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2022/0178 (NLE)

Proposal for a

**COUNCIL REGULATION**

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

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

On 1 June 2022, the Commission released a proposal for a Council Decision in accordance with Article 140(2) of the Treaty on the Functioning of the European Union ('the Treaty'), indicating that Croatia fulfils the necessary conditions for the adoption of the euro and that the derogation of Croatia is abrogated with effect from 1 January 2023.

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

Council Regulation (EC) No 974/98 on the introduction of the euro<sup>1</sup> governs the initial introduction of the euro in the first-wave euro-area Member States and Greece<sup>2</sup>. That Regulation was amended by:

- Regulation (EC) No 2169/2005, in order to prepare for future enlargements of the euro area
- Regulation (EC) No 1647/2006, to cover Slovenia (which adopted the euro on 1 January 2007)
- Regulation (EC) No 835/2007, to cover Cyprus (which adopted the euro on 1 January 2008)
- Regulation (EC) No 836/2007, to cover Malta (which adopted the euro on 1 January 2008)
- Regulation (EC) No 693/2008, to cover Slovakia (which adopted the euro in January 2009)
- Regulation (EU) No 670/2010, to cover Estonia (which adopted the euro in January 2011)
- Regulation (EU) No 678/2013, to cover Latvia (which adopted the euro in January 2014)
- Regulation (EU) No 827/2014, to cover Lithuania (which adopted the euro in January 2015).

For Croatia to also be covered by Regulation (EC) No 974/98, a reference to this Member State needs to be added to that Regulation. This proposal contains the necessary amendments to that Regulation.

Croatia's National Euro Changeover Plan specifies that the 'big bang' scenario should be applicable, i.e. that the adoption of the euro as the currency of Croatia and the introduction of euro banknotes and coins in Croatia should coincide.

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

Discussions with Member States on economic policy challenges in Member States are held under various headings on a regular basis in the Economic and Financial

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<sup>1</sup> OJ L 139, 11.5.1998, p. 1.

<sup>2</sup> 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).

Committee (EFC) and the ECOFIN/Eurogroup. These include informal discussions on issues specifically relevant to the preparation of eventual euro area entry (including exchange rate policies). Dialogue with academics and other interested groups takes place conferences/seminars and on an ad-hoc basis.

Economic developments in the euro area and the Member States are assessed through the various procedures of economic policy coordination 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 (including forecasts, regular publication series, and input to the EFC and ECOFIN/Eurogroup). In accordance with the proportionality principle and in line with past practice, no formal impact assessment is necessary.

### **3. LEGAL ELEMENTS OF THE PROPOSAL**

#### **3.1. Legal basis**

The legal basis for this 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.

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

#### **3.3. Choice of legal instrument**

A Regulation is the only appropriate legal instrument for amending 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 that adopted the euro on 1 January 1999, nor for Greece, which adopted the euro on 1 January 2001.

Slovenia, Cyprus, Malta, Slovakia, Estonia, Latvia and Lithuania's euro adoption date and cash changeover date coincided (1 January 2007 for Slovenia, 1 January 2008 for Cyprus and Malta, 1 January 2009 for Slovakia, 1 January 2011 for Estonia, 1 January 2014 for Latvia, 1 January 2015 for Lithuania), but the countries chose not to have a 'phasing-out' period.

Also Croatia's National Euro Changeover Plan sets the same date for the euro adoption date and for the cash changeover date (1 January 2023), and Croatia has chosen not to have a 'phasing-out' period.

This Article adds Croatia 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
'Croatia	1 January 2023	1 January 2023	No'

## 5.2. Article 2

This Article sets the date of entry into force of the Regulation as 1 January 2023, ensuring that it will be applicable in conformity with the timing of the other Council acts relating to the adoption of the euro by Croatia, i.e. the date of on which the derogation is abrogated and the date on which the conversion rate for the Croatian kuna enters into force.

Proposal for a

## **COUNCIL REGULATION**

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

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 Commission,

Having regard to the opinion of the European Central Bank,

Whereas:

- (1) Council Regulation (EC) No 974/98 <sup>(3)</sup> 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) According to Article 5 of the 2012 Act of Accession, Croatia is a Member State with a derogation, as defined in Article 139(1) of the Treaty on the Functioning of the European Union (the ‘Treaty’).
- (3) Pursuant to Council Decision 2022/.../EU of ... .. 2022 on the adoption by Croatia of the euro on 1 January 2023 <sup>(4)</sup>, Croatia fulfils the necessary conditions for the adoption of the euro and the derogation in favour of Croatia is to be abrogated with effect from 1 January 2023.
- (4) The introduction of the euro in Croatia requires the extension to Croatia of the existing provisions on the introduction of the euro that are set out in Regulation (EC) No 974/98.
- (5) Croatia's National Euro 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 2023. No ‘phasing-out’ period should apply.
- (6) Regulation (EC) No 974/98 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

### *Article 1*

The Annex to Regulation (EC) No 974/98 is amended by inserting the following row in the table between the entries for France and Ireland:

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<sup>3</sup> Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro (OJ L 139, 11.5.1998, p. 1).

<sup>4</sup> OJ L [...], [...], p. [...].

'Croatia	1 January 2023	1 January 2023	No'
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*Article 2*

This Regulation shall enter into force on 1 January 2023.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council  
The President*