitful structural reforms and exited the European assistance programmes, even though they had somewhat relaxed this discipline recently.

Spain and Portugal had justified this situation in their reasoned requests by a number of economic factors and made commitments in order to avoid any fine. However, he considered these arguments inadequate.

While inviting the Commission to take into consideration the credibility of the institution as the guardian of EU law, Mr DOMBROVSKIS set out the terms of the discussion proposed to the Members of the Commission that day, i.e. to impose a symbolic fine, decide on a higher fine, or cancel it, with the precedent that such a decision could set, the objective being to reach the most intelligent political solution, while complying with the rules in place.

Mr MOSCOVICI pointed out that, following the discussion the previous week, the College had to decide two issues, since the decision on the partial suspension in 2017 of the structural funds had been postponed until the end of the structured dialogue with Parliament.

He considered that these two questions were clear in political terms, despite several

technically complex aspects. Without going back on the unanimous recognition that Spain and Portugal had not met the budgetary targets laid down by the recommendations adopted in 2013, he took the view that the first question for Members was whether to recommend that the Council impose a fine on these two countries. He personally was in favour of a recommendation not to impose a fine, for a number of reasons.

First, he took the view that Spain and Portugal had already been hit by a political sanction on 12 July, when the Economic and Financial Affairs Council had unanimously acknowledged, with the Commission, that these two countries had failed to keep their legal and economic obligations to the other countries in the euro area. That was a political first, the consequences of which should not be underestimated.

Second, he highlighted the good reasons for the European legislator having provided for the possibility of cancelling fines, in particular the existence of exceptional circumstances. He felt that these good reasons were met in this case, in view of the exceptional efforts made by Spain and Portugal during the financial crisis, since 2008, and between 2013 and 2015, on both budgetary policy and structural reforms. If a financial penalty, even a symbolic one, were imposed on these countries, his fear was that Spanish and Portuguese citizens would interpret this message as a criticism for not having made enough efforts, while the Union had played a large part in defining those efforts, in particular in the case of Portugal, and welcomed their effects. He warned that there was a risk that this might result in a loss of support for the European project in these Member States.

Third, he set out the interinstitutional political context to the decisions to be taken, with a broad European consensus in favour of cancelling the fines. He felt it wise not to take the risk of provoking unnecessary divisions.

Fourth and last, he was sceptical about the impact of a symbolic fine, which would still mean tens or hundreds of millions of euros denied to the real economy, small

and medium-sized enterprises, and citizens, and which would also be reflected in slower growth and job losses.

Mr MOSCOVICI then turned to the second question facing the Union, namely which path to set for Spain and Portugal to bring them under the deficit threshold of 3% of GDP.

He explained that the question was relatively simple for Portugal since, according to the Commission's economic forecasts, the country would post a deficit of 2.7% of GDP in 2016 without any additional efforts. That was why the recommendation before the College, which was addressed to the Council for decision, required Portugal to achieve a deficit of less than 3% this year, therefore giving the country an extra year compared with the initial target of 2015.

Nonetheless, he stressed that, at the same time, the recommendation required the Portuguese authorities to make a structural effort of 0.25% of GDP to return to a neutral position in accordance with the average fiscal stance in the euro area, which represented a non-negligible effort that the Portuguese government had in any case accepted.

However, he acknowledged that the question of the budget path for Spain was more complex, economically and politically. The country would not reach the 3 % threshold this year, as had been initially recommended, since the forecasts by the Spanish budget council were between 4.1% and 4.7%. That was why, given the effort required, the Commission wished to recommend two additional years, which would allow the fiscal effort to be spread out over 24 months, and provide for a more realistic and certain path, all the more so since the definitive government had not yet been appointed.

Lastly, he added some remarks on the next few stages in this process, stressing that although the Commission was recommending that day that the Council impose fines, it was for the Council to adopt the recommendation or to amend the amounts

if necessary, by qualified majority, in the following month, at a time of year when such decisions would go unnoticed, so that among European public opinion, it was the Commission's proposal that would gain the attention.

Mr MOSCOVICI concluded his presentation by stating that he would support whatever decision the College took, since the options up for decision could all be defended legally, politically and intellectually.

In the course of the discussion that followed, the Commission raised the following key points:

- the full support of the College for the new fiscal adjustment paths proposed for Spain and Portugal, which were relatively generous, while at the same time maintaining pressure to encourage and help these Member States to reduce their excessive deficits to sustainable levels to ensure growth;
- the support of a majority of Members for the proposal to issue a decision cancelling the fines, which was deemed to be reasonable, fair and politically astute given the considerable efforts made by Spain and Portugal since 2008 to substantially reduce their excessive deficits;
- the importance of (i) incorporating the political (and non-bureaucratic) dimension of the decision on the fines; (ii) positively encouraging the Member States concerned; (iii) demonstrating the validity and credibility of European economic and fiscal governance and (iv) promoting the European perspective; a call not to impose a financial sanction on top of the political sanction already adopted with the Council decisions of 12 July establishing that no effective action had been taken;
- a reference to Spain and Portugal's economic situation, which remained difficult, particularly in terms of the high unemployment rate; on the other hand, the fact that there were signs that the sacrifices made by the Spanish and

Portuguese people were starting to produce positive results, in the form of renewed growth and job creation; hence, calls not to increase the burden already placed on the Spanish and Portuguese economies, or to provoke feelings of frustration among the population;

- a reminder of the fact that the fines related to the past but brought no benefit or indication of the direction to take in the future;
- the fact that the decisions presented for consideration by the College were in line with the Stability and Growth Pact and the legislation on budgetary surveillance; a reminder that the current rules allowed for the possibility of cancelling a fine; however, the need for careful consideration of any decision to cancel the fines, which would set a precedent;
- the need to avoid causing unnecessary tension between the EU institutions, between the institutions and the Member States, and between Europe and its citizens in the difficult circumstances in which the Union currently found itself; the importance, on the contrary, of emphasising the notion of solidarity; a call by other Members not to shrink from applying the rules for fear of unpopularity;
- some Members of the Commission, on the other hand, stressed the need for the forthcoming decision to respect the letter and the spirit of the Treaties, or in other words the values of the Union; support for the majority decision of the College, provided that Spain and Portugal made serious and credible commitments to correct their current excessive deficits; the need to create a positive dynamic with the budgetary surveillance procedure;
- broad support for counterbalancing the political choice to cancel the fines with a very clear explanation and warning to the effect that the Member States concerned must continue to do their utmost to improve their budgetary and economic performances and that although the fines were not being imposed at

this stage they would be later on if the countries in question did not bring their excessive deficits down to the levels required in the time allowed;

- a reminder of the sometimes extremely painful structural reforms and fiscal efforts which certain other Member States had undergone without losing the trust of their citizens;
- a call from some Members to impose a fine, even a symbolic one, rather than to cancel it; a call not to devalue the rules in force or the Commission's power to impose sanctions, for fear of depriving these rules of any validity and undermining the institution's authority; the suggestion that the Commission should focus solely on the fact that these two Member States had failed to fulfil their obligations; the longer-term challenge of a level of debt in Europe that remained huge, even though it had been curbed, against a backdrop of sluggish growth;
- as regards the later decision on the possible suspension of the commitments under the Structural Funds, following the conclusion of the structured dialogue with the European Parliament, a reminder of the possibility of reversing such a decision if the Member State in question achieved the desired results in terms of reducing its excessive deficit.

The PRESIDENT thanked all of the Members for this in-depth discussion, from which he concluded that the College did not wish at this stage to recommend imposing fines on Spain and Portugal, provided that these two Member States embarked on measures to reduce their excessive deficits in the second half of 2016 and in their draft budgets for 2017. Failing this, the Commission would not hesitate at a later stage to recommend the partial suspension in 2017 of the financial commitments relating to the European Structural and Investment Funds intended for these countries. He felt that this choice was consistent with the application of the Stability and Growth Pact.

Mr DOMBROVSKIS supported the rationale of enforcing the rules of the Stability and Growth Pact either by adjusting the amount of the fines due or by suspending the Structural Funds. He also supported the College's preference for the second instrument in order to supplement the decision by providing encouragement and a forward-looking approach, with the fiscal adjustment path and guidance for the 2017 budget. He was confident that the Council would approve the realistic paths proposed by the Commission. If the objectives set by these adjustment paths were attained, the suspension of the financial commitments relating to the Structural and Investment Funds could be lifted. If they were not, however, the Commission would move on to the second part of the decision and would not hesitate to recommend a partial suspension in 2017 of the financial commitments under the Structural Funds intended for Spain and Portugal.

Mr MOSCOVICI felt that the College had reached a sound, credible and balanced decision which, in his view, conveyed confidence but was at the same time exacting, in order to encourage the budgetary changes that were needed by exerting pressure to ensure compliance with the commitments made. He also noted that the deficits of the two Member States covered by the decision had declined substantially in the space of a few years.

The PRESIDENT wound up the discussion.

The Commission decided:

- following option 1, to adopt the recommendation for a Council implementing decision on Spain set out in COM(2016) 517, for transmission to the Council and, for information, to the European Parliament and national parliaments;
- to adopt, subject to a final revision, the recommendation for a Council decision on Spain set out in COM(2016) 518, for transmission to the Council and, for information, to the European Parliament and national parliaments, accompanied by the staff working document distributed as SWD(2016) 263, the contents of

which were noted;

- following option 1, to adopt the recommendation for a Council implementing decision on Portugal set out in COM(2016) 519, for transmission to the Council and, for information, to the European Parliament and national parliaments;
- to adopt, subject to a final revision, the recommendation for a Council decision on Portugal set out in COM(2016) 520, for transmission to the Council and, for information, to the European Parliament and national parliaments, accompanied by the staff working document distributed as SWD(2016) 264, the contents of which were noted.

12. OTHER BUSINESS

COMMISSION DECISIONS ON THE ADMISSIBILITY OF TWO PROPOSED CITIZENS' INITIATIVES ENTITLED 'LET'SFLY2EUROPE: ENABLE SAFE AND LEGAL ACCESS TO EUROPE FOR REFUGEES' AND 'PEOPLE4SOIL: SIGN THE CITIZENS' INITIATIVE TO SAVE THE SOILS OF EUROPE!'
(C(2016) 5704; C(2016) 5705 AND /2)

Mr TIMMERMANS informed the Commission Members that two Citizens' Initiatives entitled 'Let'sfly2Europe: Enable safe and legal access to Europe for Refugees' and 'People4Soil: Sign the citizens' initiative to save the soils of Europe!' had been submitted to the Commission.

Under the current procedure, the Commission had at this stage only to decide whether the two initiatives were legally admissible and consequently whether they could be registered. He confirmed that the Commission had examined the two initiatives, both of which fulfilled the conditions of admissibility laid down in the Treaties and in secondary legislation in force. He therefore proposed that the Members of the Commission should adopt the decisions recording the formal

registration of these initiatives on 2 and 12 September respectively.

The Commission therefore noted that, pursuant to Article 4(2) of Regulation (EU) 211/2011, the conditions of admissibility for the Citizens' Initiatives 'Let's fly 2 Europe: Enable safe and legal access to Europe for Refugees' and 'People 4 Soil: Sign the citizens' initiative to save the soils of Europe!' were met. It consequently decided to register the two initiatives, in accordance with C(2016) 5704 and C(2016) 5705/2, and authorised Mr TIMMERMANS to sign those decisions in his name and to notify the organisers of both initiatives.

13. POLICY DEBATE ON THE MID-TERM REVIEW OF THE 2014-2020 MULTIANNUAL FINANCIAL FRAMEWORK (SEC(2016) 360; RCC(2016) 104)

Ms GEORGIEVA opened the policy debate on the mid-term review of the 2014-2020 Multiannual Financial Framework. She began by describing the Framework's main features, namely credit appropriations totalling EUR 1 087 billion over the entire period, which equated to 1.04 % of EU Gross National Income, the priority aim of promoting investment in the Union, and the guiding principle of a budget focused on results.

She then referred to those elements of the 2014-2020 Financial Framework that were new compared to the previous Framework, namely greater flexibility and efficiency, as well as the principle of conditionality, particularly in relation to cohesion policy.

Lastly, she recalled that the Commission had undertaken to carry out a mid-term review – with or without a legislative proposal to revise the Council regulation laying down the multiannual financial framework – which was the subject of that day's debate. She stated that the review must be based on a precise analysis of

budgetary and economic developments to date, so as to identify the areas under the greatest budgetary pressure, the reasons behind that pressure and ways of putting the available funds to optimal use.

Using a PowerPoint presentation, Ms GEORGIEVA reviewed budgetary developments since 2014. Firstly, she pointed to the context of budgetary constraints, particularly the lower ceilings in comparison to the 2007-2014 Financial Framework, both in relation to commitment appropriations and payment appropriations, requiring even stricter budgetary discipline.

There had been a significant reduction in the payments backlog since 2014, which was estimated at around EUR 25 billion at the start of the period. The whole of this backlog was expected to be cleared by the end of the 2016 financial year. However, Ms GEORGIEVA drew the Commission Members' attention to the absorption rate of payment appropriations, which was still very slow, particularly in the area of cohesion policy.

Thirdly, she referred to a number of unforeseen situations faced in recent years, including (i) the investment gap in the EU, which had led to the creation of the European Fund for Strategic Investments (EFSI), (ii) the response to the refugee crisis and migration flows, for which EU funding had been doubled to almost EUR 16 billion for the period 2015-2017 and (iii) the emergency measures implemented in response to critical situations in certain agricultural markets following Russia's ban on imports of certain EU agricultural products. Ms GEORGIEVA noted that it had been possible to finance this unforeseen expenditure from the general EU budget by making use of much of the flexibility that had been built into the 2014-2020 Financial Framework. She felt that this was a key point to be emphasised in the mid-term review.

In light of this background information, Ms GEORGIEVA presented the three quantitative options set out in the background note distributed under her authority, namely (i) review of the Multiannual Financial Framework, without revision of the

relevant Council Regulation, (ii) greater flexibility through an amendment to the Regulation but without changes to the ceilings (soft revision), or (iii) higher commitment appropriation ceilings for underfunded budget headings and a higher overall payment ceiling (hard revision). She also referred to the adoption procedures that each option would involve.

Ms GEORGIEVA then proposed that a number of qualitative aspects be further developed in the second half of the 2014-2020 Financial Framework, namely (i) simplification of the implementation rules, particularly for beneficiaries, (ii) improved coherence between grants under the Structural and Investment Funds and the EU's financial instruments, such as the European Fund for Strategic Investments, and (iii) an increase in flexibility, for example through the reuse of de-committed funds for expenditure on refugees and security, or a flexibility reserve for external instruments, for which work was already under way in the group of Commissioners responsible for external relations.

In the light of the above, Ms GEORGIEVA announced her intention to draw up a proposal to revise the Council Regulation on the Financial Framework currently in force and several of the 15 legislative acts relating to the multi-annual programmes as part of the mid-term review. Looking at the political aspects, she then described, with the help of a chart, the priorities of the European Parliament and the Council respectively and recommended that the Commission focused its political efforts on those areas where the two converged.

She therefore put two main questions to the Members of the Commission for the policy debate, namely (i) the scale of ambition of the review, and (ii) the simplification measures that the Commission could propose to clear the major budgetary bottlenecks, as well as ways in which the EU budget could be brought closer to European citizens.

Ms GEORGIEVA concluded by raising the issue of the potential impact on the mid-term review of the result of the United Kingdom referendum in favour of

leaving the EU. She pointed out that, as the review was to be completed by the end of the year, the consequences of the UK's future withdrawal could not in all likelihood be taken into account.

In the course of the discussion that followed, the Commission raised the following key points:

Concerning the overall level of ambition (question 1)

- the widespread support among Commission members for option 2 (a soft revision), within the ceilings currently in place, which was deemed realistic and would make it possible to address actual budgetary needs while being able to garner, in the current circumstances, the necessary political support of the Member States meeting in Council;
- the importance of aligning the principle of a budget focused on results with financing for the EU's major political priorities, especially security and the response to the refugee crisis and migratory flows; the importance of the European Fund for Strategic Investments and its goal of doubling the capacity of the financial instruments available under the general EU budget by attracting private finance; the balance to be struck between these innovative financial instruments and more traditional alternatives;
- the pressing need to strengthen the overall flexibility of the budget for the second half of the current multiannual financial framework, in terms of both budgetary restructuring and the reuse of decommitted funds; the overall support for the proposal to reallocate decommitted funds to the refugee crisis;
- the urgency of implementing the flexibility reserve proposed by Ms GEORGIEVA under the EU's external policy, in order to address both the new responsibilities already entrusted to the Union – mainly in the areas of migration and security – and unforeseen foreign policy issues; the need to foster

the closest possible synergies between the EU's internal and external policies, especially in the areas mentioned above; the importance of having sufficient room for manoeuvre in external policy and being able to strengthen the measures undertaken with regard to the Union's eastern neighbourhood;

Concerning simplification (question 2)

- support for the overall aim of ensuring maximum simplification while, naturally, taking account of expenditure control obligations; the lessons to be learned from previous experience, given that the simplification of implementation rules has not always been maintained throughout the legislative procedure;
- the importance of enhanced simplification to ensure more efficient cooperation with Member States and the EU's international partner agencies, and to facilitate access to EU funding for small and medium-sized businesses; a desire for the greatest possible compatibility between the various types of financing and European funds, and more extensive use of mixed financing;

Concerning ways of bringing the EU budget more closely in line with citizens' needs

- the need to involve all stakeholders from the preparation stage of the revision, in order to take better account of the realities on the ground and citizens' most pressing concerns;
- the need to enhance public awareness, through more accessible, targeted communication, of the scale of the measures financed by the European Structural and Investment Funds in particular, and their impact in terms of job creation, growth and competitiveness; the possibilities offered in this respect by initiatives symbolising EU added value that relate to the daily life of citizens, for example the energy efficiency initiative and financing for 'smart' buildings;

- again in relation to structural funds, the merits of the proposal to realign certain objectives in response to recent developments; the support for the proposal Ms CREȚU had put forward in a letter sent to the PRESIDENT and the members of the Commission, to provide the Cohesion Fund with an investment facility earmarked for the reception and integration of migrants and refugees in Europe;
- the urgency of examining the causes of the significant problems encountered with the absorption of payment appropriations in relation to cohesion policy in particular, drawing conclusions from them and proposing targeted changes to current rules; a proposal to take into account the experiences of the stakeholders involved to identify precisely the practical problems encountered;
- with regard to the Common Agricultural Policy, a reminder of the emergency measures taken following the Russian embargo on imports of certain European agricultural products; the ensuing lack of any room for manoeuvre at present to cover unforeseen future events;
- accordingly, support for the proposal also to provide for greater flexibility in these areas by modifying current provisions;
- a reminder of the contribution made by the multiannual financial framework to deepening the economic and monetary union; the inclusion of macroeconomic and structural reform conditionality in the system of structural funds;
- the need to initiate a discussion on this point looking ahead to the transition to the next multiannual financial framework; the need for certainty among Member States concerning the financing that will be available in a few years; the importance of ensuring equal treatment of all Member States and a reminder of the sensitivity of certain budget allocations in certain regions;

- lastly, some remarks concerning the impact of the outcome of the UK referendum, on both the mid-term review and the Horizon 2020 financial framework; the desirability of reinforcing a number of key messages in this regard.

Ms GEORGIEVA thanked the members of the Commission for their constructive contributions to the policy debate. With regard to the level of ambition, she noted the unanimous support of the Commission for a soft revision (option 2). However, she stressed that this option would also require the unanimous support of the Council and the backing of the European Parliament. She therefore undertook to ensure close cooperation with the representatives of both institutions over the coming period, reporting that, on the initiative of the PRESIDENT, an initial meeting had already been held on this matter with the President of the European Parliament, Mr Martin Schulz.

She also noted the Commission's support for maximum flexibility and simplification, within the bounds of the rules on sound budgetary management. She stressed the need to pay extremely close attention to the implementing arrangements for the new rules which could, paradoxically, act as a further brake on the (already insufficient) absorption of the Structural Funds. She also underlined that, unlike under previous multiannual financial frameworks, funds not used up during the first half of the current framework were at risk of being lost.

She agreed on the importance of paying close heed to the concerns of European citizens so that their views would be duly reflected in the priorities set in the general budget of the Union.

She concluded by thanking the staff concerned at the Directorate-General for Budget for their excellent work in today's difficult budgetary climate.

The Commission took note of this information and of the conclusions of the policy debate and of the background note in SEC(2016) 360.

14. OTHER BUSINESS (CONTINUED)

14.1. LATEST ECONOMIC DEVELOPMENTS – STRESS TESTS ON EUROPEAN BANKS CONDUCTED BY THE EUROPEAN BANKING AUTHORITY

Mr DOMBROVSKIS drew the Members' attention to the publication, in the coming days, of the results of the stress tests on European banks conducted by the European Banking Authority in accordance with the Capital Requirements Directive and the Bank Recovery and Resolution Directive.

These tests had already been carried out twice, but 2016 was the first year in which they had been conducted, not in a crisis situation, but rather as part of a standard annual prudential supervision and assessment exercise. That was why this year's assessment, unlike the comprehensive assessment of 2014, contained no pass/fail threshold.

He underlined the importance of these stress tests to assess the health of the European banking system and to provide assurance that it was financially robust. He explained that the banks were subject to assessment under two different scenarios – the first in a normal situation and the second when under stress. If a bank passed the standard test it would be considered solvent. If it did not pass the stress test, it would be for the supervisory authorities to decide what action to take, including the possibility of a recapitalisation.

He explained that the Commission was in close contact with the European Banking Authority, which would announce the test results in the near future to ensure that they were taken into account as part of the review process by the supervisory authorities. The Commission was also in contact with the Single Supervisory Mechanism, which was responsible for monitoring individual

banks once the results were available.

To conclude, Mr DOMBROVSKIS stressed the need to exercise extreme caution when communicating the results of the stress tests. The Commission would take note of the measures taken, but would not comment on individual cases, which were a matter for the supervisory authorities, or react to any media speculation.

Ms VESTAGER noted that since the start of the financial crisis in 2008, European governments had contributed to emergency rescue measures for banks on their territory by injecting unprecedented sums of money to prevent the collapse of the banking system. By way of example, she referred to amounts of EUR 671 billion in capital and EUR 1 288 billion in guarantees, subject to the European State aid rules. She noted that the Commission had adopted more than 450 such State aid decisions, notably to approve plans for the restructuring of 67 banks and for the orderly liquidation of 40 others.

Regarding the stress tests currently under way, she confirmed that the Commission was in contact with the various stakeholders involved, i.e. the national authorities, the European Banking Authority and the European Central Bank. She pointed out that the Commission was working on the hypothesis that all the banks would pass the baseline scenario test, but that one or more of them might need to be recapitalised under the stress scenario, and preparations would therefore need to be made for this eventuality, including in terms of the monitoring of State aid. In this regard, she pointed out that the option of a public subscription of private capital by a Member State would be subject to State aid rules and would be dealt with in the framework of the Banking Communication.

She noted that the Court of Justice of the European Union had just confirmed the validity of that Communication, and therefore of its provisions requiring shareholders and subordinated creditors to share the burden by contributing to

any increase of own funds in the event of government action to recapitalise banks.

She noted, however, that the State aid rules provided for two exceptions to these burden-sharing arrangements, namely where the rescue of subordinated creditors would lead to disproportionate results or endanger financial stability. She added that there was nothing to suggest that this was the case at present, and pointed out that burden-sharing could be carried out in such a way as to protect small investors from any mis-selling.

Ms VESTAGER concluded by stipulating that in the event of a rescue, it was up to the Member State in question to decide on the best way forward in agreement with the bank concerned. She also called for caution to be exercised when it came to communication to avoid fuelling speculation.

The Commission took note of this information.

14.2. COMMISSION SEMINAR ON 30 AND 31 AUGUST AND SUMMER STANDBY ARRANGEMENTS FOR 2016

The PRESIDENT closed the meeting by reminding Members of the Commission seminar due to take place in Knokke on 30 and 31 August, and which would be devoted mainly to the preparation of the State of the Union speech which he would deliver to the European Parliament in Strasbourg on 14 September. He asked Members to submit their suggestions, particularly of any initiatives likely to unite the Member States, which could be implemented within a year, and which would showcase European added value.

Regarding the standby rota in place during part of August, the PRESIDENT advised each of the Commissioners to exercise the utmost caution, given the current international and European context. He asked Members to ensure that they could be reached at all times in the event of important incidents in their areas of competence, and pointed out that a meeting of the Commission could

be convened at any time, should circumstances so require.

The Commission took note of this information.

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The meeting closed at 13.25.