

Vice-President Valdis Dombrovskis: College Read-out and remarks on the governance framework for the Budgetary Instrument for Convergence and Competitiveness

Good afternoon everyone,

So in today's press conference we will concentrate on budgetary instrument for convergence and competitiveness, as well as on anti-money laundering issues. But let me first point out some other items which were in today's Commission's agenda.

Today the Commission has issued guidance on the participation of third country bidders in the EU procurement market.

This practical advice for public buyers in the Member States will help them to deal with bidders from outside the EU. This includes clarifications on which third country bidders have secured access to the EU procurement market, and which companies may be excluded.

Our guidance also aims to raise awareness among the contracting authorities of the different instruments in the EU public procurement toolbox. This includes measures that may be taken in case of abnormally low-priced offers, as well as measures to ensure that third country bidders respect the same quality as EU bidders in areas such as security, labour and environmental standards.

The College also adopted the 19th report on the Security Union. I will not say more on this because Commissioner King will present it to the LIBE Committee in the European Parliament this afternoon.

Now moving to the Budgetary Instrument for Convergence and Competitiveness.

Throughout this Commission's mandate, we have been working on deepening EMU in order to make Europe's economy stronger and more resilient.

In June the Euro Summit agreed on a package with a number of steps in that direction, such as an ESM reform and a backstop to the Banking Union to deal with banking crises should they occur. It also includes a Budgetary Instrument for Convergence and Competitive to help our economies converge upwards.

Today, we are proposing a governance framework for a Budgetary Instrument for Convergence and Competitiveness.

This complements our earlier proposal on the Reform Support Programme, which has served as a good basis for discussions by the Member States on an instrument of this kind.

The 27 Member States in the inclusive Euro Summit decided that the new instrument should be available for the euro area and – on a voluntary basis – for ERM II States and that autonomy of decision-making for euro area Member States should be ensured.

In June, ahead of the Euro Summit, the Commission announced its readiness to propose a new regulation on the basis of Article 136 of the Treaty in order to set up this governance framework within the existing EU Treaties. Today, we are doing exactly that.

The framework proposed is fully consistent with our well-established European Semester for economic policy coordination.

So how will it work?

In short, the euro area Member States will set out annual strategic orientations for reforms and investment priorities for the euro area as a whole. They will also provide country-specific guidance for reforms and investment packages to be supported under the instrument.

It is important to act on this now. We want to make sure that the European Parliament and the Council have all the elements necessary for their work in order to finish in time for the next Multi-annual Financial Framework.

Günther will speak more on this in a moment.

We look forward to the discussions in the European Parliament and the Council. Once agreement is reached, I'm confident this instrument will prove to be a valuable tool for making the Economic and Monetary Union stronger and more prosperous.

Today we also adopted a Communication on Addressing Money Laundering and the Financing of Terrorism, together with a series of reports that assess risks and remaining shortcomings.

We have done a lot to put the EU's financial sector on a more solid footing, for instance by strengthening the prudential requirements – and work is still underway to complete the Banking Union and to create a true Capital Markets Union.

But a sound financial sector must also be built on the highest standards of integrity. Serious money laundering scandals involving a number of banks have highlighted that Europe needs to do more on this. There must be no place for money laundering and terrorist financing in Europe's banks.

In response to the call from the EU Finance Ministers in December 2018, our services have analysed what went wrong.

As you know, Europe has some of the toughest rules on money-laundering in the

world and our rulebook is being further strengthened.

Yet, today's analysis gives more proof that our strong AML rules have not been equally applied in all banks and in all EU countries.

To give you a couple of concrete examples of what did not work:

What emerges is a picture of ineffective compliance or a lack of compliance, even when formal procedures are in place. This comes from staffing and management capacity issues in some cases, but in many others, banks simply did not make compliance a priority.

At the same time, the report revealed an inconsistent response from supervisors, in terms of timeliness, intensity and in terms of the measures taken. Again, there were staffing and capacity issues.

Another issue was that where credit institutions had cross-border operations, no one supervisor took responsibility for the group as a whole. Each supervisor focused on the local business in that Member State.

This points to a structural problem in the Union's capacity to prevent that the financial system is used for illegitimate purposes. Since these cases happened, banks, supervisors and the EU have taken a number of actions, most recently conferring additional powers to the European Banking Authority.

Our analysis suggests that we should pursue the path towards more competence at the EU level, and a single rulebook based on regulation rather than directives. Today's report prepares the ground for the new Commission to do so and take further steps to improve consistent application of our rules and ensure strong cross-border coordination.

Today we are also publishing other reports related to the Union's legal framework for preventing money laundering and terrorist financing, as well as how it is being implemented.

Věra will provide you with more details in a moment.

Let me just say that these important findings are of concern to us and deserve further consideration. As such they will feed into the decision-making process of the next Commission.

Thank you!