



**Group of the Progressive Alliance of
Socialists & Democrats
in the European Parliament**

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Brussels, 25 October 2018

Dear Minister Löger,
Dear Minister Schramböck,

With the end of the legislative term approaching fast, your semester of Presidency assumes an even greater importance. As S&D Group, we are aware of the very heavy legislative workload that we are, as co-legislators, facing.

As leaders of financial and economic affairs at EU level during the Austrian presidency, you have rightly made “*a stable and strong euro area and fair and efficient taxation*” your priority in your presidency’s programme. We fully share this objective.

This is why we believe it is time to define clear priorities, to fix the urgencies regarding financial markets and taxation regime, to foster sustainable behaviour in finance and to bring more fairness and democracy into the EU economic policy. We therefore urge you to help us achieving these common objectives, which are priorities for all EU citizens.

1) Strengthening the European supervision of banks and financial markets: integrated capital markets need, in order to be fair and efficient, a single supervisory framework; the internal market cannot deliver its immense benefits to investors and firms without an organised system of supervision. The Parliament is working very hard to deliver its proposal on the review of the European System of Financial Supervision - we urge Member States to do their part and recognise the need for a more integrated supervision.

Recent banking scandals proved that the system is inefficient and full of loopholes for criminals to exploit: on top of what we have already achieved with AMLD5 we therefore also believe that this review needs to go hand in hand with a strong upgrade of our current setting on the fight against money laundering.

2) Safeguarding financial stability:

- Banks play a pivotal role in the way the European economy works; they are at the centre of the European financial sector. Reducing the risk posed by the banking system, while ensuring that they keep on financing the real economy, is still a big challenge. The **banking package**, through the revision of the Capital Requirements Regulation and Directive and the Banking Recovery and Resolution Directive, is advancing slowly and without an honest effort by Member States it risks not being finalised. The Banking Union is still incomplete without a **deposit insurance scheme** where the opposition of some Member States is blocking the whole process.

- Market innovation and Brexit call for a swift review of the overall framework for post-trading. **Central Clearing Counterparties (CCPs)** clear a higher proportion of trading since the financial crisis; as a consequence, more and more credit, liquidity and operational risks are concentrated in these institutions, which have become potential sources of systemic risk. The Regulation on CCPs recovery and resolution addresses this risk specifically. In this matter, EMIR 2.2 and the modification of article 22 of the Statute of the ECB are key aspects of the framework for CCPs, third countries and the role of the ECB.

We ask you to do your utmost to achieve a Common Approach by the Council to be able to begin negotiations with the European Parliament.

3) Implementing fair taxation across Europe:

- **Ensuring the digital economy is properly taxed:** Tax rules were designed at the beginning of the 20th century. Times have changed and our economies rely more and more on intangible assets, highly mobile and therefore harder to tax. Beside, it is time for all countries to get their fair share of public revenues. According to the European Commission, digital firms are paying on average 9.5% of income tax while traditional businesses pay around 23%¹. This is biasing competition across the EU and outraging ordinary citizens, who are paying their fair share of taxes.

We therefore urge you to reach a deal on the digital services tax (DST) and the significant digital presence proposal to bridge the gap in tax revenues for Member States. The DST should however remain a temporary measure, and we need to implement a taxation of the profits, and not the turnover, of companies providing digital services

- **Harmonising EU tax bases:** Tax competition is harmful. It incites governments to please large firms and renounce to public revenues. There are two ways to compete on tax: a low tax rate, which leads to an endless tax race to the bottom, or a reduced tax base. For a long time, EU countries have been competing with each other on their tax base. The need for harmonisation is broadly recognized across the political spectrum as a first step. This is the aim of the Common Consolidated Corporate Tax Base (CCCTB), a solution supported by business, trade unions and civil society. The issue of harmful tax competition will have to be addressed at a later stage. With such strong support, we urge you to put the CCCTB file on top of your political agenda and ensure it does not remain locked in Council.

¹ COM(2018) 146 final Time to establish a modern, fair and efficient taxation standard for the digital economy

4) Delivering the tools for a progressive and sustainable economy: The European Union has been at the forefront of efforts to build a financial system that supports sustainable growth and there is a broad consensus among Member States to continue on this path. The UN 2030 Agenda, the Sustainable Development Goals and the Paris Climate Agreement include the commitment to channel financial flows towards sustainable investments. The Commission Action Plan on Sustainable Finance sets out a strategy to further connect finance and sustainability through a framework creating a classification system defining what is a sustainable economic activity, disclosure obligations on how investors integrate sustainability risks and carbon benchmarks providing more information on the carbon footprints of investments.

The S&D Group will put all necessary efforts to ensure that the European Parliament achieves a common position on all these files before the end of the year. The EU needs to keep on leading by example.

5) Deepening the economic and monetary union: Sadly, progress on this has been very slow and Europe does not have a suitable toolkit at its disposal to effectively assist a country that faces an economic shock. We now have the chance to finalise key reforms: a stabilisation function to protect public investment in the event of large asymmetric shocks, which should also include a European unemployment re-insurance, and a reform of the European Stability Mechanism that should promote further democratic accountability and allow for a proper fiscal backstop without weakening the role of the Commission and preserve the community method.

Without these tools, the European Union remains unable to face asymmetric shocks and therefore unable to protect its citizens.

Your presidency can count on our full support to deliver concrete results on all these challenges. We believe that progress is within reach - and it would send a strong signal to EU citizens who demand a fairer and more robust Europe.

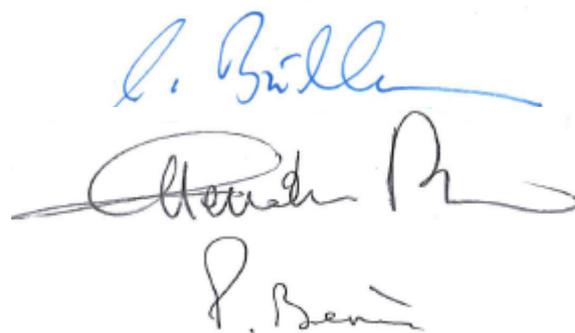
Dear Ministers, we do trust you will put the interests of European citizens and will continue fighting to get ambitious agreements before the end of your presidency.

Yours sincerely,

Udo Bullmann, S&D Group President

Mercedes Bresso, S&D Group Vice-President

Pervenche Berès, S&D Group ECON Coordinator



Cc: Valdis Dombrovskis, Vice-President of the European Commission, in charge of Euro and Social Dialogue, of Financial Stability, Financial Services and Capital Markets Union

Pierre Moscovici, Commissioner in charge of Economic and Financial Affairs, Taxation and Customs