


Procedure file

Basic information		
INI - Own-initiative procedure	1998/2022(INI)	Procedure completed
Foreign currency reserves in the 3rd stage of EMU		
Subject 5.20.01 Coordination of monetary policies, European Monetary Institute (EMI), Economic and Monetary Union (EMU)		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs, Industrial Policy	UPE GIANSILY Jean-Antoine	19/06/1997

Key events			
16/01/1998	Committee referral announced in Parliament		
23/09/1998	Vote in committee		Summary
23/09/1998	Committee report tabled for plenary	A4-0341/1998	
21/10/1998	Debate in Parliament		
22/10/1998	Decision by Parliament	T4-0622/1998	Summary
22/10/1998	End of procedure in Parliament		
09/11/1998	Final act published in Official Journal		

Technical information	
Procedure reference	1998/2022(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/09689

Documentation gateway				
Committee report tabled for plenary, single reading		A4-0341/1998 OJ C 341 09.11.1998, p. 0002	23/09/1998	EP

Text adopted by Parliament, single reading		T4-0622/1998 OJ C 341 09.11.1998, p. 0106-0141	22/10/1998	EP	Summary
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Foreign currency reserves in the 3rd stage of EMU

The introduction of the euro early next year will have a major impact on the foreign currency reserves currently held by participating Member States. These reserves - some \$ 400 bn - have traditionally been used prevent exchange rate fluctuations and to cover possible balance of payments deficits. With the euro, much of what used to be external trade will become trade within the eurozone and hence reduce the need for reserves. Similarly, the need for reserve holdings to carry out market interventions will also decrease. In a report drafted by Mr. Jean-Antoine GIANILY (UFE, F), the Committee stresses however that any reduction of reserves must be done with the greatest caution. The Committee considers that reserves should not be reduced at all during the transitional phase, as the current, by international standards, high level of reserves, will make speculation against the euro more expensive. Reserves will thus add to the stability and credibility of the new currency. Also, an abrupt reduction of reserves, which to a large extent is made up of dollars, would lead to a further appreciation of the euro vis-a-vis the dollar. Finally, in the light of current international crises, the Committee calls on the ECB to conclude an agreement with its American counterpart concerning the management of foreign currency holdings.?

Foreign currency reserves in the 3rd stage of EMU

Adopting the report by Mr Jean-Antoine Giansily (UPE, F) on foreign currency reserves in the third stage of EMU, Parliament is not in favour of reducing the reserve holdings of the ESCB during the transitional phase of the introduction of the euro. It considers that current reserves (approximately US\$400 billion) which are large by international comparison will make speculation against the euro more expensive and thus contribute to the stability and credibility of the new currency. It also points out that a sharp reduction in reserves could affect the exchange rate of the euro against the dollar and should be implemented only gradually and with the utmost caution in order to avoid disruptions in the foreign exchange markets. In the light of the crisis and turbulence on world financial markets, Parliament calls for an agreement between the ECB and the American Federal Reserve on the management of foreign currency holdings. ?