



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 16.5.2007
COM(2007) 257 final

2007/0091 (CNB)

Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 974/98 as regards the introduction of the euro in Cyprus

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

On 16 May 2007, the Commission adopted a proposal for a Council Decision in accordance with Article 122(2) EC, indicating that Cyprus fulfils the necessary conditions for the adoption of the single currency and that the derogation of Cyprus is abrogated with effect from 1 January 2008.

In case of a positive decision, the Council will subsequently have to take the other measures necessary for the introduction of the euro in Cyprus.

Council Regulation (EC) No 974/98 on the introduction of the euro¹ governs the initial introduction of the euro in the first wave euro-area Member States and Greece². This Regulation was amended by Regulation (EC) No 2169/2005 in order to prepare for future enlargements of the euro area and by Regulation (EC) No 1647/2006 in order to cover Slovenia which adopted the euro on 1 January 2007. Yet, in order for Cyprus to be covered by Regulation (EC) No 974/98, a reference to this Member State needs to be added to this Regulation. The present proposal contains the necessary amendments to this Regulation.

Cyprus' changeover plan specifies that the so-called "big bang" scenario should be applicable, i.e. that the adoption of the euro as the currency of Cyprus and the introduction of euro banknotes and coins in this Member State should coincide.

2. LEGAL ASPECTS

2.1. Legal basis

Legal basis for the present proposal is Article 123(5) EC, which allows for the adoption of the other measures necessary for the introduction of the euro in the Member State the derogation of which has been abrogated under Article 122(2) EC.

The Council shall act with the unanimity of the Member States without a derogation and the Member State concerned on a proposal from the Commission and after consulting the ECB.

2.2. Subsidiarity and proportionality

The proposal falls under the exclusive competence of the Community. The subsidiarity principle therefore does not apply.

The present initiative does not go beyond what is necessary to achieve its objective and, therefore, complies with the proportionality principle.

¹ OJ L 139, 11.5.1998, p. 1. Regulation as last amended by Council Regulation (EC) No 1647/2006 of 7 November 2006 (OJ L 309, 9.11.2006, p. 2).

² Cf. Council Regulation (EC) No 2596/2000 of 27 November 2000 amending Council Regulation (EC) No 974/98 on the introduction of the euro (OJ L 300, 29.11.2000, p. 2).

2.3. Choice of the legal instrument

The Regulation instrument is the only appropriate legal instrument to amend Council Regulation (EC) No 974/98 on the introduction of the euro.

3. BUDGETARY IMPLICATIONS

The proposal has no implications for the Community budget.

4. COMMENTARY ON INDIVIDUAL ARTICLES

4.1. Article 1

In accordance with Article 1 lit. (a) and with Article 1a of Regulation (EC) No 974/98, the table in the Annex to that Regulation lists the participating Member States and defines the euro adoption date, the cash changeover date, and the "phasing-out" period, if applicable, for all these Member States. According to Article 1 lit. (i) of Regulation (EC) No 974/98, a "phasing-out" period can only apply to Member States where the euro adoption date and the cash changeover date fall on the same day. This was not the case for the eleven Member States which adopted the euro on 1 January 1999 and for Greece which adopted the euro on 1 January 2001. Slovenia's euro adoption date and cash changeover date coincided (1 January 2007), but the country has chosen not to have a "phasing-out" period. Also Cyprus' and Malta's changeover plans specify the same date for the euro adoption date and for the cash changeover date (1 January 2008), while both Member States have chosen not to have a "phasing-out" period.

This Article adds Cyprus and the following relevant data for this Member State to the table in the Annex to Regulation (EC) No 974/98 in protocol order.

Member State	Euro adoption date	Cash changeover date	Member State with a "phasing-out" period
"Cyprus	1 January 2008	1 January 2008	No"

4.2. Article 2

This Article sets the date of entry into force of the Regulation at 1 January 2008, ensuring that it will be applicable in conformity with the timing of the other Council acts relating to the adoption of the euro by Cyprus, i.e. the date of the abrogation of the derogation and the date of the entry into force of the conversion rate of the Cyprus pound.

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amending Regulation (EC) No 974/98 as regards the introduction of the euro in Cyprus

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 123(5) thereof,

Having regard to the proposal from the Commission³,

Having regard to the opinion of the European Central Bank⁴,

Whereas:

- (1) Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro⁵ provides for the substitution of the euro for the currencies of the Member States which fulfilled the necessary conditions for the adoption of the single currency at the time when the Community entered the third stage of economic and monetary union.
- (2) Council Regulation (EC) No 2596/2000⁶ amended Regulation (EC) No 974/98 to provide for the substitution of the euro for the currency of Greece.
- (3) Council Regulation (EC) No 2169/2005⁷ amended Regulation (EC) No 974/98 in order to prepare for subsequent introductions of the euro in Member States which have not yet adopted the euro as the single currency.
- (4) Council Regulation (EC) No 1647/2006⁸ amended Regulation (EC) No 974/98 to provide for the substitution of the euro for the currency of Slovenia.
- (5) According to Article 4 of the 2003 Act of Accession, Cyprus is a Member State with a derogation as defined in Article 122 of the Treaty.
- (6) Pursuant to Council Decision 2007/.../EC of 2007 in accordance with Article 122(2) of the Treaty on the adoption by Cyprus of the single currency on 1 January

³ OJ C

⁴ OJ C

⁵ OJ L 139, 11.5.1998, p. 1. Regulation as last amended by Council Regulation (EC) No 1647/2006 (OJ L 309, 9.11.2006, p. 2).

⁶ OJ L 300, 29.11.2000, p. 2.

⁷ OJ L 346, 29.12.2005, p. 1.

⁸ OJ L 309, 9.11.2006, p. 2.

2008⁹, Cyprus fulfils the necessary conditions for the adoption of the single currency and the derogation in favour of Cyprus is to be abrogated with effect from 1 January 2008.

- (7) The introduction of the euro in Cyprus requires the extension to Cyprus of the existing provisions on the introduction of the euro set out in Regulation (EC) No 974/98.
- (8) Cyprus' changeover plan specifies that euro banknotes and coins should become legal tender in that Member State on the day of the introduction of the euro as its currency. Consequently, the euro adoption date and the cash changeover date shall be 1 January 2008. No “phasing-out” period applies.
- (9) Regulation (EC) No 974/98 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

The Annex to Regulation (EC) No 974/98 shall be amended in accordance with the Annex to this Regulation.

Article 2

This Regulation shall enter into force on 1 January 2008.

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaty establishing the European Community.

Done at Brussels,

*For the Council
The President*

⁹ OJ L

Annex

In the Annex to Regulation (EC) No 974/98, the following line is inserted between the entries for Italy and Luxembourg.

Member State	Euro adoption date	Cash changeover date	Member State with a "phasing-out" period
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"Cyprus	1 January 2008	1 January 2008	No"
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