



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

COUNCIL DECISION

**concerning the monetary arrangements in the French territorial
communities of Saint-Pierre-et-Miquelon and Mayotte**

(presented by the Commission)

**Proposal for a Council Decision
concerning the monetary arrangements in the French territorial
communities of Saint-Pierre-et-Miquelon and Mayotte**

EXPLANATORY MEMORANDUM

As from 1 January 1999 the euro will be substituted for the currencies of the Member States adopting the euro. The Council, meeting in the composition of Heads of State or Government, has confirmed on 3 May 1998 that France fulfils the necessary conditions for the adoption of the single currency on 1 January 1999; therefore the euro will be substituted for the French franc as from that date.

The Commission is presenting a draft Council Decision which is addressed to France and which ensures that the euro will also become the currency of those parts of France which do not form part of the Community.

I. General considerations

Saint-Pierre-et-Miquelon and Mayotte are territorial communities ("collectivités territoriales") of France. The two communities are not part of the Community. Without further action, the monetary law of the euro area and other Community rules relating to Economic and Monetary Union would not be applicable in these territories.

At present the French franc is the currency of Saint-Pierre-et-Miquelon and Mayotte and French banknotes and coins have legal tender status in these territories. Banknotes and coins are put into circulation by the IEDOM (Institut d'Emission des Départements d'Outre-Mer) in both communities (in Mayotte as from 1.1.1999). IEDOM also provides refinancing facilities and imposes minimum reserve requirements (reserve requirements so far in Saint-Pierre-et-Miquelon only).

The Treaty does not specify the monetary regime applicable in Saint-Pierre-et-Miquelon and Mayotte. As from 1 January 1999 the Community will have the exclusive competence for monetary and exchange rate matters in the Member States adopting the euro. It is necessary that the Council specifies, in a decision addressed to France, the monetary regime which should apply in these French communities.

Article 109 l (4) is the appropriate legal basis for taking this decision. It stipulates that the Council shall also take the other measures (apart from fixing the conversion rates) necessary for the rapid introduction of the euro as the single currency of Member States.

The proposal for a decision intends to ensure that Saint-Pierre-et-Miquelon and Mayotte will continue to have the same currency as metropolitan France. Therefore, it is suggested that the euro becomes the currency of Saint-Pierre-et-Miquelon and Mayotte and that France grants legal tender status in these territories to banknotes and coins issued by the European System of Central Banks and the Member States adopting the euro. Moreover, the European Central Bank and the Banque de France shall carry out the functions of the European System of Central Banks in these territories as specified in the statutes of the ECB and the ESCB.

In order to guarantee the singleness of the monetary policy of the euro area and a level playing field for financial institutions located in this area, France is required to ensure that those parts of Community law which are or will be necessary for a smooth functioning of EMU are applicable in Saint-Pierre-et-Miquelon and Mayotte.

II. Comments on the articles

Article 1

This article provides for the introduction of the euro in the two communities by France. The euro introduced in Saint-Pierre-et-Miquelon and Mayotte will have all the characteristics of the euro; it will in particular be divided into 100 cent and, during the transitional period, into the national currency units according to the provisions of Regulation (EC) No 974/98.

Article 2

This article addresses the question of legal tender. The article obliges France to ensure that the same means of payment are legal tender in Saint-Pierre-et-Miquelon and Mayotte as in metropolitan France. The first and second paragraph reflect the different schemes of legal tender in the participating Member States before and after the end of the year 2001.

Article 3

This article makes it clear that the European Central Bank and the national central banks, when providing refinancing to financial institutions located in the two communities, do so according to the rules which apply to the monetary functions and operations of the ESCB as well as to the issuance of banknotes as laid down in its Statute. The national central bank which carries out operations in the two communities will normally be the Banque de France.

It is understood that France will reform in time the status and role of the Institut d'Emission des Départements d'Outre Mer (IEDOM) in order to achieve compatibility with the tasks assigned to the European System of Central Banks by the Treaty. It is also

understood that the Institut d'Emission d'Outre Mer (IEOM) will no longer fulfil any tasks in Mayotte as from 1 January 1999.

Article 4

Article 4 obliges France to ensure that any present or future Community law which is necessary for the functioning of Economic and Monetary Union does apply in the two communities. In doing so, France will have to consult the Commission and the European Central Bank. Areas of law in question are in particular the two euro regulations Nos 1103/97 and 974/98, the law set by the European Central Bank and any further law necessary for the functioning of EMU.

Article 5

This article makes clear that the decision will be effective as from 1 January 1999, the date on which the competence for monetary matters is transferred to the Community and the euro is substituted for the French franc.

Article 6

This article clarifies that the decision is addressed to France.

**Proposal for a Council Decision [] of ...
concerning the monetary arrangements in the French territorial
communities of Saint-Pierre-et-Miquelon and Mayotte**

The Council of the European Union,

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

Having regard to the proposal 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 1998¹ 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 the competence for monetary and exchange rate matters in the Member States adopting the euro as from the same date;
- (3) Whereas the euro will be substituted for the French franc on 1 January 1999;
- (4) Whereas the French territorial communities ("collectivités territoriales") Saint-Pierre-et-Miquelon and Mayotte are an integral part of France; whereas they do not form part of the Community; whereas the monetary regime of Saint-Pierre-et-Miquelon and Mayotte is not specified in the Treaty; whereas it is necessary to clarify their monetary regime; whereas these territorial communities should have the same currency as metropolitan France;

¹ OJ L 139, 11.5.1998, p.1

- (5) Whereas banknotes and coins denominated in French francs are put into circulation by the "Institut d'Emission des Départements d'Outre Mer (IEDOM)" in Saint-Pierre-et-Miquelon and, from 1 January 1999, in Mayotte; whereas financial institutions located in these communities have access to refinancing facilities in French francs with IEDOM; whereas France intends to reform in time the status and role of the IEDOM in order to achieve compatibility with the tasks assigned to the European System of Central Banks by the Treaty and Protocol No 3;
- (6) Whereas the euro should be the currency of these communities; whereas France should grant legal tender status to French franc banknotes and coins and to euro banknotes and coins issued by the ESCB and the Member States which have adopted the euro;
- (7) Whereas as from 1 January 1999 the European System of Central Banks defines and implements the monetary policy of the Community; whereas the European Central Bank and the national central banks may engage in all types of banking transactions in relation to financial institutions located in third countries; whereas they may also engage in these transactions in territories of a Member State which are not part of the Community; whereas they should make use of this competence with respect to these communities; whereas in order to ensure the singleness of the monetary policy of the ESCB and a level playing field for financial institutions located in the euro area, it is appropriate that those parts of present and future Community law which are necessary for the functioning of Economic and Monetary Union be made applicable in Saint-Pierre-et-Miquelon and Mayotte;
- (8) Whereas the monetary arrangements in Saint-Pierre-et-Miquelon and Mayotte need to be defined by France by way of national legislation;

HAS ADOPTED THIS DECISION:

Article 1

The euro shall be the currency of Saint-Pierre-et-Miquelon and Mayotte.

Article 2

1. France shall continue to assign the status of legal tender to banknotes and coins denominated in French francs in Saint-Pierre-et-Miquelon and Mayotte until 30 June 2002 at the latest.
2. From 1 January 2002 France shall assign the status of legal tender to banknotes and coins denominated in euro in Saint-Pierre-et-Miquelon and Mayotte.

Article 3

The European Central Bank and the national central banks shall carry out the functions and operations of the European System of Central Banks in Saint-Pierre-et-Miquelon and Mayotte as laid down in chapter IV and Article 16 of the Statute of the ESCB and the ECB.

Article 4

France in consultation with the Commission and the European Central Bank shall ensure that those parts of Community law which are or will be necessary for the functioning of Economic and Monetary Union are applied in Saint-Pierre-et-Miquelon and Mayotte.

Article 5

This Decision shall apply as from 1 January 1999.

Article 6

This Decision is addressed to France.

Done at ... ,

For the Council.

The President

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DOCUMENTS

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