**COUNCIL OF
THE EUROPEAN UNION**

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PROPOSAL

from:	Commission
dated:	6 June 2013
No Cion doc.:	COM(2013) 337 final
Subject:	Proposal for a COUNCIL REGULATION amending Regulation (EC) No 974/98 as regards the introduction of the euro in Latvia

Delegations will find attached a proposal from the Commission, submitted under a covering letter from from Director Jordi AYET PUIGARNAU to Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union.

Encl.: COM(2013) 337 final

EUROPEAN
COMMISSION

Brussels, 5.6.2013
COM(2013) 337 final

2013/0176 (NLE)

Proposal for a

COUNCIL REGULATION

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

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

On 5 June 2013, the Commission adopted a proposal for a Council Decision in accordance with Article 140(2) of the Treaty on the Functioning of the European Union (hereinafter the Treaty), indicating that Latvia fulfils the necessary conditions for the adoption of the euro and that the derogation of Latvia is abrogated with effect from 1 January 2014.

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

Council Regulation (EC) No 974/98 on the introduction of the euro[1] governs the initial introduction of the euro in the first wave euro-area Member States and Greece[2]. This 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, in order to cover Slovenia (which adopted the euro on 1 January 2007);

– Regulation (EC) No 835/2007, in order to cover Cyprus (which adopted the euro on 1 January 2008);

– Regulation (EC) No 836/2007, in order to cover Malta (which adopted the euro on 1 January 2008);

– Regulation (EC) No 693/2008, in order to cover Slovakia (which adopted the euro in January 2009);

– Regulation (EU) No 670/2010, in order to cover Estonia (which adopted the euro in January 2011).

In order for Latvia 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.

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

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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. 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 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 Article 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, Slovakia and Estonia'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), but the countries have chosen not to have a "phasing-out" period. Also Latvia's Euro National Changeover Plan sets the same date for the euro adoption date and for the cash changeover date (1 January 2014), while the country has chosen not to have a "phasing-out" period.

This Article adds Latvia 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
"Latvia	1 January 2014	1 January 2014	No"

5.2. Article 2

This Article sets the date of entry into force of the Regulation at 1 January 2014, ensuring that it will be applicable in conformity with the timing of the other Council acts relating to the adoption of the euro by Latvia, i.e. the date of the abrogation of the derogation and the date of the entry into force of the conversion rate of the Latvian lats.

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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 Commission[3],

Having regard to the opinion of the European Central Bank[4],

Whereas:

(1) Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro[5] 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 4 of the 2003 Act of Accession, Latvia 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).

(3) Pursuant to Council Decision 2013/…/EU of … … 2013 on the adoption by Latvia of the euro on 1 January 2014[6], Latvia fulfils the necessary conditions for the adoption of the euro and the derogation in favour of Latvia is to be abrogated with effect from 1 January 2014.

(4) The introduction of the euro in Latvia requires the extension to Latvia of the existing provisions on the introduction of the euro set out in Regulation (EC) No 974/98.

(5) Latvia'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 2014. No “phasing-out” period should apply.

(6) Regulation (EC) No 974/98 should therefore be amended accordingly,

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3 OJ C […], […], p. […]
4 OJ C […], […], p. […]
5 OJ C […], […], p. […]
6 OJ L […], […], p. […]

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 2014.

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

Done at Brussels,

For the Council
The President

ANNEX

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

Member State	Euro adoption date	Cash changeover date	Member State with a "phasing-out" period
"Latvia	1 January 2014	1 January 2014	No"