COUNCIL DECISION
of 31 December 1998
on the position to be taken by the Community regarding an agreement concerning the monetary relations with the Republic of San Marino

(1999/97/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 109(3) thereof,

Having regard to the recommendation from the Commission,

Having regard to the opinion of the European Central Bank,

(1) Whereas according to Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro (1), the euro will be substituted as from 1 January 1999 for the currency of each participating Member State at the conversion rate;

(2) Whereas the Community will have competence for monetary and exchange rate matters in the Member States adopting the euro as from that date;

(3) Whereas the Council is to determine the arrangements for the negotiation and conclusion of agreements concerning monetary or foreign exchange regime matters;

(4) Whereas Italy has concluded several agreements with the Republic of San Marino which include provisions on monetary matters (2);

(5) Whereas the euro will be substituted for the Italian Lira on 1 January 1999;

(6) Whereas according to Declaration (No 6) annexed to the Final Act of the Treaty on European Union, the Community undertakes to facilitate the renegotiations of existing arrangements with the Republic of San Marino as might become necessary as a result of the introduction of the single currency;

(7) Whereas the agreements between Italy and the Republic of San Marino in their present form need to be amended or, as the case may be, replaced at the earliest possible date, taking into account the allocation of competence to the Community for monetary and exchange rate matters as laid down in the Treaty;

(8) Whereas given the close economic relations between the Republic of San Marino and the Community, it is appropriate that an agreement concerning banknotes and coins, the access to payment systems and the legal status of the euro in the Republic of San Marino is concluded between the Community and the Republic of San Marino; whereas given the historical links between Italy and the Republic of San Marino, it is appropriate that Italy negotiates and may conclude the new agreement on behalf of the Community;

(9) Whereas in order to allow the Republic of San Marino to have the same currency as Italy, it is appropriate to agree that the Republic of San Marino uses the euro as its official currency and grants legal tender status to euro banknotes and coins issued by the European System of Central Banks and the Member States which have adopted the euro;

(10) Whereas it is important that the Republic of San Marino ensures that Community rules on banknotes and coins denominated in euro are applicable in the Republic of San Marino; whereas euro banknotes and coins need appropriate protection against counterfeiting; whereas it is important that the Republic of San Marino takes all the necessary measures to combat counterfeiting and to cooperate with the Community in this area;

(11) Whereas the European Central Bank (ECB) and the national central banks may engage in all types of banking transactions in relation to financial institutions located in third countries; whereas the ECB and the national central banks may, under appropriate conditions, allow financial institutions in third countries access to their payment systems; whereas the agreement between the Community and the Republic of San Marino shall not impose any obligations on the ECB or on any national central bank;

(2) Convenzione di amicizia e di buon vicinato fra San Marino e l'Italia del 31 marzo 1939, as amended; Convenzione monetaria tra la Repubblica Italiana e la Repubblica di San Marino, 21-XII-1991; Convenzione in materia di rapporti finanziari e valutari tra la Repubblica Italiana e la Repubblica di San Marino con atto aggiuntivo corredato da Processo Verbale firmato a Roma il 4 marzo 1994.
(12) Whereas the Commission and the ECB in its field of competence will have to be fully associated with these negotiations; whereas it is appropriate that Italy submits the draft agreement to the Economic and Financial Committee for its opinion; whereas the draft agreement will have to be submitted to the Council in the case that the Commission or the ECB or the Economic and Financial Committee are of the opinion that this is necessary;

(13) Whereas existing agreements between Italy and the Republic of San Marino should be amended or, as the case may be, replaced so as to avoid any inconsistencies between such agreements and the agreement between the Community and the Republic of San Marino concerning their monetary relations,

HAS ADOPTED THIS DECISION:

**Article 1**

Italy shall notify the Republic of San Marino of the need to amend the existing agreements between Italy and the Republic of San Marino at the earliest possible date as far as monetary matters are concerned and offer negotiations for a new agreement.

**Article 2**

The position to be taken by the Community in the negotiations with the Republic of San Marino for an agreement concerning matters referred to below shall be based on the principles laid down in Articles 3 to 6.

**Article 3**

1. The Republic of San Marino shall be entitled to use the euro as its official currency.
2. The Republic of San Marino shall be entitled to grant legal tender status to euro banknotes and coins.

**Article 4**

The Republic of San Marino shall undertake not to issue any banknotes, coins or monetary surrogates of any kind unless the conditions for such issuance have been agreed with the Community. This does not prejudice the right of the Republic of San Marino to continue issuing gold coins denominated in scudi.

**Article 5**

1. The Republic of San Marino shall undertake to make Community rules on euro banknotes and coins applicable in the Republic of San Marino.
2. The Republic of San Marino shall undertake to cooperate closely with the Community with regard to measures against counterfeiting of euro banknotes and coins.

**Article 6**

Financial institutions located in the Republic of San Marino may have access to payment systems within the euro area under appropriate conditions to be determined with the agreement of the ECB.

**Article 7**

Italy shall conduct the negotiations with the Republic of San Marino on the matters referred to in Articles 3 to 6 on behalf of the Community. The Commission shall be fully associated with the negotiations. The ECB shall be fully associated with the negotiations in its field of competence. Italy shall submit the draft agreement to the Economic and Financial Committee for opinion.

**Article 8**

Italy shall be entitled to conclude the agreement on behalf of the Community unless the Commission or the ECB or the Economic and Financial Committee are of the opinion that the agreement should be submitted to the Council.

**Article 9**

Italy shall ensure that its existing agreements with the Republic of San Marino are compatible with the agreement between the Community and the Republic of San Marino concerning their monetary relations.

**Article 10**

This Decision is addressed to the Italian Republic.

Done at Brussels, 31 December 1998.

For the Council

The President

R. EDLINGER