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EUROPEAN COMMISSION

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2010/0136 (NLE)

Proposal for a

COUNCIL REGULATION

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

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

On 12 May 2010, the Commission adopted a proposal for a Council Decision in accordance with Article 140(2) Treaty on the Functioning of the European Union (hereinafter the Treaty), indicating that Estonia fulfils the necessary conditions for the adoption of the euro and that the derogation of Estonia is abrogated with effect from 1 January 2011.

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

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:

- The Regulation (EC) No 2169/2005, in order to prepare for future enlargements of the euro area
- The Regulation (EC) No 1647/2006, in order to cover Slovenia (which adopted the euro on 1 January 2007)
- The Regulation (EC) No 835/2007, in order to cover Cyprus (which adopted the euro on 1 January 2008)
- The Regulation (EC) No 836/2007, in order to cover Malta (which adopted the euro on 1 January 2008)
- The Regulation (EC) No 693/2008, in order to cover Slovakia (which adopted the euro in January 2009).

In order for Estonia to also 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.

Estonia's 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 Estonia and the introduction of euro banknotes and coins in this Member State should coincide.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENT

The formal procedure following the Commission proposal for a Council Decision involves consultation of the ECB. Discussions with Member States on economic

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).

policy challenges in Member States are held under various headings on a regular basis in the Economic and Financial Committee and ECOFIN/Eurogroup. These include informal discussions on issues specifically relevant to the preparation of eventual euro area entry (incl. exchange rate policies). Dialogue with academics and other interested groups takes place in the context of conferences/seminars and on an ad-hoc basis.

Economic developments in the euro area and the Member States are assessed in the framework of the various procedures of economic policy co-ordination and surveillance (notably under Art. 121 of the Treaty), as well as in the context of the Commission's regular monitoring and analysis of country-specific and area-wide developments (incl. forecasts, regular publication series, input to EFC and ECOFIN/Eurogroup). In accordance with the proportionality principle and in line with past practice, the Commission proposes not to develop a formal impact assessment.

3. LEGAL ELEMENTS OF THE PROPOSAL

3.1. Legal basis

The legal basis for the present proposal is Article 140(3) of the Treaty, 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 140(2) of the Treaty.

The Council shall act with the unanimity of the Member States whose currency is the euro and the Member State concerned on a proposal from the Commission and after consulting the ECB.

3.2. Subsidiarity and proportionality

The proposal falls under the exclusive competence of the Union. 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.

3.3. 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.

4. BUDGETARY IMPLICATION

The proposal has no implications for the budget of the Union.

5. COMMENTARY ON INDIVIDUAL ARTICLES

5.1. 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, Cyprus, Malta and Slovakia's euro adoption date and cash changeover date coincided (1 January 2007 for Slovenia, 1 January 2008 for Cyprus and Malta and 1 January 2009 for Slovakia), but the countries have chosen not to have a "phasing-out" period. Also Estonia's changeover plan sets the same date for the euro adoption date and for the cash changeover date (1 January 2011), while the country has chosen not to have a "phasing-out" period.

This Article adds Estonia 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
"Estonia	1 January 2011	1 January 2011	No"

5.2. Article 2

This Article sets the date of entry into force of the Regulation at 1 January 2011, ensuring that it will be applicable in conformity with the timing of the other Council acts relating to the adoption of the euro by Estonia, i.e. the date of the abrogation of the derogation and the date of the entry into force of the conversion rate of the Estonian kroon.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 140(3) thereof,

Having regard to the proposal from the European 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 euro 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 euro.
- (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) Council Regulation (EC) No 835/2007⁹ amended Regulation (EC) No 974/98 to provide for the substitution of the euro for the currency of Cyprus.
- (6) Council Regulation (EC) No 836/2007¹⁰ amended Regulation (EC) No 974/98 to provide for the substitution of the euro for the currency of Malta.

³ OJ C [...], [...], p. [...]

⁴ OJ C [...], [...], p. [...].

⁵ OJ L 139, 11.5.1998, p. 1. Regulation as last amended by Council Regulation (EC) No xxx/2007 (OJ L, p.).

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.

⁹ OJ L 186, 18.07.2007, p.1.

- (7) Council Regulation (EC) No 693/2009¹¹ amended Regulation (EC) No 974/98 to provide for the substitution of the euro for the currency of Slovakia.
- (8) According to Article 4 of the 2003 Act of Accession, Estonia is a Member State with a derogation as defined in Article 139(1) of the Treaty on the Functioning of the European Union (hereinafter the Treaty).
- (9) Pursuant to Council Decision 2010/.../EC of ... 2010 on the adoption by Estonia of the euro on 1 January 2011¹², Estonia fulfils the necessary conditions for the adoption of the euro and the derogation in favour of Estonia is abrogated with effect from 1 January 2011.
- (10) The introduction of the euro in Estonia requires the extension to Estonia of the existing provisions on the introduction of the euro set out in Regulation (EC) No 974/98.
- (11) Estonia's 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 2011. No “phasing-out” period should apply.
- (12) 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 2011. This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council
The President*

¹⁰ OJ L 186, 18.07.2007, p.3.
¹¹ OJ L 195, 24.07.2008, p. 1.
¹² OJ L [...], [...], p. [...].

ANNEX

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

Member State	Euro adoption date	Cash changeover date	Member State with a "phasing-out" period
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"Estonia	1 January 2011	1 January 2011	No"
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