

Adoption by Cyprus of the single currency on 1 January 2008

2007/0090(CNS) - 16/05/2007 - Legislative proposal

PURPOSE: to abrogate the derogation of Cyprus to join the single currency with effect from 1 January 2008.

PROPOSED ACT: Council Decision.

CONTENT: on 13 February 2007, Cyprus submitted a request for a new convergence assessment with a view to introduce the euro on 1 January 2008 in case the derogation were to be abrogated. As a response to this request, the Commission and the ECB prepared Convergence Reports for Cyprus.

On the basis of these convergence reports, the Commission concludes that a high degree of sustainable convergence has been achieved in Cyprus.

It concludes that in Cyprus, national legislation, including the Statute of the national central bank, is compatible with Articles 108 and 109 of the Treaty and the Statute of the ESCB.

Regarding the fulfilment by Cyprus of the convergence criteria mentioned in the four indents of Article 121(1) of the Treaty:

- the average inflation rate in Cyprus in the year ending March 2007 stood at 2.0 %, which is below the reference value and is likely to remain below the reference value in the months ahead;
- Cyprus is not the subject of a Council Decision on the existence of an excessive government deficit;
- Cyprus has been a member of ERM II since 2 May 2005; in the two-year period ending 26 April 2007, the Cypriot pound (CYP) has not been subject to severe tensions and Cyprus has not devalued, on its own initiative, the CYP bilateral central rate against the euro;
- in the year ending March 2007, the long-term interest rate in Cyprus was, on average, 4.2 % which is below the reference value.

On the basis of its report and that of the ECB, the Commission has adopted the attached proposal for a Council decision to abrogate the derogation of Cyprus with effect from 1 January 2008.