



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 10 December 2010**

**17620/10**

**LIMITE**

**CO EUR-PREP 65**

**NOTE**

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from: The General Secretariat of the Council  
to: General Affairs Council

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Subject: European Council (16-17 December 2010)  
- Draft conclusions

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In accordance with article 2(3)(a) of the Council's Rules of Procedure, delegations will find attached the draft conclusions prepared by the President of the European Council, in close cooperation with the member of the European Council representing the Member State holding the six-monthly Presidency of the Council and with the President of the Commission.

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*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 euro area will emerge stronger from the crisis.*

*Growth prospects are strengthening and the fundamentals of the European economy are sound. However, some continuing uncertainties and risks do not allow for complacency. This is why we agreed today on the text of a limited amendment to the Treaty on the establishment of a future permanent mechanism to safeguard the financial stability of the euro area as a whole. This amendment should enter into force on 1 January 2013. We also reiterated our commitment to reach agreement on the legislative proposals on economic governance by end June 2011 with the aim of strengthening the economic pillar of the Economic and Monetary Union and to continue to implement the Europe 2020 strategy.*

## **I. ECONOMIC POLICY**

1. The European Council welcomed the report presented by its President following up on its conclusions of 28 and 29 October 2010. It agreed that the Treaty should be amended in order for a permanent mechanism to be established by the Member States of the euro area to safeguard the financial stability of the euro area as whole (European Stability Mechanism). This mechanism will replace the European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM), which will remain in force until June 2013.
2. The European Council agreed on the text of the draft decision amending the TFEU set out in annex I. It decided to immediately launch the simplified revision procedure provided for in Article 48(6) TEU. The consultation of the institutions concerned should be concluded on time to allow the formal adoption of the decision in March 2011, completion of national approval procedures by the end of 2012, and entry into force on 1 January 2013.
3. The European Council also called for Finance Ministers of the euro area and the Commission to finalise work on the intergovernmental arrangement setting up the future mechanism by March 2011, integrating the general features set out in the Eurogroup statement of 28 November 2010 (annex II). The mechanism will be activated by mutual agreement of the euro area Member States in case of risk to the stability of the euro area as a whole.

4. Member States whose currency is not the euro will, if they so wish, be involved in this work. They may decide to participate in operations conducted by the mechanism on an ad hoc basis.
5. The European Council called for the acceleration of the work on the six legislative proposals on economic governance, keeping a high level of ambition, so that agreement can be reached by June 2011.
6. Recalling its conclusions of October 2010, the European Council looked forward to the Commission's intention to make proposals for the new multiannual financial framework by June 2011 and invited the institutions to cooperate in order to facilitate its timely adoption.
7. The new Europe 2020 strategy for jobs and growth will continue to guide the Union and the Member States in responding to the crisis and promoting the delivery of structural reforms. The European Council welcomed the progress achieved since the launch of the strategy, as shown in the report presented by the Presidency.

## II. OTHER ISSUES

8. The European Council welcomed the first progress report presented by the High Representative on the European Union's relations with its strategic partners. On this basis, the European Council invited the High Representative, in close cooperation with the Commission and the Foreign Affairs Council, to take this work forward, setting out common European interests and identifying all possible leverages to achieve them and to report back by March 2011. The launch of the EEAS and its coordinating role provide a valuable opportunity to step up this work.
9. The European Council endorsed the Council's conclusions of 14 December 2010 on enlargement and agreed to give Montenegro the status of candidate country.

DRAFT EUROPEAN COUNCIL DECISION

**amending Article 136 of the Treaty on the Functioning of the European Union with regard to  
a stability mechanism for Member States whose currency is the euro**

THE EUROPEAN COUNCIL,

Having regard to the Treaty on European Union, and in particular Article 48(6) thereof,

Having regard to the proposal for revising Article 136 of the Treaty on the Functioning of the  
European Union [submitted to the European Council by the Belgian Government on 16/17  
December 2010],

[Having regard to the opinion of the European Parliament,<sup>1</sup>]

[Having regard to the opinion of the European Commission,<sup>2</sup>]

[After obtaining the opinion of the European Central Bank,<sup>3</sup>]

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<sup>1</sup> Opinion of ... (not yet published in the Official Journal).

<sup>2</sup> Opinion of ... (not yet published in the Official Journal).

<sup>3</sup> Opinion of ... (not yet published in the Official Journal).



Whereas:

- (1) Article 48(6) of the Treaty on European Union (TEU) allows the European Council, acting by unanimity after consulting the European Parliament, the Commission and, in certain cases, the European Central Bank, to adopt a decision amending all or part of the provisions of Part Three of the Treaty on the Functioning of the European Union (TFEU). Such a decision may not increase the competences conferred on the Union in the Treaties and its entry into force is conditional upon its subsequent approval by the Member States in accordance with their respective constitutional requirements.
- (2) At the meeting of the European Council of 28 and 29 October 2010, the Heads of State or Government agreed on the need for Member States to establish a permanent crisis mechanism to safeguard the financial stability of the euro area as a whole and invited the President of the European Council to undertake consultations with the members of the European Council on a limited treaty change required to that effect.
- (3) [On 16/17 December 2010, the Belgian Government submitted, in accordance with Article 48(6), first subparagraph, of the TEU, a proposal for revising Article 136 of the TFEU by adding a paragraph under which Member States whose currency is the euro may establish amongst themselves a stability mechanism to safeguard the stability of the euro area as a whole and stating that the granting of financial assistance under the mechanism will be made subject to strict conditionality.]
- (4) On 16/17 December 2010, the European Council decided to consult, in accordance with Article 48(6), second subparagraph, of the TEU, the European Parliament and the Commission, on the proposal. It also decided to consult the European Central Bank. [On [...dates...], the European Parliament, the Commission and the European Central Bank, respectively, adopted opinions on the proposal.]
- (5) The amendment concerns a provision contained in Part Three of the TFEU and it does not increase the competences conferred on the Union in the Treaties,

HAS ADOPTED THIS DECISION:

*Article 1*

The following paragraph shall be added to Article 136 of the Treaty on the Functioning of the European Union:

"3. The Member States whose currency is the euro may establish a stability mechanism to safeguard the stability of the euro area as a whole. The granting of financial assistance under the mechanism will be made subject to strict conditionality."

*Article 2*

Member States shall notify the Secretary-General of the Council without delay of the completion of the procedures for the approval of this Decision in accordance with their respective constitutional requirements.

This Decision shall enter into force on 1 January 2013, provided that all the notifications referred to in the first paragraph have been received, or, failing that, on the first day of the month following receipt of the last of the notifications referred to in the first paragraph.

*Article 3*

This Decision shall be published in the *Official Journal of the European Union*.

Done at,

*For the European Council*

*The President*

**GENERAL FEATURES OF THE FUTURE MECHANISM**  
**EUROGROUP STATEMENT OF 28 NOVEMBER 2010**

"The recent events have demonstrated that financial distress in one Member State can rapidly threaten macro-financial stability of the EU as a whole through various contagion channels. This is particularly true for the euro area where the economies, and the financial sectors in particular, are closely intertwined.

Throughout the current crisis, euro area Member States have demonstrated their determination to take decisive and coordinated action to safeguard financial stability in the euro area as a whole, if needed and return growth to a sustainable path.

In particular, the European Financial Stability Facility (EFSF) has been set up to provide for swift and effective liquidity assistance, together with the European Financial Stabilisation Mechanism (EFSM) and the International Monetary Fund, and on the basis of stringent programmes of economic and fiscal policy adjustments to be implemented by the affected Member State and ensuring debt sustainability.

On 28 - 29 October the European Council agreed on the need to set up a permanent crisis mechanism to safeguard the financial stability of the euro area as a whole. Eurogroup Ministers agreed that this European Stability Mechanism (ESM) will be based on the European Financial Stability Facility capable of providing financial assistance packages to euro area Member States under strict conditionality functioning according to the rules of the current EFSF.

The ESM will complement the new framework of reinforced economic governance, aiming at an effective and rigorous economic surveillance, which will focus on prevention and will substantially reduce the probability of a crisis arising in the future.