

Procedure file

Basic information	
CNS - Consultation procedure Regulation	2005/0145(CNS) Procedure completed
Euro: introduction and use, legal framework for the enlargement of the euro area Amending Regulation (EC) No 974/98 1996/0250(CNS)	
Subject 5.20.02 Single currency, euro, euro area	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		05/09/2005
		PSE ROSATI Dariusz	
Council of the European Union	Council configuration	Meeting	Date
	Agriculture and Fisheries	2702	20/12/2005
European Commission	Commission DG Economic and Financial Affairs	Commissioner	

Key events			
02/08/2005	Legislative proposal published	COM(2005)0357	Summary
14/11/2005	Vote in committee		Summary
17/11/2005	Committee referral announced in Parliament		
18/11/2005	Committee report tabled for plenary, 1st reading/single reading	A6-0329/2005	
01/12/2005	Results of vote in Parliament		
01/12/2005	Decision by Parliament	T6-0457/2005	Summary
20/12/2005	Act adopted by Council after consultation of Parliament		
20/12/2005	End of procedure in Parliament		
29/12/2005	Final act published in Official Journal		

Technical information	
Procedure reference	2005/0145(CNS)

Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
	Amending Regulation (EC) No 974/98 1996/0250(CNS)
Legal basis	EC Treaty (after Amsterdam) EC 123-p4
Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/29786

Documentation gateway

Legislative proposal	COM(2005)0357	02/08/2005	EC	Summary
Document attached to the procedure	COM(2005)0545	04/11/2005	EC	Summary
Amendments tabled in committee	PE364.959	10/11/2005	EP	
Committee report tabled for plenary, 1st reading/single reading	A6-0329/2005	18/11/2005	EP	
Text adopted by Parliament, 1st reading/single reading	T6-0457/2005	01/12/2005	EP	Summary
European Central Bank: opinion, guideline, report	CON/2005/0051 OJ C 316 13.12.2005, p. 0025-0032	01/12/2005	ECB	Summary
Commission response to text adopted in plenary	SP(2005)5015	15/12/2005	EC	

Additional information

European Commission	EUR-Lex
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Final act

Regulation 2005/2169 OJ L 346 29.12.2005, p. 0001-0005 Summary

Euro: introduction and use, legal framework for the enlargement of the euro area

PURPOSE : to amend Regulation 974/98/EC to prepare for new entrants into the euro area.

PROPOSED ACT : Council Regulation.

CONTENT : Currently, three Council Regulations govern the introduction of the euro and its use in the current participating Member States. Firstly, Council Regulation 974/98/EC on the introduction of the euro, which governs the initial introduction of the euro in the first wave euro-area Member States and Greece. Since future entrants into the euro-area will be in a situation different from the first entrants, these rules can no longer apply in their current format. Therefore, this initiative proposes amendments to this Regulation.

Furthermore, it should be noted that the introduction and the use of the euro are governed by Council Regulation 2866/98/EC on the conversion rates between the euro and the currencies of the Member States adopting the euro and Council Regulation 103/97/EC on certain provisions relating to the introduction of the euro. While the first one will need to be adapted in order to cover conversion rates for the currencies of

Member States entering the euro area, the second one can remain unchanged.

Since some non-participating Member States might already join the euro area in 2007, the adapted legal framework for the enlargement of the euro area should be put in place on a timely basis, notably to provide certainty for all future euro-area entrants and set rules which can easily be applied to any future entrant.

The need to amend Regulation 974/98/EC stems from the fact that this Regulation makes reference to specific fixed dates. The Commission proposes to adapt this Regulation in such a way that all these fixed dates are replaced with dates defined in the Regulation for each individual Member State. Moreover, since euro banknotes and coins are already in circulation, the changeover scenario applied to the first twelve participating Member States will not be appropriate for all future euro-area entrants and some degree of flexibility will need to be introduced:

-Firstly, Member States could choose a transitional period in the 'traditional' meaning like the one which applied to those Member States establishing the euro area in 1999 (Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal and Finland) or joining it in 2001 (Greece). This would mean that first the euro would be adopted as the currency of the respective Member State, although euro banknotes and coins would only be introduced after the lapse of the transitional period in that Member State. The length of the transitional period might vary among individual Member States.

-Secondly, Member States could opt for a 'big bang' scenario. In this scenario, the transitional period would only last for one 'logical second'. As a consequence, the adoption of the euro as the currency in the relevant Member State and the introduction of euro banknotes and coins would coincide.

-Finally, Member States could choose a 'big bang' scenario combined with a 'phasing-out' period, whereby the 'big bang' scenario would apply and certain scope for the usage of the national currency in specific legal instruments (invoices, company books,) after the 'big bang' date would be allowed for a limited period of time.

While the Member States entering the euro area can only be identified once their derogation is lifted, Council Regulation 974/98/EC needs to be adapted in a separate step prior to this point in time. The approach used for Greece should be applied to all further enlargements of the euro area. For each individual accession, there will be a separate regulation modifying Regulation 974/98/EC. This modifying regulation will extend the list of participating Member States by each individual Member State entering the euro area and indicate the type of changeover scenario chosen by that Member State. In order to prepare Regulation 974/98/EC for such subsequent amendments, this Regulation requires some prior technical adaptations, which are discussed in the proposal.

Finally, the Regulation will be amended in order to acknowledge the legal tender status of euro coins issued by third states (such as currently Monaco, San Marino and the Vatican City State) under monetary agreements with the Community.

Euro: introduction and use, legal framework for the enlargement of the euro area

This report constitutes the Commission's Second report on the practical preparations for the future enlargement of the euro area. It presents the target dates which Member States have set for themselves for the adoption of the euro, the current state of practical preparations at national and Community level, and the state of public opinion in the recently acceded Member States. The report is not linked to the Convergence Reports.

-Twelve of the EU's twenty-five Member States currently form part of the euro area. Denmark and the United Kingdom have a special 'opt-out' status. The remaining eleven countries are 'Member States with a derogation', and are expected to adopt the euro once the necessary conditions are fulfilled.

-Estonia, Lithuania and Slovenia aspire to adopt the euro on 1 January 2007, less than three years after they joined the European Union on 1 May 2004. All three countries joined ERM-II on 28 June 2004. Cyprus, Latvia and Malta will endeavour to join the euro area one year later, on 1 January 2008. They entered ERM-II on 2 May 2005. Slovakia aims to adopt the euro on 1 January 2009. Practical preparations in all these countries have been initiated. National changeover plans have either been approved or are under preparation.

-The Czech Republic and Hungary aspire to join the euro area in 2010. Poland and Sweden have no target date for the time being.

-If current plans materialise, the euro area will enlarge with nine more countries in four successive steps between 2007 and 2010. Its population will enlarge from 309 million people to 345 million, and its aggregate GDP will increase by around 3.7%. If all current Member States with a derogation were to be part of the euro area, its population would increase by an additional 47 million people, and its GDP by a further 6.2%.

The report presents the salient features of the existing national strategies and plans.

-All seven Member States aspiring to adopt the euro between 2007 and 2009 have established the institution or changeover board in charge of preparing and co-ordinating the national changeover. Four countries (Estonia, Lithuania, Slovenia and Slovakia) have adopted national changeover plans.

-The situation in Cyprus, Latvia and Malta also causes some concern since preparations are still in a preliminary stage and need to be stepped up. In all three countries, the first version of their changeover plan, normally foreseen before the end of the year, should be adopted as soon as possible in order to provide specific and timely orientations to public and private operators as soon as possible.

-Practical preparations in the Czech Republic, Hungary and Poland are in a very preliminary stage.

-Most changeover plans focus on the cash changeover. Other key aspects (the changeover of public administrations, national legislation, etc.) generally receive much less attention.

The 'big bang' approach is the favoured scenario, in combination with a short period of dual circulation. The 'big bang' scenario implies that euro banknotes and coins immediately become legal tender upon the country's adoption of the euro. In addition, most countries favour a short period of dual circulation (usually two weeks). This is consistent with the first-wave experience, where national banknotes and coins were quickly withdrawn, particularly in the countries which were well prepared. After the period of dual circulation, citizens and enterprises can continue for a certain period to exchange their legacy cash at banks without cost. The central bank will in most countries exchange the national currency into euro without any cost or time limit.

The Commission feels that the pace of ongoing preparations will need to be stepped up if the countries want to be ready in time, particularly if the 'big bang scenario' is implemented as intended by most Member States, since it does not allow a transitional period for enterprises and public administrations to complete their preparations.

The state of public opinion vis-à-vis the euro in the recently acceded Member States remains unsatisfactory. This constitutes an additional reason for implementing comprehensive communication programmes. The consequences of the introduction of the euro are perceived to be less positive than in 2004. 38% of the citizens believe that the introduction of the euro will have positive consequences (a decline of 6% compared to 2004) at national level, while 46% (+5%) believe that it will have negative consequences. While 40% of respondents felt in 2004 that the consequences would be positive at personal level, that figure diminishes to 36% in 2005. Furthermore, the proportion of those anticipating negative consequences increases from 44% to 49%. The gap between citizens declaring themselves to be happy that the euro will

replace their national currency (37%) and those who say that they are unhappy about it (53%) has increased from 5 points in 2004 to 16 points in 2005. Still, in some Member States (Hungary and Slovenia) a majority of citizens is happy with the euro replacing the national currency.

Euro: introduction and use, legal framework for the enlargement of the euro area

The committee adopted the report by Dariusz ROSATI (PES, PL) amending the proposal under the consultation procedure:

- the transitional period should be one year;
- the period of parallel cash circulation should be limited to two months;
- banks should continue to exchange old national notes and coins free of charge for up to three months after the end of the dual circulation period;
- lastly, the committee wanted future entrants to the euro area to make thorough preparations for the cash changeover, including an active communication strategy providing for the dual display of prices in euros and the national currency well in advance of the changeover so that citizens have time to adapt to the new scale of values.

Euro: introduction and use, legal framework for the enlargement of the euro area

The European Parliament adopted a resolution drafted by Dariusz ROSATI (PES, PL) making a few amendments to the proposal. (Please see the preceding summary.) The key amendments were:

- the transitional period should be one year;
- the period of parallel cash circulation should be limited to two months;
- banks should continue to exchange old national notes and coins free of charge for up to three months after the end of the dual circulation period;
- finally, a new recital states that the future entrants to the euro area should prepare, at an early stage, a national plan for the introduction of euro banknotes and coins and for the withdrawal of the old national banknotes and coins. They should also develop a balanced and active communication strategy directed at citizens, enterprises, clients and suppliers. As part of such plans, they should also consider developing a strategy for the dual display of prices and amounts in euro and the national currency unit, which could begin well in advance of the cash changeover date and end an appropriate time thereafter, so as to give citizens sufficient time to adapt to the new scale of values.

Euro: introduction and use, legal framework for the enlargement of the euro area

PURPOSE: A European Central Bank Opinion on the proposed amendment to the Regulation introducing the Euro.

CONTENT: To recall the purpose of the proposed amending Regulation is to establish an appropriate legal framework for the future introduction of the Euro in the Member States that are yet to adopt the Euro (otherwise referred to as the non-participating Member States). Below is a summary of the ECB's Opinion:

- On the question of the three change-over scenarios.

The basic objective of the proposed Regulation, as presented by the European Commission in its initial proposal, is to establish three alternative change-over scenarios, variously known as a) a Madrid style transition period (a period of time during which the Euro would only legally exist as a scriptural currency, whilst Euro bank notes and coins, even if privately available and usable, would be officially recognised as having domestic legal tender status); b) a big bang scenario or a single step transition to the Euro under which the dates for the introduction of the Euro as a scriptural currency and for the cash changeover would be the same or c) a big bang scenario with a phasing out period of up to one year during which reference could continue to be made to the national currency unit in instruments having legal effect (e.g invoices, company accounts and payslips). The ECB notes that the term 'big-bang' needs to be more transparently defined proposing that it be re-termed 'a single step introduction of the Euro under which the Euro adoption date and cash changeover coincide.'

- On the question of transitional period change-over scenarios.

The ECB strongly recommends explicitly establishing a maximum length for the transitional period in the text of the proposed Regulation and this maximum length should be no longer than three years. In addition to this overall limit, the ECB recommends, that the recitals to the proposed Regulation clarify that the transitional period should be as short as possible in order to encourage the establishment of shorter transition periods than the maximum permissible three-year period.

- On the question of phasing-out the change-over period.

The ECB calls on the Commission to address the discrepancy between the earlier phasing-out period (of up to one year after the cash change-over date) and its overlap with the dual circulation period (of up to six months) during which the both the Euro and national currencies would be permitted as legal tender.

- On the question of naming the Euro.

The ECB recommends that the text of the proposed Regulation incorporates in its normative part a provision confirming that the spelling of the name of the Euro shall be identical in the nominative singular case in all the official languages of the European Union, taking account of the existence of different alphabets.

- On the question of specific drafting suggestions.

The ECB makes a number of recommendations to simplify the texts of various provisions.

Euro: introduction and use, legal framework for the enlargement of the euro area

PURPOSE: to clarify the rules governing the introduction of the euro in future participating Member States.

LEGISLATIVE ACT: Council Regulation 2169/2005/EC amending Regulation 974/98/EC on the introduction of the euro.

CONTENT: amendments to this Regulation have been adopted in order to clarify the rules regarding the introduction of the euro in non-participating euro Member States but who intend to adopt the euro as from 2007. The rules governing the change-over from national currency to euro are enshrined in Regulation 974/98. Specifically, this Regulation provides for the substitution of the euro for national currencies and rules which apply to the national currency units of these Member States during a transitional period. It sets out a timetable for transition to the euro. In addition, it provides for a transitional period between the substitution of the euro for the currencies of the participating Member States and the introduction of euro banknotes and coins. Many of the measures listed in Regulation 974/98 list dates and timetables, which have since become irrelevant to those countries wishing to adopt the euro in 2007, hence the need to amend the Regulation.

Specifically, the amendments bring the provisions of the Regulation into line with a 2007 change-over scenario. The following options are being made available:

- The transitional period can be reduced to zero, in which case the adoption date and the cash changeover date fall on the same day. In that case, euro banknotes and coins will become legal tender in that Member State on the euro adoption date.
- A Member State may decide to benefit from a 'phasing-out' period of one year, during which it would be possible to continue to make reference to the national currency unit in new legal instruments.
- The general public should be able to exchange banknotes and coins denominated in the national currency unit for euro banknotes and coins free of charge during the dual circulation period (subject to certain ceilings).

ENTRY INTO FORCE: 18 January 2006.