## Basic information

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| **2007/0092(CNS)**<br>CNS - Consultation procedure<br>Decision | Procedure completed |
| Adoption by Malta of the single currency on 1 January 2008<br>**Subject**<br>5.20.02 Single currency, euro, euro area<br>**Geographical area**<br>Malta | |

## Key players

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|---|---|---|---|
| European Parliament | **Committee responsible** | **Rapporteur** | **Appointed** |
| | ECON Economic and Monetary Affairs | LANGEN Werner (PPE-DE) | 22/05/2007 |

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| Council of the European Union | **Council configuration** | **Meetings** | **Date** |
| | Economic and Financial Affairs ECOFIN | 2813 | 2007-07-10 |
| | Economic and Financial Affairs ECOFIN | 2804 | 2007-06-05 |
| | Heads of State or Government | 2810 | 2007-06-21 |

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| European Commission | **Commission DG** | **Commissioner** |
| | Agriculture and Rural Development | FISCHER BOEL Mariann |

## Key events

| Date | Event | Reference | Summary |
|---|---|---|---|
| 16/05/2007 | Legislative proposal published | COM(2007)0259 | Summary |
| 05/06/2007 | Debate in Council | | |
| 07/06/2007 | Committee referral announced in Parliament | | |
| 18/06/2007 | Vote in committee | | |
| 18/06/2007 | Committee report tabled for plenary, 1st reading/single reading | A6-0243/2007 | |
| 20/06/2007 | Decision by Parliament | T6-0271/2007 | Summary |
| 20/06/2007 | Results of vote in Parliament | | |

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|---|---|---|---|
| 20/06/2007 | Debate in Parliament | | |
| 10/07/2007 | Act adopted by Council after consultation of Parliament | | |
| 10/07/2007 | End of procedure in Parliament | | |
| 18/07/2007 | Final act published in Official Journal | | |

## Technical information

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| **Procedure reference** | 2007/0092(CNS) |
| **Procedure type** | CNS - Consultation procedure |
| **Procedure subtype** | Legislation |
| **Legislative instrument** | Decision |
| **Legal basis** | EC Treaty (after Amsterdam) EC 122-p2 |
| **Stage reached in procedure** | Procedure completed |
| **Committee dossier** | ECON/6/49855 |

## Documentation gateway

**European Parliament**

| Document type | Committee | Reference | Date | Summary |
|---|---|---|---|---|
| Committee draft report | | PE390.501 | 07/06/2007 | |
| Amendments tabled in committee | | PE390.574 | 08/06/2007 | |
| Committee report tabled for plenary, 1st reading/single reading | | A6-0243/2007 | 18/06/2007 | |
| Text adopted by Parliament, 1st reading/single reading | | T6-0271/2007 | 20/06/2007 | Summary |

**European Commission**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Document attached to the procedure | COM(2007)0258 | 16/05/2007 | Summary |
| Legislative proposal | COM(2007)0259 | 16/05/2007 | Summary |
| Document attached to the procedure | COM(2007)0260 | 16/05/2007 | Summary |
| Document attached to the procedure | SEC(2007)0622 | 16/05/2007 | |

**Other institutions and bodies**

| Institution/body | Document type | Reference | Date | Summary |
|---|---|---|---|---|
| ECB | European Central Bank: opinion, guideline, report | CON/2007/0019<br>OJ C 160 13.07.2007, p. 0001 | 05/07/2007 | |

| Additional information | | |
|---|---|---|
| **Source** | **Document** | **Date** |
| European Commission | EUR-Lex | |

| Final act | |
|---|---|
| Decision 2007/0504<br>OJ L 186 18.07.2007, p. 0032 | Summary |

# Adoption by Malta of the single currency on 1 January 2008

2007/0092(CNS) - 16/05/2007 - Document attached to the procedure

Article 122(2) of the Treaty requires the Commission and the ECB to report to the Council, at least once every two years, or at the request of a Member State with a derogation, on the progress made by the Member States in fulfilling their obligations regarding the achievement of economic and monetary union. This report has been prepared in response to the request submitted by Malta on 27 February 2007. A detailed assessment follows:

**Inflation**: the average inflation rate in Malta during the 12 months to March 2007 was 2.2%, below the reference value of 3%. It is likely to continue below the reference value in the coming months. Moderate core inflation indicates that underlying inflationary pressures have remained limited. Progress towards price stability has been supported by wage discipline and increasing competition in some product markets, also related to integration in the EU single market and effects of globalisation. The improvement in price stability is based on sound foundations, suggesting that the moderate levels of inflation will be maintained after euro adoption. Nevertheless, Malta will need to stay vigilant and stem inflationary risks as cyclical conditions improve. A prudent fiscal stance aimed at avoiding the build-up of excessive demand pressures and wage developments in line with productivity gains would be well advised. Continued structural reforms to improve the functioning of product markets, in particular utilities), are also warranted.

**Budgetary situation**: the Commission also concluded that Malta had corrected its budget deficit and recommended that the ECOFIN Council abrogates the excessive deficit procedure started upon accession to the EU, in 2004.The deficit-to-GDP ratio decreased from 10% in 2003 to 2.6% in 2006 and, according to the Commission's spring forecast, would amount to 2.1% in 2007. The government debt increased significantly in the first half of the decade, but has followed a downward path since 2004 to reach 66.5% of GDP in 2006. In view of this, the Commission considers that Malta has corrected its deficit in a credible and sustainable way and its debt is diminishing at a satisfactory pace towards the Treaty reference value of 60% of GDP. Malta, therefore, meets the budgetary criterion. It should, nevertheless, continue efforts to reduce the debt-to-GDP ratio and to make further progress in the design and implementation of the healthcare reform in order to improve the long-term sustainability of its public finances.

**Exchange rate**: the Maltese lira has participated in the Exchange Rate Mechanism ERM II since 2 May 2005, i.e. for 24 months at the time of the adoption of this report. During these two years, the lira has remained stable vis-à-vis the central rate and has not experienced severe tensions.

**Long-term interest rates**: the average long-term interest rate in Malta in the year to March 2007 was 4.3%, below the reference value of 6.4%. Average long-term interest rates in Malta have been below the reference value since EU accession. Long-term yield spreads vis-à-vis the euro area have also fluctuated at relatively moderate levels and decreased further since 2005, which testifies to the low residual country risk priced in by markets.

**Legal convergence**: all outstanding incompatibilities have been addressed in a Law amending the Central Bank of Malta Act adopted by Parliament on 28 February 2007. Legislation in Malta, in particular the Central Bank of Malta Act, is now compatible with the requirements of the EC Treaty and the ESCB Statute.

**To conclude**, in the light of its assessment on the fulfilment of the convergence criteria and assuming that the Council will follow the Commission's recommendation for the abrogation of the excessive deficit, the Commission considers that Malta has achieved a high degree of sustainable convergence.

# Adoption by Malta of the single currency on 1 January 2008

2007/0092(CNS) - 16/05/2007 - Document attached to the procedure

PURPOSE: to amend Regulation (EC) No 974/98 as regards the introduction of the euro in Malta.

PROPOSED ACT: Council Regulation.

CONTENT: on 16 May 2007, the Commission adopted a proposal for a Council Decision in accordance with Article 122(2) EC, indicating that Malta fulfils the necessary conditions for the adoption of the single currency and that the derogation of Malta is abrogated with effect from 1 January 2008.

In case of a positive decision, the Council will subsequently have to take the other measures necessary for the introduction of the euro in Malta.

The introduction of the euro in Malta requires the extension to Malta of the existing provisions on the introduction of the euro set out in Regulation (EC) No 974/98.

Malta's changeover plan specifies that euro banknotes and coins should become legal tender in that Member State on the day of the introduction of the euro as its currency. Consequently, the euro adoption date and the cash changeover date shall be 1 January 2008. No "phasing-out" period applies.

# Adoption by Malta of the single currency on 1 January 2008

2007/0092(CNS) - 10/07/2007 - Final act

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

LEGISLATIVE ACT: Council Decision 2007/504/EC in accordance with Article 122(2) of the Treaty on the adoption by Malta of the single currency on 1 January 2008

CONTENT: by virtue of Decision 98/317/EC, Malta, inter alia, has a derogation as defined in Article 122 of the Treaty with respect to the adoption of the euro. Article 122(2) of the Treaty lays down the procedures for abrogation of the derogation of the Member States concerned. On 27 February 2007, Malta submitted a formal request for a convergence assessment. This Decision provides that **Malta fulfils the necessary conditions for the adoption of the single currency.** The derogation in favour of Malta referred to in Article 4 of the 2003 Act of Accession will be abrogated with effect from 1 January 2008.

On the basis of reports presented by the Commission and the ECB on the progress made in the fulfilment by Malta of its obligations regarding the achievement of economic and monetary union, the Commission concluded that in Malta, 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 Malta 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 2.2%, which is below the reference value of 3%, and is likely to remain below the reference value in the months ahead;
- the budget deficit in Malta has seen a credible and sustainable reduction to below 3% of GDP and the debt-to-GDP ratio has been diminishing towards the reference value of 60%. The Commission therefore recommended the Council to abrogate the Decision
- on the existence of an excessive deficit for Malta;
- Cyprus has been a member of ERM II since 2 May 2005; in the two-year period ending 26 April 2007, the Maltese lira (MTL) has not been subject to severe tensions and Malta has not devalued, on its own initiative, the MTL bilateral central rate against the euro;
- in the year ending March 2007, the long-term interest rate in Cyprus was on average 4.3%, which is below the reference value of 6.4%.

Cyprus has achieved a high degree of sustainable convergence by reference to these criteria. The Decision therefore states that Cyprus fulfils the necessary conditions for the adoption of the single currency.

# Adoption by Malta of the single currency on 1 January 2008

2007/0092(CNS) - 20/06/2007 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted the resolution drafted by Werner **Langen** (EPP-ED, DE) and, approving the Commission proposal, favoured the adoption of the euro by Malta on 1 January 2008. The report was adopted by 610 votes in favour to 12 against with 74 abstentions.

# Adoption by Malta of the single currency on 1 January 2008

2007/0092(CNS) - 16/05/2007 - Legislative proposal

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

PROPOSED ACT: Council Decision.

CONTENT: on 27 February 2007, Malta 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 Malta.

On the basis of reports presented by the Commission and the ECB on the progress made in the fulfilment by Malta of its obligations regarding the achievement of economic and monetary union, the Commission concludes that:

In Malta, 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 Malta of the convergence criteria mentioned in the four indents of Article 121(1) of the Treaty:

- the average inflation rate in Malta in the year ending March 2007 stood at 2.2 %, which is below the reference value and is likely to remain below the reference value in the months ahead;
- the budget deficit in Malta has seen a credible and sustainable reduction to below 3 % of GDP and the debt-to-GDP ratio has been diminishing towards the reference value of 60 %; the Commission therefore recommends to the Council to abrogate the decision on the existence of an excessive deficit for Malta;
- Malta has been a member of ERM II since 2 May 2005; in the two-year period ending 26 April 2007, the Maltese lira (MTL) has not been subject to severe tensions and Malta has not devalued, on its own initiative, the MTL bilateral central rate against the euro;
- in the year ending March 2007, the long-term interest rate in Malta was, on average, 4.3 % which is below the reference value.

Malta has achieved a high degree of sustainable convergence by reference to these criteria and fulfils the necessary conditions for the adoption of the euro, provided that the decision on the existence of an excessive deficit procedure is abrogated by the Council.