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Content:

1. White Paper on the Future of Europe

On 1 March Jean-Claude Juncker, President of the European Commission, presented to the European Parliament a white paper on the Future of Europe. This discussion document is intended to be the Commission's contribution to the Rome Summit on 25 March which will mark the 60th anniversary of the EU. This will be an occasion when the achievements of the EU will be discussed together with its future. The white paper sets out the main challenges for Europe in the coming decade. It presents five possible scenarios for how the EU could evolve depending on the choices Europe will now make:

- **Scenario 1: Carrying On**. The EU focuses on delivering the positive reform agenda which has already been defined.
- **Scenario 2: Nothing but the Single Market**. The EU is gradually re-centred on the single market as the 27 Member States are not able to find common ground on an increasing number of policy areas.
- **Scenario 3: Those Who Want More Do More**. The EU27 proceeds as today but allows willing Member States to do more together in specific areas such as defence, internal security or social matters. One or more "coalitions of the willing" emerge.
- **Scenario 4: Doing Less More Efficiently**. The EU27 focuses on delivering more and faster in selected policy areas, while doing less where it is perceived not to have an added value. Attention and limited resources are focused on selected policy areas.
- **Scenario 5: Doing Much More Together**. Member States decide to share more power, resources and decision-making across the board. Decisions are agreed faster at European level and rapidly enforced.

The intention of the white paper is to provoke thinking and promote discussion; the final outcome of this process is likely to look rather different to how the scenarios are presented in it. The Commission will also publish over the coming months a series of reflection papers on several topics: developing the social dimension of Europe; deepening the Economic and Monetary Union, harnessing globalisation, the future of Europe's defence and the future of EU finances. All of these are intended to contribute to the ongoing debate.

On 6 March the leaders of continental Europe's biggest economies (Germany, France, Spain and Italy) met in the Palace of Versailles in France to prepare for the Rome Summit later this month. They endorsed scenario 3, or a multi-speed Europe, in which some countries could proceed to deepen integration faster than others, as their preferred outcome. German Chancellor Angela Merkel said that her priorities for the Rome Summit, echoed by French President Francois Hollande, are defence, the economy, security and immigration.

President Jean-Claude Juncker is thought to favour "more Europe" for all members (scenario 5), rather than a two or multi-speed approach. No concrete project was announced after the meeting in Versailles. There is strong opposition to the multi-speed approach from some other countries, including many from Eastern Europe. The Rome Summit will take place in a climate of political uncertainty, with national elections this month in the Netherlands, followed later this year by France and Germany.

2. European Semester 2017: Winter Package

The European Semester is the EU's annual process of economic governance. As part of this process the European Commission published on 22 February its analysis of the economic and social situation in Member States and the progress which they have made (or not) in implementing policy guidance received last year concerning structural reforms and responsible fiscal policies.

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The 27 country reports (for all Member States except Greece) provide the analysis of Commission staff of the situation of the national economies. With the country reports the Commission also published a communication on the main findings and results. Later in the spring it will publish national programmes and country-specific recommendations.

The conclusions presented in the country reports show that, in most Member States, economic recovery has contributed to declining unemployment rates and reduction in levels of debt. However a number of economic risks remain, for example with large stocks of non-performing loans in the financial sector. Last November the Commission launched in-depth reviews for 13 Member States. Of these, only Finland is concluded not to be experiencing imbalances in the meaning of the Macroeconomic Imbalances Procedure. The other 12 are facing either imbalances or excessive imbalances and will continue to be subject to specific monitoring. Of these 12, Bulgaria, France, Croatia, Italy, Portugal and Cyprus are found to be experiencing excessive economic imbalances, while Germany, Ireland, Spain, the Netherlands, Slovenia and Sweden are experiencing economic imbalances. For Germany it is recommended that policy action should aim at further strengthening investment, including by reforming the services sector. There is detailed commentary in the country reports about the housing markets and the regulation of services in different countries, including the following remarks:

- **Belgium**: valuation estimates based on structural ratios suggest some price overvaluation in the Belgian real estate market. As a result of the fast increase in household indebtedness and price developments, the European Systemic Risk Board has warned for medium-term vulnerabilities in the Belgian residential real estate sector. In some professional services regulatory barriers remain significant (for real estate agents the level of restriction is higher than the EU average).
- **Czech Republic**: mortgage lending to households has accelerated in recent years and real house prices have risen from their 2013 post-crisis low. The recent acceleration in house price growth has prompted new macroprudential measures in an effort to curb excessive credit growth in the sector. Regulatory barriers to entry remain high for a number of professions (for real estate agents the level of restrictiveness is lower than the EU average).
- **Germany**: following a prolonged construction period, the German housing market is currently in a dynamic phase. In contrast to regional price developments, aggregate house prices in Germany appear to be developing in line with their underlying fundamentals. Upwards dynamics in property prices are concentrated in agglomerations, where demand is expected to increase further in the future. Purchasing prices for houses have grown faster than rents but new rents have started to catch up since 2013. The expansion of housing supply seems insufficient to match demand. Most of housing investment corresponds to renovating existing properties. Regulatory restrictiveness in the services sectors gives rise to low productivity and uncompetitive pricing. Limited action has been announced with respect to further liberalizing professional services.
- **Ireland**: insufficient housing supply is a concern for both economic and social reasons. Targeted initiatives to support supply are now in place. Property prices continued to increase, but residential property prices remain below pre-crisis peaks and overall, current prices do not seem to be overvalued. Some regulated professions continue to be affected by insufficient competition and significant barriers to entry (for real estate agents the level of restrictiveness is higher than the EU average).
- **Spain**: levels and trends of allocative efficiency point to a comparatively low level of competition. Restrictive regulation of professional services has not been reformed, keeping entry barriers high and discouraging investment in those industries.
- **Hungary**: the level of recurrent property taxes is low (0.6% of GDP), well below the EU average. The recovery of the property market seems to provide better conditions for shifting taxes towards property. The previous decline in real house prices reversed sharply as prices surged in 2015. While nominal housing prices increased by 14.4 % in year on year terms, from 2014 to 2015, the Central Bank forecast for the third quarter of 2016 was for it to slow to 9% in annual terms. Regulation on professional services remains restrictive.
- **Italy**: regulated professions still face important restrictions. The level of regulatory restrictiveness in Italy is higher than the EU weighted average for all professions, except the legal profession.
- **Luxembourg**: housing demand continues to exceed supply, resulting in a sharp increase in real estate prices. Luxembourg's real estate market shows a constant dynamism with house prices growing steadily for several decades. In 2015 house prices increased by 6.1 %, the steepest increase since the outbreak of the financial crisis. The recently adopted tax reform contains measures that aim to promote the placing on the market of dwellings intended for sale. Capital gains on real estate sales between 1 July 2016 and 31 December 2017 will be taxed at a quarter of the

standard rate. The authorities also plan to increase the supply of affordable housing. High regulatory barriers remain in the business services sector.

- **The Netherlands**: there have been important reforms in the owner-occupied housing market and the rental market to limit the distortions caused by tax incentives and rent regulation. The recovery in the housing market continues but the speed varies across regions. The private rental market remains underdeveloped. Starting in 2013, a number of policies to improve the functioning of the owner-occupied housing market have been put into place. Regulatory barriers in services markets, retail and regulated professions in the Netherlands remain among the lowest in the EU, with the exception of the construction sector.
- **Austria**: rigidities in service markets and regulated professions are hampering competition and discouraging investment. The strong growth in house prices over recent years has accelerated since mid-2015. In Austria, both rental costs and house prices are rising much more steeply than overall inflation. Austria has made some efforts to improve competition and investment in the services sector by reducing regulatory and administrative barriers. The outdated tax base for recurrent taxes on immovable property leads to low revenues and distortive distributional effects. Austria remains one of the Member States with the highest regulatory barriers in the services sector. The Austrian government announced a revision of the trade licence act in late 2016.
- **Poland**: has undertaken ambitious reforms of regulated professions in recent years. The level of restrictiveness is higher in Poland compared to the EU weighted average for lawyers and tax advisers, while it is significantly lower for tourist guides and real estate agents.
- **Slovakia**: after bottoming out in 2014, house prices surpassed their pre-crisis levels in 2016. Significant regional differences in property prices and rents persist, with both growing rapidly in Bratislava but only marginally in the rest of the country. The availability of social housing is very scarce (around 3% of the total housing stock) and support for rental accommodation remains limited.
- **United Kingdom**: despite progress, new housing supply is still not keeping up with the growth in demand. Activity in the housing sector remained moderate in 2016, but high house prices and the housing shortage persist. The fundamental imbalance between housing supply and demand identified in previous country reports persists. Regulation of the land market and residential construction remains strict and complex. Policy is shifting away from a focus on home ownership to supporting a mix of tenures.

The conclusions of the analysis contained in the country reports will be taken into account in the country-specific recommendations which will be issued by the European Commission within the next few months.

3. European Parliament Votes on Anti-Money Laundering (AML)

On 28 February the Committee on Economic and Monetary Affairs (ECON) and the Committee on Civil Liberties, Justice and Home Affairs (LIBE) of the European Parliament jointly voted on the legislative report prepared for the joint committees by rapporteurs Krišjānis Kariņš (LV, EPP) and Judith Sargentini (NL, Greens/EFA) on preventing the use of the financial system for the purposes of money laundering or terrorist financing. This refers to the targeted revision of the Fourth AML Directive proposed by the European Commission which aims to enhance the transparency of financial transactions and of corporate entities. The proposal would enable EU citizens to access beneficial ownership registers without having to demonstrate a "legitimate interest" in the information. The scope of the Directive has been expanded to cover trusts and "other types of legal arrangements having a structure or functions similar to trusts. Virtual currency platforms and custodian wallet providers have been brought within the scope of the Directive. The update also aims to streamline coordination among Member States in fighting terrorism financing and money laundering. Measures include introducing centralised bank and payment account registers in Member States, harmonising the checks that banks and financial institutions make across the EU and easing the flow of information between Member States' financial intelligence units.

MEPs agreed a number of amendments to the Commission proposal that are important for the real estate sector. Concerning the definition of those covered as obliged entities by the Directive, the term "estate agents" will now include letting agents. Obliged entities will be responsible for reporting any discrepancies between the information in the registers of beneficial ownership and the information they collect as part of their customer due diligence procedures. The registers will be interconnected via a European Central Platform. Member States must put in place automated centralised mechanisms, such as central registries or central electronic data retrieval systems, which allow the identification, in a timely manner, of any natural or legal person holding or controlling land and buildings within their territory. Details must include the name of the owner, beneficial owner, date of acquisition and information about the land and building in question. Member States must cooperate among themselves and with

the Commission in order to establish by 1 January 2018 a European real property register building on the European Land Information Service (EULIS). Member States must also put in place automated centralised mechanisms, such as central registries or central electronic data retrieval systems, which allow the identification, in a timely manner, of any natural or legal persons holding or controlling life insurance contracts or investment related services such as insurance contracts with premium refund held within their territory.

The amended report was passed by 89 votes to 1, with 4 abstentions. The committees voted by 92 votes to 1, with 1 abstention to enter into negotiations with the European Council. Agreement on the final version of the text will have to be reached by both these institutions together with the European Commission.

Useful links

www.cepi.eu

White Paper on the Future of Europe

http://europa.eu/rapid/press-release_IP-17-385_en.htm

European Semester Winter Package 2017

http://europa.eu/rapid/press-release_IP-17-308_en.htm

European Parliament Procedure File on the Revision of the Fourth AML Directive

http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=&reference=2016/0208(COD)