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Chapter 2. Institutions and functioning of the EU

Part 2

6. Explanation of the Court's role in dispute resolution
7. Explanation of the Bank's role in monetary policy
8. Overview of the Bank's role in financial stability
9. Overview of the role of EU agencies in policy implementation
10. Explanation of the role of other EU bodies in promoting cooperation and coordination

Training Academy
MS. Giovanna Cuturi

6. Explanation of the Court's role in dispute resolution

The **court** has jurisdiction:

- On **actions brought by natural or legal persons** directed to the annulment of acts of the institutions, bodies, or agencies of the European Union adopted in respect of such persons or which concern them directly and individually (this may be, for example, the action brought by an enterprise against a decision of the Commission imposing a fine on it) and regulatory acts which concern them directly and which do not involve any implementing measures, and on actions brought by such persons directed to a finding of abstention from judgment by such institutions, bodies, or agencies

- Of **actions brought by member states against the Commission**;

- Of **actions brought by member states against the Council** concerning acts adopted in the field of state aid, trade defense measures ("dumping") and acts by which the Council exercises implementing powers;

- Of **actions seeking compensation for damage** caused by the institutions or organs or bodies of the European Union or their agents;

- of **actions based on contracts concluded by the European Union**, which expressly provide for the jurisdiction of the Tribunal;

- of **actions in the field of intellectual** property directed against the European Union Intellectual Property Office (EUIPO) and the Community Plant Variety Office;

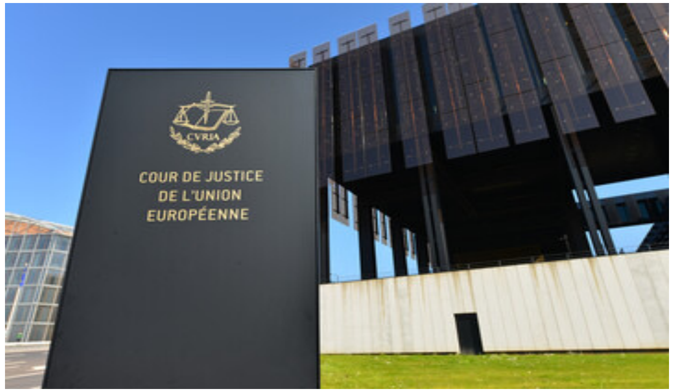
- of **disputes between the institutions of the European Union and their staff** relating to labor relations and the social security system.

Decisions of the Tribunal may be subject, within a period of two months, to an appeal limited to questions of law before the Court of Justice.

Proceedings before the Tribunal are free of charge.

An action brought before the Tribunal does not result in a stay of execution of the challenged act, but Tribunal may, however, order a stay of execution or order other interim measures. The President of the Tribunal or, if necessary, the Vice-President shall rule on such an application by reasoned order.

In cases deemed to be of particular urgency at the request of the appellant or by the respondent or by ordering it of its own motion, the Tribunal may adopt the **expedited procedure**, which enables it to rule quickly on the merits of the dispute.



7. Explanation of the Bank's role in monetary policy

European Central Bank (ECB) assumed responsibility for conducting **monetary policy for the euro area** January 1, **1999**.

Together with the national central banks of the **euro area**, it forms the **Eurosystem**, which guides monetary policy in the euro area.

The euro area came into being in January 1999, when the national central banks (NCBs) of 11 European Union (EU) member states transferred their monetary policy responsibilities to the ECB

RESOURCES:

EU MEMBER STATES ADOPTING THE EURO
EU MEMBER STATES THAT DO NOT ADOPT THE EURO
https://european-union.europa.eu/institutions-law-budget/euro/countries-using-euro_it

In order to **join the euro area**, EU member states must meet so-called **convergence criteria**.
These economic and legal conditions were set out in the 1992 Maastrich Treaty and are also known as the **Maastricht criteria**:

- price stability
- the state of public finances
- the exchange rate
- the long-term interest rates

The **ESCB** European System of Central Banks, includes the ECB and the national central banks of all EU member states regardless of whether they have adopted the euro. It is governed by the decision-making bodies of the European Central Bank.

The **Eurosystem** consists of the ECB and the NCBs of the countries that have introduced the single currency.

The Eurosystem and the ESCB will coexist as long as there are non-euro area EU member states.

The main objective of the Eurosystem is to maintain **price stability**, i.e., to safeguard the value of the euro with the **Single Supervisory Mechanism**, which also includes the relevant national authorities, the European Central Bank is in charge of the prudential supervision of credit institutions established in the euro area and in participating member states outside the area. It thus contributes to the safety and soundness of the banking system as well as to the stability of the financial system in the EU and in each participating member state.

The ECB, as an independent EU institution, **oversees banking supervision** from a European perspective by:

-establishing a common approach to ongoing supervisory activities

-the use of harmonized supervisory actions and corrective measures

-The consistent application of supervisory regulation and policies.

-The ECB, in cooperation with national supervisors, is responsible for the effective and consistent functioning of European banking supervision.

The ECB has the power to:

-conduct prudential assessments, on-site inspections and investigations

-grant or revoke authorization to conduct banking business

-assess the acquisition and disposal of qualifying holdings in credit institutions

-ensure compliance with EU prudential regulations

-setting higher capital requirements ("reserves") to avert any financial risk

The Eurosystem requires banks to hold a **reserve requirement**, a percentage of their liabilities in the form of deposits with the national central bank. The amount of the reserve requirement is calculated from balance sheet liabilities to which rates are applied.

Compliance with the reserve requirement is determined on the basis of the average of end-of-day balances held on reserve accounts over a 6- or 7-week period, the so-called maintenance period. The schedule of maintenance periods is set periodically.

A default occurs if the average of end-of-day balances in the reserve account, calculated over the entire maintenance period, is less than the amount of reserve due from the bank.

Defaults may be subject to a penalty calculated by applying a penalty rate.

8. Overview of the Bank's role in financial stability

Economic and Monetary Union (EMU) involves:

-coordination of economic policies among the countries of the Union;

-coordination of fiscal policies, particularly public debt and deficit limits;

-an independent monetary policy run by the European Central Bank (ECB) in the euro area;

-single rules and supervision of financial institutions in the euro area;

the single currency and the euro area.

Monetary policy is about decisions made by the central bank to influence the cost and availability of money in the economy, but the ECB's role as the central bank is to keep prices stable, to prevent them from rising sharply (**inflation**) or falling for a prolonged period (**deflation**).

The goal is to keep **inflation at 2 percent** over the medium term.

To this end, the **tool** it normally uses is **to condition the "key interest rates"** by trying to influence all other interest rates i interest rates, including the medium- and long-term rates that commercial banks charge on loans to their customers.

By raising interest rates, it will be less convenient to take on debt,

because mortgages and loans cost more, demand will be reduced and with

price growth.

Conversely, when inflation is too low or there is deflation,

the central bank reduces interest rates to stimulate demand

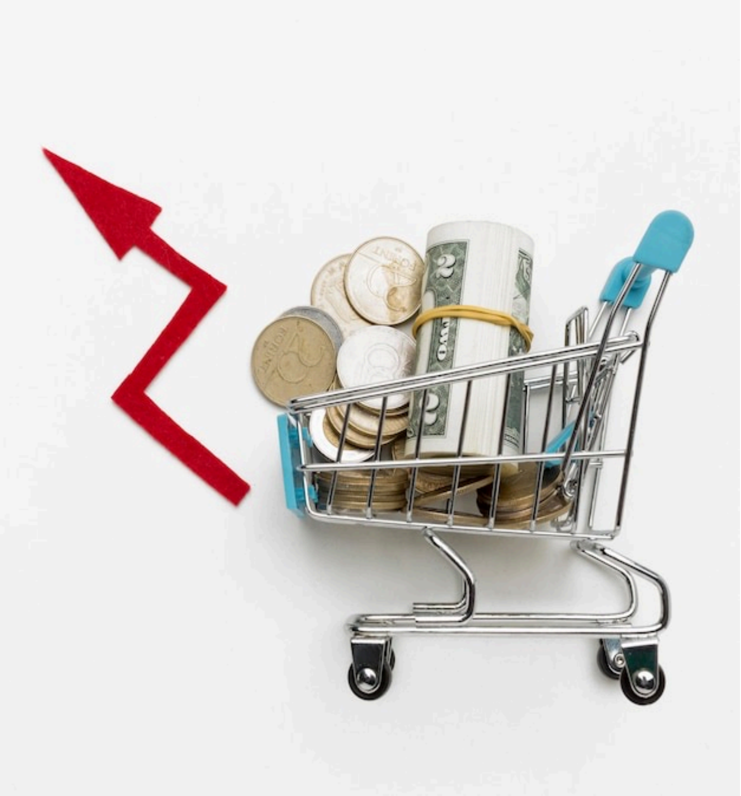
of consumers and businesses and push up the prices of goods and services

The principle is always the same: higher rates cool the economy

and thus inflation, lower rates stimulate the economy and cause

inflation rise to the desired level

EXAMPLES



Another tool is **Quantitative Easing (QE)**, Quantitative Easing an unconventional tool because it is not among the typical monetary policy measures and is put in place to stimulate economic growth, that of output, employment and inflation.

It can include, for example, the purchase of other financial assets of banks, such as non-performing loans, or shares in private corporations.

Quantitative Easing operations are usually accompanied by the reduction of interest rates. supply banks with liquidity. The availability of new liquidity could at this point make it easier for banks to lend to businesses and households. In the event that bank interest was somehow linked to the performance of securities purchased by the central bank, bank interest would also decline. Household and business debts would be reduced in real terms **allowing consumption and investment to expand.**

EU economic governance systems

1.The **Stability and Growth Pact** was strengthened by the Treaty on Stability, Coordination and Governance, which entered into force in 2013. The "6-pack" (legislative package consisting of six laws), which strengthens the Stability and Growth Pact and macroeconomic surveillance of EU countries, was adopted, followed by the "2-pack" (legislative package consisting of two laws), which provides for further coordination and monitoring in the euro area;

2.The **European Semester**, an annual policy coordination framework, was established. It aims to identify and correct macroeconomic imbalances among EU countries and oversee fiscal policy. It also analyzes the structural reform policies of each Union country and then issues country-specific recommendations for action.

3. The creation of an **integrated banking union**, the goal of which is to align supervisory, resolution and funding responsibilities at the EU level and ensure that all banks in the euro area comply with the same rules. Banks and their shareholders, not taxpayers, will be responsible for any losses.

To ensure financial stability in the eurozone is the European Stability Mechanism (ESM) for financial assistance to eurozone countries facing or threatened with financial difficulties.

The ESM is authorized to:

- lend under a macroeconomic adjustment program;
- purchase debt securities in the primary and secondary financial markets;
- provide financial assistance in the form of credit lines;
- finance the recapitalization of financial institutions through loans to the governments of its member states.

In 2020, the ESM created the Pandemic Crisis Support Facility, based on a precautionary financial assistance credit line and available to eurozone countries to support domestic costs related to health care, treatment and prevention due to the COVID-19 crisis.

9. Overview of the role of EU agencies in policy implementation

EU Agencies, are bodies with legal personality and administrative and financial autonomy.
They are an **organizational tool** aimed at decentralizing **governance of certain matters**, taking powers away from political-administrative authorities, but ensuring cooperation with the Commission and national governments.
The use of technical and specialized expertise promotes harmonization at the European level.

They are established through an act of secondary legislation for the purpose of implementing European policies and perform heterogeneous functions: advisory in nature based on technical and scientific expertise, information gathering and dissemination, or direct regulation of specific areas.

Not all agencies have the same powers:

- agencies with **mere auxiliary** and information dissemination tasks (European Institute for Gender Equality - EIGE; European Chemicals Agency - ECHA; European Environment Agency - EEA);

- agencies with **advisory, investigative and technical** assistance functions European Medicines Agency - EMA; European Food Safety Authority - EFSA; European Border and Coast Guard Agency - Frontex);

- agencies **with direct and binding regulatory powers** (Agency for the Cooperation of Energy Regulators - ACER; European Securities and Markets Authority - ESMA) contribute to the implementation of EU policies and strengthen cooperation between the EU and member state governments by bringing together the technical and specialized expertise available at national and European levels.

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In order to establish a classification of these entities, the **criterion of areas of expertise can also be used.**

In this regard, twenty-seven agencies deal with **matters pertaining to the internal policies and actions of the EU.** In addition to these, agencies have been established to carry out very specific tasks of a technical, scientific and administrative nature within the framework of the EU's common security and defense policy.

Then there are also the "**executive agencies**“, recently established by the European Commission to handle specific tasks related to EU programs for a limited period of time, which have a marginal role compared to the decentralized or regulatory agencies.

RESOURCES: ALL EU AGENCIES

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10. Explanation of the role of other EU bodies in promoting cooperation and coordination

The Economic and Social Committee (EESC) consulted by the Parliament, the Council and the Commission

Advisory body

Representatives of workers' and employers' organizations and other interest groups

Promotes the participation of civil society

→

OUTPUT politics and EU legislation more in line with socioeconomic conditions

EUROPEAN COMMITTEE OF THE REGIONS (CoR) – 1994

The Commission, Council and Parliament must consult the CoR when developing rules in areas affecting local and regional government

Local and regional elected representatives from all 27 member states

Advisory body

Subjects:
- Health
- Education,
- Employment,
- Social policy
- Economic and social cohesion
- Transportation

energy and climate change

EUROPEAN OMBUDSMAN 1995

TRAINING:
Elected by Parliament.
Term of office: five years

FUNCTION: Investigations following complaints about maladministration by EU institutions or other bodies.

POWERS:
-BONDING SETTLEMENT
- REPORT TO PARLIAMENT IF THE INSTITUTION HAS NOT MADE CORRECTION

AREAS

unfair behavior - discrimination - abuse of power -lack of information or refusal to provide it - unjustified delays administrative irregularities

The European Data Protection Supervisor (EDPS) (2004)

renewable term of 5 years

Complaint management and investigation	**Control** over the influence of new technologies on data protection. **Control** of data protection compliance by institutions. **Control** over new technologies in relation to their influence on data protection.
Collaboration with national administrations	**Advising** EU legislators.

Advising UES European External Action Service (EEAS) lawmakers (2011)
EU diplomatic service

Led: by the EU foreign affairs officer

Functions:

- Manages of the European Union's diplomatic relations with other countries outside the EU
- Conducts the foreign and security policy of the Union
- Assists the EU High Representative in managing the Union's foreign and security policy.
- Manages diplomatic relations and strategic partnerships with third countries.
- Collaborates with national diplomatic services of EU countries, the UN and other world powers.

The Common Foreign and Security Policy (**CFSP**) of the European Union was established in 1993 by the Treaty on European Union (TEU) in order to preserve peace, strengthen international security, promote international cooperation and develop and consolidate democracy, the rule of law and respect for human rights and fundamental freedoms.

The TEU introduced the "three-pillar system," with CFSP as the second pillar.

In December **1999**, the European Council established the role of the CFSP **High Representative**.

Parliament's involvement in CFSP helps improve democratic scrutiny of EU foreign policy.

European Investment Bank (EIB) (1958)

jointly **owned** by the EU countries based in Luxembourg.

Administrative Board includes one member from each EU country, plus one from the European Commission.

FUNCTIONS

Economic growth
Employment

Support for initiatives to mitigate climate change

Promotion of EU policies outside its borders

INSTRUMENT

The bank borrows on the capital markets and provides loans on favorable terms for projects that support EU objectives. About 90 percent of loans are disbursed within the EU. The money does not come from the EU budget.

TYPE OF PRODUCTS AND SERVICES

- **loans,** which make up about 90 percent of its total financial commitments. The bank lends to clients of all sizes to support growth and employment, thus often helping to attract other investors.
- **"blending,"** which allows clients to combine EIB financing with additional investment.
- **advice and technical assistance,** to maximize the return on funds.

The EIB **disburses loans** over 25 million euros directly. For smaller loans it opens credit lines for financial institutions, which in turn grant funds to applicants

Management-level decisions are implemented by the bank's departments.

It makes borrowing and lending decisions based on the merits of each project and the opportunities offered by the financial markets.

Lending within the EU obeys **priorities**.

Outside the EU, the bank **supports the Union's development and cooperation** policies around the world.

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