# Procedure file

## Basic information

| | | |
|---|---|---|
| COS - Procedure on a strategy paper (historic) | 1995/2115(COS) | Procedure completed |
| Practical arrangements for the introduction of the EURO. Green paper | | |
| Subject<br>5.20.02 Single currency, euro, euro area | | |

## Key players

| | Committee responsible | Rapporteur | Appointed |
|---|---|---|---|
| European Parliament | ECON Economic and Monetary Affairs, Industrial Policy | | 15/06/1995 |
| | | PSE RANDZIO-PLATH Christa | |
| Council of the European Union | | | |

## Key events

| | | | |
|---|---|---|---|
| 31/05/1995 | Non-legislative basic document published | COM(1995)0333 | Summary |
| 16/06/1995 | Committee referral announced in Parliament | | |
| 09/10/1995 | Vote in committee | | Summary |
| 09/10/1995 | Committee report tabled for plenary | A4-0238/1995 | |
| 24/10/1995 | Debate in Parliament | | |
| 25/10/1995 | Decision by Parliament | T4-0502/1995 | Summary |
| 25/10/1995 | End of procedure in Parliament | | |
| 20/11/1995 | Final act published in Official Journal | | |

## Technical information

| | |
|---|---|
| Procedure reference | 1995/2115(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 |
| Committee dossier | ECON/4/06706 |

## Documentation gateway

| | | | | |
|---|---|---|---|---|
| Non-legislative basic document | COM(1995)0333 | 31/05/1995 | EC | Summary |
| Motion for a resolution | B4-0558/1995 | 16/06/1995 | EP | |
| Committee report tabled for plenary, single reading | A4-0238/1995<br>OJ C 308 20.11.1995, p. 0004 | 09/10/1995 | EP | |
| Text adopted by Parliament, single reading | T4-0502/1995<br>OJ C 308 20.11.1995, p. 0023-0054 | 25/10/1995 | EP | Summary |
| Economic and Social Committee: opinion, report | CES1174/1995<br>OJ C 018 22.01.1996, p. 0112 | 26/10/1995 | ESC | Summary |

## Practical arrangements for the introduction of the EURO. Green paper

The Commission's Green Paper on the practical arrangements for the introduction of the single currency has three objectives: - to reduce the uncertainty surrounding the introduction of the single currency by setting out a reference scenario; - to make the key actors aware of the work which still needs to be done by drawing up a full list of the technical problems which need to be resolved and proposing ways of doing so; - to define a communication strategy designed to rally public opinion to the concept of the single currency and explain how it will be introduced. The Commission affirms that, by the end of this century, the European Union will have the strong, stable currency which its people and leaders wished for when they ratified the Treaty on European Union. It also highlights the advantages of the single currency: more growth and jobs, a more efficient single market, an easier life for citizens and companies on a daily basis, greater international monetary stability and strong joint monetary sovereignty. - The main element in the Green Paper is the Commission's suggested three-stage reference scenario: * Stage 1 (end of 1996 or end of 1997): the European Council decides to launch the single currency and names the countries which will take part in the process; * Stage 2 : no more than 12 months after Stage A: conversion rates are set irrevocably, marking the actual start of EMU. During this stage, monetary policy and new public loan issues will ensure that a "critical mass" of financial transactions is achieved in ECUS. Real monetary union could start up as early as the end of 1997. It will kick in automatically on 1 January 1999 at the latest, with the Member States which meet the necessary economic convergence criteria taking part. * Stage 3 (by 2001 or 2002): no more than three years after Stage B: the transitional stage will end with the rapid introduction of coins and notes in ECUS and public and private operators will change over to the ECU as their sole means of payment. - The Green Paper also contains a full list of the legal and technical problems which beset the introduction of the single currency and examines the implications of the changeover to the single currency for: * banks and other financial establishments; * the financial markets and payment systems; * companies; * administrations; * consumers. The Commission stresses the need for new legislation in order to guarantee the legal continuity of contracts following the introduction of the single currency and proposes that consultations be held, following which the Commission will submit proposals for the introduction of a legal framework at Community level by March 1996. - The communication strategy directed at the public should have a dual objective: * to convince the public of the advantages of the single currency; * to explain the direct consequences of the changeover for citizens, in order to allay their fears and give them a clear picture of the process as a whole. The Commission proposes organizing a round table with the EMI, the Member States, the European Parliament and professionals from the private sectors affected in order to develop this strategy. The Commission will submit an overall action plan for the introduction of the single currency based on reactions to the Green Paper.?

## Practical arrangements for the introduction of the EURO. Green paper

The committee adopted the report by Mrs Christa RANDZIO-PLATH (PSE, D) on the practical arrangements for the introduction of the single currency. Mrs RANDZIO-PLATH stressed the need for the European Parliament to adopt a position on the practical arrangements for the introduction of the single currency and emphasized that the committee was agreed that the Madrid summit needed to close with a clear perception of both the concepts and timing of the changeover to the single currency. The rapporteur considered that these arrangements needed to be "clear, unequivocal and irreversible". The report opened by stressing that challenging monetary union would jeopardize the internal market, economic integration and any further enlargement and went on to examine all aspects of the changeover to the single currency: - the changeover needed to be simple and transparent if monetary union was to gain public acceptance and double pricing would therefore be needed during stage 2. This would also prevent any underhand price increases. An information campaign at EU level should be organized, starting in 1996. Round tables involving all operators should be organized at various levels in order to address the problems and find acceptable solutions; - the "critical mass" scenario (i.e. a significant proportion of transactions in the single currency) was the only planned scenario which was compatible with the Treaty and technically feasible. Measures were needed which would allow the maximum number of states to join and which would help guarantee strict compliance with the convergence criteria and encourage job-creating growth. Strict compliance with the criteria by the maximum number of states was the best way of preventing speculative disruptions during the transitional stages; - any attempt to change the timetable in the Maastricht Treaty should be challenged. The single currency needed to be introduced in three stages but this transition needed to be limited in time. Stage 1 would commence on 1 January 1998, so that stage 2 could start by 1 January 1999 at the latest. Stage 2 should last a maximum of two years. Stage 3 should be reduced to the minimum needed to change over currency signs on equipment and should take no more than a few weeks (with longer periods of 2 to 3 months allowed for certain specific groups); - a regulation on the single currency ("monetary law") needed to be drawn up in advance and all the necessary legal and technical measures needed to be adopted promptly. The Madrid summit needed to decide on the name for the single currency. The currency should have a uniform appearance and technical preparations needed to be speeded up; - an EMS needed to be maintained, using the single currency as a reference point, with the countries which would not be participating in EMU from the outset. The rapporteur was in favour of mechanisms which prevented unilateral revaluations and devaluations within the framework of defined fluctuation margins, paved the way for a financing instrument, suitably amended intervention mechanisms and thus helped to prepare and support participation by all the Member States of the European Union at a later date. Mechanisms which prevented unilateral changes to parities and prepared for participation by all the Member States at a later date needed to be put in place; - the 1996 intergovernmental conference needed to focus on tightening links within the Union, maintaining the equilibrium between monetary union and economic union and developing new political instruments and institutional structures which would safeguard this equilibrium in the long term.?

## Practical arrangements for the introduction of the EURO. Green paper

The European Parliament adopted the report by Mrs Christa RANDZIO-PLATH (PSE, D) on the practical arrangements for the introduction of the single currency. Having stated that monetary union contributed to the development and prosperity of the European Union, the report opened by stressing that there was a risk of breaking up the internal market if monetary union was postponed or challenged. It welcomed the Commission initiative in its Green Paper and called for the Madrid summit in December to take a clear, overall decision on the timetable and reference values for the changeover to stage 3. It stressed the need to avoid any change to the timetable set out in the Treaty on European Union, maintaining its position (1997 at the earliest or 1999 at the latest) and warning the national authorities against delaying on the grounds of failure to assess the technical or legal problems properly in order to justify postponing monetary union. It then went on to examine all aspects of the changeover to the single currency: - Public acceptance: the changeover needed to be simple and transparent if monetary union was to gain public acceptance. Prices, salaries and invoices would therefore need to be quoted in both currencies (national currency and ecus) during stage 2; this would also prevent any underhand price increases. An information campaign at EU level entitled "One Europe - One Currency" needed to be organized, starting in 1996. Round tables involving all operators should be organized at various levels in order to address the problems and find acceptable solutions. - Transparency of the preparatory process set in motion by the Commission: Parliament asked to be fully involved in preparations in order to gain public and market confidence. - Scenario and countries participating in monetary union: the "critical mass" scenario (i.e. a significant proportion of transactions in the single currency) was the only planned scenario which was compatible with the Treaty and technically feasible. Measures were needed which would allow the maximum number of states to join and which would help guarantee strict compliance with the convergence criteria and encourage job-creating growth. Strict compliance with the criteria by the maximum number of states was the best way of preventing any schism within the European Union. On the contrary, compliance with criteria should strengthen integration. The transition scenario needed to be clear, accurate, efficient, cheap, irreversible and designed so that the public could understand how to calculate conversions and speculative disruptions were avoided. - Timing: the single currency needed to be introduced in three stages but this transition needed to be limited in time. Stage 1 would commence on 1 January 1998, so that stage 2 (European System of Central Banks) could start by 1 January 1999 at the latest. Stage 2 should last a maximum of two years, with conversion rates set irrevocably and the ecu becoming legal tender as of 1 January 1999. Stage 3 should be reduced to the minimum needed to change over currency signs on equipment and should take no more than a few weeks (with longer periods of 2 to 3 months allowed for certain specific groups); - Technical arrangements: a regulation on the single currency ("monetary law") needed to be drawn up in advance and all the necessary legal and technical measures needed to be adopted promptly. Parliament called for a regulation defining the status of the single currency (in relation to national currencies), introducing the ecu as the currency of the Member States and the Union and as legal tender and defining the legal status of national currencies. The Madrid summit needed to decide on the name for the single currency (which would be the same in all countries). The currency should have a uniform appearance and technical preparations needed to be speeded up. - Links between "ins" and "pre-ins": Parliament was in favour of maintaining the EMS, using the single currency as a reference point, with the countries which would not be participating in EMU from the outset. Mechanisms should be introduced to prevent unilateral revaluations and devaluations within the framework of defined fluctuation margins, suitably amend intervention mechanisms and thus help to prepare and support participation by all the Member States of the European Union at a later date. - IGC: the 1996 intergovernmental conference needed to focus on tightening links within the Union, maintaining the equilibrium between monetary union and economic union and developing new political instruments and institutional structures which would safeguard this equilibrium in the long term.?

## Practical arrangements for the introduction of the EURO. Green paper

Support for the Commission move to implement and facilitate the transition to a single currency. The transition should be as speedy as possible, taking account of the market?s capacity to adjust smoothly to change, the need to minimise costs, and the extent to which EMU was also used to boost job-creating growth. Pragmatic approach to practical problems: directives and regulations only when strictly necessary. Need for outline scenario so as to predict the situation of countries granted exemption, indicating the measures that would have to be taken to avoid monetary disruption and particularly the emergence of an unbridgeable gulf between these countries and those that had joined the single currency system. Need for stringent application, with a political vision, of admissibility criteria; political derogations only possible if they did not endanger the future stability of the single currency. Enhancement of the role of the European Central Bank: the independence provided for in the Treaty should be translated into practical terms. Starting date and duration of the various phases, to be announced as soon as possible. However, once established, no variation should be allowed. The market needed certainty, not conjecture. The costs of transition to the single currency should be borne and apportioned according to the rules of the market, with intervention only when really necessary. Need to set up, as soon as possible, a sound legal framework to underpin the single currency. In particular, the non-renegotiability of contracts and the validity of conversion rates on the securities and exchange markets (both European and non-European) should be guaranteed. Consumer interests should be heeded and protected as part of the overall policy of transition to the single currency. In particular, the consumer should be made aware of Europe?s aim in adopting a single currency, the advantages he stood to gain and the way in which the transition to the new currency would be organised. This would require a joint, coordinated drive, involving the Commission, the Member States and companies, in particular banks. The consumer should be able to reap the benefits of the single currency at minimum cost. The Commission and the Member States, though refraining as far as possible from imposing regulations, would have to show great vigilance in ensuring that this condition was respected. The consumer should be able to familiarise himself with use of the single currency even before it came into force and check that the conversion rates were strictly applied. The Commission and the consumer associations had pinpointed one single way of achieving this result: dual indication of prices and charges on bills, banking documents and payslips. Businesses objected that the mandatory dual pricing requirement could generate additional costs, extra paperwork and organisational complications. While reserving the right to return to this matter, the ESC could not ignore the justification, in principle, of such arguments. The consumer rights referred to above should be protected but a balance had to be found with the rest of the market, including alternatives that achieved the same results. Effective training, education and communication strategies were needed: in the case of training, responsibility would devolve to the Commission, Member States, sectoral organisations and individual companies, in turn. By ensuring coordination, duplication of tasks would be avoided. Education should be provided in schools of all levels and types, with the single currency taught as a specific subject.