


# Procedure file

Basic information	
COS - Procedure on a strategy paper (historic) <a href="#">1997/2159(COS)</a>	Procedure completed
Introduction of the euro: impact on capital markets	
Subject 5.20.02 Single currency, euro, euro area	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ECON</b> Economic and Monetary Affairs, Industrial Policy		18/06/1997
		PPE <a href="#">FRIEDRICH Ingo</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>JURI</b> Legal Affairs, Citizens' Rights		23/09/1997
		PSE <a href="#">COT Jean-Pierre</a>	
Council of the European Union			

Key events			
02/07/1997	Non-legislative basic document published	COM(1997)0337	Summary
15/09/1997	Committee referral announced in Parliament		
26/11/1997	Vote in committee		Summary
26/11/1997	Committee report tabled for plenary	<a href="#">A4-0383/1997</a>	
13/01/1998	Debate in Parliament		
13/01/1998	Decision by Parliament	T4-0004/1998	Summary
13/01/1998	End of procedure in Parliament		
02/02/1998	Final act published in Official Journal		

Technical information	
Procedure reference	1997/2159(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed

## Documentation gateway

Non-legislative basic document	COM(1997)0337	02/07/1997	EC	Summary
Committee report tabled for plenary, single reading	<a href="#">A4-0383/1997</a> <a href="#">OJ C 014 19.01.1998, p. 0004</a>	26/11/1997	EP	
Economic and Social Committee: opinion, report	<a href="#">CES1408/1997</a> <a href="#">OJ C 073 09.03.1998, p. 0141</a>	11/12/1997	ESC	Summary
Text adopted by Parliament, single reading	T4-0004/1998 <a href="#">OJ C 034 02.02.1998, p. 0015-0030</a>	13/01/1998	EP	Summary

## Introduction of the euro: impact on capital markets

OBJECTIVE: to analyse the impact of the introduction of the euro on capital markets. SUBSTANCE: this report was the result of close cooperation between the European Commission, the European Monetary Institute (EMI) and a group of experts chaired by Mr A. Giovannini. The report focused on technical issues that would have a direct impact on the functioning of the capital markets after the introduction of the euro. It examined the consequences of the introduction of the euro on the bond market and the equity market, and in particular the necessary technical preparations. According to the Commission, the start of the two stage of EMU offered the possibility of creating a euro securities market as broad, liquid, deep and transparent as possible by defining a set of common rules, governing various aspects of market operations and to be applied in all participating countries of the euro area. The document drew together the current views of the market on how harmonized the future euro markets should ideally be and set out recommendations for the common technical specifications for these markets. (1) Regarding the bond market, the main topics on which the report presented recommendations were the following: - redenomination of existing debt in euros: this method would enhance liquidity and would enhance the credibility of the process by demonstrating clearly governments' commitment in this respect; - market rules and conventions: harmonized rules would be desirable, since they would provide greater transparency, avoidance of disputes and greater clarity as to the format of the future market; - price sources: continuity in price sources should be ensured; - issuing procedures: some informal coordination of government debt issuing would be beneficial; - benchmarks: in the absence of a federal issuer, the markets would decide which was the benchmark issue on the basis of quality, liquidity and the range of derivative products; - ratings: it had been argued that membership of the euro area could result in an adjustment for some sovereign credit ratings; - repo market: market participants considered that overly aggressive use of the initial margin in the official repo market should be avoided. (2) Regarding the equity market, the main conclusions were the following: - on the Stock Exchanges, exchanges would trade and quote in euro from 1 January 1999. Intermediaries would have to make the necessary conversion in order to account to their clients in the currency chosen by the latter; - coordination and harmonization of market rules and conventions appeared to be less important than for other markets; - redenomination would be a sensible step to take at the same time as the change in the accounting unit; - non par value (NPV) shares: this solution was recommended; it required, however, national legislation to be adopted in most of the Member States. ?

## Introduction of the euro: impact on capital markets

The introduction of the euro will profoundly affect the capital markets in Europe; the relatively fragmented national bond markets will become a single large European bond market which will be the second largest in the world after the US says Mr Ingo FRIEDRICH (EPP, D) reporting on the impact of the euro on the capital markets. The Committee underlines that this market will be created with relative ease as public debt will be issued in euros from the beginning of stage three of EMU. Also, the Committee welcomes the decision of France, Belgium, the Netherlands and Germany which at the start of stage three of EMU will convert into euro not only the new issues but also the existing debt instruments. This will enhance the credibility of the EMU process according to the Committee which hopes that other Euro countries will follow suit. On the other hand, the Committee feels that full integration of the share and derivatives markets - potentially the third largest in the world- will not come about so rapidly because of differing national rules on accounting, taxation and stock trading. While market harmonisation should be left to the markets themselves, the Committee stresses that it is the duty of the EU to create the proper conditions for this by harmonising the legislative framework, i.e. removing fiscal and legal barriers that distort competition. Measures demanded by the Committee include in particular harmonization of company law, accounting rules and stock exchange regulations, as well as, the adoption of a statute for European companies. Finally, the Committee feels that the sometimes stringent national provisions obliging pension funds to make the bulk of their investments in their countries of establishment should be reconsidered to facilitate investments throughout the euro zone. ?

## Introduction of the euro: impact on capital markets

The Committee believes that the compensation system should continue as proposed by the Commission. ?

## Introduction of the euro: impact on capital markets

In adopting the report by Mr Ingo FRIEDRICH (PPE, D), the European Parliament expressed the opinion that the introduction of the euro would be an excellent opportunity for pushing ahead with harmonization on the capital markets, thereby moving one stage closer to completion

of the Internal Market. While market harmonization must be left to the markets themselves, the Union had a duty to remove the legal and fiscal barriers and to create a framework for reducing distortion of competition. The required measures ranged from harmonization of company law to harmonization of accounting rules and stock exchange regulations, as well as including the adoption, as a matter of urgency, of a statute for European companies. Parliament called on the Commission to: - submit, as soon as possible, a list of the harmonization measures it considered to be needed; - study the USA's experience as the principal world market for such capital, with the aim of drawing conclusions for the harmonization of markets in the internal market. Parliament considered that national provisions, some of which were inflexible and compelled pension funds to undertake most of their investment in their country of establishment, should be reviewed with the aim of facilitating investment throughout the euro zone. ?