

Adoption by Cyprus of the single currency on 1 January 2008

2007/0090(CNS) - 10/07/2007 - Final act

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

LEGISLATIVE ACT: Council Decision 2007/503/EC in accordance with Article 122(2) of the Treaty on the adoption by Cyprus of the single currency on 1 January 2008

CONTENT: by virtue of Decision 98/317/EC, Cyprus, 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 13 February 2007, Cyprus submitted a formal request for a convergence assessment. This Decision provides that **Cyprus fulfils the necessary conditions for the adoption of the single currency**. The derogation in favour of Cyprus 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 Cyprus of its obligations regarding the achievement of economic and monetary union, the Commission concluded 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 of 3%, 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 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.