Basic information

2014/0170(NLE) NLE - Non-legislative enactments	Procedure completed
Adoption by Lithuania of the euro on 1 January 2015 **Subject** 5.20.02 Single currency, euro, euro area **Geographical area** Lithuania	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	LANGEN Werner (PPE)	19/11/2013
	Shadow rapporteur TANG Paul (S&D) TREMOSA I BALCELLS Ramon (ALDE)	

Former committee responsible	Former rapporteur	Appointed
ECON Economic and Monetary Affairs		

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3324	2014-06-20

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	REHN Olli

Key events

Date	Event	Reference	Summary
04/06/2014	Legislative proposal published	COM(2014)0324	Summary
20/06/2014	Debate in Council		Summary

03/07/2014	Committee referral announced in Parliament		
14/07/2014	Vote in committee		
14/07/2014	Committee report tabled for plenary, 1st reading/single reading	A8-0001/2014	Summary
15/07/2014	Debate in Parliament		
16/07/2014	Decision by Parliament	T8-0004/2014	Summary
16/07/2014	Results of vote in Parliament		
17/07/2014	End of procedure in Parliament		
23/07/2014	Act adopted by Council after consultation of Parliament		
31/07/2014	Final act published in Official Journal		

Technical information

Procedure reference	2014/0170(NLE)
Procedure type	NLE - Non-legislative enactments
Procedure subtype	Consultation of Parliament
Legal basis	Treaty on the Functioning of the European Union TFEU 140-p2
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/00484

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE536.021	16/06/2014	
Amendments tabled in committee		PE536.168	10/07/2014	
Committee report tabled for plenary, 1st reading/single reading		A8-0001/2014	14/07/2014	Summary
Text adopted by Parliament, 1st reading/single reading		T8-0004/2014	16/07/2014	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2014)0324	04/06/2014	Summary
Commission document (COM)	COM(2014)0325	04/06/2014	
Commission document (COM)	COM(2014)0447	01/07/2014	
Document attached to the procedure	COM(2014)0489	23/07/2014	Summary

Commission document (COM)	COM(2014)0706	21/11/2014	Summary
Commission working document (SWD)	SWD(2014)0341	21/11/2014	
Follow-up document	COM(2015)0222	27/05/2015	Summary

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

Final act	
Decision 2014/0509 OJ L 228 31.07.2014, p. 0029	Summary

Adoption by Lithuania of the euro on 1 January 2015

2014/0170(NLE) - 16/07/2014 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 545 votes to 116, with 34 abstentions, a legislative resolution on the proposal for a Council decision on the adoption by Lithuania of the euro on 1 January 2015.

Parliament approved the Commission proposal and **endorses the adoption of the euro by Lithuania on 1 January 2015**.

The legal prerequisites for adoption of the euro are set out in Article 140(2) of the Treaty on the Functioning of the European Union (TFEU) and Protocol No 13 on the convergence criteria.

The following **four Convergence criteria** should be respected:

- achievement of a high level of price stability;
- sustainability of the government financial position;
- compliance with the normal fluctuation margins of the European Monetary System's Exchange Rate Mechanism for at least the past two years;
- durability of convergence, as reflected in long-term interest rate levels.

According to the Convergence Report published on 4 June 2014, Lithuania meets all the convergence criteria. Parliament welcomed the fact that:

- in the year ending in April 2014 **Lithuania had a mean inflation rate of 0.6%,** and therefore fulfils this convergence criterion;
- in the reference year 2013 Lithuania had a **budget deficit** of 2.1% and a government debt of 39.4% of Gross Domestic Product, and therefore fulfils this convergence criterion;
- there have been no tensions surrounding the **litas-euro exchange rate** during the two-year assessment period;
- during the reference period from May 2013 until April 2014 **long-term interest rates** in Lithuania averaged 3.6%;
- legislation in Lithuania is fully compatible with the compliance duty under Article 131 of the Treaty on the Functioning of the European Union. Parliament also welcomed the compatibility of the law on Lietuvos bankas with the **principle of central bank independence** set out in Article 130 TFEU and mirrored in Article 7 of the Statute of the European System of Central Banks and of the European Central Bank.

It is recalled that following Lithuania's first attempt to introduce the euro in 2006, the Lithuanian Government decided on 25 February 2013 to set 1 January 2015 as the target date for introducing the euro.

On 17 April 2014 the Lithuanian Parliament (Seimas) adopted the law on the introduction of the euro in Lithuania.

Adoption by Lithuania of the euro on 1 January 2015

2014/0170(NLE) - 23/07/2014 - Document attached to the procedure

The Commission presented its fourteenth report on the practical preparations for the future enlargement of the euro area.

Following the Council Decision of 23 July 2014 concluding that Lithuania fulfils the necessary conditions for euro adoption, **the euro area will have 19 members as of 1 January 2015**.

Lithuania has **less than six months to finalise its preparations for the changeover**. This report assesses the state of play of the practical preparations for introducing the euro and the progress made in preparing the changeover-related communication campaign by mid-June 2014. It also provides a short overview on the results of the latest opinion poll on the state of public opinion on the euro.

Practical preparations in Lithuania are overall on a satisfactory path. However, the Commission has identified some areas where further efforts are necessary.

Preparations of the public sector: preparations of the public sector for the changeover are well underway. Like its Baltic neighbours Latvia and Estonia, Lithuania has refrained from appointing a specific 'Ms/Mr Euro', i.e. a person being the main press contact point for all changeover related question who embodies the changeover process for the general public. However, it is of particular importance to ensure that **enquiries from the public and the press quickly reach the proper point of contact**.

Preparations of the financial and banking sector: Lithuania intends to use a "**big bang**" changeover scenario and a dual circulation period of 15 calendar days. The start of the frontloading of euro coins to credit institutions is scheduled for 1 October 2014 with frontloading of euro banknotes to follow as of 1 November 2014.

Sub-frontloading of banknotes and coins to commercial banks' major clients will commence on 1 December 2014. The general public will have the opportunity to purchase starter kits with euro coins as of 1 December 2014.

Litas cash in circulation has significantly increased in the last years. 90 million litas banknotes are currently in circulation.

The Lithuanian authorities are in particular advised to take **additional measures with a view to reducing circulating litas cash already before €-day**. It is recommended to make use of concrete incentives for bank customers to dispose of (hoarded) cash, such as **abolishing or decreasing applicable bank charges** for depositing cash on bank accounts.

It is crucial that all **ATMs** will be available for euro withdrawal from 1 January 2015.

Preventing abusive practices and erroneous perception of the evolution of prices by the citizens: the period of dual display of prices in both litas and euro will start on 23 August 2014. Dual display of prices shall continue at least 6 months following the euro adoption date.

Considering that euro-related price increases are one of the main concerns voiced by Lithuanian citizens, the measures foreseen for preventing abusive practices and erroneous perceptions of the evolution of prices by the citizens should be significantly strengthened. Information on price developments after €-day should be published already in the beginning of January 2015.

Efforts should be made to achieve the highest possible subscription rate to the Memorandum on Good Business Practice. Furthermore, it has to be ensured that **corrective action** against businesses not complying with the requirements for price display and conversion (e.g. rounding rules) or not implementing the Memorandum on Good Business Practice properly should be taken very quickly, with a view to taking a final decision within a maximum of 48 hours.

Information on the euro: in Lithuania, a relative majority of respondents is still against introducing the euro (48%, -7 pp) while 46% (+5 pp) are in favour. Nevertheless, the findings clearly show that **the number of supporters of euro introduction is rising steadily**.

As regards information about the euro, results in Lithuania have significantly increased since 2013 and score best in 7 new Member States (together with the Czech Republic). 50% (+9%) of citizens polled felt informed, and among them 42% rather well informed.

There is a need to focus the information campaign on **informing on practical aspects of the euro changeover in Lithuania**, to ensure a correct implementation of dual price display requirements and to closely monitor price settings during the changeover period as these are the major concerns of citizens.

With a view to allowing the Commission to assess the progress of the implementation of the communication campaign, it is important that the **European Commission is regularly informed** on the state of play of communication activities and results of the opinion polls commissioned by the Bank of Lithuania.

The Commission will **reassess Lithuania's practical preparations** for introducing the euro as well as the effects of the ongoing information campaign. The Commission's findings will be published in another report (Fifteenth Report on the practical preparations for the future enlargement of the euro area) before the end of 2014.

Adoption by Lithuania of the euro on 1 January 2015

2014/0170(NLE) - 04/06/2014 - Legislative proposal

PURPOSE: proposal that Lithuania joins the euro area in 2015.

PROMPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to take account of Parliaments opinion.

BACKGROUND: Lithuania is one of the countries with a derogation in regard to the adoption of the euro.

Article 140(1) of the Treaty on the Functioning of the European Union provides that at least once every two years or at the request of a Member State with a derogation, the Commission and the European Central Bank have to report to the Council on the progress made in the fulfilment by Member States with a derogation of their obligations regarding the achievement of economic and monetary union.

Both the Commission and the ECB Convergence Reports were released on 4 June 2014. In its Convergence Report, the Commission concludes that Lithuania fulfils the conditions for the adoption of the euro.

CONTENT: the proposed Council decision seeks to abrogate the derogation of Lithuania with effect from 1 January 2015.

On the basis of the Commission and ECB reports on the progress made in the fulfilment by Lithuania in meeting its obligations regarding the achievement of economic and monetary union (EMU), the Commission reached the following conclusions:

1. Lithuania's **national legislation**, including the statutes of its national central bank, is compatible with Articles 130 and 131 of the Treaty and the Statute of the ESCB and of the ECB;

2. regarding the fulfillment by Lithuania of the **convergence criteria** mentioned in the four indents of Article 140(1) of the Treaty:

- the **average inflation rate** in Lithuania in the year ending in April 2014 stood at 0.6 percent, which is well below the reference value, and it is likely to remain below the reference value in the months ahead;
- Lithuania is **not the subject of a Council decision on the existence of an excessive deficit**, with a budget deficit of 2.1 percent of GDP in 2013;
- Lithuania has been a **member of the exchange rate mechanism** (ERM II) since 28 June 2004. Upon ERM II entry, the authorities unilaterally committed to maintain the prevailing Currency Board within the mechanism. During the two years preceding this assessment, the litas exchange rate did not deviate from its central rate and it did not experience tensions;
- in the year ending April 2014, the long-term interest rate in Lithuania was, on average, 3.6 percent which is **well below the reference value**.

As a result, the Commission considers that **Lithuania fulfils the necessary conditions for the adoption of the euro effective as of 1 January 2015**.

Adoption by Lithuania of the euro on 1 January 2015

2014/0170(NLE) - 27/05/2015 - Follow-up document

The Commission presented a report on the introduction of the euro in Lithuania.

The Council decided on 23 July 2014 that Lithuania fulfilled the necessary conditions for the adoption of the euro and that its derogation from participating in the single currency was to be abrogated with effect from 1 January 2015.

Lithuania followed the practice of all Member States that have adopted the euro after the first changeover wave (1999–2002) and used the so-called "big-bang" changeover scenario, i.e. euro banknotes and coins acquired legal tender status on the day of euro adoption.

Following the two reports of the Commission on 23 July 2014 and 21 November 2014 on the practical preparations of the euro changeover in Lithuania, this report covers the most important aspects of the changeover process from an ex post perspective focusing on the following issues:

Preparations for the cash changeover: the report noted that the cash changeover in Lithuania was **well prepared and organised**. Banks and businesses and citizens were adequately supplied with euro cash in advance of the changeover.

370 million of euro coins bearing Lithuanian national sides were minted at the Lithuanian Mint following a public tender. Some 132 million euro banknotes of various denominations were borrowed from the Deutsche Bundesbank.

Banks and enterprises were successively provided with euro cash before the end of 2014. The total value of frontloaded euro banknotes and coins was EUR 622 million.

900,000 euro coin starter kits containing a mix of all Lithuanian euro coins denominations (value: EUR 11.59 per kit) have been available for sale as of 1 December 2014 via 343 branches of commercial banks, 330 post offices and 3 cash offices of the Bank of Lithuania. Demand for starter kits was high.

According to a Commission survey, a large proportion of Lithuanians already possessed euro cash before the changeover: 44% had euro banknotes and 46% had euro coins.

Dual circulation period: the changeover in Lithuania was **well prepared and smoothly implemented**. ATMs and point of sale-terminals were converted in time and banks and post offices coped well with the extra workload during the dual circulation period. Retailers managed well with the challenges of the changeover process and the handling of two currencies at the same time. They were well supplied with euro cash and pursuant to a Commission survey, already on 2 January 2015, 84% of the citizens polled received change in euro only.

Preventing abusive price practices and erroneous price perceptions: since January 2014, prices of 100 frequently purchased products and services in the most popular points of sale in the seven biggest cities of Lithuania have been monitored.

The compulsory **dual display of prices** in litas and euro started on 23 August 2014 and will last until mid-2015. It has implemented a **fair pricing initiative** in line with the recommendations of the Commission. Participation to the fair pricing initiative has been rather strong in comparison with previous euro changeovers. However, the impact of the euro on prices and abusive price settings remains a concern for Lithuanian citizens. Therefore, it is recommended to continue supervising the dual display of prices, the correct conversion and rounding rules and the evolution of prices in general for a few extra months.

Price trends and perceptions: the euro changeover was preceded by a **period of very low, and occasionally negative, inflation in Lithuania**. Deflation was driven primarily by the energy component and, to a lesser extent, by non-energy industrial goods.

According to a recent Commission survey, the majority of Lithuanians (58%) think that the euro will increase inflation in their country (compared to 57% of Latvians and 55% of Estonians, just after their respective changeovers). Around a quarter of respondents (26%) believed that joining the euro area would help Lithuania to maintain price stability.

Eurostat is planning to prepare an assessment of price developments after the euro changeover in Lithuania, once sufficient data becomes available.

Communication on the euro: the communication and public awareness campaign contributed to a smooth changeover to the euro. The target of 80% of Lithuanian inhabitants feeling sufficiently informed can be judged to have been met with a substantial majority of people in Lithuania (92%) feeling informed about the euro, with 34% of these saying they feel very well informed. Moreover, according to a survey conducted for the Bank of Lithuania, **nearly 70% of polled Lithuanian citizens state now that they are in favour of the euro adoption** in their country while the level of support in April and September 2014 was around 47%.

The Commission recommended to continue appropriate information efforts and monitor public opinion on euro-related aspects.

Adoption by Lithuania of the euro on 1 January 2015

2014/0170(NLE) - 14/07/2014 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Werner WANGEN (EPP, DE) on the proposal for a Council decision on the adoption by Lithuania of the euro on 1 January 2015.

It approved the Commission proposal and **endorses the adoption of the euro by Lithuania on 1 January 2015**.

Members recalled that according to the European Central Bank Convergence Report published on 4 June 2014, Lithuania meets all the convergence criteria. They welcomed the fact that:

- in the year ending in April 2014 Lithuania had a mean inflation rate of 0.6%, and therefore fulfils this convergence criterion;
- in the reference year 2013 Lithuania had a budget deficit of 2.1% and a government debt of 39.4% of Gross Domestic Product, and therefore fulfils this convergence criterion;
- there have been no tensions surrounding the litas-euro exchange rate during the two-year assessment period;
- during the reference period from May 2013 until April 2014 long-term interest rates in Lithuania averaged 3.6%;
- legislation in Lithuania is fully compatible with the compliance duty under Article 131 of the Treaty on the Functioning of the European Union, in particular with the principle of central bank independence.

Adoption by Lithuania of the euro on 1 January 2015

2014/0170(NLE) - 23/07/2014 - Final act

PURPOSE: the adoption by Lithuania of the euro on 1 January 2015.

NON-LEGISLATIVE ACT: Council Decision 2014/509/EU on the adoption by Lithuania of the euro on 1 January 2015.

CONTENT: this Decision stipulates that Lithuania fulfils the necessary conditions for the **adoption of the euro on 1 January 2015**.

The Decision is based on the reports by the Commission and the European Central Bank which are presented every two years on the progress made by the Member States with a derogation in fulfilling their obligations regarding the achievement of economic and monetary union.

These reports confirm the compatibility of Lithuanian legislative with the provisions of the EU Treaty and the Statute of the European System of Central Banks. They confirm the progress made by Lithuania towards meeting the convergence criteria - namely price stability, the situation of public finances, exchange rate stability and the long-term interest rates - and several other factors.

On the basis of **reports presented by the Commission and the ECB** on the progress made in the fulfillment by Lithuania of its obligations regarding the achievement of economic and monetary union, it is concluded that:

(1) In Lithuania, **national legislation**, including the Statute of the national central bank, is compatible with Articles 130 and 131 TFEU and with the Statute of the ESCB and of the ECB;

(2) Regarding the **fulfillment by Lithuania of the four convergence criteria** mentioned in Article 140(1) TFEU:

- the **average inflation rate** in Lithuania in the year ending in April 2014 stood at 0.6%, which is well below the reference value, and it is likely to remain below the reference value in the months ahead,
- Lithuania is not the subject of a Council decision on the existence of an **excessive deficit**, with a budget deficit of 2.1% of GDP in 2013,
- Lithuania has been a **member of ERM II since 28 June 2004**, upon ERM II entry, the authorities unilaterally commited to maintaining the prevailing Currency Board within the mechanism. During the two years preceding this assessment, the litas exchange rate did not deviate from its central rate and it did not experience tensions,
- in the year ending April 2014, the **long-term interest rate** in Lithuania was, on average, 3.6%, which is well below the reference value;

(3) In the light of the assessment on legal compatibility and on the fulfilment of the convergence criteria as well as the additional factors, Lithuania fulfils the necessary conditions for the adoption of the euro.

Adoption by Lithuania of the euro on 1 January 2015

2014/0170(NLE) - 20/06/2014

The Council adopted a **recommendation** approving Lithuania's membership of the euro area on 1 January 2015. It agreed with the Commission's assessment that **Lithuania** has achieved a high degree of sustainable convergence and therefore **fulfils the necessary conditions for adoption of the euro** as its currency is thus set to become the 19th member of the euro area.

The Council is to adopt the decision on Lithuania’s membership in July 2014, after consulting the European Parliament and after a debate during the European Council on 26-27 June.

The recommendation draws on reports from the Commission and the European Central Bank which confirm:

- the compatibility of Lithuania's legislation with EU treaty provisions and with the statute of the European system of central banks;
- the progress made by Lithuania in fulfilling the convergence criteria – namely price stability, the government's budgetary position, exchange rate stability and long-term interest rates – and several other factors.

Adoption by Lithuania of the euro on 1 January 2015

2014/0170(NLE) - 21/11/2014 - Document attached to the procedure

The Commission presents its **fifteenth report** on the practical preparations for the future enlargement of the euro area.

Following the Council Decision of 23 July 2013 that Lithuania fulfils the necessary conditions for the adoption of the euro, **Lithuania will adopt the euro on 1 January 2015** ("€-day"). This will bring the total number of euro area Member States to nineteen, including now all three Baltic states. The conversion rate was irrevocably set at **3.45280 Lithuanian litas per euro.**

Following the fourteenth report of the Commission on Lithuania's practical preparations, this report assesses further progress made **from mid-June until end of September 2014**. It addresses the preparations for the introduction of euro cash, the measures put in place for protecting consumers in the changeover period, such as the "Memorandum on Good Business Practice upon the Introduction of the Euro", and the communication campaign.

1) Introduction of the euro: the changeover in Lithuania will follow the "big bang" changeover scenario with a dual circulation period of 15 calendar days. **370 million euro coins and 132 million euro banknotes** of various denominations are required for replacing the litas coins and banknotes in circulation and for the stocks considered necessary for 2015.

Frontloading of euro coins to credit institutions started on 1 October 2014 with frontloading of euro banknotes to follow as of 1 November 2014. **900,000 euro coin starter kits** for the general public will be available as of 1 December. Retailers may choose among two sizes of starter kits: kits containing EUR 111.00 (tentative number: 60,000 kits) and 50,000 kits containing EUR 200.00.

On €-day, **all 1,193 ATMs in Lithuania** will dispense euro banknotes by the early hours of 1 January 2015. The adjustment of point-of-sale (POS) terminals is envisaged for December 2014 with a view to switching instantaneously to euro on 1 January 2015. Some banks intend to have **more staff in branches** handling cash operations and/or establish additional counters at the end of 2014 and during the first days after €-day.

The Commission states that preparations for the cash changeover are **well advanced** and most of the Commission's recommendation provided during the technical assistance missions and in the fourteenth report on the practical preparations for the future enlargement of the euro area have been taken into account. It stresses that it is of particular importance that measures for **decreasing litas cash in circulation** are stepped up towards €-day.

The preparations of the **financial and banking sector** seem overall well on track. There will be a considerable extra workload and much larger number of customers in the first days of January 2015. The Commission recommends that (i) banks should take additional measures to avoid long queues; (ii) customers experiencing difficulties with the self-service cash-in machines get support during the changeover period by dedicated staff.

2) Preventing abusive practices and erroneous perception of the evolution of prices by citizens: the period of dual display of prices in both litas and euro started on 23 August 2014. Dual display has to continue at least six months following the euro adoption date. On 18 August 2014, the "

Memorandum on Good Business Practice upon the Introduction of the Euro" was launched in a public event. By signing the Memorandum, subscribers (e.g. retailers) undertake not to use the adoption of the euro as a pretext for increasing prices of goods and services, to apply the official conversion rate and rounding rules and to indicate prices in both currencies (litas and euro) clearly and understandably, and not to mislead consumers.

The Commission asks that Lithuanian authorities should take all efforts to achieve the highest possible subscription rate to the Memorandum on Good Business Practice. Stakeholders such as the Chambers of Commerce and business associations should subscribe to the Memorandum and promote it vis-à-vis their members. Further efforts should also be taken as regards the subscription of proximity businesses.

The Commission also recommended that: (i) information on price developments after €-day should be published by the beginning of January 2015 ; (ii) **it should be ensured, by regulatory means, that dual display of prices ends by 1 January 2016** and that this end date is clearly communicated to the public, so that the latter learns the new scale of value.

Changeover preparations in rural areas should also be monitored.

3) Communication activities: the latest survey shows that the support for euro adoption is stable. **48%** (+1 pp) are in favour of the introduction of the euro. A majority of respondents (51%) think that Lithuania is ready to adopt the euro.

On the other hand, the survey clearly highlights that a negative impact is still a major concern for the Lithuanians with **84% (+ 9pp) expecting prices to go up** and only 11% (-7pp) expecting the euro to keep prices stable. 58% (first time asked) see the euro adoption as an opportunity for Lithuania to further strengthen its place in the EU.

The Commission considers that the new phase of the information campaign in Lithuania should address the remaining concerns related to euro introduction and increase consumers' confidence. To tackle persistent concerns of price increases in the changeover period, **citizens need to be continuously informed about the results of the price monitoring** and other control activities.