COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 31.12.1998
COM(1998) 732 final

98/0353 (CNB)

Proposal for a

COUNCIL REGULATION (EC)

on the conversion rates between the euro and the currencies of the Member States adopting the euro

(presented by the Commission)

Proposal for a
Council Regulation (EC)
on the conversion rates between the euro
and the currencies of the Member States adopting the euro

EXPLANATORY MEMORANDUM

As from 1 January 1999 the euro will be substituted for the present currencies of Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.

This substitution requires the adoption of the conversion rates at which the euro will be substituted for the national currencies and at which rates the euro, during a transitional period, will be divided into national currency units.

I. General considerations

Article 109 l (4) of the Treaty foresees that the Council shall at the starting date of the third stage acting with the unanimity of the Member States without a derogation, on a proposal from the Commission and after consulting the ECB, adopt the conversion rates.

In two Communiqués issued on 3 May 1998 and on 26 September 1998, the Ministers of the Member States adopting the euro as their single currency, the Governors of the Central Banks of these Member States, the Commission and the European Monetary Institute/the European Central Bank have announced how the conversion rates will be determined and adopted on 31 December 1998. They have notably announced that:

> "On 31 December 1998, following the regular central bank concertation procedure ... and in line with the existing procedures ... the Commission will calculate the final official ECU exchange rates for the participating currencies. The Commission will propose these rates for adoption by the Council as the irrevocable conversion rates for the euro."

This procedure will ensure that the adoption of the conversion rates for the euro will by itself, as required by Article 109 l (4) of the Treaty, not modify the external value of the ECU.

In order to increase legal certainty and clarity for market operators and to speed up procedures in the afternoon of 31 December 1998, the Commission adopted its proposal for a Council Regulation without the conversion rates already on 9 December 1998.

The official ECU rates of the currencies of the Member States adopting the euro have been calculated by the Commission on 31 December 1998 according to the established procedure. The Commission communicates these rates as the proposed irrevocably fixed conversion rates to the Council, the European Parliament and the European Central Bank.

II. Comments on the articles

Article 1

This article specifies the conversion rates as referred to in the third indent of Article 1 of Council regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro[1].

The conversion rates establish, together with the provisions of Articles 2 and 3 of Council regulation (EC) No 974/98, the recurrent link between the euro and the national currencies of the Member States adopting the euro.

Moreover, in accordance with Article 6 (1) of Council regulation (EC) No 974/98, the conversion rates determine during the transitional period, starting on 1 January 1999 and ending on 31 December 2001, how the euro will be divided into national currency units.

In accordance with Council regulation (EC) No 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro[2], the conversion rates are determined with six significant figures; the rates are expressed as one euro in terms of each of the national currencies of the Member States adopting the euro.

Article 2

This article ensures that the regulation will be applicable as from the beginning of the third stage of Economic and Monetary Union, i.e. as from 1 January 1999, 0.00. a.m., local time. Council regulation (EC) No 974/98 will be applicable as from the same time.

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1 OJ No L 139, 11.5.1998, p. 1

2 OJ No L 162, 19.6.1997, p.1

Proposal for a Council Regulation (EC) on the conversion rates between the euro and the currencies of the Member States adopting the euro

The Council of the European Union,

Having regard to the Treaty establishing the European Community, and in particular Article 109 l (4) first sentence thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Central Bank,

(1) Whereas according to Article 109 j (4) of the Treaty, the third stage of Economic and Monetary Union shall start on 1 January 1999; whereas the Council, meeting in the composition of Heads of State or Government, has confirmed on 3 May 1998 that Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland fulfil the necessary conditions for the adoption of a single currency on 1 January 1999[1];

(2) Whereas according to Council regulation (EC) No 974/98 of 3 May 1998[2], the euro shall be the currency of the Member States which adopt the single currency as from 1 January 1999; whereas the introduction of the euro requires the adoption of the conversion rates at which the euro will be substituted for the national currencies and at which rates the euro will be divided into national currency units; whereas the conversion rates in Article 1 are the conversion rates referred to in the third indent of Article 1 of Council regulation (EC) No 974/98;

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1 OJ No L 139, 11.5.1998, p. 30

2 OJ No L 139, 11.5.1998, p. 1

(3) Whereas according to Council regulation (EC) No 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro[3], every reference to the ECU in a legal instrument shall be replaced by a reference to the euro at a rate of one euro to one ECU; whereas Article 109 l (4), second sentence of the Treaty, provides that the adoption of the conversion rates shall by itself not modify the external value of the ECU; whereas this is ensured by adopting as the conversion rates, the exchange rates against the ECU of the currencies of the Member States adopting the euro, as calculated by the Commission on 31 December 1998 according to the established procedure for the calculation of the daily official ECU rates;

(4) Whereas the Ministers of the Member States adopting the euro as their single currency, the Governors of the Central Banks of these Member States, the Commission and the European Monetary Institute/the European Central Bank, have issued two Communiqués on the determination and on the adoption of the irrevocable conversion rates for the euro dated 3 May 1998[4] and 26 September 1998, respectively;

(5) Whereas Council regulation (EC) No 1103/97 stipulates that the conversion rates shall be adopted as one euro expressed in terms of each of the national currencies of the Member States adopting the euro; whereas in order to ensure a high degree of accuracy, these rates will be adopted with six significant figures and no inverse rates nor bilateral rates between the currencies of the Member States adopting the euro will be defined;

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[3] OJ No L 162, 19.6.1997, p.1

[4] OJ No C 160 , 27.05.1998, p.1

HAS ADOPTED THIS REGULATION:

Article 1

The irrevocably fixed conversion rates between the euro and the currencies of the Member States adopting the euro are:

1 euro	=	40.3399	Belgian franc
	=	1.95583	German mark
	=	166.386	Spanish peseta
	=	6.55957	French franc
	=	0.787564	Irish pound
	=	1936.27	Italian lira
	=	40.3399	Luxembourg franc
	=	2.20371	Dutch guilder
	=	13.7603	Austrian schilling
	=	200.482	Portuguese escudo
	=	5.94573	Finnish markka

Article 2

This Regulation shall enter into force on 1 January 1999.

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

Done at Brussels,

For the Council

The President

ISSN 0254-1475

COM(98) 732 final

DOCUMENTS

EN 09 10 01 06

Catalogue number : CB-CO-98-763-EN-C

Office for Official Publications of the European Communities

L-2985 Luxembourg