



# UNDERSTANDING THE ECONOMIC AND MONETARY UNION



Council of the  
European Union

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# UNDERSTANDING THE ECONOMIC AND MONETARY UNION

'It shall be the aim of the Community, by establishing a Common Market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increased stability, an accelerated raising of the standard of living and closer relations between its Member States.'

*Treaty of Rome, Article 2*

'Throughout the crisis, we have taken decisive action to preserve financial stability and promote the return to a sustainable growth. We will continue to do so and the EU and the euro area will emerge stronger from the crisis.'

*European Council conclusions, 17.12.2010*



'The crisis was unprecedented, in intensity and magnitude. In the midst of a storm we had to repair our ship. Drastic decisions were required. We tried to get to the roots of the crisis. Each reducing debts and deficits in their country. Making our economies more competitive. Helping one another and standing united. [...] The European Union is now much better equipped to deal with the crisis at hand, and to prevent similar situations from arising in the future.'

*Herman Van Rompuy, President of the European Council,  
1.3.2012*

*Acceptance speech following his re-election for a second term*

'The return of confidence in the euro area is evidence that the reform efforts will eventually pay off. This is visible from the return of market confidence. But, more importantly, it is visible from the return of political confidence. [...] Ultimately, the common theme in all our efforts is to further the aims of the European Union. These are to promote peace, its values and the well-being of its peoples.'

*Mario Draghi, President of the European Central Bank, 27.2.2014*

*The path to recovery and the ECB's role, speech*



'We need ruthless determination to end the economic crisis. It is our responsibility to complete the genuine Economic and Monetary Union. I take this task very seriously. And we must remember that our common currency, the euro, is our advantage, not our disadvantage.'

*Donald Tusk, President of the European Council, 1.12.2014*

*Remarks at the handover ceremony with the outgoing President Herman Van Rompuy*

'Stability also means strengthening what we have built so far in order to make it less vulnerable. That's why I am pushing for the full completion of the Banking Union and Capital Markets Union. So the Monetary Union becomes an asset and not a risk to stability.'

*Jeroen Dijsselbloem, President of the Eurogroup, 9.12.2016*

*Speech given at the conference to commemorate the 25-year anniversary of the Maastricht Treaty*



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*Comparing prices is easier in the euro area  
where 19 countries share the same currency.*

*© Gina Sanders – Fotolia.com*



# WHAT IS THE ECONOMIC AND MONETARY UNION?

'The Union shall establish an economic and monetary union whose currency is the euro.' ([Treaty on European Union](#), article 3, paragraph 4)

The [Economic and Monetary Union](#), or the EMU, refers to the process of integrating European economies. The EMU, together with the single market, contributes to economic stability, balanced economic growth, high employment and sustainable public finances.

The policy framework has two pillars: the **single currency** – the euro with a common monetary and exchange rate policy – and the European Central Bank (ECB); and the **coordination of member states' economic policies**.

The monetary policy for the single currency is managed independently by the ECB. Its primary objective is maintaining price stability in the euro area as a whole.

Member states remain in charge of their own economic and fiscal policies, such as taxation and national budgets (spending and borrowing).

Member states do, however, **coordinate** their overall policies at EU level in order to achieve an economic environment with balanced national budgets, regulated financial markets, stable prices and increased growth and employment.

The [euro](#) has been adopted as the common currency by 19 member states to date.

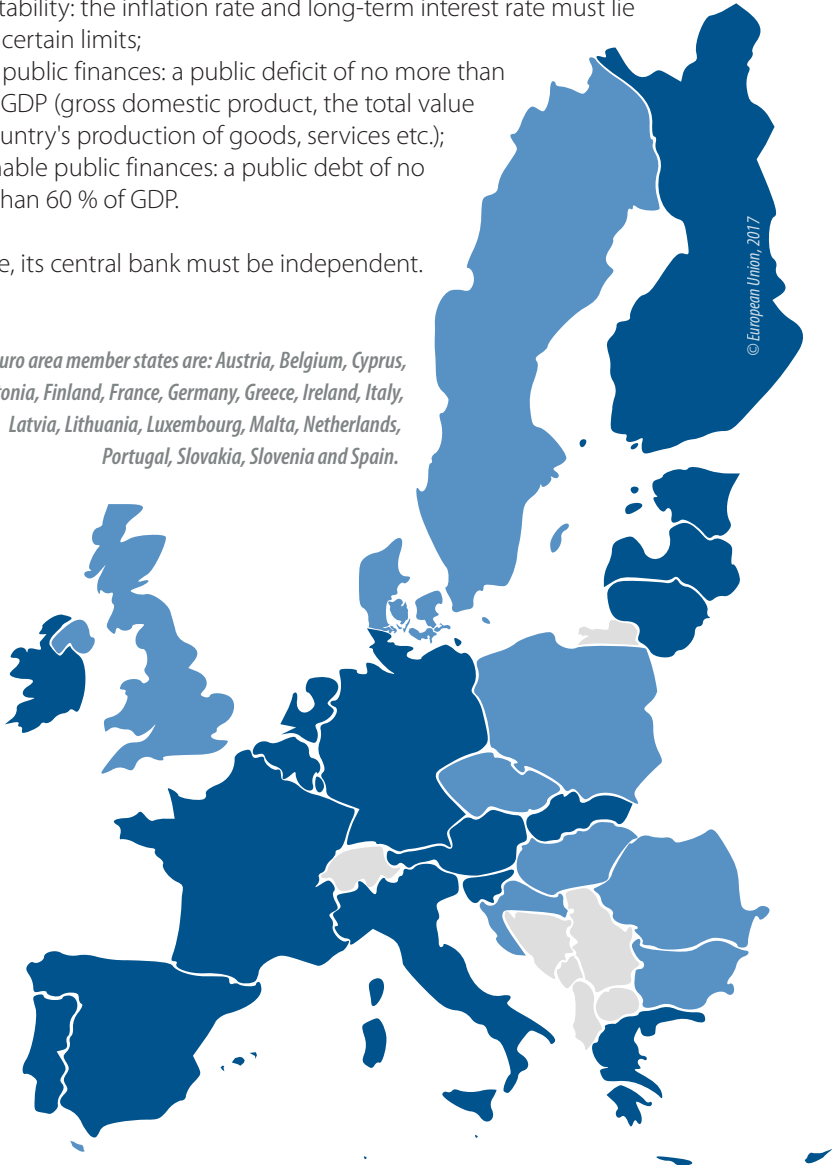
The euro makes it easier for consumers to compare prices, and no exchange fees or transaction costs have to be paid when buying goods and services in other member states in the euro area. In this way, the EMU supports the establishment of the single market with a free flow of goods, services, people and capital.

All EU member states should eventually accede to the **euro area**, except the United Kingdom and Denmark, which have chosen to opt out. To accede to the euro, a member state must comply with a certain number of criteria in terms of economic and financial stability, known as **convergence criteria**. The key criteria are:

- price stability: the inflation rate and long-term interest rate must lie within certain limits;
- sound public finances: a public deficit of no more than 3 % of GDP (gross domestic product, the total value of a country's production of goods, services etc.);
- sustainable public finances: a public debt of no more than 60 % of GDP.

Furthermore, its central bank must be independent.

*The euro area member states are: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.*



# WHO DOES WHAT IN THE ECONOMIC AND MONETARY UNION?

The **main actors involved in the Economic and Monetary Union (EMU)** are the following:

The **European Council** sets the main policy orientations which feed into the work of the Council, the European Parliament, the European Commission and the member states.

The European Council is composed of the President of the European Council, the President of the European Commission and the EU leaders (heads of state or government). The European Council meets at least four times a year.

The **Euro Summit** sets the strategic orientations for economic policies in order to improve competitiveness and convergence in the euro area. Together with European Council meetings, the Euro Summit was the highest political forum in which concerted action was agreed upon in response to the public debt crisis.

The Euro Summit brings together the euro area leaders, the President of the Euro Summit and the President of the European Commission. The President of the ECB also attends. The President of the European Parliament and the President of the Eurogroup may be invited to these meetings. In principle, the Euro Summit meets twice a year.

The **Council**, in its configuration of the Economic and Financial Affairs Council (the Ecofin Council), adopts EU legislation, coordinates economic policies at EU level and decides whether a member state may adopt the euro. It is composed of the ministers of finance and/or the economy of the EU member states. The European Commission and the ECB also take part in Ecofin meetings. In general, it meets once a month.

The **Eurogroup** coordinates economic policies within the euro area in order to promote financial stability and economic growth. As part of its duties, the Eurogroup prepares and follows up on Euro Summit meetings. It is an informal grouping of ministers of finance and/or the economy of euro area member states. The European Commission and the ECB also take part in Eurogroup meetings. The Eurogroup typically meets once a month, on the eve of the Ecofin Council meetings.



*Meeting of the Eurogroup, 20 February 2017. © European Union, 2017*

**Member states** adopt EU legislation in the Council, draw up their national budgets in line with the limits for deficit and debt, and develop their own structural policies in relation to labour markets, pensions and capital markets.

The **European Commission** proposes new EU legislation, and monitors whether member states are meeting targets and complying with existing rules, including the rules on economic governance. It also assesses the economic situation and makes recommendations to the Council on decisions to be taken.

The **European Central Bank** (ECB) is the central bank for the euro area. It develops monetary policy, with price stability as the primary objective, including by setting the reference interest rates.

The **Eurosystem**, which comprises the European Central Bank and the national central banks (NCBs) of euro area member states, implements the monetary policy.



*The European Central Bank is based in Frankfurt am Main. © Daniel Roland, AFP*

The **European System of Central Banks** (ESCB) brings together the European Central Bank and the national central banks of all EU countries, whether they have adopted the euro or not. All EU member states' central banks are the shareholders of the ECB.

The **European Parliament** is involved in the EU legislative process, in some areas of economic policy coordination, as co-legislator together with the Council. The Council, the Commission and the Eurogroup President regularly inform the European Parliament about how this legislation is being implemented.

*Deposit guarantee schemes prevent possible bank runs, when people rush to withdraw their savings fearing a collapse of the bank. © Lee Jordan, Creative Commons 2.0*



# THE ECONOMIC AND FINANCIAL CRISIS

When the economic and financial crisis hit Europe in 2009, it exposed the weaknesses of its economies. It also became clear how interdependent European economies were, in particular in the euro area: financial difficulties in certain countries spilled over into other countries and made the economic situation worse.

The crisis affected public finances, the banking sector, and growth, jobs and competitiveness. Economic development came to a halt, the economy entered a recession, businesses closed and workers were laid off. Tax revenues fell, the funding for unemployment benefits went up and states had to borrow more money to cover rising deficits. Public debt in certain countries rose rapidly, pushing borrowing interest rates up to intolerable levels and bringing some countries to the brink of bankruptcy.

In the years preceding the crisis, banks all over Europe had taken on excessive risks. For example, in some countries, banks had been too willing to lend money for the construction of houses, as prices continued to rise. When the housing bubble burst, the prices started to drop, leading to huge losses. Banks became reluctant to lend money to businesses that needed capital for the development of their activities or start-ups – the so-called credit crunch.

Governments had to step in and recapitalise banks with public money. Moreover, it became clear that several member states had not pursued sound budgetary policies when the economy was doing well, and had not built the necessary buffers to deal with the crisis. As a result of rapidly deteriorating public finances, weak growth prospects and/or turmoil in the financial sector, financial markets started to charge higher interest rates on loans to governments. The problems faced by governments in financing themselves in turn negatively affected the banking sector and the economy.

# HOW TO RESOLVE THE CRISIS

In response to the crisis, the member states, the euro area and the European Union as a whole have made a huge effort to ensure financial stability, support growth and employment and improve economic governance.

The crisis revealed systematic shortcomings in member states' economies. In response, national governments and the European institutions took a wide range of initiatives to safeguard the euro area's financial stability and strengthen the regulatory structure of both the euro area and the EU as a whole. In order to avoid similar shocks in the future, they agreed on a broad reform of economic governance, improvements to the regulation and supervision of the banking sector and the provision of financial assistance to governments in the euro area facing financial difficulties.

## 1. IMPROVING POLICY COORDINATION

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At EU level, policy coordination between member states has been improved. This applies to all EU countries, but goes a step further for those that share the euro as their currency.

The new coordination framework focuses on prevention. Monitoring is continuous in order to detect alarm signals as soon as possible. All of this aims to reinforce the EMU and make it more stable, so that it can deliver more solid and sustainable budgeting in member states, and robust economic growth with more jobs for European citizens.

### Stable budgets

The keystone for the coordination of budgetary policies is the **stability and growth pact** (SGP). It was established in order to ensure that public finances are sound across the EMU, and that budget policies are coherent in the countries that share the euro. It sets reference values with which member states must comply: they must keep their public deficit below 3 % of GDP and their public debt below 60 % of GDP. The pact was reinforced in 2011 when the 'six-pack' – a package of six pieces of legislation – entered into force and strengthened EU economic governance.

The SGP consists of two parts: a preventive and a corrective arm.



## Preventive arm

The preventive arm focuses on the assessment of national budget plans for the following year and budget policies for the following three years. The aim is to prevent the build-up of excessive deficits. National budget plans show how member states intend to ensure sound budget policies in line with the aforementioned criteria. For members of the euro area, financial sanctions can be imposed in the form of deposits made to the Commission. This is an integral part of the process known as the European Semester.

## Corrective arm

The corrective arm is activated if a country is running excessive debt or deficit levels. If a euro area member state does not take the necessary steps to correct them, financial sanctions can be imposed, initially in the form of deposits made to the Commission, and subsequently in the form of fines.

## Flexibility when applying the rules

Applying the aforementioned rules takes into account various extraordinary circumstances beyond the control of the governments that have an impact on national budgets, such as an economic recession, extraordinary expenses to combat terrorism or bearing the cost of the refugee crisis.

Consideration may also be given to spending money on strategic investment and structural reforms aimed at improving the budgetary balance in the long run and fostering growth.

## More coordination within the euro area

Budgetary stability has been further strengthened by the '**two-pack**', to improve economic and financial surveillance in the euro area. In the context of the European Semester, euro area member states submit their draft budgets to the European Commission for assessment before their adoption by national parliaments.

If a member state experiences serious financial difficulties or instability, the European Commission can place it under **enhanced surveillance**. This involves a higher degree of monitoring by the European Commission and the Council, going beyond the usual economic policy coordination that applies to all countries.

## Sound public finances: the fiscal compact

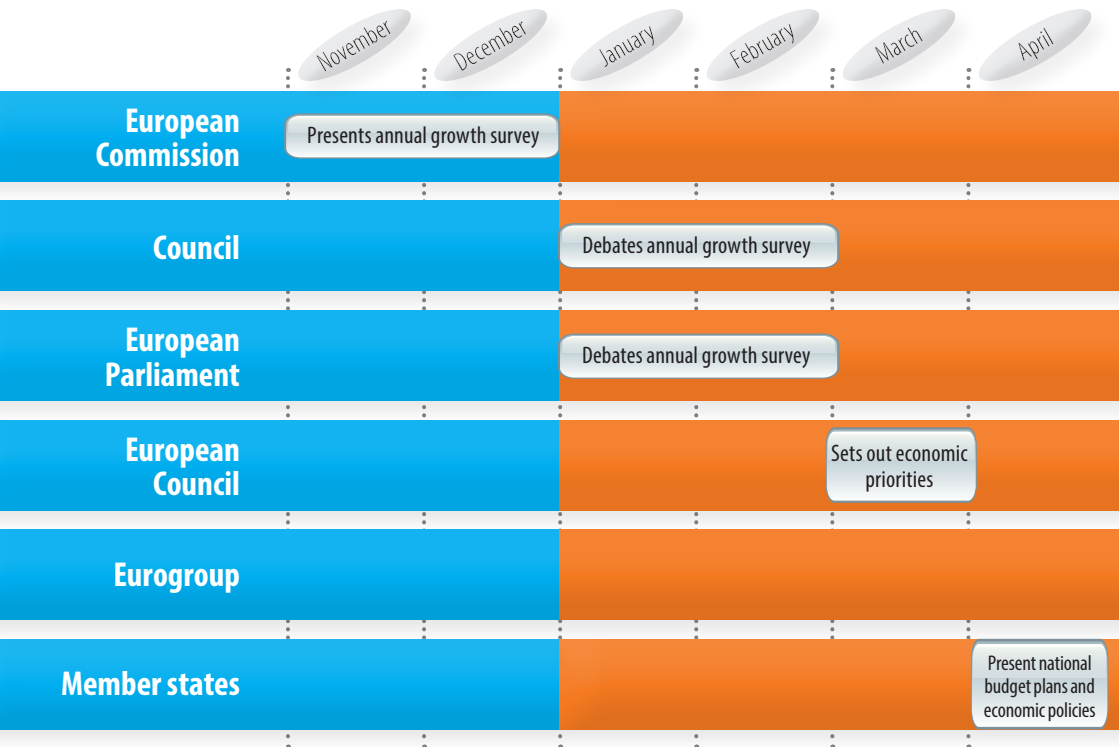
The **Treaty on Stability, Coordination and Governance** (TSCG, fiscal compact) builds on and supplements the budgetary rules of the stability and growth pact. It requires euro area member states to implement uniform and permanently binding budgetary rules in their national legislation, preferably in their constitutions.

To comply with the balanced budget rule, the annual structural government deficit – the deficit caused by a persistent imbalance in a country’s revenue and expenditure – must not exceed 0.5 % of GDP. If it does, actions to reduce this budget deficit must be triggered automatically. Failure to comply can result in a case being brought before the European Court of Justice.

Countries participating in the TSCG must inform each other, the Council and the European Commission in advance whenever they plan to issue new debt. They also discuss all plans for major economic policy reforms.

The 19 euro area member states (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain) and six non-euro area member states (Bulgaria, Denmark, Hungary, Poland, Romania and Sweden) have already signed the treaty. It entered into force on 1 January 2013.

## EUROPEAN SEMESTER — Coordination of member



## European fiscal board

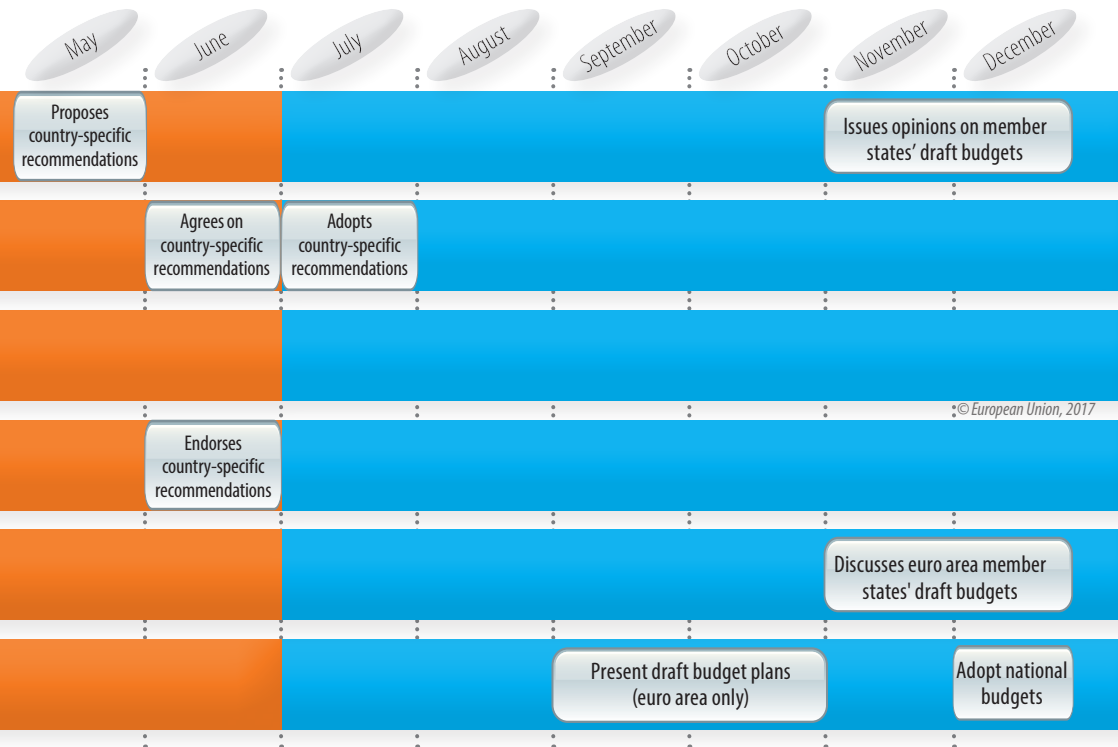
In October 2015, the Commission adopted a decision establishing a European Fiscal Board that will provide advice and evaluation to the Commission on the overall direction of fiscal policy in the euro area. This independent body is composed of five international experts whose work feeds into the Commission's work of surveillance and enforcement of the Stability and Growth Pact.

## Coordination of economic policies: the European Semester

The **European Semester** is a cycle of economic and fiscal policy coordination within the EU. The member states are given guidelines and recommendations which they take into account when preparing their national budget plans.

The process covers the six-month period from the beginning of each year, hence its name – the 'semester'. During the European Semester, member states align their

states' budget and economic policies, from January to June



budgetary and economic policies with the objectives and rules agreed at EU level. The semester thereby aims to:

- ensure sound public finances
- foster economic growth
- prevent excessive macroeconomic imbalances in the EU.

The European Semester is launched in November with the publication of the Commission's [annual growth survey](#) (AGS). The survey analyses the economic situation in the EU and identifies broad priorities for economic policy in the following year, including the fiscal policies and reforms necessary for stability and growth.

In January and February, member states discuss these priorities with their EU partners in the Council.

The European Parliament also discusses the survey during the same period and issues an opinion on the employment guidelines in the growth survey.

Based on these discussions, EU leaders set the policy orientations for that year at the Spring European Council in March.

Based on those guidelines, member states outline how they would implement the orientations through their budgets and economic policies. In April they present their medium-term budget plans (stability programmes for euro area members and convergence plans for non-euro area members) and national economic plans (national reform programmes).

In May, the Commission proposes specific recommendations for each EU country, the [country-specific recommendations](#) (CSRs). These recommendations constitute tailored policy advice for member states.

In June, the Council discusses and agrees on the country-specific recommendations. The June European Council approves them, and they are subsequently adopted by the Council in July.

The following six-month period is sometimes called 'the national semester'. Member states finalise the following year's national budgets taking account of the country-specific recommendations. Euro area member states must submit their draft budgets to the Commission by mid-October. The Eurogroup discusses them based on the Commission's assessment.

Taking into account this assessment, member states adopt their national budgets by the end of the year, and the Commission launches the next cycle of the European Semester with the publication of the annual growth survey for the following year, taking account of the extent to which member states have followed the recommendations.

### **Prevention and correction of macroeconomic imbalances**

In order to prevent imbalances in the economy within individual countries and across the EU, an [early warning system for macroeconomic imbalances](#) has been introduced. Member states are screened for potential imbalances against a scoreboard of indicators, including unemployment rates, labour costs, differences between imports and exports and housing price trends, to understand how economies evolve over time.

The mechanism is triggered if the values of individual indicators go beyond agreed thresholds. The Commission makes an annual assessment and identifies potential problems in advance. Based on this assessment, it proposes recommendations to individual member states that are usually integrated into the European Semester procedure.

If a euro area country fails to comply with the recommendations on an ongoing basis, sanctions may be imposed.

### **National productivity boards**

To track the performance of euro area countries in terms of productivity and competitiveness, the Council has recommended that they set up **national productivity boards**. These independent bodies will analyse the developments and policy challenges in the field of productivity and competitiveness. The boards' analyses should help improve the capacity to attract investments and address factors that can affect prices and the quality content of goods and services, in addition to supporting coordination and the exchange of best practice among euro area countries.

The annual reports could be used in the context of the European Semester procedures. Other EU member states are being invited to set up similar bodies. The national productivity boards should be up and running by early 2018.

### **Fostering growth**

The economic crisis led to a recession in many EU countries. Growth fell sharply, unemployment rose and competitiveness declined. Besides sound public finances and improving the regulation and supervision of the financial sector, the EU also needs a dynamic growth strategy.

The EU's growth and jobs strategy, [Europe 2020](#), sets a range of priorities to boost a smart, sustainable and inclusive economy. The strategy sets common targets in the areas of employment, education, research and innovation, social inclusion and poverty reduction, and climate and energy. Monitoring of member states' progress in reaching these targets is included in the European Semester process. Currently, the main priorities of the Europe 2020 strategy are establishing the digital single market and the internal energy market.

One of the main concerns is the high number of unemployed young people in Europe. Up to €8 billion will be spent under the [youth employment initiative](#) to create jobs for young people.



*Under the youth guarantee scheme, all young people under the age of 25 must receive a quality offer of employment, continued education, or an apprenticeship or traineeship within four months of becoming unemployed or leaving formal education. © goodluz – Fotolia.com*

An **investment plan** for Europe has been established to help restore credit flows to the economy. Funds from the EU budget and the European Investment Bank are used to support viable investment projects that could not be funded otherwise. This is often the case with small and medium-sized enterprises. Additional EU funding furthermore serves as a catalyst to mobilise private sources of financing for such projects.



*The EIB backs the creation of SMEs, such as a company that specialises in innovative medical diagnostics. Amongst others, the company has developed a process that allows doctors to get the results of blood tests in a matter of minutes from a single drop of blood, directly at the point of care. © European Investment Bank, 2017*

Besides funding, this initiative provides technical assistance for investment projects and strives to establish how specific bottlenecks that hamper investment could be removed.

Among the projects backed by the EIB, the bank contributed funding to the reconstruction of a highway between Vilnius and Utena in Lithuania; new-build rented social and affordable housing units in London, England; and renewable energy generation projects in three regions in Italy (Sardinia, Sicily, Puglia). The bank also supports small and medium-sized enterprises, start-ups and micro-entrepreneurs.

## 2. FINANCIAL STABILITY — CREATING A BANKING UNION

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### Financial supervision

The crisis revealed severe flaws in the financial sector. Governments had to step in to prevent a number of banks from collapsing.

To prevent a similar situation from arising in the future, and to improve the coordination of financial sector supervision among member states, the EU has set up new supervisory authorities for financial institutions:

- the **European Banking Authority** (EBA) focuses on the banking sector and is based in the City of London;
- the **European Insurance and Occupational Pensions Authority** (EIOPA) focuses on insurance and pension schemes, and is based in Frankfurt am Main;
- the **European Securities and Markets Authority** (ESMA) focuses on the functioning of financial markets, and is based in Paris;
- the **European Systemic Risk Board** (ESRB) carries out the overall macroeconomic supervision of the financial system as a whole; it is hosted and supported by the European Central Bank.

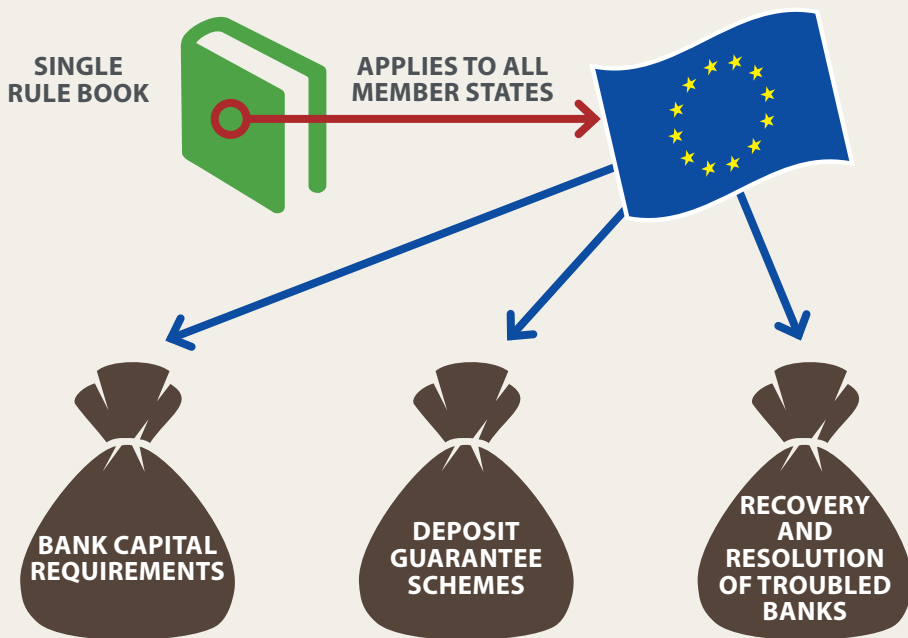
### Single rule book

New rules have been introduced in order to reduce the risk posed by distressed banks to the economy and taxpayers. Some of its most important elements are:

- a set of **rules on capital requirements** which ensure that banks hold sufficient funds to meet potential losses at any time;
- harmonised **deposit guarantee schemes** which safeguard citizens' deposits up to €100 000. These schemes are funded by banks;
- clear rules for dealing with troubled banks. They ensure that the **recovery and resolution process** starts early, i.e. as soon as the supervisor detects that there is a risk of a bank becoming non-viable. In that way the cost of bank failures will be borne by the financial industry and not by taxpayers.

These rules apply to all EU member states as they are part of the internal market legislation. The euro area, however, is taking another step forward, towards a banking union with a single supervisor and a single resolution mechanism. Non-euro area member states may also join the Banking Union if they so wish.





### Common bank supervision

Under the **single supervisory mechanism** (SSM), responsibility for bank supervision in the euro area has shifted from the national authorities to the European Central Bank.

The ECB and national supervisors jointly oversee banks in the euro area as well as in participating non-euro area countries. This leads to a more coherent surveillance of the banking sector and rapid action when weaknesses are detected.

The biggest banks, considered to present a risk to the whole of the financial system owing to their size, their importance for the economy of a member state taking part in the Banking Union or of the Union as a whole, and the significance of their cross-border activities, are placed under the direct supervision of the ECB. National supervisors continue to supervise the smaller banks in close cooperation with the ECB.



## SINGLE SUPERVISORY MECHANISM



### EUROPEAN CENTRAL BANK



#### DIRECT SUPERVISION

**ECB supervises in cooperation with national authorities**



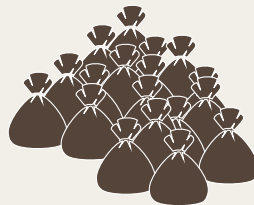
#### BIG BANKS

129 significant banks



#### INDIRECT SUPERVISION

**National authorities supervise in cooperation with ECB**



#### OTHER BANKS

About 3.500 less significant banks

## Bank resolution mechanism

The **single resolution mechanism** (SRM) regulates the resolution of non-viable banks. It consists of the Single Resolution Board (SRB) and the Single Resolution Fund (SRF). Bank restructuring and resolution has thus shifted from national to EU level. Should a euro area bank be at risk of becoming unviable, a single resolution authority will be responsible for its resolution.

Instead of each country having a national resolution fund, a single resolution fund has been established. The fund is financed by the entire banking sector in the Banking Union and can be used for the resolution of any bank in that union.

A European deposit insurance scheme is currently under discussion. The idea is to gradually set up re-insurance and co-insurance for national deposit guarantee schemes in the initial stages, and eventually move to a common deposit guarantee fund.

## Resilient credit institutions

Work is currently underway on another element of the Banking Union structure: the **resilience of credit institutions**. The aim is to prevent disastrous ripple effects on the EU's financial system caused by the failure of large, interconnected credit institutions. The new rules would introduce an obligation to separate a bank's high-risk activities from its 'core' business, such as deposit-taking or retail payment services.

## BANKING UNION



**APPLIES TO ALL EURO COUNTRIES AND OPEN FOR NON-EURO COUNTRIES TO JOIN**



**SINGLE RULE BOOK**  
Applies to all EU member states



**SINGLE SUPERVISORY MECHANISM**  
Enhanced supervision of the euro area's banking sector in order to detect weaknesses and take action to correct them



**SINGLE RESOLUTION MECHANISM**  
Ensures an orderly resolution of failing banks with minimal costs to taxpayers and to the real economy

### 3. STABILITY MECHANISMS

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Since 2010, some euro area countries have been experiencing difficulties financing their debts. When borrowing on the financial markets, their interest rates have become too high for them to keep their overall public debt at a sustainable and affordable level.

Therefore, **temporary mechanisms** had been created in order to restore stability quickly to the euro area.

Greece, Ireland and Portugal have received assistance from the temporary rescue package, whereas Spain, Cyprus and (more recently) Greece have received support from the ESM.

The cornerstone of the European firewall, the permanent [European stability mechanism](#) (ESM), replaced the temporary schemes in October 2012. The ESM is an international financial institution set up by the euro area countries and is the main instrument for assisting euro area countries which encounter **financing difficulties**.

The ESM has a **maximum lending capacity** of €500 billion. Loans are financed by the ESM's borrowings on the financial markets. Up to €60 billion of the lending capacity can be used to recapitalise banks directly.

Each tranche of the loan is paid to the country being assisted only if it fulfils the conditions previously agreed upon for restoring sustainable public finances and reforming its economy. The European Commission and the European Central Bank monitor implementation. The International Monetary Fund is involved, wherever possible.

All euro area member states are members of the ESM. The ESM's headquarters are in Luxembourg.

#### Conditions for support

Financial support is always based on **strict conditions** agreed between the lenders and the borrowing country. The countries must commit to achieving certain goals, which may relate to fiscal adjustment (improving tax collection, making government spending more sustainable, reforming public administrations, privatising public services or companies, selling off government property), restructuring of the banking sector (recapitalisation, strengthening of regulation and supervision, rescuing solvent banks and closing down non-viable banks), or labour market reform. These conditions will help the assisted country reform its economy and return to steady sustainable growth and viable public finances.

## **Monitoring the implementation of the conditions**

At regular intervals, the European Commission, the European Central Bank and (where applicable) the ESM and the International Monetary Fund review whether the agreed conditions are being complied with. A positive assessment is a condition for the payment of each instalment of financial assistance.

The first positive results have already been identified. Ireland successfully concluded its programme in December 2013 and regained access to financial markets. Spain exited its financial sector programme in January 2014, having thoroughly restructured its banks. Portugal exited its economic adjustment programme in June 2014, which included a reform agenda to restore economic growth. Cyprus exited its economic adjustment programme in March 2016 after strengthening the stability of its financial sector and improving its public finances. Economic growth and employment have also been picking up in Greece, the only country with an ongoing programme.

# TIMELINE — CONSOLIDATION OF THE ECONOMIC AND MONETARY UNION

## 2009

**Autumn:** Greece announces a public deficit of 12.7 % of GDP and debt amounting to 113 % of GDP.

## 2010

**11 February:** EU leaders are ready to act over the Greek debt, confirmed by the Spring European Council in March. Rising concerns over debt levels in Portugal, Ireland and Spain. The value of the euro declines.

**23 April:** Greece requests financial support.

**2 May:** Eurozone leaders and the International Monetary Fund (IMF) agree on a rescue package for Greece. Interest rates on loans to Portugal, Ireland and Spain rise to dramatic levels. The value of the euro continues to fall.

**9 May:** Ecofin ministers approve a European rescue package worth €500 billion, comprising the European financial stability facility (EFSF) and the European financial stability mechanism (EFSM).

**18 May:** Greece receives its first loan tranche.

**17 June:** EU leaders adopt the strategy for growth and jobs, Europe 2020, and the European Semester.

**12 September:** Banking supervisors agree on stricter capital rules for the banking industry.

**19 October:** The Ecofin Council adopts stricter rules for hedge funds.

**21 November:** Ireland requests financial support.

## 2011

**1 January:** Estonia joins the euro area.

**January:** Three supervisory bodies, covering banks, stock exchanges and insurance companies, start work. The European Systemic Risk Board provides macroeconomic supervision of the financial system as a whole.

The first European Semester is launched, covering national budget planning for 2012.

- 12 January:** Ireland receives its first loan tranche.
- 24-25 March:** EU leaders agree to establish the European stability mechanism (ESM), and to conclude a fiscal compact treaty.
- 7 April:** Portugal requests financial support.
- June:** Portugal receives its first loan tranche.
- 26 October:** The European Council decides that banks must increase their core capital.
- 13 December:** The 'six-pack' on economic and fiscal coordination and governance in the EU enters into force.

## 2012

- 2 February:** Eurozone leaders sign the European stability mechanism treaty introducing rescue mechanisms to countries under financial stress.
- 1-2 March:** Twenty-five EU leaders sign the fiscal compact treaty (Treaty on Stability, Coordination and Governance in the EMU, the TSCG Treaty).
- 25 June:** Spain requests financial support.
- 6 September:** The ECB announces a new programme for buying bonds issued by euro area members receiving financial assistance from euro area stability mechanisms.
- 8 October:** The ESM is launched. It will provide financial assistance to its members to safeguard financial stability.
- 23 November:** Cyprus requests financial support.
- 11 December:** Spain receives its first loan tranche.

## 2013

- 1 January:** The fiscal compact enters into force. It commits the 25 signatories to implementing the budget/debt rules in their national legislation.
- 13 May:** Cyprus receives its first loan tranche.
- 30 May:** The 'two-pack' enters into force, reinforcing budgetary discipline and economic surveillance in the euro area.
- 3 November:** The regulation on the single supervisory mechanism (SSM) comes into force. It confers new supervisory powers on the ECB for euro area banks.



## 2014

- 1 January:** Latvia joins the euro area.  
The package on capital requirements for banks enters into force.
- 15 April:** Political agreement is finalised on the single resolution mechanism (SRM). The mechanism manages the resolution of failing banks in an orderly manner without resorting to taxpayers' money.
- 4 November:** The SSM becomes fully operational.

## 2015

- 1 January:** Lithuania joins the euro area.  
Part of the SRM enters into force, such as the creation of a new Single Resolution Board (SRB).
- 18 March:** Spain reimburses part of its loan to the ESM ahead of schedule.
- 25 June:** The Council adopts the regulation on a European fund for strategic investments (EFSI).
- 30 June:** The EFSF programme for Greece expires.
- 2 July:** Cyprus receives a tranche from the ESM.
- 3 July:** Deadline for implementation of the Deposit Guarantee Scheme in national legislation.
- 8 July:** Greece requests additional ESM assistance.
- 17 July:** Council adopts short-term bridge financing for Greece from the EFSM.
- 14 August:** Eurogroup agrees on the third assistance programme for Greece.
- 1 November:** Commission Decision to establish the European Fiscal Board.

## 2016

- 1 January:** The SRM becomes fully operational by setting up the Single Resolution Fund (SRF).
- 17 June:** Council adopts conclusions on a roadmap to complete the Banking Union.  
Political agreement on establishing national productivity boards.
- 19 October:** The European Fiscal Board becomes operational.



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