The changeover to the single currency. Report by the European Monetary Institute EMI

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OBJECTIVE: this document sets out the opinion of the European Monetary Institute (EMI) on the strategy for the changeover to the single currency. SUBSTANCE: according to the EMI, the changeover to the single currency, which will mark the end of the process establishing EMU, must be organised around five principles aimed at ensuring transparency and public acceptance: 1. A clear legal framework must be established for the introduction of the new European currency and its final replacement of the national currencies of the Member States participating in the European currency area; this legal framework must comply with the Treaty; 2. To make the changeover seem credible to the people, the transition must be a simple and convenient process for users; 3. The transition must be efficient, incur as few costs as possible and avoid the distortion of competition; 4. The changeover to the single currency must take place in such a way so as to facilitate the effective implementation of the common monetary policy, which will be managed by the ESCB from the beginning of the third stage of EMU, with a view to maintaining price stability; 5. From the beginning of the third stage, economic agents in the private sector must be free to use the European currency; however, they must not be forced to use it before the deadline established for the final changeover; where possible, they must be permitted to draw up their own mechanisms to adapt to the transition. In order to ensure that the changeover takes place quickly and methodically, the authorities must announce the sequence of events in advance, structured around certain essential reference dates. From the EMI's point of view, four important dates stand out in the process leading to the final changeover: 1. Approximately one year before the beginning of the third stage, the Council, meeting in the composition of the Heads of State or Government, must decide which countries will form part of the European monetary area. This decision will be followed by the establishment of the European Central Bank (ECB); 2. On the first day of the third stage, the exchange rates between the currencies of the participating Member States will be replaced by conversion rates which will be irrevocably fixed. The national currencies and the European currency will be different expressions of what is economically the same currency. National banknotes and coins will continue to be legal tender only until European banknotes and coins are introduced. The ESCB will be responsible for the common monetary policy in the European monetary area; 3. Three years after the beginning of the third stage, at the latest, the ESCB will begin to issue European banknotes and to exchange national banknotes and coins for European banknotes and coins; 4. Six months after European banknotes and coins are introduced, the changeover to the single currency will be concluded for all operations and for all economic agents. National banknotes and coins will no longer be legal tender and European banknotes and coins will be the only legal tender with the European monetary area. Given the irreversible nature of the transition to the third stage and the creation of the European monetary area, the EMI is calling for the coordinated introduction of all the elements needed to make this ambitious project a reality.