[Steven Maijoor addresses FESE Convention 2018 on MiFID II implementation]

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Progress on Legal Entity Identifiers and Double Volume Cap

LEI progress

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DVC

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"However, for a number of trading venues we are still dealing with data quality issues. I therefore urge those of you who have not yet submitted all necessary and correct data, to step up your efforts. "

Systematic Internalisers/Periodic Auctions

"We are currently carrying out a fact-finding exercise on the different periodic auction trading systems to understand the various features of these systems. This is an exercise that requires an in-depth analysis as no two auction trading systems are the same. If deemed necessary, this may result in further ESMA measures or recommendations."

Brexit – 3rd country equivalence and the benefits of a harmonised 3rd country regime

"The Commission has been proposing to amend the MiFIR equivalence conditions for third country investment firms ahead of Brexit and we would welcome an initiative by the Commission with respect to third country trading venues.

To ensure a consistent approach, and that risks for the EU related to third country venues are addressed, it is essential to introduce a harmonised EU regulatory and supervisory framework governing third-country venues."

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France’s deficit below 3% of GDP, procedure closed

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On 22 June 2018, the Council closed the excessive deficit procedure for France, confirming that it has reduced its deficit below the EU’s 3% of GDP reference value.

The Council thereby **abrogated its decision** of April 2009 on the existence of an excessive deficit in France.

Member states are required by article 126 of the Treaty on the Functioning of the European Union (TFEU) to **avoid excessive government deficits**. The procedure is used to support a return to sound fiscal positions.

Once it has exited an excessive deficit procedure, a member state is subject to the preventive arm of the EU’s fiscal rulebook, the Stability and Growth Pact.

Procedures were open for 24 member states in 2010-11 at the height of the euro crisis. **Now only one** (Spain) remains subject to an excessive deficit procedure.

France’s general government deficit amounted to **2.6% of GDP in 2017**, down from 3.4% of GDP in 2016. The Commission’s spring 2018 economic forecast projects deficits of 2.3% of GDP in 2018 and 2.8% of GDP in 2019, thus **remaining below** the EU’s 3% of GDP reference value over the forecast horizon.

The structural balance, which is the general government balance adjusted for the economic cycle and net of one-off and other temporary measures, improved by 0.5% of GDP in 2017. The accumulated improvement in the structural balance since 2015 amounted to 0.7% of GDP.

The ratio of gross government debt to GDP increased to **97.0% in 2017** from 96.6% in 2016, mainly due to debt-increasing stock flow adjustments. The Commission’s spring 2018 forecast projects the debt ratio to **decrease in 2018 and 2019**, to 96.4% and 96.0% respectively, with high nominal economic growth outweighing primary deficits and interest payments.

France has been subject to an excessive deficit procedure **since April 2009**, when the Council called for its deficit to be corrected by 2012.

That **deadline has been extended** three times:

- in December 2009, the Council extended it to 2013 after the Commission forecast that France's 2009 general government deficit would reach 8.3% of GDP, nearly three percentage points higher than its previous estimate;
- in June 2013, the Council extended the deadline to 2015, on account of a worse-than-expected deterioration of France's economy;
- in March 2015, the Council extended the deadline to 2017, on account of continued weak economic conditions and in the light of the fiscal effort made since 2013.

In it's March 2015 recommendation, the Council set the following headline deficit targets: 4.0% of GDP in 2015, 3.4% in 2016 and 2.8% in 2017.

In the light of the latest data, the Council concluded that France's deficit has **now been corrected**.

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Hungary and Romania called on to correct significant budgetary deviations

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On 22 June 2018, the Council adopted a decision establishing that **Romania** has once again failed to take effective action to correct a significant budgetary deviation.

It issued **a new recommendation,** the third to Romania since June 2017 under the EU's 'significant deviation procedure'.

The Council also issued a recommendation on measures to correct a significant budgetary deviation in **Hungary**.

Both countries are responsible for significant deviations from their medium-term budgetary objectives, as agreed under the Stability and Growth Pact, the EU's fiscal rulebook.

The medium-term objective and the significant deviation procedure are both part of the pact's preventive arm. The focus of budgetary surveillance is on structural balances, i.e. budgetary balances corrected for cyclical, one-off and temporary factors.

Hungary

In 2017, according to the Commission's spring 2018 economic forecast and 2017 budget data:

- the growth of Hungary's government expenditure was **well above the expenditure benchmark** set by the Council in July 2016;
- Hungary's structural balance **deteriorated to -3.1%** of GDP, 1.6 percentage points of GDP away from its -1.5% of GDP medium-term objective.

Both indicators suggest a significant budgetary deviation.

The Council recommends that Hungary take measures to ensure that the nominal growth of net primary government expenditure does not exceed 2.8% in 2018, representing an annual structural adjustment of 1% of GDP.

This will put Hungary on an appropriate **adjustment path towards its medium-term objective**. Any windfall gains should be used for deficit reduction, and budgetary consolidation measures should secure a lasting improvement.

The Council set a deadline of 15 October 2018 for Hungary to report on action taken.

Romania

Romania had been subject to a significant deviation procedure since June 2017, after a significant deterioration of its structural balance in 2016 and a further deterioration in 2017.

In December 2017, the Council established that Romania had not taken effective action. It called for measures to ensure that the nominal growth of net primary government expenditure does not exceed 3.3% in 2018, representing an annual structural adjustment of at least 0.8% of GDP.

In 2017, according to the Commission's spring 2018 forecast and 2017 budget data:

- Romania's structural balance **deteriorated to -3.3%** of GDP;
- its net primary government expenditure was **well above the benchmark** set by the Council.

Both indicators confirm a significant budgetary deviation.

And the **failure to act** upon earlier recommendations – with the risk of exceeding the EU's 3% of GDP reference value for government deficits – call for **urgent action**.

The Council closed the procedure after Romania's failure to correct its significant deficit in 2017 despite two Council recommendations. And it issued a new recommendation, setting out action to be taken **in both 2018 and 2019**.

It recommends that Romania take measures to ensure that the nominal growth of net primary government expenditure does not exceed 3.3% in 2018 and 5.1% in 2019, representing an annual structural adjustment of 0.8% of GDP in both years.

This will put Romania on an appropriate adjustment path towards its medium-term budgetary objective. Any windfall gains should be used for deficit reduction, and budgetary consolidation measures should secure a lasting improvement.

The Council set a deadline of 15 October 2018 for Romania to report on action taken.

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Economic and fiscal policies: Country-specific recommendations approved

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On 22 June 2018, the Council approved draft recommendations and opinions on the member states' economic and fiscal policies **for 2018.**

Approval of the texts is a key stage in the 'European Semester', an annual **policy monitoring** process. Recommendations covering economic and fiscal as well as employment policies will be **referred to the European Council** for endorsement at its meeting on 28 and 29 June. The Council is scheduled to adopt them on 13 July 2018.

In March, the European Council endorsed policy priorities for the 2018 European Semester, as proposed by the Commission in its annual growth survey:

- boosting **investment**;
- pursuing **structural reforms**;
- ensuring responsible **fiscal policies**.

The European Semester involves simultaneous monitoring of the member states' economic, employment and fiscal policies during a six-month period every year.

In the light of policy guidance given by the European Council annually in March, the member states present each year in April:

- National reform programmes for their **economic policies**. These set out a macroeconomic scenario for the medium term, national targets for implementing the EU's strategy for jobs and growth, identification of the main obstacles to growth, and measures for growth-enhancing initiatives in the short term;
- Stability/convergence programmes for their **fiscal policies**. Eurozone countries present stability programmes, whereas non-euro member states present convergence programmes. The programmes set out medium-term budgetary objectives, the main assumptions about expected economic developments, a description of fiscal and economic policy measures, and an analysis of how changes in assumptions will affect fiscal and debt positions.

The Council then approves draft country-specific recommendations and opinions (CSRs) for endorsement by the European Council. It provides explanations in cases where the recommendations are not the same as those proposed by the Commission.

The 2018 CSRs are addressed to 27 of the EU's 28 member states. There is no CSR for Greece, as it is subject to enhanced policy surveillance under an economic adjustment programme.

In March 2018, the Council adopted a specific draft recommendation on the economic policies of the **euro area**. Eurozone issues are taken into account in the country-specific recommendations.

The draft CSRs were approved at a meeting of the Economic and Financial Affairs Council.

The draft recommendations can be found in the following documents (PDF): Austria; Belgium; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Germany; Hungary; Ireland; Italy; Latvia; Lithuania; Luxembourg; Malta; The Netherlands; Poland; Portugal; Romania; Slovakia; Slovenia; Spain; Sweden; United Kingdom.

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