


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 | | 19/06/1997 |
| | | UPE GIANILY Jean-Antoine | |

| 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 | |

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|--|--|---|------------|----|---------|
| Text adopted by Parliament, single reading | | T4-0622/1998 OJ C 341 09.11.1998, p. 0106-0141 | 22/10/1998 | EP | Summary |
|--|--|---|------------|----|---------|

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 GIANZILY (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. ?