

Euro: introduction and use, legal framework for the enlargement of the euro area

2005/0145(CNS) - 02/08/2005 - Legislative proposal

PURPOSE : to amend Regulation 974/98/EC to prepare for new entrants into the euro area.

PROPOSED ACT : Council Regulation.

CONTENT : Currently, three Council Regulations govern the introduction of the euro and its use in the current participating Member States. Firstly, Council Regulation 974/98/EC on the introduction of the euro, which governs the initial introduction of the euro in the first wave euro-area Member States and Greece. Since future entrants into the euro-area will be in a situation different from the first entrants, these rules can no longer apply in their current format. Therefore, this initiative proposes amendments to this Regulation.

Furthermore, it should be noted that the introduction and the use of the euro are governed by Council Regulation 2866/98/EC on the conversion rates between the euro and the currencies of the Member States adopting the euro and Council Regulation 103/97/EC on certain provisions relating to the introduction of the euro. While the first one will need to be adapted in order to cover conversion rates for the currencies of

Member States entering the euro area, the second one can remain unchanged.

Since some non-participating Member States might already join the euro area in 2007, the adapted legal framework for the enlargement of the euro area should be put in place on a timely basis, notably to provide certainty for all future euro-area entrants and set rules which can easily be applied to any future entrant.

The need to amend Regulation 974/98/EC stems from the fact that this Regulation makes reference to specific fixed dates. The Commission proposes to adapt this Regulation in such a way that all these fixed dates are replaced with dates defined in the Regulation for each individual Member State . Moreover, since euro banknotes and coins are already in circulation, the changeover scenario applied to the first twelve participating Member States will not be appropriate for all future euro-area entrants and some degree of flexibility will need to be introduced:

-Firstly, Member States could choose a transitional period in the “traditional” meaning like the one which applied to those Member States establishing the euro area in 1999 (Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal and Finland) or joining it in 2001 (Greece). This would mean that first the euro would be adopted as the currency of the respective Member State, although euro banknotes and coins would only be introduced after the lapse of the transitional period in that Member State . The length of the transitional period might vary among individual Member States.

-Secondly, Member States could opt for a “big bang” scenario. In this scenario, the transitional period would only last for one “logical second”. As a consequence, the adoption of the euro as the currency in the relevant Member State and the introduction of euro banknotes and coins would coincide.

-Finally, Member States could choose a “big bang” scenario combined with a “phasing-out” period, whereby the “big bang” scenario would apply and certain scope for the usage of the national currency in specific legal instruments (invoices, company books,) after the “big bang” date would be allowed for a limited period of time.

While the Member States entering the euro area can only be identified once their derogation is lifted, Council Regulation 974/98/EC needs to be adapted in a separate step prior to this point in time. The approach used for Greece should be applied to all further enlargements of the euro area. For each individual accession, there will be a separate regulation modifying Regulation 974/98/EC. This modifying regulation will extend the list of participating Member States by each individual Member State entering the euro area and indicate the type of changeover scenario chosen by that Member State . In order to prepare Regulation 974/98/EC for such subsequent amendments, this Regulation requires some prior technical adaptations, which are discussed in the proposal.

Finally, the Regulation will be amended in order to acknowledge the legal tender status of euro coins issued by third states (such as currently Monaco, San Marino and the Vatican City State) under monetary agreements with the Community.