

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

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PURPOSE: A European Central Bank Opinion on the proposed amendment to the Regulation introducing the Euro.

CONTENT: To recall the purpose of the proposed amending Regulation is to establish an appropriate legal framework for the future introduction of the Euro in the Member States that are yet to adopt the Euro (otherwise referred to as the non-participating Member States). Below is a summary of the ECB's Opinion:

- On the question of the three change-over scenarios.

The basic objective of the proposed Regulation, as presented by the European Commission in its initial proposal, is to establish three alternative change-over scenarios, variously known as a) a Madrid style transition period (a period of time during which the Euro would only legally exist as a scriptural currency, whilst Euro bank notes and coins, even if privately available and usable, would be officially recognised as having domestic legal tender status; b) a big ban scenario or a single step transition to the Euro under which the dates for the introduction of the Euro as a scriptural currency and for the cash changeover would be the same or c) a big bang scenario with a phasing out period of up to one year during which reference could continue to be made to the national currency unit in instruments having legal effect (e.g invoices, company accounts and payslips). The ECB notes that the term "big-bang" needs to be more transparently defined proposing that it be re-termed "a single step introduction of the Euro under which the Euro adoption date and cash changeover coincide."

- On the question of transitional period change-over scenarios.

The ECB strongly recommends explicitly establishing a maximum length for the transitional period in the text of the proposed Regulation and this maximum length should be no longer than three years. In addition to this overall limit, the ECB recommends, that the recitals to the proposed Regulation clarify that the transitional period should be as short as possible in order to encourage the establishment of shorter transition periods than the maximum permissible three-year period.

- On the question of phasing-out the change-over period.

The ECB calls on the Commission to address the discrepancy between the earlier phasing-out period (of up to one year after the cash change-over date) and its overlap with the dual circulation period (of up to six months) during which the both the Euro and national currencies would be permitted as legal tender.

- On the question of naming the Euro.

The ECB recommends that the text of the proposed Regulation incorporates in its normative part a provision confirming that the spelling of the name of the Euro shall be identical in the nominative singular case in all the official languages of the European Union, taking account of the existence of different alphabets.

- On the question of specific drafting suggestions.

The ECB makes a number of recommendations to simplify the texts of various provisions.