

**EUROPEAN COMMUNITIES  
Monetary Committee**

**Compendium  
of  
Community Monetary Texts**

**1979**

This publication is also available in

DA ISBN 92-825-1146-4

DE ISBN 92-825-1147-2

FR ISBN 92-825-1149-9

IT ISBN 92-825-1150-2

NL ISBN 92-825-1151-0

A bibliographical slip can be found at the end of this volume

© Copyright ECSC — EEC — EAEC, Brussels-Luxembourg, 1979

*Printed in Belgium*

Reproduction authorized, in whole or in part, provided the source is acknowledged

ISBN 92-825-1148-0

Catalogue number: CB-28-79-504-EN-C

**I**  
**Committees**

## RULES GOVERNING THE MONETARY COMMITTEE <sup>1</sup>

THE COUNCIL,

Having regard to Article 105 (2) of the Treaty establishing the European Economic Community which sets up a Monetary Committee in order to promote coordination of the policies of Member States in the monetary field to the full extent needed for the functioning of the common market ;

Having regard to Article 153 of the Treaty pursuant to which the Council determines the rules governing the committees provided for in the Treaty ;

Having obtained the Opinion of the Commission ;

HAS DECIDED :

that the Rules governing the Monetary Committee shall be as follows :

### *Article 1*

The Committee shall keep under review the monetary and financial situation of Member States and of the Community and also the general payments system of Member States, and shall report regularly to the Council and to the Commission thereon.

### *Article 2*

When examining the monetary and financial situation of Member States, the Committee shall endeavour in particular to foresee any difficulties which may affect their balance of payments. It shall address to the Council and to the Commission any suggestions designed to avert these difficulties while at the same time preserving the internal and external financial stability of each Member State.

### *Article 3*

In respect of the general payments system of Member States, the Committee shall, in particular, keep under review the implementation of the provisions of Article 106(1) to (3) of the Treaty. Where necessary, it shall address to the Council suggestions concerning measures to be taken by Member States in accordance with Article 106 (4). It shall inform the Commission thereof.

---

<sup>1</sup> Council Decision of 18 March 1958 amended by Council Decision of 2 April 1962, by Article 29 of the Act of Accession of 22 January 1972 and by Council Decision of 25 March 1976 (76/332/EEC).

#### *Article 4*

The Opinion of the Monetary Committee must be obtained either by the Council or, in the cases provided for in Article 69, in the last subparagraph of Article 71, in the first subparagraph of paragraph 1 of Article 73 and in paragraph 2 thereof, in Article 107 (2), in the second subparagraph of Article 108 (1), and in Article 109 (3), by the Commission.

The Opinion of the Committee may also be obtained in other cases by the Council or the Commission.

In any event, the Committee has the power and the obligation to draw up Opinions on its own initiative whenever it considers it necessary for the proper fulfilment of its task.

#### *Article 5*

Member States and the Commission shall each appoint two members of the Committee. They may also appoint two alternate members of the Committee. The members of the Committee and the alternates must be selected from among experts possessing outstanding competence in the monetary field. As a general rule, each Member State shall select one member from among senior officials of the administration and the other member on the proposal of the Central Bank ; the alternates may be selected in the same way.

Members of the Committee and alternates shall be appointed in their personal capacity and shall, in the general interests of the Community, be completely independent in the performance of their duties.

The term of office of the members of the Committee and of the alternates shall be two years. It shall be renewable. It shall end on death, voluntary resignation, or compulsory retirement. In such cases the new member or alternate shall be appointed for the remainder of the term of office.

A member of the Committee or an alternate may be compulsorily retired against his wishes only by the authority which appointed him and then only if the member or alternate no longer fulfils the conditions required for the performance of his duties.

#### *Article 6*

Each member of the Committee shall have one vote.

#### *Article 7*

The Committee shall appoint from among its members a Chairman and three Vice-Chairmen to be elected by a majority of eleven votes for a period of two years. If a Chairman or Vice-Chairman ceases to hold office before his full term has expired, the vacancy thus caused shall be filled for the remainder of the term of office.

#### *Article 8*

Unless the Committee decides otherwise, alternates may attend meetings of the Committee. They shall not take part in the discussions and shall not vote.

A member who is unable to attend a meeting of the Committee may delegate his functions to one of the alternates ; he may also delegate them to another member.

#### *Article 9*

The Committee shall meet not less than six times a year.

It shall be convened by the Chairman on his own initiative or at the request of the Council or of the Commission or of two members of the Committee.

*Article 10*

Opinions of the Committee, within the meaning of Article 4, shall be adopted by a majority of eleven votes. The minority may set out its views in a document attached to the Opinion of the Committee.

Where a majority within the meaning of the preceding subparagraph is not obtained, and in the case of any other decision, suggestion or communication intended for the Council or the Commission, the Committee shall submit a report setting out either the unanimous opinion of its members or the various opinions expressed in the course of the discussion.

*Article 11*

The Committee may propose to the Council or to the Commission that one or more of its members be attached to these institutions in order to comment orally on any document which may be addressed to them by the Committee.

*Article 12*

The Committee may entrust the study of specific questions to working parties composed of members of the Committee or alternates. The Committee and the working parties may call upon experts to assist them.

*Article 13*

In important cases the Committee may, before drawing up a report or delivering an Opinion on a specific country, request all necessary information.

*Article 14*

The Committee shall establish close cooperation with the Managing Board of the European Payments Union or, if the case should arise, with the Board of Management of the European Monetary Agreement, on all questions of common interest. To this end, the Committee may in particular invite the Managing Board of the European Payments Union or, if the case should arise, the Board of Management of the European Monetary Agreement, to be represented at its meetings, or may propose that joint meetings be arranged.

*Article 15*

Discussions of the Committee and of the working parties shall be confidential.

*Article 16*

The Committee shall be assisted by a secretariat. The staff needed for this shall be supplied by the Commission.

The expenses of the Committee shall be included in the estimates of the Commission.

*Article 17*

The Committee shall adopt its own rules of procedure.

Done at Strasbourg, 18 March 1958.

*For the Council*  
*The President*  
V. LAROCK

**COUNCIL DECISION**

**of 8 May 1964**

**on cooperation between Member States in the field of international monetary relations**

**(64/301/EEC)**

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 105 (1) and the first indent of Article 145 thereof ;

Having regard to the Recommendation of the Commission of 19 June 1963 ;

Having regard to the Opinion of the European Parliament ;

Having regard to the Opinion of the Economic and Social Committee ;

Whereas there should be close coordination of the policies of the Member States in the field of international monetary relations and the most appropriate method of ensuring such coordination is for the necessary consultations to be held within the Monetary Committee ;

HAS DECIDED AS FOLLOWS :

*Article 1*

Consultations shall take place within the Monetary Committee in respect of any important decision or position taken by Member States in the field of international monetary relations and concerning in particular :

- the general working of the international monetary system :
- recourse by a Member State to resources which can be mobilized within the framework of international agreements ;
- participations by one or more Member States in substantial monetary support operations in favour of third countries.

*Article 2*

The Member States shall take the aforesaid decisions or positions only after the consultations referred to in Article 1 have been held, unless circumstances and in particular the time limits for taking them require otherwise.

Done at Brussels, 8 May 1964.

*For the Council*  
*The President*  
**H. FAYAT**

**COUNCIL DECISION**  
**of 8 May 1964**  
**on cooperation between the central banks of the Member States of the European**  
**Economic Community**  
(64/300/EEC)

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 105 (1) and the first indent of Article 145 thereof ;

Having regard to the Recommendation of the Commission of 19 June 1963 ;

Having regard to the Opinion of the European Parliament,

Having regard to the Opinion of the Economic and Social Committee,

Whereas the progressive realization of economic union must involve the implementation of economic and monetary policies that help to ensure stable exchange parities between the currencies of the Member States ;

Whereas a closer coordination of the monetary policies of the Member States could be promoted by arranging for consultations between the Central Banks of the Member States which should take place, so far as possible, before any decisions are taken by the central banks ;

HAS DECIDED AS FOLLOWS :

*Article 1*

For the purpose of promoting cooperation between the central banks of the Member States, a Committee of the Governors of the Central Banks of the Member States of the European Economic Community (hereinafter called the 'Committee') is hereby set up.

*Article 2*

The Committee shall be composed of the Governors of the Central Banks of the Member States. If they are unable to attend, they may be represented by another member of the directing body of their institution.

The Commission shall, as a general rule, be invited to send one of its members as a representative to the meetings of the Committee.

The Committee may, furthermore, if it considers it necessary, invite qualified persons to attend and in particular the Chairman of the Monetary Committee or, if he is unable to attend, one of the two Vice-Chairmen of that Committee.

*Article 3*

The tasks of the Committee shall be :

- (i) to hold consultations concerning the general principles and the broad lines of policy of the Central Banks, in particular as regards credit and the money and foreign exchange markets ;
- (ii) to exchange information at regular intervals about the most important measures that fall within the competence of the central banks, and to examine those measures. This examination shall take place before the measures concerned are adopted where circumstances, and in particular the time limit for their adoption, allow.

In carrying out its task, the Committee shall keep under review the trend of the monetary situation both inside and outside the Community.

*Article 4*

The Committee shall meet at regular intervals and whenever circumstances so require. The Commission may, if it considers the situation necessitates such a step, request an emergency meeting of the Committee.

*Article 5*

The Committee shall adopt its own rules of procedure and provide its own secretarial services.

Done at Brussels, 8 May 1964.

*For the Council*  
*The President*  
H. FAYAT

## RULES OF PROCEDURE OF THE COMMITTEE OF GOVERNORS OF THE CENTRAL BANKS OF THE EUROPEAN ECONOMIC COMMUNITY <sup>1</sup>

The Committee of Governors of the Central Banks of the European Economic Community, hereafter referred to as 'the Committee' ;

Having regard to the Treaty establishing the European Economic Community in particular Article 105 (1) thereof ;

Having regard to the Decision of the Council of the European Economic Community of 8 May 1964 establishing a Committee of Governors of the Central Banks of the European Economic Community, and in particular Article 5 thereof ;

Having regard to the proceedings of the Committee of 6 July 1964 ;

HAS DECIDED to adopt the following rules of procedure :

### *Article 1*

1. The Committee shall be composed of the Governors of the Banque Nationale de Belgique, the Deutsche Bundesbank, the Banque de France, the Banca d'Italia and the Nederlandsche Bank. They may be accompanied at Committee meetings, or be represented at such meetings, by any other person belonging to the policy board of their institution.
2. The Committee Members or their representatives may be assisted, in the examination of specific technical questions, by experts from their Central Banks.

### *Article 2*

1. The Commission of the European Economic Community shall, as a general rule, be invited to send one of its members as a representative to the meetings of the Committee.
2. The Committee may furthermore, if it considers it necessary, invite qualified persons to its meetings, including the Chairman of the Monetary Committee of the European Economic Community, or, if he is unable to attend, one of the two vice-chairmen of that Committee.

### *Article 3*

1. Each Member of the Committee shall have one vote. Where a Committee Member is unable to attend, his right to vote shall automatically be delegated to the person representing him.

---

<sup>1</sup> Text adopted by the Committee of Governors on 12 October 1964.

2. Within the general framework of its duties as defined by Article 3 of the Decision of 8 May 1964 of the Council of Ministers of the European Economic Community, the Committee may render opinions or submit memoranda. The opinions shall be adopted by a majority vote, the minority being entitled to express its views in an annexed document. In general, in respect of any deliberation or memorandum, the Committee may submit a report expressing either differing points of view or the unanimous views of its Members.

#### *Article 4*

Voting by simple majority, the Committee shall appoint a Chairman from among its Members for a period of one year. Should the Chairman not complete his term, the Committee shall choose a new chairman for the remainder of the term. Should the Chairman be unable to officiate, his duties shall be carried out by the oldest Committee Member.

#### *Article 5*

1. The Committee shall meet at regular intervals, normally every two months. The meetings shall usually take place on the same dates as meetings of the Board of Directors of the Bank for International Settlements.

2. The Chairman may also convene the Committee :

- (i) at the request of the Commission of the European Economic Community ;
- (ii) at the request of a Committee Member, after consulting the other Members ;
- (iii) whenever he considers that the situation necessitates a meeting.

#### *Article 6*

1. The Agenda and — in cases of extraordinary meetings — the notices to attend must reach the Committee Members eight days before the meeting, except in emergencies.

2. The Chairman shall preside over the meetings. If he is unable to attend, he shall be replaced by the oldest Committee Member present.

3. The proceedings shall be confidential. A summary record shall be drafted at the end of each meeting, submitted to the Members for approval at the next meeting, and signed by the Chairman and by the Secretary-General.

#### *Article 7*

1. The Secretary-General of the Committee and his assistants shall be appointed by the Committee. They shall be chosen from officials of the Bank for International Settlements being nationals of the Member States of the European Economic Community or from official of the Central Banks of the Member States.

2. The Secretary-General's duties shall include :

- (i) participation in the Committee meetings ;
- (ii) drafting of the minutes of the meeting ;
- (iii) execution, where appropriate in association with staff members specially designated within each Central Bank concerned, of tasks entrusted to him by the Committee ;
- (iv) maintenance of liaison with the departments of the European Economic Community.

3. The administrative services of the secretariat of the Committee shall be provided by officials of the Bank for International Settlements being nationals of Member States of the European Economic Community.
4. The Members of the Secretariat shall report to the Chairman. They shall be required, even when no longer engaged in these duties, to refrain from disclosing information which, by its nature, is covered by requirements of professional secrecy.
5. The secretariat costs shall be shared out equally among the five Central Banks represented on the Committee.

Done at Basle, 12 October 1964.

**COUNCIL DECISION**  
**of 18 February 1974**  
**setting up an Economic Policy Committee**  
(74/122/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 145 thereof ;

Having regard to the draft by the Commission ;

Having regard to the Opinion of the European Parliament ;

Having regard to the Opinion of the Economic and Social Committee ;

Whereas coordination of short-term economic policies must take account of the jointly defined medium-term economic objectives ;

Whereas budgetary policy must fit into the context of general economic policy ;

Whereas the existence of three separate Committees operating in the field of general economic policy is therefore prejudicial to the efficient coordination of economic policies and has often led to overlapping of responsibilities and duplication of work ;

Whereas it is therefore necessary to merge the activities of the Short-term Economic Policy Committee, the Budgetary Policy Committee and the Medium-term Economic Policy Committee into a single Economic Policy Committee,

HAS DECIDED AS FOLLOWS :

*Article 1*

An Economic Policy Committee (hereinafter called the 'Committee') is hereby set up to promote coordination of Member States' short and medium-term economic policies.

*Article 2*

The Committee shall exercise all the functions hitherto assigned to the Short-term Economic Policy Committee set up by the Council Decision of 9 March 1960 on coordination of the conjunctural policies of the Member States, the Budgetary Policy Committee set up by the Council Decision of 8 May 1964 on cooperation between the competent government departments of Member States in the field of budgetary policy, and the Medium-term Economic Policy Committee set up by the Council Decision of 15 April 1964 setting up a Medium-term Economic Policy Committee. The Committee shall, in particular :

- (i) assist in coordinating general economic policies ;
- (ii) examine and compare Member States' budgetary policies and the way they are being implemented ;
- (iii) prepare, in the light of all available information, the preliminary draft of the medium-term economic policy programme provided for under Article 6 of the Council Decision of 18 February 1974 on the achievement of a high degree of convergence of the economic policies of the Member States of the European Community ;
- (iv) keep under review the medium-term economic policies of the Member States and examine whether they are compatible with the above programme ;
- (v) analyse the development of the economies in order to discover the reasons for any divergence from the programme.

#### *Article 3*

The Committee shall consist of four representatives of the Commission and four representatives of each Member State. The members of the Committee appointed by the Member States shall be selected from among persons who in their countries participate in the formulation of short and medium-term economic policy.

#### *Article 4*

The opinion of the Committee may be requested by the Council or by the Commission. Moreover, the Committee may, on its own initiative, deliver opinions or present reports whenever it considers this necessary for the proper fulfilment of its task.

#### *Article 5*

The Committee may meet with a reduced composition for the purpose of dealing with specific problems in the fields of short-term economic policy, budgetary policy and medium-term economic policy.

#### *Article 6*

Proceedings of the Committee shall be valid only if at least one member per delegation is present.

#### *Article 7*

The Committee shall elect its officers, consisting of one chairman and three vice-chairmen, for a non-renewable term of two years beginning on 1 March 1974. It shall adopt its rules of procedure.

The Secretariat of the Committee shall be provided by the Commission.

#### *Article 8*

The following are hereby repealed :

- (i) the Council Decision of 9 March 1960 on coordination of the conjunctural policies of the Member States ;
- (ii) Council Decision of 15 April 1964 setting up a Medium-term Economic Policy Committee ;
- (iii) Council Decision of 8 May 1964 on cooperation between the competent government departments of Member States in the field of budgetary policy.

Done at Brussels, 18 February 1974.

*For the Council*  
*The President*  
H. SCHMIDT

## PROVISIONAL RULES OF PROCEDURE OF THE ECONOMIC POLICY COMMITTEE <sup>1</sup>

### *Article 1*

Each member of the Committee shall have one vote. In the event of his being prevented from attending, and after having informed the Chairman, a Committee member can delegate his powers to another member. However, no member may have more than two votes. Delegation of powers shall be valid only for the meeting for which it has been effected.

### *Article 2*

The Committee shall elect from amongst its members, by majority vote, a Chairman and three Vice-Chairmen, for a non-renewable term of two years. In the event of his being prevented from attending, the Chairman shall be replaced by one of the Vice-Chairmen. The order of replacement shall be determined by age. In the event of premature resignation of the Chairman or a Vice-Chairman, he shall be replaced for the remainder of his term of office.

### *Article 3*

When the Committee meets in reduced composition for the purpose of dealing with specific problems in the fields of short-term economic policy, budgetary policy and medium-term economic policy, each delegation shall be represented by at least one member.

### *Article 4*

The Committee may call upon experts for assistance. Subject to the agreement of the Chairman, each delegation may be accompanied by experts. Further, the Committee can delegate specific tasks to working parties and *ad hoc* groups.

### *Article 5*

The opinion of the Committee may be requested by the Council or by the Commission. Moreover the Committee may on its own initiative deliver opinions or present reports whenever it considers this necessary for the proper fulfilment of its task. The opinions and reports shall be adopted by a majority vote of those present. The views of the minority may be set out in a document annexed to the reports and opinions of the Committee.

---

<sup>1</sup> Text adopted by the Economic Policy Committee on 7 June 1974.

*Article 6*

The Committee shall be convened by the Chairman, either on his own initiative, at the request of the Commission or at the request of four members. For meetings in reduced composition, the Chairman may delegate his powers to a Vice-Chairman particularly competent in the appropriate field.

*Article 7*

The meetings of the Committee shall not be public. The discussions shall be confidential.

*Article 8*

Correspondence destined for the Committee, particularly nominations and replacements of members, shall be addressed to the Chairman via the Secretariat.

## COORDINATION GROUP

### **Extracts from the Resolution of the Council and of the Representatives of the Governments of the Member States of 21 March 1972 on the application of the Resolution of 22 March 1971 on the attainment by stages of economic and monetary union in the Community**

- I. 1. Whenever a Member State is planning measures or decisions which differ from the guidelines governing economic policy set out by the Council, consultation shall take place within the Coordination Group referred to in paragraph 2 prior to the adoption of such measures or decisions. A Member State or the Commission may, where those measures or decisions give rise to serious reservations, request that such consultation shall take place within the Council, which shall meet within eight days.
2. In order to exchange on a reciprocal and continuing basis information regarding their short-term economic and financial policies, and to coordinate those policies within the guidelines governing economic policy set out by the Council, a group shall be attached to the Council consisting of a single special representative of the relevant Minister or Ministers or each Member State, and a representative of the Commission. The Chairman of the Short-term Economic Policy Committee, the Monetary Committee and the Budgetary Policy Committee shall, as appropriate, attend the meetings of that group.

The group shall cooperate closely with the Committee of Permanent Representatives, in particular with regard to the preparation of the three Council meetings dealing with the coordination of economic policy, and the Council meetings dealing with the prior consultation provided for in paragraph 1.

## **II**

### **Economic and monetary union**

**RESOLUTION OF THE COUNCIL AND OF THE REPRESENTATIVES OF THE  
GOVERNMENTS OF THE MEMBER STATES**

**of 22 March 1971**

**on the attainment by stages of economic and monetary union in the Community**

THE COUNCIL OF THE EUROPEAN COMMUNITIES AND THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES.

Having regard to the final communiqué of the Conference of Heads of State or Government held on 1 and 2 December 1969 at The Hague, and in particular point 8 in which they expressed their wish to see the Community develop into an economic and monetary union through the implementation of a phased plan ;

Having regard to the joint conclusions of the interim report of the Group set up by the Council Decision of 6 March 1970 under the chairmanship of Mr Pierre Werner, President and Minister of Finance of the Luxembourg Government, which were adopted by the Council at its 116th meeting on 8 and 9 June 1970, namely that :

- (i) the ultimate objective, as laid down by the Conference of Heads of State or Government, appears to be one that can be attained within the present decade, provided that it continues to enjoy the political support of the governments ;
- (ii) economic and monetary union means that the main economic policy decisions will be taken at Community level and therefore that the necessary powers will be transferred from the national to the Community level. The adoption of a single currency could be the final stage of this union, ensuring the irreversibility of the process ;
- (iii) throughout the process, action will have to be taken simultaneously and progressively on a number of fronts. Certain measures will require amendment of the Treaty of Rome, and the preparatory work for this should therefore be completed during the first stage. However, the existing provisions already allow substantial progress to be made ;
- (iv) the first stage should begin on 1 January 1971 and be completed within a specified period, practical considerations suggest that a three year period would be appropriate. This stage will be devoted to increasing the effectiveness of the instruments employed by the Community and to taking the first steps in establishing the Community's identity within the international monetary system ;
- (v) the first stage should not be considered as an end in itself ; it cannot be dissociated from the overall process of economic and monetary integration. It should, therefore, be embarked upon with determination to attain the ultimate objective ;
- (vi) this first stage should include a strengthening of consultation procedures by methods yet to be determined ; the budgetary policy of Member States should be conducted in accordance with Community objectives : some degree of fiscal harmonization should be carried out ; monetary and credit policies should be closely coordinated and the capital markets further integrated ;
- (vii) the Community should progressively adopt common standpoints in its monetary relations with third countries and international Organizations ; in particular, it should not avail itself in matters of exchange rates between Member States of any arrangements which might lead to a weakening of the international exchange system ;

Having regard to the suggestions put forward by the Group in its final report, and sharing the views expressed on the factors which are essential for the existence of an economic and monetary union and on the results of such a union in terms of economic policy ;

Recognizing the profound political significance which the attainment of economic and monetary union has for the Community and its Member States ;

Desiring to reaffirm the irreversible nature of the action which Heads of State or Government have decided to take for the creation of an economic and monetary union ;

Having regard to the proposal from the Commission ;

Having regard to the Opinion of the European Parliament,

HAVE ADOPTED THIS RESOLUTION :

## I

In order to achieve simultaneously within the Community a satisfactory rate of growth, full employment and stability, to correct the structural or regional imbalances arising therein and to strengthen the Community's contribution to international economic and monetary cooperation and thereby to achieve a Community enjoying stability and growth, the Council and the Representatives of the Governments of the Member States express their political will to establish an economic and monetary union, during the coming decade, in accordance with a plan by stages beginning on 1 January 1971.

The steps to be taken must be such that, at the conclusion of this process, the Community will :

1. Constitute an area within which persons, goods, services and capital may move freely and without distortion of competition, without, however, giving rise to structural or regional imbalances, under conditions permitting economic activity to expand on a Community scale ;

2. Form a single currency area within the international system, characterized by the total and irreversible convertibility of currencies, the elimination of margins of fluctuation of exchange rates, the irrevocable locking of parities — all of which are essential preconditions for the creation of a single currency — and including a Community organization of the Central Banks ;

3. Possess such powers and responsibilities in economic and monetary matters as will enable its institutions to administer the union. To this end the requisite decisions on economic policy shall be taken at Community level and the necessary powers shall be conferred upon the institutions of the Community.

Powers and responsibilities shall be distributed between Community institutions on the one hand and Member States on the other in accordance with what is necessary for the cohesion of the union and for the effectiveness of Community action.

The institution of the Community shall be put in a position to exercise their responsibilities in economic and monetary matters efficiently and with speed.

Community policies pursued within the framework of the economic and monetary union shall be subject to debate and control by the European Parliament.

The Community organization of the Central Bank shall, within its field of responsibility, assist in achieving stability and growth within the Community.

The principles set out above shall be applied to the following :

- (i) the internal monetary and credit policies of the union ;
- (ii) monetary policy towards the outside world ;

- (iii) policy with regard to the unified capital market and capital movements to and from the countries ;
- (iv) budgetary and fiscal policies as related to the policy of stability and growth ; as regards budgetary policy proper, the margins within which the essential elements of public budgets as a whole should lie, in particular the variation of their amount, and the size, mode of financing and use of balances, shall be determined at Community level ;
- (v) the structural and regional measures which are also necessary, as part of a properly supported Community policy, to promote the balanced development of the Community and resolve the major problems.

## II

As progress is made towards the ultimate objective Community instruments shall be created as necessary to replace or to supplement national instruments.

The measures to be taken in each sector shall be interdependent, each reinforcing the other ; in particular, progress towards monetary union must be accompanied by parallel progress in the alignment and ultimate unification of economic policies.

## III

In order to attain these objectives, the Council and the Representatives of the Governments of the Member States agree to set in motion from 1 January 1974 a series of measures to be carried out during a first stage lasting three years ;

1. Acting on a proposal from the Commission, the Council shall lay down such provisions for strengthening the coordination of short term economic policies as will make coordination really effective, in particular by making more intensive and widespread use of the obligatory prior consultation procedures. This coordination of short term economic policies shall take into account the guidelines under the medium-term economic policy programmes.

To this end the Council has agreed that, acting on a proposal made by the Commission after consultation with both sides of industry through the Economic and Social Committee or by other means, it will lay down the broad outlines of economic policy at Community level and quantitative guidelines for the essential elements of public budgets.

To facilitate coordination of economic policies the Council has agreed that, acting on a proposal from the Commission and after obtaining the opinions of the Committees concerned, it will take the necessary measures for progressive harmonization of the instruments of economic policy, and in particular for the synchronization of national budgetary procedures.

2. In order that effectively free movement of persons, goods, services and capital and progress in interpenetration of economics may be achieved at a faster rate, the Council, acting on a proposal from the Commission and having regard to the need to preserve a balance, shall decide on measures concerning :

- (i) Community rules determining the uniform basis for assessing the value added tax within the meaning of the Decision of 21 April 1970 on the replacement of financial contributions from the Member States by the Communities' own resources ;
- (ii) the harmonization of the scope, basis of assessment and the mode of levying excise duties, in particular those which have an appreciable influence on trade ;
- (iii) the harmonization of those kinds of tax which are likely to have a direct influence on capital movements within the Community, in particular the taxation of interest from fixed-interest securities, and dividends ;

- (iv) the further harmonization of the taxation of companies and firms ;
- (v) the progressive extension of duty free concessions granted to private individuals crossing frontiers within the Community.

Before the end of the first stage the Council shall examine the results of research on the alignment of rates of value added tax and excise duties and the proposals of the Commission in this field.

3. With a view to encouraging the free movement of capital, the Council, acting on a proposal from the Commission, shall :

- (i) adopt a Directive laying down procedures for progressive liberalization whereby issues of securities on the capital market will be authorized without discrimination and abolishing any differential treatment in the introduction on the market of securities issued by residents of other Member States;
- (ii) establish a procedure for the progressive coordination of the policies of Member States in respect of capital markets.

4. In order to reduce, by means of regional and structural measures, any tensions that could prejudice the ultimate attainment of economic and monetary union, the Council, acting on a proposal from the Commission, shall decide on the measures necessary for a first step towards resolving the most urgent questions, bearing in mind the directions contained in the third medium-term economic policy programme, and in particular by providing the Community with the necessary means under the treaties in force.

5. With a view to strengthening the coordination of the monetary and credit policies of Member States, the Council has agreed that :

- (i) more stress shall be laid in the Monetary Committee and the Committee of Governors of Central Banks on obligatory prior consultation ;
- (ii) the Central Banks shall be invited, within the limits of their powers and several responsibilities, to coordinate their policies in the Committee of Governors of Central Banks, while observing the guidelines for general economic policy issued by the Council ;
- (iii) the Monetary Committee and the Committee of Governors of Central Banks shall work closely together in the harmonization of the instruments of monetary policy,

6. The Council has agreed that the Community shall progressively adopt common standpoints in monetary relations with third countries and with international organizations ; in particular, it shall not avail itself in matters of exchange rates between Member States of any arrangements which might lead to a weakening of the international exchange system.

7. The Council and the Member States shall invite the Central Banks of Member States, from the beginning of the first stage and on an experimental basis, to hold exchange rate fluctuations between the currencies of Member States within margins narrower than those resulting from the application of the margins in force for the US dollar, by means of concerted action with respect to that currency.

The Council has agreed that, depending on circumstances and on the results obtained in the harmonization of economic policies, further measures may be taken, consisting of a transition from a *de facto* to a *de jure* system, of intervention in the currencies of Member States and of successive reductions in the margins of fluctuation between the currencies of Member States. The Committee of Governors of Central Banks shall report twice yearly to the Council and to the Commission on the effect of the concerted action by the Central Banks on the exchange market, and whether there is a need for further measures in this field.

8. The Council shall invite the Monetary Committee and the Committee of Governors of Central Banks to draw up, in close collaboration and by 30 June 1972 at the latest, a report on the organization, functions and statutes of a European Monetary Cooperation Fund, to be integrated at a later stage

into the Community organization of the Central Banks provided for in Section 1 (2), with a view to the possible establishment of this Fund during the first stage, if the results obtained in reducing margins and aligning economic policies so justify. They shall submit this report to the Council and to the Commission.

9. In order to promote the harmonious implementation of the plan for economic and monetary union and, above all, to ensure that economic measures keep sufficiently in step with monetary measures, the monetary provisions, that is to say those of Section III (7) and (8), and the mechanism for medium-term financial assistance shall be operative for five years from the beginning of the first stage. After agreement has been reached to proceed to the second stage, the provisions mentioned above shall continue in force.

#### IV

The Council takes note that the Commission will submit to it before 1 May 1973:

- (i) an assessment of the progress made during the first stage, given that coordination of economic policies and progress in monetary matters within the Community must proceed in parallel ;
- (ii) a report, drawn up in collaboration with the advisory committees concerned, on the redistribution of powers and responsibilities between the institutions of the Community and the Member States which, particularly in the fields of conjunctural policy, monetary and credit policy, and budgetary policy, may be necessary for the efficient functioning of an economic and monetary union.

The Council and, where appropriate, the Representatives of the Governments of the Member States, acting on a proposal from the Commission, shall, before the end of the first three year stage adopt measures which will lead, after transition to the second stage, to the attainment of full economic and monetary union:

- (i) either on the basis of the existing provisions of the Treaty;
- (ii) or on the basis of Article 235 of the Treaty;
- (iii) or on the basis of Article 236 of the Treaty.

**RESOLUTION OF THE COUNCIL AND OF THE REPRESENTATIVES OF THE  
GOVERNMENTS OF THE MEMBER STATES**

**of 21 March 1972**

**on the application of the Resolution of 22 March 1971 on the attainment by stages of  
economic and monetary union in the Community**

THE COUNCIL OF THE EUROPEAN COMMUNITIES AND THE REPRESENTATIVES OF THE  
GOVERNMENTS OF THE MEMBER STATES.

Desiring, after the fixing of new exchange relationships within the Community, to pursue the application of the Resolution of the Council and of the Representatives of the Governments of the Member States of 22 March 1971 on the attainment by stages of economic and monetary union in the Community, in the context of the parallel development of monetary integration, and of the convergence of economic policies and the development of concerted action in the regional, structural and social fields ;

Having regard to the Recommendation of 12 January 1972 of the Commission to the Council ;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament,

HAVE ADOPTED THIS RESOLUTION :

**I**

The following provisions are adopted in order to strengthen the effectiveness of the Council Decision of 22 March 1971 on the strengthening of coordination of short-term economic policies of the Member States:

1. Whenever a Member State is planning measures or decisions which differ from the guidelines governing economic policy set out by the Council, consultation shall take place within the coordination group referred to in paragraph 2 prior to the adoption of such measures or decisions. A Member State or the Commission may, where those measures or decisions give rise to serious reservations, request that such consultation shall take place within the Council, which shall meet within eight days,

2. In order to exchange on a reciprocal and continuing basis information regarding their short-term economic and financial policies, and to coordinate those policies within the guidelines governing economic policy set out by the Council, a group shall be attached to the Council consisting of a single special representative of the relevant Minister or Ministers of each Member State, and a representative of the Commission. The Chairman of the Short-Term Economic Policy Committee, the Monetary Committee and the Budgetary Policy Committee shall, as appropriate, attend the meetings of that group.

The group shall cooperate closely with the Committee of Permanent Representatives, in particular with regard to the preparation of the three Council meetings dealing with the coordination of economic policy, and the Council meetings dealing with the prior consultation provided for in paragraph 1.

3. The Commission, after obtaining the opinions of the relevant committees, shall submit to the Council as soon as possible a draft directive aimed at promoting stability, growth, and full employment in the Community.

## II

In order to initiate without delay such actions as are necessary in the regional or structural fields for the ultimate attainment of economic and monetary union, the Council agrees in principle that:

1. The European Agricultural Guidance and Guarantee Fund (EAGGF) may from 1972 onwards be used for measures to foster regional development;

2. A Regional Development Fund should be set up, or some alternative system for regional development be introduced, using the appropriate Community resources.

The Council requests the Commission to place before it proposals in accordance with paragraph 4 of Part III of the Resolution of 22 March 1971. The Council shall, before 1 October 1972, take the necessary decisions on the proposals submitted by the Commission.

## III

1. As a first step towards the creation of its own monetary zone within the framework of the international system, the Council requests the Central Banks of the Member States, using to the full the margins of fluctuation allowed on a world-wide scale by the International Monetary Fund, to reduce by stages the difference which exists at any given time between the highest and the lowest rates of exchange of the currencies of the Member States.

To this end, the Central Banks are requested, during a first phase when the procedures are applied on an experimental basis, to intervene on the respective foreign exchange markets in accordance with the principles set out below:

(a) from a date to be fixed by the Governors of the Central Banks, interventions are to be carried out in Community currencies, and on the basis of the margins recorded on that date on the foreign exchange markets;

(b) as the limits move closer to each other the margins referred to in subparagraph (a) are to be reduced and not further extended;

(c) by 1 July 1972 at the latest the difference which exists, at any given time between the spot exchange rates of two Member States is not to exceed 2.25 %.

In accordance with the Resolution of 22 March 1971 the longer term objective remains the elimination of any margin of fluctuation between the currencies of the Community.

2. To this end, the Central Banks are requested to intervene on the foreign exchange markets of their their countries in accordance with the principles set out below :

(i) in Community currencies, if their exchange rates on the relevant foreign exchange market reach the maximum limit of fluctuation allowed under paragraph 1;

(ii) in US dollars, if the dollar exchange rate on the relevant foreign exchange market reaches the maximum limit of fluctuation allowed under the rules of the International Monetary Fund;

(iii) within those limits of fluctuation, only after a joint decision of the Central Banks.

3. The Central Banks are requested to settle any balances resulting from interventions in Community currencies within one month, unless otherwise agreed by the Committee of Governors of central banks, the method of settlement being determined in the light of the reserve asset structure of the debtor country.

4. In the present circumstances, the Council considers it important that Monetary Committee and the Committee of Governors of Central Banks should, in accordance with paragraph 8 of Part III of the Resolution of 22 March 1971, submit not later than 30 June 1972 a report on the organization, functions and statutes of a European Monetary Cooperation Fund.

The Council shall give a ruling on the conclusions of this report before the end of 1972.

5. In order to be able to discourage any excessive inflow of capital, and to neutralize the harmful effects of this on internal liquidity, the Council adopts the Directive on the Regulation of the international flow of capital and the neutralization of its undesirable effects on internal liquidity, proposed by the Commission on 23 June 1971.

#### IV

The Council has agreed that the proposals submitted by the Commission in order to attain the first stage of economic and monetary union, and in particular those relating to fiscal harmonization and the progressive development of a European capital market, will be set down as a matter of priority on the agenda of the Council; the Council will give a ruling on these proposals within six months from the date on which they are set down on its agenda.

**EXTRACTS FROM THE  
FINAL COMMUNIQUÉ OF THE CONFERENCE OF HEADS OF STATE OR  
GOVERNMENT OF MEMBER STATES AND FUTURE MEMBERS OF THE  
EUROPEAN COMMUNITIES ON 19, 20 AND 21 OCTOBER 1972 IN PARIS**

*Economic and Monetary Policy*

1. The Heads of State or Government reaffirm the resolve of the Member States of the enlarged Community to move irrevocably the Economic and Monetary Union, by confirming all the detail of the Acts passed by the Council and by the Member States representatives on 22 March 1971 and 21 March 1972.

The required decisions will have to be taken during 1973 to allow transition to the second stage of the Economic and Monetary Union on 1 January 1974 and in view of its complete realization by 31 December 1980 at the latest.

The Heads of State or Government reaffirmed the principle of parallel progress in the various fields of the Economic and Monetary Union.

2. They declared that fixed but adjustable parities between their currencies are an essential basis for achieving the Union and expressed their resolve to set up mutual defence and support mechanisms within the Community, which will allow the Member States to ensure that they are honoured.

They decided to set up officially a European Monetary Cooperation Fund before 1 April 1973. Based on the EEC Treaty, the Fund will be run by the Governors Committee of the Central Banks within the overall guidelines of economic policy adopted by the Council of Ministers. In its early stage the Fund will function on the following basis:

- (i) concertation between the Central Banks over the required shrinkage of fluctuation margins between their currencies;
- (ii) multilateralizing of positions arising from interventions in Community currencies and multilateralizing inter-Community rules;
- (iii) utilization for the above of a European monetary unit of account;
- (iv) administration of short-term monetary support between the Central Banks;
- (v) the very short-term financing of the Agreement on shrinking the margins and short-term monetary support, will be regrouped within the Fund through an updated mechanism. For this, the short-term monetary support will be adjusted technically without changing its basic character or the consultation procedures involved.

The competent Community agencies will have to submit reports:

- (i) on short-term aid dealings by 30 September latest;
- (ii) on terms for progressive pooling of reserves by 31 December 1973.

3. The Heads of State or Government insisted on the need for closer coordination of Community economic policies and adopting more effective procedures for same.

In the present economic situation, they consider that the anti-inflation campaign and stabilization of prices must get priority. They officially briefed their authorized Ministers, when the enlarged Council meets on 30 and 31 October 1972, to take specific measures in the various areas ripe for effective and realistic short-term moves to attain these objectives allowing for the different conditions in the countries of the enlarged Community.

4. The Heads of State or Government express their resolve that the Member States of the enlarged Community will contribute through a joint outlook in guiding the reform of the international monetary system towards the adoption of a lasting equitable order.

They consider that the system should be based on the following principles:

- (i) fixed but adjustable parities;
- (ii) an overall convertibility of currencies;
- (iii) an effective international regulation of world liquidity supply;
- (iv) curtailing the role of national currencies as reserve resources;
- (v) an equitable and effective adjustment process;
- (vi) equality of rights and obligations for all under the system;
- (vii) the need to reduce the unbalancing effects of short-term capital movements;
- (viii) consideration of the developing countries' interests.

Such a system would be completely suitable for achieving Economic and Monetary Union.

**EXTRACTS FROM THE CONCLUSIONS OF THE  
PRESIDENCY OF THE EUROPEAN COUNCIL**

**(Brussels, 5 and 6 December 1977)**

2. The European Council felt that the implementation of this strategy should be accompanied by progress towards Economic and Monetary Union.

The European Council noted with satisfaction the Commission communication on the prospect of EMU.

It reaffirmed its attachment to the objective of EMU.

With this in mind, it requested the Council (Ministers of Economic and Financial Affairs) to make a thorough study of the Commission communication.

It noted the intention of the Commission to raise this question before the European Parliament, the Economic and Social Committee and in future Tripartite Conferences.

3. At the end of this discussion the European Council approved the following immediate objectives:

- (i) increased coordination of economic policies;
- (ii) the strengthening of monetary solidarity;
- (iii) the development of the Community's financing facilities;
- (iv) the search for Community solutions to structural problems.

4. In order to achieve these objectives the European Council adopted the following instruments:

- (a) In order to go further than a juxtaposition of national objectives, the convergence of short-term economic policies should be reinforced by a better coordination of national short-term economic policy instruments and their insertion in a Community framework and procedure.
- (b) The strengthening of financial solidarity should be promoted by the adjustment of short and medium-term credit mechanisms.
- (c) The European Council declared itself in favour of the development of the Community's financing facilities by approving the principle of the establishment, on an experimental basis, of a new instrument for Community lending and borrowing, the loans being managed by the European Investment Bank. It instructed the Council (Ministers of Economic and Financial Affairs) to examine the proposal which the Commission would make on this subject.

### **III**

## **European Monetary System**

## A. Basic documents

### ANNEX TO THE CONCLUSIONS OF THE PRESIDENCY OF THE EUROPEAN COUNCIL

(Bremen, 6 and 7 July 1978)

1. In terms of exchange rate management the European Monetary System (EMS) will be at least as strict as the 'Snake'. In the initial stages of its operation and for a limited period of time member countries currently not participating in the snake may opt for somewhat wider margins around central rates. In principle, interventions will be in the currencies of participating countries. Changes in central rates will be subject to mutual consent. Non-member countries with particularly strong economic and financial ties with the Community may become associate members of the system. The European Currency Unit (ECU) <sup>1</sup> will be at the centre of the system ; in particular, it will be used as a means of settlement between EEC monetary authorities.

2. An initial supply of ECUs (for use among Community central banks) will be created against deposit of US dollars and gold on the one hand (e.g. 20% of the stock currently held by member central banks) and member currencies on the other hand in an amount of a comparable order of magnitude.

The use of ECUs created against member currencies will be subject to conditions varying with the amount and the maturity ; due account will be given to the need for substantial short-term facilities (up to one year).

3. Participating countries will coordinate their exchange rate policies *vis-à-vis* third countries. To this end they will intensify the consultations in the appropriate bodies and between central banks participating in the scheme. Ways to coordinate dollar interventions should be sought which avoid simultaneous reverse interventions. Central banks buying dollars will deposit a fraction (say 20%) and receive ECUs in return ; likewise, central banks selling dollars will receive a fraction (say 20%) against ECUs.

4. Not later than two years after the start of the scheme, the existing arrangements and institutions will be consolidated in a European Monetary Fund.<sup>2</sup>

5. A system of closer monetary cooperation will only be successful if participating countries pursue policies conducive to greater stability at home and abroad ; this applies to deficit and surplus countries alike.

---

<sup>1</sup> The ECU has the same definition as the European Unit of Account.

<sup>2</sup> The EMF will take the place of the EMCF.

**RESOLUTION OF THE EUROPEAN COUNCIL**  
**on the establishment of the European Monetary System (EMS)**  
**and related matters**  
**(Brussels, 5 December 1978)**

**A**  
**THE EUROPEAN MONETARY SYSTEM**

**1. *Introduction***

1.1. In Bremen we discussed a 'scheme for the creation of closer monetary cooperation leading to a zone of monetary stability in Europe'. We regarded such a zone 'as a highly desirable objective' and envisaged 'a durable and effective scheme'.

1.2. Today, after careful examination of the preparatory work done by the Council and other Community bodies, we are agreed as follows :

**A EUROPEAN MONETARY SYSTEM (EMS) WILL BE SET UP ON 1 JANUARY 1979.**

1.3. We are firmly resolved to ensure the lasting success of the EMS by policies conducive to greater stability at home and abroad for both deficit and surplus countries.

1.4. The following chapters deal primarily with the initial phase of the EMS.

We remain firmly resolved to consolidate, not later than two years after the start of the scheme, into a final system the provisions and procedures thus created. This system will entail the creation of the European Monetary Fund as announced in the conclusions of the European Council meeting at Bremen on 6 and 7 July 1978, as well as the full utilization of the ECU as a reserve asset and a means of settlement. It will be based on adequate legislation at the Community as well as the national level.

**2. *The ECU and its functions***

2.1. A European Currency Unit (ECU) will be at the centre of the EMS. The value and the composition of the ECU will be identical with the value of the EUA at the outset of the system.

2.2. The ECU will be used :

- (a) as the denominator (numéraire) for the exchange rate mechanism ;
- (b) as the basis for a divergence indicator ;
- (c) as the denominator for operations in both the intervention and the credit mechanism ;
- (d) as a means of settlement between monetary authorities of the European Community.

2.3. The weights of currencies in the ECU will be re-examined and if necessary revised within six months of the entry into force of the system and thereafter every five years or, on request, if the weight of any currency has changed by 25%.

Revisions have to be mutually accepted; they will, by themselves, not modify the external value of the ECU. They will be made in line with underlying economic criteria.

### 3. *The exchange rate and intervention mechanism*

- 3.1. Each currency will have an ECU-related central rate. These central rates will be used to establish a grid of bilateral exchange rates.

Around these exchange rates fluctuation margins of  $\pm 2.25\%$  will be established. EC countries with presently floating currencies may opt for wider margins up to  $\pm 6\%$  at the outset of EMS; these margins should be gradually reduced as soon as economic conditions permit to do so.

A Member State which does not participate in the exchange rate mechanism at the outset may participate at a later date.

- 3.2. Adjustments of central rates will be subject to mutual agreement by a common procedure which will comprise all countries participating in the exchange rate mechanism and the Commission. There will be reciprocal consultation in the Community framework about important decisions concerning exchange rate policy between countries participating and any country not participating in the system.
- 3.3. In principle, interventions will be made in participating currencies.
- 3.4. Intervention in participating currencies is compulsory when the intervention points defined by the fluctuation margins are reached.
- 3.5. An ECU basket formula will be used as an indicator to detect divergences between Community currencies. A 'threshold of divergence' will be fixed at 75% of the maximum spread of divergence for each currency. It will be calculated in such a way as to eliminate the influence of weight on the probability of reaching the threshold.
- 3.6. When a currency crosses its 'threshold of divergence', this results in a presumption that the authorities concerned will correct this situation by adequate measures, namely :
- (a) diversified intervention ;
  - (b) measures of domestic monetary policy ;
  - (c) changes in central rates ;
  - (d) other measures of economic policy.
- In case such measures, on account of special circumstances, are not taken, the reasons for this shall be given to the other authorities, especially in the 'concertation between central banks'. Consultations will, if necessary, then take place in the appropriate Community bodies, including the Council of Ministers.
- After six months these provisions shall be reviewed in the light of experience. At that date the questions regarding imbalances accumulated by divergent creditor or debtor countries will be studied as well.
- 3.7. A very short-term facility of an unlimited amount will be established. Settlements will be made 45 days after the end of the month of intervention with the possibility of prolongation for another three months for amounts limited to the size of debtor quotas in the short-term monetary support.
- 3.8. To serve as a means of settlement, an initial supply of ECU will be provided by the EMCF against the deposit of 20% of gold and 20% of dollar reserves currently held by central banks. This operation will take the form of specified, revolving swap arrangements. By periodical review and by an appropriate procedure it will be ensured that each central bank will maintain a deposit of at least 20% of these reserves with the EMCF. A Member State not participating in the exchange rate mechanism may participate in this initial operation on the basis described above.

#### 4. *The credit mechanisms*

- 4.1. The existing credit mechanisms with their present rules of application will be maintained for the initial phase of the EMS. They will be consolidated into a single fund in the final phase of the EMS.
- 4.2. The credit mechanisms will be extended to an amount of 25 000 million ECU of effectively available credit. The distribution of this amount will be as follows :  
Short-term monetary support = 14 000 million ECU  
Medium-term financial assistance = 11 000 million ECU
- 4.3. The duration of the short-term monetary support will be extended for another three months on the same conditions as the first extension.
- 4.4. The increase of the medium-term financial assistance will be completed by 30 June 1979. In the meantime, countries which still need national legislation are expected to make their extended medium-term quotas available by an interim financing agreement of the central banks concerned.

#### 5. *Third countries and international organizations*

- 5.1. The durability of EMS and its international implications require coordination of exchange rate policies *vis-à-vis* third countries and, as far as possible, a concertation with the monetary authorities of those countries.
- 5.2. European countries with particularly close economic and financial ties with the European Communities may participate in the exchange rate and intervention mechanism.  
Participation will be based upon agreements between central banks; these agreements will be communicated to the Council and the Commission of the European Communities.
- 5.3. EMS is and will remain fully compatible with the relevant articles of the IMF agreement.

#### 6. *Further procedure*

- 6.1. To implement the decisions taken under A., the European Council requests the Council to consider and to take a decision on 18 December 1978 on the following proposals of the Commission :
  - (a) Council Regulation modifying the unit of account used by the European Fund of Monetary Cooperation, which introduces the ECU in the operations of the EMCF and defines its composition ;
  - (b) Council Regulation permitting the EMCF to receive monetary reserves and to issue ECUs to the monetary authorities of the Member States which may use them as a means of settlement ;
  - (c) Council Regulation on the impact of the European Monetary System on the common agricultural policy. The European Council considers that the introduction of the EMS should not of itself result in any change in the situation obtaining prior to 1 January 1979 regarding the expression in national currencies of agricultural prices, monetary compensatory amounts and all other amounts fixed for the purposes of the common agricultural policy.

The European Council stresses the importance of henceforth avoiding the creation of permanent MCAs and progressively reducing present MCAs in order to re-establish the unity of prices of the common agricultural policy, giving also due consideration to price policy.

- 6.2. It requests the Commission to submit in good time a proposal to amend the Council Decision of 22 March 1971 on setting up machinery for medium-term financial assistance to enable the Council (Economics and Finance Ministers) to take a decision on such a proposal at their session of 18 December 1978.
- 6.3. It requests the central banks of Member States to modify their Agreement of 10 April 1972 on the narrowing of margins of fluctuation between the currencies of Member States in accordance with the rules set forth above (see paragraph 3).

- 6.4. It requests the central banks of Member States to modify as follows the rules on short-term monetary support by 1 January 1979 at the latest :
- (a) the total of debtor quotas available for drawings by the central banks of Member States shall be increased to an aggregate amount of 7 900 million ECU;
  - (b) the total of creditor quotas made available by the central banks of Member States for financing the debtor quotas shall be increased to an aggregate amount of 15 800 million ECU;
  - (c) the total of the additional creditor amount as well as the total of the additional debtor amount may not exceed 8 800 million ECU;
  - (d) the duration of credit under the extended short-term monetary support may be prolonged *twice* for a period of three months.

## B

### MEASURES DESIGNED TO STRENGTHEN THE ECONOMIES OF THE LESS PROSPEROUS MEMBER STATES OF THE EUROPEAN MONETARY SYSTEM

1. We stress that, within the context of a broadly-based strategy aimed at improving the prospects of economic development and based on symmetrical rights and obligations of all participants, the most important concern should be to enhance the convergence of economic policies towards greater stability. We request the Council (Economic and Finance Ministers) to strengthen its procedures for coordination in order to improve that convergence.
2. We are aware that the convergence of economic policies and of economic performance will not be easy to achieve. Therefore, steps must be taken to strengthen the economic potential of the less prosperous countries of the Community. This is primarily the responsibility of the Member States concerned. Community measures can and should serve a supporting role.
3. The European Council agrees that in the context of the European Monetary System, the following measures in favour of the less prosperous Member States effectively and fully participating in the exchange rate and intervention mechanism will be taken.
  - 3.1. The European Council requests the Community Institutions by the utilization of the new financial instrument and the European Investment Bank to make available for a period of five years loans of up to 1 000 million EUA per year to these countries on special conditions.
  - 3.2. The European Council requests the Commission to submit a proposal to provide interest rate subsidies of 3% for these loans, with the following elements : The total cost of this measure, divided into annual tranches of 200 million EUA each over a period of five years shall not exceed 1 000 million EUA.
  - 3.3. Any less prosperous member country which subsequently effectively and fully participates in the mechanisms would have the right of access to this facility within the financial limits mentioned above. Member States not participating effectively and fully in the mechanisms will not contribute to the financing of the scheme.
  - 3.4. The funds thus provided are to be concentrated on the financing of selected infrastructure projects and programmes, with the understanding that any direct or indirect distortion of the competitive position of specific industries within Member States will have to be avoided.
  - 3.5. The European Council requests the Council (Economics and Finance Ministers) to take a decision on the abovementioned proposals in time so that the relevant measures can become effective on 1 April 1979 at the latest. There should be a review at the end of the initial phase of the EMS.
4. The European Council requests the Commission to study the relationship between greater convergence in economic performance of the Member States and the utilization of Community instruments, in particular the funds which aim at reducing structural imbalances. The results of these studies will be discussed at the next European Council.

## B. EMCF and Exchange Rate Mechanism

### REGULATION (EEC) No 907/73 OF THE COUNCIL

of 3 April 1973

#### establishing a European Monetary Cooperation Fund

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof;

Having regard to the proposal from the Commission ;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Economic and Social Committee;

Whereas the Council Resolution and the Representatives of the Governments of the Member States of 22 March 1971 on the progressive establishment of economic and monetary union in the Community provided for the establishment of a European Monetary Cooperation Fund to be integrated at a later stage into a Community organization of central banks ;

Whereas the Heads of State or Government meeting in Paris on 19 and 20 October 1972 envisaged that the Fund should be established before 1 April 1973;

Whereas the Council has been informed of the Opinions requested on this subject in the Council Resolution and the Representatives of the Member States, of 21 March 1972, from the Monetary Committee and from the Committee of Governors of the Central Banks;

Whereas the purpose of the Fund must be to contribute to the progressive establishment of an Economic and Monetary Union between the Member States of the European Economic Community, which, in its final stage as regards its monetary aspects will have the following characteristics:

- (i) either the total and irreversible convertibility, at irrevocable parities, of Community currencies against each other,
- (ii) or the introduction of a common currency ;

Whereas it is necessary to confer immediately on the Fund the responsibility for facilitating both the concertation necessary for the smooth operation of the exchange arrangements introduced in the Community and for the settlement of the positions resulting from interventions in Community currencies, for assuring thereby the multilateralization of intra-Community settlements, and for administering a financing mechanism which combines the mechanism for short-term monetary support contained in the Agreement of 9 February 1970 between the central banks of the Community with the mechanism for very short-term financing which was contained in the Agreement of 10 April 1972 between those same central banks;

Whereas the conferment of these responsibilities constitutes merely a first stage in the progressive development of the Fund; whereas it is therefore important that the Statutes of the Fund should be drawn up in such a way as to permit the scope of its activities to be gradually extended;

Whereas it is necessary to establish the Fund if Community objectives are to be attained, in particular as regards the progressive harmonization of the Member States' economic policies, the proper functioning of the common market and the establishment of economic and monetary union; whereas the Treaty made no provision for the powers essential to the establishment of the Fund;

Whereas it is appropriate to specify that the general provisions of the Treaties concerning the European Communities as regards privileges and immunities, non-contractual liability and the obligation of professional secrecy are applicable to the Fund;

HAS ADOPTED THIS REGULATION :

#### *Article 1*

A European Monetary Cooperation Fund, hereinafter referred to as 'the Fund', is hereby established; it shall have legal personality.

#### *Article 2*

Within the limits of its powers the Fund shall promote:

- (i) the proper functioning of the progressive narrowing of the margins of fluctuation of the Community currencies against each other;
- (ii) interventions in Community currencies on the exchange markets;
- (iii) settlements between central banks leading to a concerted policy on reserves.

#### *Article 3*

In the first stage of its functions the Fund shall be responsible for:

- (i) the concerted action necessary for the proper functioning of the Community exchange system;
- (ii) the multilateralization of positions resulting from interventions by central banks in Community currencies and the multilateralization of intra-Community settlements;
- (iii) the administration of the very short-term financing provided for by the Agreement between the central banks of the enlarged Community of 10 April 1972 and of the short-term monetary support provided for in the Agreement between the central banks of the Community of 9 February 1970, to which the central banks of Denmark, Ireland and the United Kingdom acceded with effect from 8 January 1973, and the regroupment of these mechanisms in a renewed mechanism.

#### *Article 4*

The provisions contained in the Agreements referred to in the third indent of Article 3 shall become the administrative rules of the Fund. The necessary technical adaptations to those provisions shall be made by the Board of Governors of the Fund without however changing the basic nature of those provisions and in particular the consultation procedures contained therein.

*Article 5*

The Statutes of the Fund are set out in the Annex to this Regulation and form an integral part thereof.

*Article 6*

This Regulation shall enter into force on 6 April 1973.

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

Done at Luxembourg, 3 April 1973.

*For the Council*  
*The President*  
R. VAN ELSLANDE

*ANNEX*

**STATUTES OF THE EUROPEAN MONETARY COOPERATION FUND**

*Article 1*

The Fund shall be directed and managed by a Board of Governors. The members of the Board of Governors shall be the members of the Committee of Governors of the central banks of the Member States of the European Economic Community established by the Council Decision of 8 May 1964 on collaboration between the central banks of the Member States of the European Economic Community.

If unable to attend they may be represented by another member of the governing body of their central bank.

A member of the Luxembourg currency authorities shall sit on the Board of Governors. He shall take part in decisions whenever the rights and obligations of the Grand Duchy of Luxembourg are not exercised by the National Bank of Belgium on behalf of the two Member States of the Belgo-Luxembourg Economic Union.

A member of the Commission shall take part in the proceedings of the Board of Governors. He may appoint an alternate.

*Article 2*

The Board of Governors shall, in order to achieve the aims of the Fund, act in accordance with the general economic policy guidelines drawn up under the Treaty by the Council and in accordance with such directives as the Council may adopt acting unanimously on a proposal from the Commission.

On 30 June and 31 December of each year, the Board of Governors shall draw up a report on its activities for submission to the Council and the Commission.

*Article 3*

The Board of Governors shall represent the Fund. It shall decide on the organization of the Funds, the powers which will be delegated and who may commit the Fund *vis-à-vis* third parties.

The Board of Governors may delegate to an agent the responsibility for the execution of technical aspects of the Fund's operations.

#### *Article 4*

In the first stage of its functions, the expenditure incurred in the management of the Fund which is not covered by income shall where necessary be made up by contributions from the central banks in accordance with the scale of contributions for short-term monetary support.

#### *Article 5*

The Fund's operations in the currencies of the Member States shall be expressed in a European monetary unit of account of a value of 0.88867088 grammes of fine gold.

When all the Member States alter the parity or the central rate of their currency simultaneously in the same direction, the value of the unit of account shall be changed automatically:

- (i) where the parities change in the same proportion: in the same direction and by the same proportion as the changes in parities or in the central rates;
- (ii) where the parities change in different proportions: in the same direction as the change and in the same proportion as the smallest change in parity or central rate, unless the Council decides on a larger change. In such a case the Council shall act within three days from that of the official announcement by the first Member State to change the parity or central rate of its currency, and in accordance with the procedure laid down in the fourth paragraph of this Article.

Simultaneous changes mean changes in the parity or central rate of the currencies of the Member States made within the three-day period referred to above.

Any other changes in the value of the unit of account shall be decided on by the Council, acting unanimously on a proposal from the Commission after consulting the Monetary Committee and the Board of Governors of the Fund.

#### *Article 6*

In each of the Member States the Fund shall enjoy the most extensive legal capacity accorded to legal persons under their laws. It may in particular acquire or dispose of moveable or immovable property, open accounts and conclude agreements with the central banks of the Member States of the Community, receive and grant credit, invest the funds for whose management it is responsible, recruit personnel and may be a party to legal proceedings.

#### *Article 7*

The Protocol on the Privileges and Immunities of the European Communities shall apply to the Fund, the Board of Governors and the personnel of the Fund.

#### *Article 8*

The obligation of professional secrecy contained in Article 214 of the Treaty shall apply to the members of the Board of Governors, the member of the Commission sitting on the Board and his alternate, and to any other person engaged in the activities of the Fund.

#### *Article 9*

In the case of non-contractual liability, the provisions of Article 215 of the Treaty shall apply to damage or loss caused by the Fund or by its servants in the performance of their duties.

#### *Article 10*

The Board of Governors shall adopt the rules of procedure of the Fund. These rules of procedure shall require the unanimous approval of the Council, given after consulting the Commission.

**PROVISIONAL RULES OF PROCEDURE <sup>1</sup>**  
**OF THE EUROPEAN MONETARY COOPERATION FUND**

**I - Board of Governors**

*Article 1*

The members of the Committee of Governors of the central banks of the Member States of the European Economic Community set up by the Council Decision of 8 May 1964 shall be members of the Boards of Governors. They may arrange to be accompanied or represented at meetings of the Board by another person belonging to their institutions, and in the event of being prevented from attending, arrange to be represented by another member of the policy board of their institution.

A representative of the Luxembourg monetary authorities or, if necessary, his alternate shall have a seat on the Board of Governors.

A member of the Commission of the European Communities shall take part in the proceedings of the Board of Governors. He may arrange to be accompanied or have his place taken by an alternate.

Persons on the Board of Governors or their representatives shall be entitled during meetings to have the assistance of experts of their institutions.

The Board of Governors may in addition, if it judges it necessary, invite qualified persons.

*Article 2*

Each member of the Board of Governors shall have one vote. In the event of his being prevented from attending, his vote shall automatically be delegated to the person representing him.

The representative of the Luxembourg monetary authorities shall take part in decisions whenever the rights and obligations of the Grand Duchy of Luxembourg are not exercised by the Banque Nationale de Belgique for account of the two States of the Belgo-Luxembourg Economic Union.

Decision must be unanimous.

In emergencies decisions may be taken by telephone or by letter. They shall then be recorded in the minutes of the next meeting of the Board of Governors.

*Article 3*

The chairmanship of the Board of Governors shall be held by the Chairman of the Committee of Governors.

If the Chairman of the Board of Governors is prevented from attending, the oldest member of the Board shall stand in for him.

---

<sup>1</sup> Text adopted by the Council of the European Communities and by the Board of Governors of the Fund on 28 June 1973.

#### *Article 4*

The Board of Governors shall meet at regular intervals and at least four times a year.

The Chairman shall, in addition, convene the Board of Governors:

- (i) at the request of a person on the Board and after, consultation of the other members;
- (ii) when he considers that the situation makes this necessary.

The meetings of the Board shall be held, as a general rule, at the Fund's place of work. The Chairman may also call meetings of the Board elsewhere.

#### *Article 5*

The Chairman shall fix the time, place and agenda for each meeting.

Except in emergencies the notices convening them and the agenda must normally reach participants before the next meeting, when it will be approved.

#### *Article 6*

The proceedings of the Board of Governors and the documents submitted to it shall be confidential.

#### *Article 7*

Summary minutes shall be drawn up at each meeting. They shall be sent and submitted to the participants, as a general rule, before the following meeting, when they shall be approved. The approved minutes shall be authenticated by the signature of the Chairman.

#### *Article 8*

The Board of Governors shall secure the services of a secretariat which must in particular:

- (i) assist the Chairman in preparing meetings of the Board of Governors and, *inter alia*, draw up the draft agenda and circulate the necessary documents as quickly as possible;
- (ii) attend the meetings and draw up the minutes thereof;
- (iii) ensure the execution of the work entrusted by the Board of Governors;
- (iv) ensure liaison with the other institutions or divisions of the European Communities.

## **II - Organization of the services performed by the European Monetary Cooperation Fund**

#### *Article 9*

The Board of Governors shall determine the organization and administration necessary for the Fund's operations and development, as well as the procedures for auditing the accounts.

*Article 10*

The terms for recruitment of the Fund's staff shall be laid down later on by the Board of Governors in line with the development of the Fund's activities; they shall form an integral part of the Rules of Procedure.

Until such time as Staff Regulations of the Fund are adopted, the Board of Governors shall conclude contracts of limited duration with the staff it recruits.

*Article 11*

The expenses incurred in running the Fund shall be submitted to the Board of Governors for its approval. The central banks shall be notified of the circumstances in which they will have to cover the expenses in accordance with the provisions of Article 4 of the Fund's Statutes.

*Article 12*

The Chairman of the Board of Governors may bind the Fund *vis-à-vis* third parties within the limits fixed by the Board of Governors.

**DECISION OF THE REPRESENTATIVES OF THE GOVERNMENTS  
OF THE MEMBER STATES**

**of 24 July 1973**

**on the provisional location of the European Monetary Cooperation Fund**

**(73/208/EEC)**

THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES,

Having regard to Article 37 of the Treaty establishing a Single Council and a Single Commission of the European Communities;

Having regard to the Decision of 8 April 1965 of the Representatives of the Governments of the Member States on the provisional location of certain institutions and departments of the Communities, and in particular Article 10 thereof ;

Having regard to the Opinion of the Commission;

Whereas, without prejudice to the application of Article 216 of the Treaty establishing the European Economic Community, the provisional place of work of the European Monetary Cooperation Fund, established by Council Regulation (EEC) No 907/73 should be determined;

HAVE DECIDED AS FOLLOWS :

*Article 1*

1. The European Monetary Cooperation Fund shall be located in Luxembourg, which shall be its provisional place of work in accordance with the Decision of 8 April 1965 of the Representatives of the Governments of the Member States on the provisional location of certain institutions and departments of the Communities.

2. The meetings of the Board of Governors shall generally be held at the provisional place of work of the Fund. The Chairman may also convene meetings of the Board in another place.

3. The close and permanent links which must necessarily be established between the Fund on the one hand, and the Council and the Commission on the other, shall be maintained by:

- (i) the office of the Commission in Luxembourg;
- (ii) an office of the Fund located in Brussels.

The Commission shall take appropriate measures of internal organization to ensure that these links are maintained.

*Article 2*

The Representatives of the Governments of the Member States shall re-examine the situation in the light of the development of the work of the Fund and on the basis of an Opinion from the Commission, at the latest by 30 June 1975.

Done at Brussels, 24 July 1973.

*The President*  
I. NØRGAARD

**COUNCIL REGULATION (EEC) No 3181/78**  
**of 18 December 1978**  
**relating to the European Monetary System**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission;

Having regard to the opinion of the European Parliament;

Having regard to the opinion of the Economic and Social Committee;

Whereas the European Council meeting in Brussels adopted, on 5 December 1978, a resolution setting out the arrangements related to the establishment of the European monetary system which will come into effect from 1 January 1979;

Whereas, in this context, and not later than two years after the start of the system, the existing arrangements and institutions would be merged into a European Monetary Fund; whereas, in the meantime, responsibility for administering the new monetary system should be entrusted initially to the European Monetary Cooperation Fund, set up by Regulation (EEC) No 907/73;

Whereas, by Regulation (EEC) No 3180/78, the Council adopted the ECU as the unit of account used by the European Monetary Cooperation Fund;

Whereas, for the system to begin functioning, it is necessary to provide immediately for the creation of a supply of ECU against part of the Central Banks' reserves placed with the system, and for those ECU to be used as a means of settlement within the system :

Whereas, in this context, the introduction of the ECU into the operations of the European Monetary Cooperation Fund and its utilization as a means of settlement are necessary if the objectives pursued by the Community are to be achieved, notably the gradual convergence of Member States' economic policies, the smooth functioning of the common market and the attainment of economic and monetary union; whereas the powers needed to set up the system are not provided for in the Treaty,

HAS ADOPTED THIS REGULATION :

*Article 1*

The European Monetary Cooperation Fund is hereby empowered to receive monetary reserves from the monetary authorities of the Member States and to issue ECU against such assets.

*Article 2*

The Fund and the monetary authorities of the Member States are hereby empowered to use ECU as a means of settlement and for transactions between those authorities and the Fund.

*Article 3*

The Administrative Council of the Fund shall take the administrative measures necessary for the implementation of Articles 1 and 2.

*Article 4*

This Regulation shall enter into force on 1 January 1979.

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

Done at Brussels, 18 December 1978.

*For the Council*  
*The President*  
H. MATTHOFER

## **AGREEMENT OF 13 MARCH 1979**

### **Between the central banks of the Member States of the European Economic Community laying down the operating procedures for the European Monetary System**

THE CENTRAL BANKS OF THE MEMBER STATES OF THE EUROPEAN ECONOMIC COMMUNITY,

Having regard to the Resolution of the European Council of 5 December 1978 on the establishment of the European Monetary System (EMS) and related matters;

Having regard to Regulation (EEC) No 907/73 of the Council of the European Communities of 3 April 1973 establishing a European Monetary Cooperation Fund;

Having regard to Regulation (EEC) No 3180/78 of the Council of the European Communities of 18 December 1978 changing the value of the unit of account used by the European Monetary Cooperation Fund;

Having regard to Regulation (EEC) No 3181/78 of the Council of the European Communities of 18 December 1978 concerning the European Monetary System;

Whereas the European Council has agreed to set up a scheme for the creation of closer monetary cooperation leading to a zone of monetary stability in Europe;

Whereas the said Resolution provides that a European Currency Unit, the ECU, shall be at the centre of the European Monetary System and that the value and composition of the ECU shall, initially, be identical with the value and composition of the European unit of account (EUA);

Whereas under the terms of the said Resolution:

- (i) each currency will have an ECU-related central rate and the central rates will be used to establish a grid of bilateral parities or central rates;
- (ii) fluctuation margins of 2.25% will be fixed around these bilateral central rates, although Member States not at present participating in the narrower margins mechanism may in the initial stage of the European Monetary System opt for wider margins of up to 6%, which must be progressively reduced as soon as economic conditions permit ;

Whereas the said Resolution further provides that a formula for an ECU-based basket shall be used as an indicator to detect divergences between Community currencies, and sets out the principles governing the operation of this indicator, which will be re-examined at the end of a period of six months;

Whereas this re-examination will also cover questions regarding imbalances accumulated by divergent creditor or debtor countries;

Whereas a Member State that does not initially participate in the exchange rate mechanism can do so at a later date and whereas it is therefore advisable to ensure cooperation between the central bank of such a State and the central banks of the participating States;

Whereas very short-term credit facilities of unlimited amount will be created;

Whereas the European Council has asked the central banks of the Member States of the Community to amend their Agreement of 10 April 1972 on the narrowing of the margins of fluctuation between the currencies of the Member States so as to embody the rules set forth in the said Resolution;

Whereas in order to make provision for means of settlement the central banks have been asked initially to transfer to the European Monetary Cooperation Fund, in the form of revolving swaps against ECUs, 20% of their gold holdings and 20% of their US dollar reserves, and thereafter to keep at least 20% of the said reserves on deposit with the European Monetary Cooperation Fund;

HAVE AGREED AS FOLLOWS :

## **I. Exchange rate mechanism**

### *Article 1 — Central rates in terms of the ECU*

Each participating central bank shall notify the Secretariat of the Committee of Governors of the central banks of the Member States of the European Economic Community of a central rate in terms of the ECU for its currency. The Secretariat shall pass on this information to the other central banks and the Commission of the European Communities.

### *Article 2 — Intervention rules*

2.1. Each participating central bank shall notify the Secretariat of the Committee of Governors of the rates for compulsory intervention expressed in its currency, and the Secretariat shall pass on this information to the other central banks. These rates shall be fixed in relation to the bilateral central rates derived from the central rates in terms of the ECU referred to in Article 1 of the present Agreement. The market shall be notified of them.

2.2. Interventions shall in principle be effected in currencies of the participating central banks. These interventions shall be unlimited at the compulsory intervention rates. Other interventions in the foreign exchange market shall be conducted in accordance with the relevant guidelines that were adopted by the Committee of Governors in its Report of 9 December 1975 or that may be adopted in the future, or shall be subject to concertation among all the participating central banks.

### *Article 3 — Operation of the indicator of divergence*

3.1. On either side of the central rate for its currency in terms of the ECU each participating central bank shall establish rates for its currency in terms of the ECU that will constitute 'thresholds of divergence'. These thresholds of divergence shall be calculated in such a way as to neutralize the influence of the differences in weights on the probability of their being reached; they shall be set at 75% of the maximum divergence spread, this being measured by the percentage difference between the daily rate and the central rate of a currency against the ECU when that currency is standing at the opposite pole from all the other currencies at the compulsory intervention rates referred to in Article 2.1 of the present Agreement. The necessary steps shall be taken to take account of the effects of the adoption of different maximum margins of fluctuation for the participating currencies and of the possible non-participation of a currency in the exchange rate mechanism.

3.2. If a currency crosses a divergence threshold, this shall entail the consequences set out in paragraph 3.6 of the Resolution of the European Council of 5 December 1978.

*Article 4 — Method of calculating the values of the ECU in each currency*

For the purposes of the operation of the indicator of divergence provided for under Article 3 of the present Agreement, the market value of the ECU in each currency shall be calculated by a uniform method as frequently as necessary and at least on the occasion of each daily concertation session among central banks.

*Article 5 — Non-participation*

Any central bank that is not participating in the exchange rate mechanism shall cooperate with the other central banks in the concertation and the other exchanges of information necessary for the proper functioning of the exchange rate mechanism.

**II. Very short-term financing**

*Article 6 — Basic principles*

6.1. To enable interventions to be made in Community currencies, the participating central banks shall open for each other very short-term credit facilities, unlimited in amount, in accordance with the conditions set out in Articles 7 to 16 of the present Agreement.

6.2. The financing operations concluded in this connection shall take the form of spot sales and purchases of Community currencies against the crediting or debiting of accounts denominated in ECUs with the European Monetary Cooperation Fund (hereinafter referred to as 'EMCF').

*Article 7 — Accounting procedures*

7.1. The accounts opened for the central banks in the books of the EMCF shall be denominated in ECUs. The conversion of currencies into ECUs shall be effected at the daily rates for the ECU as established by the Commission's staff on the basis of the method adopted. The relevant rates shall be those ruling on the day on which the interventions were made.

7.2. The value date of the financing operations shall be identical with the value date of the interventions in the market.

*Article 8 — Remuneration*

8.1. The debtor and creditor interest rates applying to very short-term financing operations shall be the average of the official discount rates of all EEC central banks, weighted in accordance with their respective currencies' weights as derived from the ruling ECU central rates. This average shall be calculated once a month on the basis of the discount rates ruling on the last working day of the month and shall apply during the following month to all outstanding amounts in respect of very short-term financing operations.

8.2. Accrued interest shall be paid in ECUs at each monthly settlement date or, between settlement dates, at the same time as advance liquidation of a debtor balance is effected.

*Article 9 — Initial settlement date*

The initial settlement date for a very short-term financing operation shall be the last working day preceding the sixteenth day of the second month following that in which the value date of the intervention fell.

*Article 10 — Automatic renewal*

At the request of the debtor central bank, the initial settlement date for a financing operation may be extended for a period of three months.

However :

- (a) any initial settlement date may only be automatically extended once for a maximum of three months;
- (b) recourse may only be had to the renewal facility referred to above if the relevant debt does not thereby remain continuously outstanding for more than six consecutive months;
- (c) the total amount of indebtedness resulting from application of the present Article may at no time exceed a ceiling equal to the debtor quota of the central bank concerned under the short-term monetary support arrangement;
- (d) if a central bank has recourse to the additional automatic borrowing facility for six consecutive months, the Committee of Governors shall take steps to ascertain whether the payments deficit of the country concerned is such that recourse to other means of financing, in particular short-term monetary support or medium-term financial assistance within the EEC, would be more appropriate.

*Article 11 — Renewal by mutual agreement*

11.1. Any debt exceeding the ceiling laid down in Article 10(c) of this Agreement may be renewed once for three months subject to the agreement of creditor or creditors in the EMCF.

11.2. Any debt already renewed automatically for three months may be renewed a second time for a further three months subject to the agreement of the creditor or creditors in the EMCF.

11.3. Debts and claims thus extended by mutual agreement shall be settled separately outside the provisions of Articles 12, 13 and 14 of this Agreement without prejudice, however, to the priority accorded to settlements carried out under those Articles. Offsetting or advance settlement of debts and claims of the kind for which provision is made in the present Article shall be subject to the agreement of all creditors and debtors in the EMCF, whatever their status.

*Article 12 — Order of repayment of claims*

12.1. Claims arising from financing operations carried out in accordance with Articles 9 and 10 above shall be settled in order of seniority; however, if a central bank's claim exceeds the amount of its creditor quota under the short-term monetary support arrangement, that central bank may request that the excess be treated for purposes of the next settlement as equal in seniority to the most senior claims of other creditor central banks.

12.2. All claims arising within the same monthly accounting period shall be regarded as of equal seniority. When a settlement covers a number of claims regarded as of equal seniority, each of the components of the settlement shall be distributed in proportion to the respective amounts of the claims.

12.3. The rules governing the order or distribution of settlements may be departed from subject to the agreement of all the parties to the financing operations carried out in accordance with Articles 9 and 10 of the present Agreement.

#### *Article 13 — Automatic offsetting*

13.1. All the debts and claims of a single central bank arising from the operations provided for under Articles 9 and 10 of the present Agreement shall, where appropriate, be automatically offset against each other.

13.2. Any new liability shall be offset against the most senior claim of the same central bank. Any new claim shall be offset against the most senior debt of the same central bank.

#### *Article 14 — Advance repayment*

14.1. Any debtor balance recorded in accordance with Articles 9 and 10 of the present Agreement may be settled in advance at the request of the debtor central bank :

- (a) at any time in the currency of a creditor in the EMCF under Articles 9 and 10 of the present Agreement,
- (b) on the monthly settlement date by transfer of the means of settlement provided for in Article 16 of the present Agreement.

14.2. Any advance repayment shall be applied first to the most senior liabilities contracted under Article 10 of the present Agreement.

#### *Article 15 — Working balances*

The central banks may hold working balances in Community currencies within the limits laid down by the Committee of Governors. These limits may be exceeded only with the consent of the central bank concerned.

#### *Article 16 — Means of settlement*

16.1. When a financing operation falls due, settlement shall be carried out—in so far as it has not been settled in the first instance by means of holdings in the creditor's currency—entirely or in part by transferring ECUs, with the proviso that a creditor central bank shall not be obliged to accept settlement by means of ECUs of an amount more than 50% of its claim which is being settled. The balance shall be settled by transferring other reserve components in accordance with the composition of the debtor central bank's reserves as at the end of the month preceding the settlement.

These provisions shall be without prejudice to other forms of settlement agreed between creditor and debtor central banks.

Debtor balances in ECUs settled by means of assets denominated in currencies and in SDRs shall be converted into such assets on the basis of the daily rates for the ECU established by the Commission's staff.

16.2. For the purposes of the preceding paragraph the composition of the debtor's reserves shall be determined on the basis of assets denominated in SDRs and in currencies. Nevertheless, gold holdings may also be taken into account if the price proposed by the debtor central bank is accepted by the creditor central bank. As far as assets denominated in SDRs and in currencies are concerned, the debtor central bank may choose which assets it will deliver in settlement.

16.3. If the debtor central bank no longer possesses ECUs and wishes to acquire some, it shall apply in the first instance to central banks that are net accumulators of ECUs or possibly to the EMCF. In the latter case, the ECUs shall be acquired against the contribution of an equal percentage of the gold and dollar assets held by that central bank.

### **III. Creation, utilization and remuneration of ECUs**

#### *Article 17 — Creation of ECUs against contributions of gold and dollars*

17.1. Each central bank participating in the exchange rate mechanism outlined in Chapter I of the present Agreement shall contribute to the EMCF 20% of its gold holdings and 20% of its gross dollar reserves as at the last working day of the month preceding the month in which the present Agreement takes effect; it shall be credited by the EMCF with an amount of ECUs corresponding to these contributions.

Central banks that are not participating in the exchange rate mechanism referred to above may likewise make contributions in accordance with the terms of the preceding subparagraph.

17.2. The contributions referred to in Article 17.1 of the present Agreement shall be made available in the case of the participating central banks at the latest ten working days after the implementation of the present Agreement or in the case of the non-participating central banks at the time of exercising the option referred to above.

17.3. The contributions of gold and dollars shall take the form of three-month revolving swaps against ECUs which may be unwound at two working days' notice. These operations shall be concluded at flat rates.

17.4. For the purposes of the swap operations referred to in the present Article the value of the reserve components transferred to the EMCF shall be established as follows:

- (a) for the gold portion, the average of the prices, converted into ECUs, recorded daily at the two London fixings during the previous six calendar months, but not exceeding the average price of the two fixings on the penultimate working day of the period;
- b) for the dollar portion, the market rate two working days prior to the value date.

17.5. Contracts shall be concluded between each central bank and the EMCF detailing the arrangements for the delivery of the gold and dollars to the EMCF and for their management in so far as this is entrusted to the central banks.

17.6. At the beginning of each quarter, when the swaps referred to in the present Article are renewed, the central banks and the EMCF shall make the necessary adjustments to these swaps, firstly to ensure that each central bank's contribution to the EMCF continues to represent at least 20% of its gold and dollar reserves on the basis of its gross reserve position recorded on the last working day of the preceding quarter and, secondly, to take account of any price or rate changes that may have occurred since the initial contribution or previous adjustment.

#### *Article 18 — Utilization of ECUs*

18.1. ECU assets shall be used in intra-Community settlements within the limits and on the terms set out in Article 16 of the present Agreement.

18.2. The central banks may transfer ECUs to one another against dollars, EEC currencies, Special Drawing Rights or gold.

18.3. For the purposes of meeting a decline in its dollar reserves a central bank may acquire dollars against ECUs from the EMCF between two periodic adjustments, initially by unwinding a swap transaction.

18.4. The operations referred to in Articles 18.2 and 18.3 of the present Agreement shall not be carried out for the sole purpose of altering the composition of a central bank's reserves.

#### *Article 19 — Remuneration*

19.1. Central banks whose ECU assets are less than their forward sales of ECUs shall pay interest to the EMCF on the difference between these two aggregates. The EMCF shall pay central banks whose ECU assets exceed their forward sales interest on the difference between these two aggregates. The amount of interest due shall be calculated in proportion to the average daily balances.

19.2. The rate of interest provided for in Article 19.1 of the present Agreement shall be determined in accordance with the provisions of Article 8 of the present Agreement. Such interest shall be paid monthly.

#### *Article 20 — Liquidation*

20.1. Save in the event of a unanimous decision to the contrary, the swaps of gold and dollars against ECUs referred to in Article 17.3 of the present Agreement, shall be unwound at the end of the two-year transitional period.

20.2. For this purpose central banks that are net users of ECU assets shall bring these back up to a level equal to that of their forward sales and central banks that are net accumulators shall transfer to the net users the excess of their ECU assets over their forward sales either directly or through the intermediary of the EMCF.

20.3. The transfers of ECUs provided for in the preceding paragraph shall be effected in exchange for the currency of the central banks that are net accumulators, or in accordance with any other arrangements agreed between the parties, or against the transfer of reserve components in proportion to the composition of the reserves of the central bank repurchasing ECUs, this composition being determined in accordance with the provisions of Article 16.2 of the present Agreement.

#### *Article 21 — Institutional provisions*

The Committee of Governors shall periodically review the operation of the present Agreement in the light of experience gained.

#### *Article 22 — Termination of the Agreement of 10 April 1972*

22.1. The present Agreement terminates and replaces, with effect from 13 March 1979, the Agreement of 10 April 1972, as amended by the Agreement of 8 July 1975, establishing a system for the narrowing of the margins of fluctuation between the currencies of the European Economic Community.

22.2. The present Agreement shall be drawn up in duly signed versions in English, French and German. A certified copy of the original in each language shall be sent to each central bank by the Secretariat of the Committee of Governors, which is required to retain the originals.

Done at Basle, 13 March 1979.

## C. Support mechanisms

### SHORT-TERM MONETARY SUPPORT <sup>1</sup>

Having regard to the Commission's Memorandum to the Council on the coordination of economic policies and monetary cooperation within the Community;

Having regard to the letter of 10 July 1969 from the Chairman of the Committee of Governors to the President of the Commission setting out the Committee's opinion on the abovementioned Memorandum;

Having regard to the Council's Decision of 17 July 1969 on the coordination of the short-term economic policies of the Member States;

Having regard to the procedure for the coordination of medium-term economic policies;

THE CENTRAL BANKS OF THE MEMBER STATES OF THE EUROPEAN ECONOMIC COMMUNITY HAVE AGREED ON THE FOLLOWING PROVISIONS :

#### *Article I — Setting-up of the system*

1. The central banks of the EEC Member States, noting the increasing solidarity among their countries, shall set up among themselves a short-term monetary support system of first resort.
2. Implementation of this system shall be closely linked with the standing arrangements for consultation on and coordination of economic policy among the Member States of the Community.
3. The possibilities offered by other international assistance mechanisms shall be taken into consideration when use is made of the system.
4. The way in which the system will function is determined by this Agreement.

The decisions necessary for its implementation shall be taken jointly by the Governors of the participating Central Banks assembled in the Committee of Governors of the Central Banks of the Member States of the European Economic Community, hereinafter referred to as 'the Governors'. The Chairman of the Committee of Governors of the Central Banks of the Member States of the European Economic Community, hereinafter referred to as 'the Chairman', shall preside. The Commission representative on that Committee will hereinafter be referred to as 'the Commission representative'.

5. For the implementation of this Agreement the Governors shall employ an agent and delegate to it such tasks as they may determine in accordance with arrangements to be concluded with it.

#### *Article II — Quotas and rallonges*

1. Each participating central bank shall be assigned a debtor quota and a creditor quota, the respective amounts of which are laid down in Annex 1 to this Agreement.

<sup>1</sup> Text of the Agreement of 9 February 1970 setting up a system of Short-term Monetary Support among the Central Banks of the Member States of the European Economic Community incorporating the amendments made by the Instruments of 8 January 1973, 12 March 1974, 13 December 1977 and 13 March 1979 respectively.

2. The debtor quotas shall determine the amount of support which each central bank may receive under the terms laid down in this Agreement; the creditor quotas shall determine the amount of support which each central bank undertakes to finance under these same terms.

3. The Governors may alter the quotas. Every five years they shall examine whether the quotas should be revised. They may, however, conduct such an examination before the expiry of this period.

4. In particular cases where this is justified by circumstances, and notwithstanding Section 2, the Governors may decide for an amount, for a period and on conditions to be determined by them:

(a) to increase over and above its quota the amount of support which a central bank may receive ('debtor rallonge'); or

(b) to increase over and above its quota the amount of support which a central bank undertakes to finance ('creditor rallonge').

The total of the creditor rallonges and likewise that of the debtor rallonges thus granted may not exceed the amount specified in Annex 1.

When assessing the circumstances justifying the granting of rallonges the Governors shall take particular account of the trend of the balance of payments and the foreign exchange reserve position of the Member State to which each central bank concerned belongs, as well as of the other facilities available to them under other international arrangements. As a general rule, no central bank may be granted more than one-half of the total of the debtor rallonges, but the Governors may waive this limit if the special situation and the particular needs of the applicant warrant it.

### *Article III — Application for support*

1. A participating central bank that wishes to use the monetary support facilities provided for in this Agreement shall inform the Chairman that the need has arisen for short-term financing in consequence of a temporary balance-of-payments deficit which is due to unforeseen difficulties or to conjunctural divergences and which has emerged despite the coordination of economic policies. It shall notify him of the amount of support desired, giving particulars of any other sources of financing it might consider turning to in order to overcome the difficulties encountered.

2. No application for support may be made by a central bank which is indebted to the system in consequence of failure to fulfil its repayment obligations.

Unless the Governors decide otherwise, no application for support will be entertained in the case referred to in Article VI, Section 3.

### *Article IV — Granting and financing of support*

1. The Chairman shall inform the participating central banks and the Commission representative of any application for support lodged in accordance with Article III.

The Chairman shall call a meeting of the Governors on his own initiative or when a central bank so requests.

2. The monetary support shall be financed by each participating central bank other than the beneficiary central bank proportionately to and within the limits of its quota.

3. The Governors may decide to apportion the financing burden in a proportion different from that of the quotas; in that event, the contributions determined in accordance with Section 2 of this Article shall be appropriately refinanced among the central banks participating in the financing, unless the Governors decide otherwise.

4. A central bank which during the consultations following an application for support informs the Chairman that its country is experiencing balance-of-payments difficulties and/or a disturbing decline in its foreign exchange reserves shall be entitled to receive from the other participating central banks, in principle in proportion to their quotas, the partial or total refinancing of its contribution to the financing of the support.

5. When the monetary support applied for cannot be financed out of the quotas the Governors may decide, to such extent as they consider most appropriate and with due regard to the scope for tapping other international assistance facilities, to establish one or more creditor rallonges in accordance with the provisions of Article II of this Agreement or, failing this, to scale down the amount of support applied for by the necessary amount.

6. After consulting the participating central banks, the Chairman shall inform the central banks and the Commission representative of the granting of the support, its amount and its apportionment, and the timing of the provision of the funds.

#### *Article V — Mobilization of the claim*

Any central bank that is a creditor in connection with this Agreement may, if the Member State to which it belongs experiences balance-of-payments difficulties and/or suffers a sudden decline in its foreign exchange reserves, apply to the Governors for the premature repayment or the transfer of its claim. For this purpose the Governors shall take such steps as they consider appropriate.

#### *Article VI — Technique of the operations*

1. The beneficiary central bank shall receive from its partners, direct or through the Agent, facilities in the form of swaps or deposits or in any other form agreed between the parties.

At the request of the participating central banks the Agent may advance for their account all or part of the contributions due from them.

2. If the facilities made available under the terms of this Article are not utilized within one month they shall be cancelled. Utilization shall be for a period of three months and may be renewed twice for a period of three months at the request of the beneficiary central bank.

3. The beneficiary central bank shall refrain from making a further application for monetary support for a period equal to that for which the previous support was utilized.

4. The support facilities shall be expressed in the currency actually supplied by the granting central bank; this can be its national currency or any other means of payment agreed with the beneficiary Central Bank. They shall be denominated in ECUs if the support is granted to a central bank in the form of a prolongation of a debt contracted by that central bank in the framework of the very short-term financing facilities, as defined by Article 6 of the Agreement of 13 March 1979 between the central banks of the Member States of the European Economic Community laying down the operating procedures for the European Monetary System.

5. The charges to the debtor central bank for the support facilities shall be worked out in accordance with the rules laid down by the Governors.

6. The Governors shall take such steps as they consider appropriate in order to standardize as far as possible the conditions governing support operations.

7. The arrangements for each support operation shall be communicated to the Agent.

*Article VII — Coordination of economic policies*

1. The central banks agree that on each occasion when monetary support is granted the Committee of Governors shall undertake an examination of the monetary situation and of the monetary policy of the beneficiary country.
2. The Governors shall be regularly informed of the course of the Community procedures as regards coordination of short and medium-term economic policies.

*Article VIII — Duration*

This Agreement shall run for five years. It shall be tacitly extended for five years at a time, unless six months' prior notice is given.

*Article IX — Winding-up of the system*

In the event of the support system being wound up, this Agreement shall remain in force as regards the repayment of the credits granted in accordance with Article IV.

*ANNEX I*

13 March 1979

**QUOTAS AND RALLONGES IN ECUs<sup>1</sup>**

1. *Quotas*

(a) 'Debtor quotas' and percentage distribution

	million ECU	%
National Bank of Belgium	580	7.34
National Bank of Denmark	260	3.29
German Central Bank	1 740	22.03
Bank of France	1 740	22.03
Central Bank of Ireland	100	1.27
Bank of Italy	1 160	14.67
Netherlands Bank	580	7.34
Bank of England	1 740	22.03
Total EEC	7 900	100.00

<sup>1</sup> The value of one ECU is defined by Regulation (EEC) No 3180/78 of the Council of the European Communities of 18 December 1978 changing the value of the unit of account used by the European Monetary Cooperation Fund.

(b) 'Creditor quotas' and percentage distribution

	million ECU	%
National Bank of Belgium	1 160	7.34
National Bank of Denmark	520	3.29
German Central Bank	3 480	22.03
Bank of France	3 480	22.03
Central Bank of Ireland	200	1.27
Bank of Italy	2 320	14.67
Netherlands Bank	1 160	7.34
Bank of England	3 480	22.03
Total EEC	15 800	100.00

2. *Rallonges*

The total of creditor *rallonges*, and that of debtor *rallonges*, may not exceed ECU 8 800 million.

## MEDIUM-TERM FINANCIAL ASSISTANCE <sup>1</sup>

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 103 and 108 thereof;

Having regard to the Report from the Monetary Committee of 10 April 1970;

Having regard to the proposal from the Commission;

Whereas the starting point of the procedure to be put into effect in order to create an economic and monetary union must be the achievement of the action advocated in the memorandum of the Commission to the Council of 12 February 1969;

Whereas Article 108 of the Treaty provides for mutual assistance where a Member State is in difficulties or is seriously threatened with difficulties as regards its balance of payments, in particular by means of limited credits granted by other Member States, subject to their agreement;

Whereas the Council has established quantitative guidelines in respect of medium-term economic policy; whereas a Member State may, while endeavouring to comply with these guidelines, find itself in difficulties or seriously threatened with difficulties as regards its balance of payments;

Whereas appropriate procedures and instruments should be provided for in advance to enable the Community and Member States to ensure that, if required, measures of mutual assistance are taken quickly, especially where circumstances call for immediate action;

Whereas a machinery for medium-term financial assistance meets this requirement; whereas it is appropriate to provide that together with this machinery there should be ceilings on the credits granted, to set a limited period for the obligations involved and to lay down the terms relating thereto;

Whereas it appears essential to hold prior consultation within the Community before having any recourse to international credits;

HAS ADOPTED THIS DECISION :

### *Article 1*

1. Member States shall make available, up to the ceilings set out in the Annex, medium-term credits granted in the form of mutual assistance by directive or decision taken by a qualified majority by the Council on a recommendation of the Commission which shall for this purpose consult the Monetary Committee pursuant to Article 108.

2. This obligation shall apply until 31 December 1980.

---

<sup>1</sup> Text of the Council Decision of 22 March 1971 setting up machinery for medium-term financial assistance (71/143/EEC) amended by Article 29 of the Act of Accession of 22 January 1972, and by Council Decisions of 18 December 1975 (75/785/EEC), of 19 December 1977 (78/49/EEC) and of 21 December 1978 (78/1041/EEC).

## *Article 2*

Where a Member State in difficulties or seriously threatened with difficulties as regards its balance of payments proposes to call upon sources of medium-term credit outside the Community, it shall first consult the Commission and the other Member States in order to examine, among other things, the possibilities of financial assistance from within the European Economic Community. Such consultations shall be held within the Monetary Committee.

## *Article 3*

1. When mutual assistance is granted the Council shall, acting in accordance with the procedure laid down in Article 1 (1), determine what undertakings aimed at restoring internal and external economic equilibrium the recipient Member State must enter into, taking account of the quantitative guidelines on medium-term economic policy, and shall fix the amount and terms of credit, in particular its duration and the rate of interest which it shall bear.

Normally no Member State may draw more than 50% of the total credit ceilings.

2. To ensure compliance with the conditions of economic policy, resources made available should, so far as possible, be paid in successive instalments, the release of each instalment being conditional on a review of the results obtained when compared with the targets set in the Decision granting the assistance. The Council shall, acting in accordance with the procedure laid down in Article 1 (1), decide on the release of instalments.

3. On the initiative of the Commission or any Member State, the Council shall, acting in accordance with the procedure laid down in Article 1 (1), decide that a Member State which is a debtor in respect of medium-term financial assistance shall repay in advance the debt owed either in full or in part in so far as the conditions which brought about recourse to the system no longer obtain.

4. Credits under this system shall be granted for a period of between two to five years. The financing of each operation shall be carried out by the participating creditor countries in proportion to their obligations still outstanding.

5. The claims and obligations arising from the implementation of mutual assistance shall be expressed in ECU as defined in Article 1 of Regulation (EEC) No 3180/78. The equivalents in national currency shall be fixed on the basis of the daily conversion rates at the due date of each operation relating to medium-term financial assistance.

## *Article 4*

1. When financial assistance is granted in accordance with Article 3, any Member State which maintains that difficulties exist or can be foreseen as regards its balance of payments and/or that there is persistent deterioration of its reserves shall not be exempt from contributing either in whole or in part to the financing of that operation unless the Council, acting in accordance with the procedure laid down in Article 1 (1), shall take a decision that the exemptions in question are justified. It shall at the same time lay down the conditions for financing the resulting shortfall in contributions.

The position of that State shall remain subject to examination within the Monetary Committee. Such examination shall cover not only the situation with regard to its balance of payments and reserves but also the general economic situation. If the Commission or a Member State considers that the trends in respect of the position of that State allow it to participate in the financing operation the matter shall be brought before the Council. In accordance with the procedure laid down in Article 1 (1), the Council shall, where appropriate, request the Member State to participate in the operation and shall fix the conditions for its participation.

2. If one or more Member States which are creditors under the medium-term financial assistance system experience difficulties or are seriously threatened with difficulties as regards their balance of

payments and request the mobilization of their claims, the Council shall, acting in accordance with the procedure laid down in Article 1 (1), decide to mobilize the claims of that or those States.

Mobilization shall, in particular, be effected in accordance with one of the following procedures, or a combination thereof:

- (i) by a transfer of the claim, within the system, where the resources available so permit;
- (ii) by refinancing from outside the system, either by concerted action by Member States with other international organizations, or by an agreement made with such organizations in accordance with the procedure laid down in Article 1 (1);
- (iii) by early repayment in full or in part by the debtor Member State or States.

The position of a Member State that obtains mobilization of its claims shall remain subject to examination within the Monetary Committee. Such examination shall cover not only the situation with regard to its balance of payments and reserves but also the general economic situation.

If the Commission or a Member State considers that the trends in respect of the position of that State allow it to participate again in the financing operation the matter shall be brought before the Council. In accordance with the procedure laid down in Article 1 (1) the Council shall, where appropriate, request the Member State to participate in the operation and shall fix the conditions for its participation.

#### Article 5

1. Any creditor Member State may arrange with one or more other Member States for the partial or total transfer of its claims. The Member States concerned shall notify the Commission and the other Member States of the transfer.

2. Where refinancing takes place from outside the system, the debtor State shall agree that its debt, originally denominated in ECU, shall be replaced by a debt denominated in the currency used for the refinancing. If, in such a case, the rate of interest is altered, the debtor country shall bear any additional cost which may result. In exceptional cases the Council shall, by an *ad hoc* decision taken in accordance with the procedure laid down in Article 1 (1), decide as to the sharing of the additional cost.

#### Article 6

The Member States shall complete any necessary internal procedures for the implementation of the Council Decision of 21 December 1978 not later than 30 June 1979. In the meantime, Member States which still need national legislation shall make their extended medium-term quotas available by an interim financing.

#### 'ANNEX

The ceilings for credits provided for in Article 1 (1) shall be as follows :

	(million ECU)	(% of total)
Germany	3 105	22.02
Belgium	1 000	7.09
Denmark	465	3.30
France	3 105	22.02
Ireland	180	1.28
Italy	2 070	14.68
Luxembourg	35	0.25
Netherlands	1 035	7.34
United Kingdom	3 105	22.02
	<hr/>	<hr/>
	14 100	100.00'

**COUNCIL DECISION**

**of 30 October 1978**

**concerning the conclusion of the Agreement in the form of an exchange of letters between the European Economic Community and the Bank for International Settlements concerning the mobilization of claims held by Member States under the medium-term financial assistance arrangements**

**(78/897/EEC)**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community;

Having regard to Council Decision 71/143/EEC of 22 March 1971 setting up machinery for medium-term financial assistance as last amended by Decision 78/49/EEC and in particular Articles 1 and 4 thereof;

Having regard to the recommendation from the Commission;

Having regard to the opinion of the Monetary Committee of 28 February 1978;

Whereas Decision 78/49/EEC made provision, in cases where one or more Member States which are creditors under the medium-term financial assistance system experience difficulties or are seriously threatened with difficulties as regards their balance of payments, for the mobilization of the claims held by that State or those States; whereas it provided that mobilization of the claims could be carried out by *inter alia* refinancing from outside the system, either by concerted action by Member States with other international organizations, or by an agreement made with such organizations;

Whereas the Bank for International Settlements is the organization able to provide such refinancing;

HAS DECIDED AS FOLLOWS :

*Article 1*

1. The Agreement in the form of an exchange of letters between the European Economic Community and the Bank for International Settlements concerning the mobilization of claims held by Member States under the medium-term financial assistance arrangements is hereby approved on behalf of the Community.

2. The text of the Agreement is annexed to this Decision.

*Article 2*

The President of the Council is hereby authorized to designate the person empowered to sign the Agreement in order to bind the Community.

Done at Luxembourg, 30 October 1978.

*For the Council*  
*The President*  
J. ERTL

## AGREEMENT

**in the form of an exchange of letters between the European Economic Community  
and the Bank for International Settlements concerning the mobilization of  
claims held by the Member States under the medium-term financial assistance  
arrangements**

### *A. Letter from the Bank for International Settlements*

Sir,

The BIS could conclude stand-by credit agreements with the creditor countries' central banks if they should so request.

These agreements could be concluded up to the total amount of the contribution paid into the mechanism by the creditor country, with an overall limit of 2 725 million units of account, corresponding to half of the total of future commitment ceilings of the member countries.

The practical details of each stand-by agreement would be determined by agreement between the BIS and the central bank in question. However, certain conditions, which the BIS would be prepared to apply, can be indicated already:

The initial commitment of the BIS for each stand-by credit would be for two years with the option of renewal for other periods, the total not to exceed five years.

On the opening of credits, and whenever they are renewed, the BIS would take a commission. It would also be understood that, in order to allow it to carry out the necessary adjustments to its own liquidity, the first drawings would not take place until one month after the conclusion of the stand-by agreement. Drawings would be in the currencies available to the BIS at the time the agreements were concluded, most probably in US dollars; they would be for periods to be negotiated in the light of the Bank's resources, probably three or six months. The conditions would be equivalent to those applied by the BIS at the time for transactions concluded on similar terms, i.e. at close to market rates. Normally, these rates should be only slightly above Libor. However, if the BIS should itself have to have recourse to the market to procure the necessary funds, the rate applied could reach a maximum equivalent to Libor plus an appropriate margin.

I should be obliged if you would inform me whether the Council of the European Communities is in agreement with the above.

Please accept, Sir, the assurance of my highest consideration.

*For the Bank for International Settlements*

### *B. Letter from the Community*

Sir,

I have the honour to acknowledge receipt of your letter of today's date, which reads as follows:

'The BIS could conclude stand-by credit agreements with the creditor countries' central banks if they should so request.

These agreements could be concluded up to the total amount of the contribution paid into the mechanism by the creditor country, with an overall limit of 2 725 million units of account, corresponding to half of the total of future commitment ceilings of the member countries.

The practical details of each stand-by agreement would be determined by agreement between the BIS and the central bank in question. However, certain conditions, which the BIS would be prepared to apply, can be indicated already:

The initial commitment of the BIS for each stand-by credit would be for two years with the option of renewal for other periods, the total not to exceed five years.

On the opening of credits, and whenever they are renewed, the BIS would take a commission. It would also be understood that, in order to allow it to carry out the necessary adjustments to its own liquidity, the first drawings would not take place until one month after the conclusion of the stand-by agreement. Drawings would be in the currencies available to the BIS at the time the agreements were concluded, most probably in US dollars; they would be for periods to be negotiated in the light of the Bank's resources, probably three or six months. The conditions would be equivalent to those applied by the BIS at the time for transactions concluded on similar terms, i.e. at close to market rates. Normally, these rates should be only slightly above Libor. However, if the BIS should itself have to have recourse to the market to procure the necessary funds, the rate applied could reach a maximum equivalent to Libor plus an appropriate margin.

I should be obliged if you would inform me whether the Council of the European Communities is in agreement with the above.'

I have the honour to inform you that the Council of the European Communities is in agreement with the contents of your letter.

Please accept, Sir, the assurance of my highest consideration.

*On behalf of the Council of  
the European Communities*

## OPINION OF THE MONETARY COMMITTEE ON COMMUNITY LOANS

### I — *Community loans*

At its session of 16 September 1974, the Council in dealing with the question of Community loans, considered the report from the Chairman of the Monetary Committee and from the Committee of Governors and instructed the Community authorities to complete quickly the current technical work within the guidelines laid down in the report submitted by the Chairman of the Monetary Committee. The Chairman of the Council, Mr Fourcade, also asked member governments to indicate their official reactions to the report of the Chairman of the Monetary Committee.

At its meeting of 17 September 1974, the Monetary Committee instructed the joint *ad hoc* group to continue such work as was within its competence and to secure the government reactions which the Chairman of the Council had requested. The joint *ad hoc* group of the Monetary Committee and the Committee of Governors met on 26 September 1974 and 7 October 1974 and considered all the official reactions which had been received. The Monetary Committee, at its meeting of 10 and 11 October 1974, drew up the following opinion on the basis of the government reactions and the report received from the *ad hoc* group.

### II — *General characteristics of the operation*

Bearing in mind the need to recycle the surplus funds of oil-producing countries, the Monetary Committee agreed that the general characteristics of the operation should be the following:

- (a) That the Council would prefer not to engage in one massive loan operation, but rather in one or more loans of moderate size.
- (b) The loan or loans would not take the form of public bond issues for general subscription, but would be placed with owners of large scale funds—principally in oil-producing countries—and possibly in part with financial intermediaries. In the present situation, loans of seven to ten years maturity would seem to be the most appropriate choice. It was felt that the technique of roll-over credits should be avoided. However, it was noted that the maturities and other characteristics of loans will depend largely on prevailing market conditions at the time of issue.
- (c) The decision to issue an external loan would be taken at the initiative of any Member State in need of assistance to meet a balance-of-payments deficit caused chiefly by the rise in oil prices. The greatest discretion should be maintained with regard to the entire negotiating procedure in respect of each operation in order to avoid disturbances in financial markets.
- (d) The Council shall maintain control over the timing and conditions of each loan operation.

### III — *Choice of borrower*

The various alternatives with regard to the choice of borrower were again considered. A general consensus was established on the following:

1. The Community should be the borrower.

2. The Council shall authorize each specific borrowing transaction. It would also approve each on-lending operation to the interested Member State or States and determine the economic conditions which would be an integral part of such a loan agreement.
3. (a) The negotiations on the terms of any borrowing operation with the lenders will be conducted under the auspices of the Commission, who will recommend the final conditions to the Council, subject to the advice of the Monetary Committee and the Committee of Governors. Whilst they might need to be preceded by political contacts undertaken by the Commission, these negotiations might, in practice, be conducted at the technical level jointly by the staff of the Commission and of the EIB, who would report to a very limited *ad hoc* working party. This working party would be composed of competent people nominated by the Member States, the Commission and the EIB, and would be responsible for preparing the operation for approval by the Council of Ministers.  
  
(b) The Commission shall negotiate with the borrowing Member States and recommend the economic conditions on which a proposed loan to a Member State is to be granted. Such conditions shall include the entire monitoring system to be established during the time-span of the loan. Subject to advice from the Monetary Committee and the Committee of Governors, a Council Decision will then again be necessary.

The Monetary Committee proposes to look into the matter of appointing a managing agent in the near future.

#### IV — *Repayment of loans*

1. It is considered that only in extreme cases would a situation arise in which a borrowing Member State would find it was impossible to meet a loan commitment in foreign exchange. This applies all the more because such a situation could only arise after three or four years following the granting of a loan, during which time considerable monitoring of the situation would have taken place.
2. Upon the Council agreeing to extend a loan to a Member State through Community procedures, each non-borrowing Member State would incur a contingent liability in respect of such a loan. Such contingent liability would be represented by the obligation to provide foreign exchange to the Community to meet one or more maturities or interest payments should the borrowing Member State be unable temporarily to meet its obligations in foreign exchange.
3. It was considered that a system be provided which would fulfil two criteria:
  - (a) ensure, that at any time, the servicing of the capital and the interest payments of the external debt shall be carried out by the Community;
  - (b) a ceiling in respect of each operation should be set on the refinancing contingent liability of each Member State.
4. The system would operate in the following way. In the event of inability by a borrowing Member State to meet all or some of its due foreign exchange payments:
  - (a) Temporary foreign exchange financing would be provided to the Community by each of the other Member States in the proportion which its quota in the existing short-term monetary support system bears to the total quotas of those States;<sup>1</sup>
  - (b) If one or more of these States should be unable (in whole or in part) to take up their share of refinancing owing to balance of payments difficulties and/or a serious deterioration in their

---

<sup>1</sup> Proportions of quotas of Member Countries in the short-term monetary support system : (*in %*)  
Germany : 22.02 ; United Kingdom : 22.02 ; France : 22.02 ; Italy : 14.68 ; Belgium/Luxembourg : 7.34 ; Netherlands : 7.34 ;  
Denmark : 3.30 ; Ireland : 1.28.

foreign exchange reserve positions then, subject to consultation and Community agreement, the remaining States would provide temporary facilities to the Community to cover the shortfall, again in proportion to their respective quotas, but subject to the over-riding limit that no member could be called upon to contribute more than its ceiling.

- (c) Should any balance still remain to be financed after stage (b) above, Member States experiencing balance of payments difficulties and/or a deterioration in their reserve positions would still have to cover this balance in proportion to their short-term monetary support system quotas (see 5 (f) below).
- (d) The ceiling for each Member State's financing contingent liability would be twice the proportion of its quota in the short-term monetary support system, expressed in percentages.
- (e) It should in any case be the general rule that both in the case of original inability to pay by the borrower as well as of temporary exemptions from financing by other Member States all possible external and Community financing arrangements should first be exhausted.

5. The monitoring system should be geared to the pattern of each operation. It is, however, understood that the final rule shall be that the monitoring system during the whole period of the loan will be concerned entirely with verifying the respect by the borrowing Member State of the economic policy conditions which are an integral part of the loan agreement. The following system could be envisaged:

- (a) During the grace period of a loan from the Community to a Member State when only interest charges are to be met, six-monthly monitoring of the development of the principal economic indicators, balance of payments trends, and movements in the reserve positions of the debtor State should be carried out.
- (b) As the first capital repayment then approaches, a more intensive monitoring system should be operated to ensure that no problems arise with regard to payment on the due date or dates.
- (c) Should it appear, however, that difficulties are likely to arise, a special examination of the debtor Member State's position shall take place at an appropriate time before each payment date.
- (d) All monitoring under (a), (b) and (c) above will be carried out under the authority of the Commission in collaboration with the Monetary Committee and the Committee of Governors.
- (e) During the special examination referred to in (c) above the debtor Member State will be required to demonstrate its inability to meet a payment (in whole or in part). If the special examination indicates that such inability exists, the Commission proposes to the Council to decide affirmatively upon a refinancing arrangement as described in 3 above. If there are serious doubts that such inability exists, the debtor Member State may apply to the Council, who will decide after the Commission has delivered an Opinion and the Monetary Committee and the Committee of Governors have been consulted. The decision of the Council will be taken either on a unanimous vote or qualified majority following its own decision.
- (f) Any Member State wishing to be temporarily exempted (in whole or in part) from its refinancing commitments will have to state its position in the course of the same examination as referred to in (c) above, and the same procedure shall apply to its request as is applied to the original debtor State's request. The criteria by which the Community bodies will assess the case of the Member State wishing to be temporarily exempted, in whole or in part, may be less stringent than the criteria to be applied to the original debtor State, taking into account, however, the extent to which other Member States' ceilings are being approached.
- (g) Should the Council agree to a refinancing procedure as described in (c) and (f) above, then it shall be considered that an emergency situation has arisen and all future procedures of monitoring of the original debtor State shall be substantially reinforced until all normal financial relationships have been re-established.
- (h) It shall be the general rule that the earliest reimbursement or reinstatement should take place as soon as the relevant Member State's balance of payments and foreign exchange reserve positions have improved sufficiently.

## V — *Final considerations*

1. The Monetary Committee does not consider itself competent to pronounce on the question of whether the Community can undertake such a borrowing operation as described above on the basis of Article 235 of the Treaty of Rome. Neither does it consider itself qualified to answer all questions relating to Community budgetary and accountancy procedures.

2. Considerable discussion has taken place on whether formal recommendations should be made on the currency denomination of a first loan operation. It was, however, felt that this depended on exogenous factors and was a subject best left to the negotiating body.

At the same time it should be pointed out that the denomination of the first loan does not imply that subsequent loans shall be denominated in the same way and in this context the desirability of eventually reaching a Community denomination should be kept in mind.

3. The Monetary Committee believes that borrowing operations by the Community, provided they are not of excessive size, should be realizable. It feels that apart from the engagement of the Community, what would be required would be public statements to the effect that the Council had reached such a decision unanimously and that arrangements had been made internally within the Community to take care of all payment contingencies.

**REGULATION (EEC) No 397/75 OF THE COUNCIL**  
**of 17 February 1975**  
**concerning Community loans**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Whereas the considerable changes in the terms of international trade have produced a deterioration in the balance of payments of the Member States of the Community;

Whereas the effects of this deterioration will vary from one Member State to another and may thereby compromise the proper operation of the common market;

Whereas the Community should accordingly contribute to the financing required by this situation, and to this end itself borrow funds to be put at the disposal of Member States whose balance of payments is affected by the increase in the price of petroleum products, in the form of loans having identical financial characteristics;

Whereas, moreover, intervention by the Community as such is likely to contribute to a stabilization of capital movements due to the increase in the price of petroleum products, to the benefit of the whole international community;

Whereas each loan to a Member State must be conditional upon the adoption by that Member State of economic policy measures designed to redress its balance of payments;

Whereas it follows from the foregoing that transactions of this type are necessary to attain the objectives of the Community as defined in the Treaty, and in particular the harmonious development of economic activities throughout the Community;

Whereas the Treaty makes no provision for the powers of action required for this purpose,

HAS ADOPTED THIS REGULATION :

*Article 1*

The Community may undertake a series of operations to raise funds, either directly from third countries and financial institutions, or on the capital markets, with the sole aim of re-lending those funds to one or more Member States in balance of payments difficulties caused by the increase in prices of petroleum products.

*Article 2*

The opening of the negotiations necessary for each loan transaction shall be authorized by the Council on the initiative of one or more Member States. The decision to open negotiations shall also lay down the procedures for those negotiations.

In the light of the outcome of those negotiations, the Council shall decide on what terms each loan agreement is to be concluded. The average period for which funds are borrowed shall not be less than five years.

*Article 3*

The Council shall decide on the principle and the terms of loans to be granted to one or more Member States and on the economic policy conditions to be fulfilled by each beneficiary Member State in order to redress its balance of payments.

The funds shall be paid only into central banks and shall be used only for the purposes indicated in Article 1.

*Article 4*

The operations of borrowing and lending referred to in Article 1 shall be expressed in the same currency and carried out on the same terms with respect to repayment of the principal and payment of interest. The costs incurred by the Community in concluding and carrying out each operation shall be borne by the beneficiary Member State concerned.

*Article 5*

The loan operations authorized by this Regulation shall be limited to the equivalent in European monetary units of account of 3 000 million US dollars in principal and interest payments.

*Article 6*

The guarantees designed to ensure that the loans referred to in Article 1 are serviced and repaid in all circumstances shall not exceed the following percentages applied to the total amount of the loan in principal and interest:

	%
Germany	44.04
United Kingdom	44.04
France	44.04
Italy	29.36
Belgium/Luxembourg	14.68
Netherlands	14.68
Denmark	6.60
Ireland	2.56

*Article 7*

The Council shall lay down detailed rules for the implementation of this Regulation.

*Article 8*

The measures referred to in Articles 2, 3 and 7 shall be adopted by the Council acting unanimously on a proposal from the Commission, which shall consult the Monetary Committee on the matter.

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

Done at Brussels, 17 February 1975.

*For the Council*  
*The President*  
R. RYAN

**REGULATION (EEC) No 398/75 OF THE COUNCIL**  
**of 17 February 1975**  
**implementing Regulation (EEC) No 397/75 concerning Community loans**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community;

Having regard to Council Regulation (EEC) No 397/75 of 17 February 1975 concerning Community loans, and in particular Article 7 thereof;

Having regard to the proposal from the Commission, which has for this purpose consulted the Monetary Committee;

Whereas Regulation (EEC) No 397/75 provides that the Community shall, where necessary, undertake operations to raise funds to re-lend to one or more Member States in balance-of-payments difficulties due to the increase in the price of petroleum products;

Whereas, in order to ensure that the Community debt is at all times duly serviced, as regards both capital and interest, it is essential to define the conditions under which the Community shall be entitled to receive from the other Member States the necessary foreign exchange if the debtor Member State finds itself unable to make payment on one or more due dates;

Whereas a procedure must be provided for examining both the circumstances preventing a debtor Member State from meeting its obligations in respect of the debt and those in which a Member State might be exempted from the arrangements for the Member States to provide the Community with the foreign exchange due from the debtor Member State,

HAS ADOPTED THIS REGULATION :

*Article 1*

Where it is found, pursuant to the procedure laid down in Article 6, that a Member State which has received a loan from the Community is wholly or partially unable to provide the necessary foreign exchange to make a payment falling due in respect of such loan, the other Member States shall be under an obligation to provide the Community with this foreign exchange in the proportions specified in Article 2.

*Article 2*

The allocation among the Member States of the foreign exchange to be provided by them pursuant to Article 1 shall be calculated by applying, in the manner set out in this Article, the following scale:

	%
Germany	22.02
United Kingdom	22.02

France	22.02
Italy	14.68
Belgium/Luxembourg	7.34
Netherlands	7.34
Denmark	3.30
Ireland	1.28

This scale shall be applied by dividing the total financing requirement among the other Member States in the above proportions without taking account of the debtor Member State's quota.

#### *Article 3*

Where, pursuant to the procedure laid down in Article 7, one or more Member States are temporarily exempted in whole or in part from the obligation to provide the Community with foreign exchange due from the debtor Member State, the scale laid down in Article 2 shall be applied without taking account of the quotas of those Member States, to the extent that they have been exempted.

#### *Article 4*

1. However, no Member State may be required to provide the Community with a total amount of foreign exchange which exceeds the percentage laid down in Article 6 of Regulation (EEC) No 397/75 applied to the total amount of the basic loan plus interest.
2. If this limit is reached and there remains a balance to be financed, the balance shall only be divided, in accordance with the scale laid down in Article 2, among the Member States other than the Member State which has received the loan which otherwise would have been temporarily exempted in whole or in part from participating in the operation; for the Member States only partially exempted, the percentage allotted to them in the scale laid down in Article 2 shall be reduced by the percentage taken into account in calculating their share of the allocation which left the balance to be financed.

#### *Article 5*

Member States which have provided foreign exchange pursuant to Articles 2 to 4 shall *ipso facto* acquire a claim against the Community for the foreign exchange provided.

Any outstanding sums shall bear interest at the rate set out in the original loan, subject to a decision taken by the Council by a qualified majority to amend this rate.

#### *Article 6*

1. When a Member State receives a loan from the Community, the Commission, in collaboration with the Monetary Committee, shall take the necessary measures to verify that the economic policy of this State accords with the conditions laid down by the Council pursuant to Article 3 of Regulation (EEC) No 397/75. Subject to any arrangements which may be made in connection with individual loans, this verification shall take place at regular and frequent intervals. To this end, the Member State shall place all the necessary information at the disposal of the Commission.
2. This surveillance shall be closer as the date for the first repayment approaches, or if recourse is had to the re-financing arrangements provided for in Articles 2 to 4.
3. Should it appear that difficulties may arise in making a payment on the due date, the Commission, in collaboration with the Monetary Committee and the Committee of the Governors of the central

banks shall, sufficiently in advance of the due date, make a special examination of the situation. This examination shall be concerned in particular with the financing arrangements available to the debtor Member State both inside and outside the Community.

4. If this examination indicates that the debtor Member State will be partly or wholly unable to make payment on the due date, the Commission shall propose that the Council, by a unanimous decision, implement the re-financing arrangements described in Articles 2 to 4.

If the examination raises serious doubts as regards the debtor Member State's alleged incapacity to pay, the Commission shall make a report to the Council which may include a proposal that it implement the re-financing arrangements. In the absence of such a proposal, the debtor Member State may make application to the Council. The Council shall take a unanimous decision after consulting the Monetary Committee and the Committee of the Governors of the central banks.

#### *Article 7*

Any Member State which wishes to be temporarily exempted in whole or in part from participating in any re-financing arrangements owing to balance-of-payments difficulties or serious deterioration in its foreign exchange reserves shall make known its reasons at the examination provided for in Article 6 (3). The procedure provided for in Article 6 (4) shall apply to such request.

#### *Article 8*

In any event, both in the case of a debtor Member State being unable to pay, as envisaged in Article 1, and in the case of other Member States being temporarily exempted in whole or in part from contributing, as envisaged in Article 3, all possibilities open to the Member States concerned for obtaining finance either inside or outside the Community must first have been exhausted before recourse is had to the re-financing arrangements provided for in Articles 2 to 4.

#### *Article 9*

Any Member State which has been temporarily exempted in whole or in part, whether as regards a payment due from it or as regards participation in re-financing arrangements, shall be under an obligation to make payment or to provide its share to the Community as soon as its balance-of-payments situation and foreign exchange reserves so permit.

#### *Article 10*

The European Monetary Cooperation Fund shall make the necessary arrangements for the administration of the loans.

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

Done at Brussels, 17 February 1975.

*For the Council*  
*The President*  
R. RYAN

**COUNCIL DECISION**

**of 16 October 1978**

**empowering the Commission to contract loans for the purpose of promoting investment within the Community**

**(78/870/EEC)**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof;

Having regard to the proposal from the Commission;

Having regard to the opinion of the European Parliament;

Having regard to the opinion of the Economic and Social Committee;

Whereas economic activity, employment and investment in the Community are unevenly distributed and are all too low;

Whereas, in order to stimulate an economic upturn and support common policies, a new financial mechanism designed to make an additional contribution to investment promotion in the Community should be added to existing Community mechanisms alongside existing Community financial institutions and bodies whose scope should be widened;

Whereas Community action to this end would have a real follow-through effect and financial impact far beyond its apparent size;

Whereas such Community action should aim to realize investment projects which contribute to greater convergence and integration of the economic policies of the Member States and are in line with priority Community objectives;

Whereas plentiful finance can be found on the capital markets which could be tapped to finance investment within the Community;

Whereas the Community has a creditworthiness in its own right which must be used to best advantage to reinforce European support for the said investments and to support policies decided on at Community level;

Whereas borrowings equivalent to 1 000 million EUA in principal seem appropriate in the present circumstances for helping to achieve the desired result;

Whereas this new financial mechanism should be introduced on an experimental basis;

Whereas the European Investment Bank has stated that it is willing to contribute to the implementation of this Decision,

HAS DECIDED AS FOLLOWS :

*Article 1*

The Commission shall be empowered to contract loans on behalf of the European Economic Community which shall not exceed the equivalent of 1 000 million EUA in principal.

The proceeds of these loans shall be lent to finance investment projects which contribute to greater convergence and integration of the economic policies of the Member States. These projects must help attain the priority Community objectives in the energy, industry and infrastructure sectors, taking account *inter alia* of the regional impact of the projects and the need to combat unemployment,

This mechanism may be used on its own or in conjunction with other Community financing instruments.

*Article 2*

Loans shall be activated tranche by tranche.

The Council, acting unanimously on a proposal from the Commission, and after consulting the European Parliament, shall authorize each tranche and lay down the guidelines for the eligibility of projects.

The Commission shall decide whether or not projects are eligible in accordance with the guidelines laid down by the Council.

The Commission will borrow on the capital markets within the limits of the tranches authorized. A single borrowing may be used to finance loans for different objectives.

*Article 3*

Borrowing and lending transactions shall be expressed in the same currency. Lending terms for reimbursement of the principal and the rate and payment of interest shall be fixed in such a way as to cover the costs and expenses of both the borrowing and lending side of each transaction.

*Article 4*

The terms of loans to be contracted shall be negotiated by the Commission in the best interests of the Community having regard to the conditions on capital markets and in accordance with the constraints imposed by the duration and other financial aspects of the loans to be granted. Funds borrowed shall be deposited with the European Investment Bank to be invested on a temporary basis if necessary.

*Article 5*

A mandate shall be given to the Bank to grant loans in pursuance of this Decision. The Bank shall carry out transactions under this mandate on behalf of, for and at the risk of the Community. Loan requests shall be forwarded to the Bank either directly or through the Commission or a Member State. After a Commission decision on the eligibility of each project pursuant to Article 2 the Bank shall, in accordance with the procedures laid down in its Statute and its usual criteria, examine these requests, decide whether and on what terms to grant the loans, and administer them.

The mandate given to the Bank shall be embodied in a cooperation agreement between the Commission and the Bank.

*Article 6*

The Commission shall annually inform the Council and the European Parliament of receipts and expenses resulting from borrowing and lending transactions. Each year it shall submit a review of its borrowing and lending policy together with the budget estimates.

In the light of this information, the Council may carry out an assessment of the general operation of the mechanism set up by this Decision.

As soon as the amount of loans taken up reaches the equivalent of 800 million EUA, or two years after the adoption of this Decision, whichever is the earlier, the Commission will submit a report to the Council and the European Parliament on the experience gained during the operation of this Decision.

The financial control and audit of the Commission's accounts shall be carried out in accordance with the Financial Regulation applicable to the general budget of the European Communities.

*Article 7*

For the purposes of this Decision the European unit of account (EUA) shall be that defined by the Financial Regulation applicable to the general budget of the European Communities.

Done at Luxembourg, 16 October 1978.

*For the Council*  
*The President*  
H. MATTHÖFER

## **IV**

### **Coordination of economic policies**

**COUNCIL DECISION**

**of 22 March 1971**

**on the strengthening of cooperation between the central banks of the Member States of  
the European Economic Community**

**(71/142/EEC)**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 105 (1) thereof;

Having regard to the final communiqué of the Conference of Heads of State or Government held at The Hague on 1 and 2 December 1969, and in particular item 8 thereof;

Having regard to the Resolution of the Council and of the Representatives of the Governments of the Member States of 22 March 1971 on the phased establishment of economic and monetary union in the Community, and in particular item III (5) thereof;

Having regard to the Recommendation of the Commission;

Having regard to the Opinion of the European Parliament;

Whereas the Resolution referred to above provides for a strengthening of cooperation between central banks;

HAS ADOPTED THIS DECISION :

*Article 1*

Member States shall coordinate their monetary and credit policies having regard to the guidelines on general economic policy laid down by the Council.

*Article 2*

Within this framework, the central banks shall be invited, within the limits of their powers and the scope of their respective responsibilities:

- (a) to coordinate their policies in monetary and credit matters, within the Committee of Governors of central banks;
- (b) to establish general guidelines to be followed by each of them, in particular as regards the trend of bank liquidity, the terms for supply of credit and the level of interest rates;
- (c) to lay down practical methods for the application of this procedure.

*Article 3*

This Decision is addressed to the Member States.

Done at Brussels, 22 March 1971.

*For the Council*  
*The President*  
M. COINTAT

**COUNCIL DECISION <sup>1</sup>**

**of 18 February 1974**

**on the attainment of a high degree of convergence of the economic policies of  
the Member States of the European Economic Community**

**(74/120/EEC)**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 103 and 145 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Economic and Social Committee;

Whereas there can be no gradual attainment of economic and monetary union unless the economic policies pursued by the Member States henceforth converge and unless a high degree of convergence is maintained;

Whereas, for this purpose, the coordination procedures at present used must be substantially strengthened and improved; whereas, in particular, permanent consultation machinery must be instituted, covering both general economic policy and those policies for which the central banks are responsible in monetary matters;

Whereas such permanent consultation machinery must be supported by economic policy guidelines established at Community level; whereas such guidelines cannot be confined only to short-term policy, but must also cover medium-term policy; whereas no short-term action can suitably be implemented reconciling the development processes of nine national economies if it is not guided by and towards common objectives established over a longer period; whereas, consequently, medium-term guidelines are an indispensable instrument of a coherent short-term economic policy and thus a measure appropriate to such a policy;

Whereas monitoring of the implementation and effects of the national economic policies is necessary for the maintenance of consistency between these policies, so that any deviation from the guidelines adopted at Community level can be promptly corrected;

Whereas, in respect of currency exchange relations within the Community, the greater convergence of economic policies must be accompanied by specific and effective prior consultation machinery for any decision by a Member State relating to the conditions under which its currency is exchanged for the currencies of other Member States and of third countries,

---

<sup>1</sup> Text incorporating the amendments contained in the Council Decisions of 18 December 1975 (75/787/EEC) and of 6 February 1979 (79/136/EEC).

HAS ADOPTED THIS DECISION :

*Article 1*

The Council shall set aside each month a specific day, chosen in advance, for meetings on economic and monetary matters. Within this framework, the Council shall hold three meetings yearly to examine the economic situation in the Community. On the basis of a communication from the Commission accompanied, where appropriate, by proposals for decisions, directives or recommendations, the Council shall adopt guidelines on economic policy which the Community and each Member State are to follow in order to achieve harmonious economic development.

*Article 2*

The first examination shall take place as soon as possible during the first quarter.

On this occasion, on a proposal from the Commission, the Council shall adjust the economic policy guidelines for the current year as required by economic developments.

The proposals from the Commission shall be accompanied by a summary account of the economic policy pursued in the preceding year and by five-year forecasts covering the main macro-economic variables.

*Article 3*

A second examination shall take place during the second quarter. On that occasion the Council shall lay down appropriate guidelines for the main elements of the preliminary economic budgets. Within this framework, quantitative guidelines for the draft public budgets for the following year shall be fixed before these budgets are finally adopted and shall cover developments in government expenditure and revenue, the nature and extent of budget surpluses and deficits and the way the latter are to be financed or used. The guidelines figures for the draft public budgets shall not be published at this juncture.

*Article 4*

A third examination shall take place during the fourth quarter. At this stage, the Council shall, acting on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, adopt an annual report on the economic situation in the Community and shall establish the guidelines to be followed by each Member State in its economic policy for the following year.

*Article 4a*

At two-and-a-half year intervals, coinciding every other time with the examination of medium-term economic policy programmes and starting in 1980 on the occasion of the third annual examination referred to in Article 4, the Council, after consulting the European Parliament and the Economic and Social Committee, shall examine a periodic report on the situation and socio-economic developments in the regions of the Community drawn up by the Commission in close collaboration with the Regional Policy Committee.

On the basis of this report, the Council shall discuss the priorities and guidelines proposed by the Commission.

#### Article 5

As soon as this annual report has been adopted by the Council, Governments shall bring it to the attention of their national parliaments so that it can be taken into account during the debate on the budget.

#### Article 6

On the basis of the preliminary draft prepared by the Economic Policy Committee, the Commission shall at regular intervals and at least once every five years establish a draft medium-term economic policy programme whose purpose shall be, in the context of economic and monetary union, to facilitate and guide structural changes — sectoral, regional and social — and to ensure the convergence of overall economic policies.

The draft shall indicate those points on which it departs from the preliminary draft of the Economic Policy Committee.

The Commission shall forward the draft programme to the Council, which shall forthwith place it before the European Parliament and the Economic and Social Committee, for consultation.

The programme shall be adopted by the Council and by the Governments of the Member States.

By adopting the programme, the Council and the Governments of the Member States shall express their intention of acting, in the field covered by the programme, in accordance with the guidelines laid down therein.

Parallel to the adoption of the programme, the Council shall, where appropriate and on a proposal from the Commission, unanimously adopt any decisions, directives or recommendations necessary to achieve the objectives set out in the programme and to implement the measures for which it provides.

#### Article 7

Any Member State intending *de jure* or *de facto*, to change, discontinue or re-establish the parity, central rate or intervention points of its currency shall initiate a prior consultation.

The consultation procedures, which shall be secret and urgent, shall take place in accordance with practical rules adopted by the Council after receiving an Opinion from the Monetary Committee.

#### Article 8

In addition to the consultations which are held by the Monetary Committee and by the Coordinating Committee on Short-term Economic and Financial Policies, the central banks shall be invited to promote by means of regular and frequent consultations, within the framework of the Council Decision of 22 March 1971 on the strengthening of cooperation between the central banks of the Member States of the European Economic Community, the continual coordination of their monetary policies especially as regards the development of the money supply and bank liquidity, the conditions for granting credit and the level of interest rates.

#### Article 9

Standing consultations on the general economic policy measures envisaged by the Member States and on their conformity with the economic policy guidelines laid down by the Council according to

the procedure laid down in Articles 1 to 5 shall take place within the coordinating group referred to in Title I, paragraph 2, of the Resolution of the Council and the Representatives of the Governments of the Member States of 21 March 1972 on the application of the Resolution of 22 March 1971 on the attainment by stages of economic monetary union in the Community.

The Chairmen of the Economic Policy Committee, of the Monetary Committee and of the Committee of the Governors of the central banks shall, as appropriate, attend the meetings of the group.

These meetings must involve prior consultation and cover the most significant measures being taken with a view to the convergence of economic policy within the Community.

The group shall meet often enough to ensure the standing nature of the consultations, and in any event, at least once a month.

#### *Article 10*

Any Member State or the Commission may request consultations within the Council:

- (i) if, in the course of the consultation referred to in Articles 8 and 9, it appears that any measure or decision contemplated by one or more Member States is the subject of serious reservations;
- (ii) or if economic developments in a Member State constitute a considerable danger for other Member States of the Community as a whole.

The Council shall meet within eight days.

#### *Article 11*

Where a Member State is pursuing economic, monetary and budgetary policies departing from the guidelines laid down by the Council or entailing economic risks for the Community as a whole, the Commission may send a recommendation to the State concerned. Within 15 days of receipt of this recommendation, the Member State concerned shall provide the Commission with all the appropriate information.

The Commission or a Member State may request an emergency meeting of the Coordinating Committee on Short-term Economic and Financial Policies and possibly an examination within the Council. The latter shall take a decision on the basis of proposals which the Commission shall submit to it, where appropriate.

#### *Article 12*

On the basis of a report submitted by the Commission, the Council shall examine once a year, at its meeting held in the first quarter, as provided for in Article 2 above, the application of this Decision and the conformity of the policies pursued with the objectives set. The Commission's report shall also be laid before the European Parliament.

#### *Article 13*

The following decisions are hereby repealed:

- (i) the Council Decision of 17 July 1969 on the coordination of short-term economic policies of the Member States;

- (ii) the Council Decision of 16 February 1970 on the appropriate procedures for the consultation arrangements provided for in the Council Decision of 17 July 1969;
- (iii) the Council Decision of 22 March 1971 on the strengthening of the coordination of short-term economic policies of the Member States of the European Economic Community.

*Article 14*

This Decision is addressed to the Member States.

Done at Brussels, 18 February 1974.

*For the Council*  
*The President*  
**H. SCHMIDT**

**COUNCIL DIRECTIVE**  
**of 18 February 1974**  
**on stability, growth and full employment in the Community**  
**(74/121/EEC)**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 103 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Economic and Social Committee;

Whereas the attainment by stages of economic and monetary union in the Community requires the implementation of convergent economic policies of which the key principle is the achievement of stability, growth and full employment in the Community;

Whereas procedures for coordinating economic policies have been organized, in this connection, at Community level, particularly in the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community;

Whereas, to be in a position to meet the requirement of such coordination and in particular to be able to pursue compatible objectives at Community level with regard to stability, growth and full employment, each Member State must possess an adequate set of economic policy instruments;

Whereas such instruments must be available and ready for prompt use by the competent authorities of the Member States if they are to control short-term economic developments and keep these in line with the guidelines established at Community level,

HAS ADOPTED THIS DIRECTIVE :

*Article 1*

In order to achieve the objectives of price stability, external balance, growth and full employment in the Community, each Member State shall implement its short- and medium-term economic policies in accordance with the guidelines adopted by the Council pursuant to the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community.

*Article 2*

When they take major measures of economic policy in order to achieve the objectives set out in Article 1, Member States shall make explicit reference to the guidelines adopted by the Council.

### *Article 3*

The Governments of the Member States shall, according to their own arrangements, confer with the representatives of the main economic and social groups on the broad lines of economic policy.

### *Article 4*

In order to establish medium-term economic programmes for the Community, each Member State shall prepare medium-term economic forecasts accompanied by information on the appropriate means to be used to promote a pattern of development in conformity with the guidelines specified in Article 1.

### *Article 5*

Each Member State shall adopt the provisions necessary to enable the public authorities, if the need arises and for a limited period, to slow down or accelerate the rate of public spending and to modify direct or indirect taxes within not more than 90 days.

### *Article 6*

Each Member State shall draw up public investment programmes covering a five-year period. Implementation of the programmes shall be in accordance with the requirements of current economic activity, within the framework of public expenditure.

### *Article 7*

Each Member State shall take the measures necessary (where they do not as yet exist) to enable the competent authorities, without prior authorization, temporarily to freeze the yield of excess tax revenue or of loans, and to release such funds at a later date.

### *Article 8*

Member States shall ensure that the management of the finances of local authorities and, where appropriate, of social security agencies contributes to the attainment of the objectives and to the implementation of the guidelines referred to in Article 1. They shall as far as necessary provide themselves with the means needed to enable the indebtedness of such authorities and agencies to be controlled.

### *Article 9*

Member States shall take the measures necessary to enable them to take prompt action on the various elements covered by the policy of the monetary authorities, particularly money supply, bank liquidity, credit and interest rates.

For this purpose, Member States shall confer upon their monetary authorities, in so far as the latter do not already have them, at least the instruments and powers to enable them to apply, where necessary, the following measures:

- (i) imposition or modification of reserve ratios applying to the liabilities of monetary institutions;
- (ii) imposition or modification of reserve ratios applying to the credit granted by monetary institutions;

- (iii) recourse to an open market policy with wide scope for action, including the use, as necessary, of short-, medium- and long-term securities;
- (v) modification of the rediscount ceilings with the central bank;
- (iv) modification of the various intervention rates practised by the monetary authorities.

In addition, the monetary authorities shall, as far as possible, be invested with the instruments and powers enabling them to implement the following measures:

- (i) modification of the borrowing and lending interest rates paid or charged by public credit agencies;
- (ii) imposition or modification of conditions for consumer credit, hire-purchase sales and mortgage credit;
- (iii) quantitative or qualitative credit control.

#### *Article 10*

Member States shall, to the extent that they deem it expedient, take the measures necessary to enable them to impose, where necessary, without delay and temporarily, an overall or selective restriction on the rise in prices and incomes.

#### *Article 11*

To enable the guidelines which are to be adopted by the Council to be drawn up and to enable their application to be monitored, Member States shall ensure that essential information is gathered quickly and shall communicate it to the Commission as soon as it is available.

#### *Article 12*

Member States shall take the measures necessary to comply with this Directive within 12 months of its notification. This period shall, however, be extended to two years for the implementation of Articles 5 and 8.

#### *Article 13*

This Directive is addressed to the Member States.

Done at Brussels, 18 February 1974.

*For the Council*  
*The President*  
H. SCHMIDT

V

**Capital markets**

**FIRST COUNCIL DIRECTIVE**  
**of 11 May 1960**  
**for the implementation of Article 67 of the Treaty <sup>1</sup>**

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY,

Having regard to the Treaty, and in particular Articles 5, 67 (1), 69, 105 (2) and 106 (2) thereof;

Having regard to the proposal from the Commission, which consulted the Monetary Committee for this purpose;

Having regard to the Decision of 11 May 1960 on the application to Algeria and to the French overseas departments of the provisions of the Treaty concerning capital movements;

Whereas the attainment of the objectives, of the Treaty establishing the European Economic Community requires the greatest possible freedom of movement of capital between Member States and therefore the widest and most speedy liberalization of capital movements;

HAS ADOPTED THIS DIRECTIVE :

*Article 1*

1. Member States shall grant all foreign exchange authorizations required for the conclusion or performance of transactions or for transfers between residents of Member States in respect of the capital movements set out in List A of Annex I to this Directive.

2. Member States shall enable such transfers of capital to be made on the basis of the exchange rate ruling for payments relating to current transactions.

Where such transfers are made on a foreign exchange market on which the fluctuations of exchange rates are not officially restricted, this obligation shall be taken to mean that the exchange rates applied must not show any appreciable and lasting differences from those ruling for payments relating to current transactions.

The Monetary Committee shall watch closely the trend of exchange rates applied to such transfers of capital, and shall report thereon to the Commission. If the Commission finds that these rates show appreciable and lasting differences from those ruling for payments relating to current transactions, it shall initiate the procedure provide for in Article 169 of the Treaty.

---

<sup>1</sup> Text incorporating the amendments contained in the Second Council Directive of 18 December 1962 (63/21/EEC) and in Article 29 of the Act of Accession of 22 January 1972.

## *Article 2*

1. Member States shall grant general permission for the conclusion or performance of transactions and for transfers between residents of Member States in respect of the capital movements set out in List B of Annex I to this Directive.

2. Where such transfers of capital are made on a foreign exchange market on which the fluctuations of exchange rates are not officially restricted, Member States shall endeavour to ensure that transfers are made at rates which do not show appreciable and lasting differences from those ruling for payments relating to current transactions.

The Commission may, after consulting the Monetary Committee, make recommendations in this connection to the Member States.

3. Where the transfers are made either on the same foreign exchange market as payments relating to current transactions, or on a market on which exchange rate fluctuations are kept within limits applicable to such market as aforesaid, the application of paragraph 1 of this Article may, as a temporary measure, be confined — as regards the acquisition of foreign securities by residents — to the financial institutions and to the undertakings which acquire securities of foreign companies established for a like purpose.

The Commission may, after consulting the Monetary Committee, make recommendations in this connection to the Member States.

## *Article 3*

1. Subject to paragraph 2 of this Article, Member States shall grant all foreign exchange authorizations required for the conclusion or performance of transactions and for transfers between residents of Member States in respect of the capital movements set out in List C of Annex I to this Directive.

2. When such free movement of capital might form an obstacle to the achievement of the economic policy objective of a Member State, the latter may maintain or reintroduce the exchange restrictions on capital movement which were operative on the date of entry into force of this Directive (in the case of new Member States, the date of accession). It shall consult the Commission on the matter.

The Commission shall examine the measures, for coordinating the economic policies of Member States which will enable these difficulties to be overcome and, after consulting the Monetary Committee, shall recommend their adoption by the Member States.

3. The Commission may recommend that the State in question abolish the exchange restrictions which are maintained or reintroduced.

## *Article 4*

The Monetary Committee shall examine at least once a year the restrictions which are applied to the capital movements set out in the lists contained in Annex I to this Directive; it shall report to the Commission regarding restrictions which could be abolished.

## *Article 5*

1. The provisions of this Directive shall not restrict the right of Member States to verify the nature and genuineness of transactions or transfers, or to take all requisite measures to prevent infringements of their laws and regulations.

2. Member States shall simplify as far as possible the authorization and control formalities applicable to the conclusion or performance of transactions and transfers and shall where necessary consult one another with a view to such simplification.

3. The restrictions on capital movements under the rules for establishment in a Member State shall be abolished pursuant to this Directive only in so far as it is incumbent upon the Member States to grant freedom of establishment in implementation of Articles 52 to 58 of the Treaty.

#### *Article 6*

Member States shall endeavour not to introduce within the Community any new exchange restriction affecting the capital movements that were liberalized at the date of entry into force of this Directive (in the case of new Member States, the date of accession) nor to make existing provisions more restrictive.

#### *Article 7*

Member States shall make known to the Commission, not later than three months after the entry into force of this Directive (in the case of new Member States, three months after the date of accession):

- (a) the provisions governing capital movements at the date of entry into force of this Directive which are laid down by law, regulation or administrative action;
- (b) the provisions adopted in pursuance of the Directive;
- (c) the procedures for implementing those provisions.

They shall also make known, not later than the time of entry into force thereof, any new measures going beyond the obligations of this Directive, and any amendment of the provisions governing the capital movements set out in List D of Annex I to this Directive.

#### *Article 8*

Deleted.

#### *Article 9*

This Directive shall apply without prejudice to the provisions of Articles 67 (2), 68 (3) and 221 of the Treaty.

#### *Article 10*

Lists A, B, C and D contained in Annex I, together with the Nomenclature of Capital Movements and the Explanatory Notes in Annex II, form an integral part of this Directive.

Done at Luxembourg, 11 May 1960.

*For the Council*  
*The Secretary-General*      *The President*  
CALMES                              Eugène SCHAUS

ANNEX I

LIST A

Capital movements referred to in Article 1 of the Directive

	Items of nomenclature
Direct investments excluding purely financial investments made with a view only to giving the persons providing the capital indirect access to the money or capital market of another country, through the creation of an undertaking of participation in an existing undertaking in that country	I
Liquidation of direct investments	II
Investments in real estate	V
Personal capital movements	
Gifts and endowments	X B
Dowries	X C
Inheritances	X D
Settlement of debts in their country of origin by immigrants	X E
Transfers of capital belonging to residents who emigrate	X F
Transfers of capital belonging to emigrants returning to their country of origin	X G
Transfers of workers' savings during their period of stay	X H
Transfers by instalment of blocked funds belonging to non-residents by the holders of such funds in case of special hardship	X I
Annual transfers of blocked funds to another Member State by a non-resident account holder, up to an amount or a percentage of the total assets, fixed uniformly by the Member State concerned for all applicants	X L
Transfers of minor amounts abroad	X M
Granting and repayment of short and medium-term credits related to commercial transactions or to provision of services in which a resident is participating	VII I A (i) and (ii) B (i) and (ii)
Sureties, other guarantees and rights of pledge and transfers connected with them	
related to short and medium-term credits in respect of commercial transactions or provision of services in which a resident is participating	XII A an dB in conjunction with VII I A (i) and (ii) B (i) and (ii)
related to long-term loans with a view to establishing or maintaining lasting economic links	XII A and B in conjunction with I A 3 B 3
Transfers in performance of insurance contracts as and when freedom of movement in respect of services is extended to those contracts in implementation of Article 59 <i>et seq.</i> of the Treaty	XI

	Items of nomenclature
Death duties	XIV A
Damages (where these can be considered as capital)	XIV B
Refunds in the case of cancellation of contracts and refunds of uncalled-for payments (where these can be considered as capital)	XIV C
Authors' royalties. Patents, designs, trade marks and inventions (assignments and transfers arising out of such assignments)	XIV D
Transfers of the moneys required for the provision of services	XIV E
The use of the proceeds of liquidation of assets abroad belonging to residents must be permitted at least within the limits of the obligations as regards liberalization accepted by Member States.	

### LIST B

#### Capital movements referred to in Article 2 of the Directive

	Items of nomenclature
Operations in securities	
Acquisition by non-residents of domestic securities dealt in on a stock exchange (excluding units of unit trusts) and repatriation of the proceeds of liquidation thereof	IV A
Acquisition by residents of foreign securities dealt in on a stock exchange and use of the proceeds of liquidation thereof	IV B
(i) excluding the acquisition of bonds issued on a foreign market and denominated in national currency	
(ii) excluding units of unit trusts	
Physical movements of the securities mentioned above	IV E in conjunction with IV A IV B
The use of the proceeds of liquidation of assets abroad belonging to residents must be permitted at least within the limits of the obligations as regards liberalization accepted by Member States.	

### LIST C

#### Capital movements referred to in Article 3 of the Directive

	Items of nomenclature
Issue and placing of securities of a domestic undertaking on a foreign capital market	III A 2
Issue and placing of securities of a foreign undertaking on the domestic capital market	III B 2

	Items of nomenclature
<b>Operation in securities</b>	
Acquisition by non-residents of domestic securities not dealt in on a stock exchange and repatriation of the proceeds of liquidation thereof	IV C
Acquisition by residents of foreign securities not dealt in on a stock exchange and use of the proceeds of liquidation thereof	IV D
Acquisition by non-residents of units in domestic unit trusts dealt in on a stock exchange and repatriation of the proceeds of liquidation thereof	IV A
Acquisition by residents of units in foreign unit trusts dealt in on a stock exchange and use of the proceeds of liquidation thereof	IV B
Acquisition by residents of foreign bonds dealt in on a stock exchange, issued on a foreign market and denominated in national currency	IV B 3 (i)
Physical movements of the securities mentioned above	IV E in conjunction with IV C, D and IV B 3 (i)
Granting and repayment of long-term credits related to commercial transactions or to the provision of services in which a resident is participating	VII I A (iii) and B (iii)
Granting and repayment of medium and long-term credits related to commercial transactions or to the provision of services in which no resident is participating	VII 2 A (ii) and (iii) B (ii) and (iii)
Granting and repayment of medium and long-term loans and credits not related to commercial transactions or to the provision of services	VIII A (ii) and (iii) B (ii) and (iii)
Sureties, other guarantees and rights of pledge and transfers connected with them and relating to :	
long-term credits in respect of commercial transactions or provision of services in which a resident is participating	XII A and B in conjunction with VII I A (iii) B (iii)
medium and long-term credits in respect of commercial transactions or provision of services in which no resident is participating	XII A and B in conjunction with VII 2 A (ii) and (iii) B (ii) and (iii)
medium and long-term loans and credits not related to commercial transactions or to provision of services	XII A and B VIII A (ii) and (iii) B (ii) and (iii)
The use of the proceeds of liquidation of assets abroad belonging to residents must be permitted at least within the limits of the obligations as regard liberalization accepted by Member States.	

## LIST D

### Capital movements referred to in Article 4 of the Directive

	Items of nomenclature
Short-term investments in Treasury bills and other securities normally dealt in on the money market	VI
Opening and placing of funds on current or deposit accounts, repatriation or use of balances on current or deposit accounts with credit institutions	IX
Granting and repayment of short-term credits related to commercial transactions or to provision of services in which no resident is participating	VII 2 A (i) B (i)
Granting and repayment of short-term loans and credits not related to commercial transactions or to provisions of services	VIII A (i) B (i)
Personal capital movements	X A
loans	
Sureties, other guarantees and rights of pledge and transfers connected with them	
related to short-term credits in respect of commercial transactions or to provision of services in which no resident is participating	XII A and B in conjunction with VII 2 A (i) B (i)
related to short-term loans and credits not connected with commercial transactions or to provision of services	XII A and B in conjunction with VIII A (i) B (i)
related to private loans	XII A and B in conjunction with X A
Physical import and export of financial assets	XIII
Other capital movements : Miscellaneous	XIV F

## ANNEX II

### NOMENCLATURE OF CAPITAL MOVEMENTS

#### I. DIRECT INVESTMENTS <sup>1</sup>

##### A. *Direct investments on national territory by non-residents*<sup>1</sup>

1. Establishment and extension of branches of new undertakings belonging solely to the person providing the capital, and the acquisition in full of existing undertakings
2. Participation in new or existing undertakings with a view to establishing or maintaining lasting economic links

<sup>1</sup> See Explanatory Notes, p. 114.

3. Long-term loans with a view to establishing or maintaining lasting economic links
4. Reinvestment of profits with a view to maintaining lasting economic links

*B. Direct investments abroad by residents*<sup>1</sup>

1. Establishment and extension of branches or new undertakings belonging solely to the person providing the capital, and the acquisition in full of existing undertakings
2. Participation in new or existing undertakings with a view to establishing or maintaining lasting economic links
3. Long-term loans with a view to establishing or maintaining lasting economic links
4. Reinvestment of profits with a view to maintaining lasting economic links

## II. LIQUIDATION OF DIRECT INVESTMENTS

*A. Repatriation of the proceeds of the liquidation*<sup>1</sup> *of direct investments on national territory by non-residents*

1. Principal
2. Capital appreciation

*B. Use of the proceeds of liquidation of direct investments abroad by residents*

1. Principal
2. Capital appreciation

## III. ADMISSION OF SECURITIES TO THE CAPITAL MARKET

*A. Admission of securities of a domestic undertaking to a foreign capital market*

1. Introduction<sup>1</sup> on a foreign stock exchange
  - (a) of shares and other securities of a participating nature
  - (b) of bonds
    - (i) denominated in national currency
    - (ii) denominated in foreign currency
2. Issue and placing<sup>1</sup> on a foreign capital market
  - (a) of shares and other securities of a participating nature
  - (b) of bonds
    - (i) denominated in national currency
    - (ii) denominated in foreign currency

*B. Admission of securities of a foreign undertaking to a domestic capital market*

1. Introduction on a domestic stock exchange
  - (a) of shares and other securities of a participating nature

---

<sup>1</sup> See Explanatory Notes, p. 114.

- (b) of bonds
  - (i) denominated in national currency
  - (ii) denominated in foreign currency
- 2. Issue and placing on a domestic capital market
  - (a) of shares and other securities of a participating nature
  - (b) of bonds
    - (i) denominated in national currency
    - (ii) denominated in foreign currency

*C. Admission of domestic securities of the public sector to a foreign capital market pursuant to Article 68 (3) of the Treaty*

- 1. Introduction of securities on a foreign stock exchange
  - (a) denominated in national currency
  - (b) denominated in foreign currency
- 2. Issue and placing of securities on a foreign capital market
  - (a) denominated in national currency
  - (b) denominated in foreign currency

*D. Admission of foreign securities of the public sector to a domestic capital market pursuant to Article 68 (3) of the Treaty*

- 1. Introduction of securities on a domestic stock exchange
  - (a) denominated in national currency
  - (b) denominated in foreign currency
- 2. Issue and placing of securities on a domestic capital market
  - (a) denominated in national currency
  - (b) denominated in foreign currency

**IV. OPERATIONS IN SECURITIES<sup>1</sup> (not included under I, II and III)**

*A. Acquisition by non-residents of domestic securities<sup>1</sup> dealt in on a stock exchange<sup>1</sup> and repatriation of the proceeds of liquidation thereof*

- (a) quoted<sup>1</sup>
- (b) unquoted<sup>1</sup>
- 1. Acquisition of shares<sup>1</sup> and other securities of a participating nature
- 2. Repatriation of the proceeds of liquidation of shares and other securities of a participating nature
- 3. Acquisition of bonds<sup>1</sup>
  - (i) denominated in national currency
  - (ii) denominated in foreign currency
- 4. Repatriation of the proceeds of liquidation of bonds.

---

<sup>1</sup> See Explanatory Notes, p. 114.

*B. Acquisition by residents of foreign securities<sup>1</sup> dealt in on a stock exchange and use of the proceeds of liquidation thereof*

(a) quoted

(b) unquoted

1. Acquisition of shares and other securities of a participating nature
2. Use of the proceeds of liquidation of shares and other securities of a participating nature
3. Acquisition of bonds
  - (i) denominated in national currency
  - (ii) denominated in foreign currency
4. Use of the proceeds of liquidation of bonds

*C. Acquisition by non-residents of domestic securities not dealt in on a stock exchange and repatriation of the proceeds of liquidation thereof*

1. Acquisition of shares and other securities of a participating nature
2. Repatriation of the proceeds of liquidation of shares and other securities of a participating nature
3. Acquisition of bonds
  - (i) denominated in national currency
  - (ii) denominated in foreign currency
4. Repatriation of the proceeds of liquidation of bonds

*D. Acquisition by residents of foreign securities not dealt in on a stock exchange and use of the proceeds of liquidation thereof*

1. Acquisition of shares and other securities of a participating nature
2. Use of the proceeds of liquidation of shares and other securities of a participating nature
3. Acquisition of bonds
  - (i) denominated in national currency
  - (ii) denominated in foreign currency
4. Use of the proceeds of liquidation of bonds

*E. Physical movements of securities*

1. Belonging to non-residents
  - (a) import
  - (b) export
2. Belonging to residents
  - (a) import
  - (b) export

---

<sup>1</sup> See Explanatory Notes, p. 114.

V. INVESTMENTS IN REAL ESTATE <sup>1</sup> (not included under I and II)

A. *Investments in real estate on national territory by non-residents and repatriation of the proceeds of liquidation thereof*

1. Acquisition of real estate
2. Repatriation of the proceeds of liquidation of real estate

B. *Investments in real estate abroad by residents and use of the proceeds of liquidation thereof*

1. Acquisition of real estate
2. Use of the proceeds of liquidation of real estate

VI. SHORT-TERM INVESTMENTS IN TREASURY BILLS AND OTHER SECURITIES NORMALLY DEALT IN ON THE MONEY MARKET

1. Denominated in national currency
2. Denominated in foreign currency

A. *Short-term investments by non-residents on a domestic money market and repatriation of the proceeds of liquidation thereof*

- |  |   |                      |
|--|---|----------------------|
| (a) by natural persons <sup>1</sup>        | } | other than financial |
| (b) by legal persons <sup>1</sup>          |   | institutions         |
| (c) by financial institutions <sup>1</sup> |   |                      |

B. *Short-term investments by residents on a foreign money market and use of the proceeds of liquidation thereof*

- |  |   |                      |
|--|---|----------------------|
| (a) by natural persons <sup>1</sup>        | } | other than financial |
| (b) by legal persons <sup>1</sup>          |   | institutions         |
| (c) by financial institutions <sup>1</sup> |   |                      |

VII. GRANTING AND REPAYMENT OF CREDITS RELATED TO COMMERCIAL TRANSACTIONS OR TO PROVISION OF SERVICES

1. In which a resident is participating
2. In which no resident is participating

A. *Credits granted by non-residents to residents :*

- (i) short-term (less than one year)
  - (ii) medium-term (from one to five years)
  - (iii) long term (five years or more)
- |                               |   |                      |
|-------------------------------|---|----------------------|
| (a) by natural persons        | } | other than financial |
| (b) by legal persons          |   | institutions         |
| (c) by financial institutions |   |                      |

---

<sup>1</sup> See Explanatory Notes, p. 114.

**B. Credits granted by residents to non-residents:**

- (i) short-term (less than one year)
- (ii) medium-term (from one to five years)
- (iii) long-term (five years or more)
- (a) by natural persons            } other than financial
- (b) by legal persons             } institutions
- (c) by financial institutions

**VIII. GRANTING AND REPAYMENT OF LOANS AND CREDITS NOT RELATED TO COMMERCIAL TRANSACTIONS OR TO PROVISIONS OF SERVICES (not included under I and X)**

**A. Loans and credits granted by non-residents to residents :**

- (i) short-term (less than one year)
- (ii) medium-term (from one to five years)
- (iii) long-term (five-years or more)
- (a) by natural persons            } other than financial
- (b) by legal persons             } institutions
- (c) by financial institutions

**B. Loans and credits granted by residents to non-residents:**

- (i) short-term (less than one year)
- (ii) medium-term (from one to five years)
- (iii) long-term (five years or more)
- (a) by natural persons            } other than financial
- (b) by legal persons             } institutions
- (c) by financial institutions

**IX. OPENING AND PLACING OF FUNDS ON CURRENT AND DEPOSIT ACCOUNTS, REPATRIATION OR USE OF BALANCES ON CURRENT OR DEPOSIT ACCOUNTS WITH CREDIT INSTITUTIONS <sup>1</sup>**

**A. By non-residents with domestic credit institutions**

- 1. Accounts and balances in national currency
- 2. Accounts and balances in foreign currency
- (a) by natural persons            } other than financial
- (b) by legal persons             } institutions
- (c) by financial institutions

**B. By residents with foreign credit institutions**

- 1. Accounts and balances in national currency

---

<sup>1</sup> See Explanatory Notes, p. 114.

2. Accounts and balances in foreign currency
    - (a) by natural persons
    - (b) by legal persons
    - (c) by financial institutions
- } other than financial  
} institutions

## X. PERSONAL CAPITAL MOVEMENTS (not covered by the other sections)

### A. *Loans*

1. Loans granted by non-residents to residents
2. Loans granted by residents to non-residents

### B. *Gifts and endowments*

### C. *Dowries*

### D. *Inheritances*

### E. *Settlement of debts in their country of origin by immigrants*

### F. *Transfers of capital belonging to residents who emigrate and are :*

1. Nationals of the country in question
2. Nationals of other countries

### G. *Transfers of capital belonging to emigrants returning to their country of origin*

### H. *Transfers of workers' savings during their period of stay*

### I. *Transfers by instalment of blocked funds belonging to non-residents by the holders of such funds in case of special hardship*

### L. *Annual transfers of blocked funds to another Member State by a non-resident account-holder, up to an amount or a percentage of the total assets, fixed uniformly by the Member State concerned for all applicants*

### M. *Transfers of minor amounts abroad*

## XI. TRANSFERS IN PERFORMANCE OF INSURANCE CONTRACTS

### A. *Premiums and payments in respect of life assurance*

1. Contracts concluded between domestic life assurance companies and non-residents
2. Contracts concluded between foreign life assurance companies and residents

### B. *Premiums and payments in respect of credit insurance*

1. Contracts concluded between domestic credit insurance companies and non-residents
2. Contracts concluded between foreign credit insurance companies and residents

### C. *Other transfers of capital in respect of insurance contracts*

## XII. SURETIES, OTHER GUARANTEES AND RIGHTS OF PLEDGE AND TRANSFERS RELATING TO THEM

A. *Granted by non-residents to residents*

B. *Granted by residents to non-residents*

## XIII. IMPORT AND EXPORT OF FINANCIAL ASSETS

A. *Securities (not included under IV) and means of payment of every kind*

B. *Gold*

## XIV. OTHER CAPITAL MOVEMENTS

A. *Death duties*

B. *Damages (where these can be considered as capital)*

C. *Refunds in the case of cancellation of contracts and refunds of uncalled-for payments (where these can be considered as capital)*

D. *Authors' royalties*

Patents, designs, trade marks and inventions  
(assignments and transfers arising out of such assignments)

E. *Transfers of the moneys required for the provision of services (not included under IX)*

F. *Miscellaneous*

## EXPLANATORY NOTES

For the purposes of this Nomenclature, the following expressions have the meanings assigned to them respectively :

### *Direct investments*

Investments of all kinds by natural persons or commercial, industrial or financial undertakings, and which serve to establish or to maintain lasting and direct links between the person providing the capital and the entrepreneur to whom or the undertaking to which the capital is made available in order to carry on an economic activity. This concept must therefore be understood in its widest sense.

The undertakings mentioned under 1 include legally independent undertakings (wholly-owned subsidiaries) and branches.

As regards those undertakings mentioned under 2 which have the status of companies limited by shares, there is participation in the nature of direct investment where the block of shares held by a natural person or another undertaking or any other holder enables the shareholder, either pursuant to the provisions of national laws relating to companies limited by shares or otherwise, to participate effectively in the management of the company or in its control.

Long-term loans of a participating nature, mentioned under 3, mean loans for a period of more than five years which are made for the purpose of establishing or maintaining lasting economic links. The main examples which may be cited are loans granted by a company to its subsidiaries or to companies in which it has a share, and loans linked with a profit-sharing arrangement. Loans granted by financial institutions with a view to establishing or maintaining lasting economic links are also included under this heading.

*Residents or non-residents*

Natural and legal persons according to the definitions laid down in the exchange control regulations in force in each Member State.

*Proceeds of liquidation (of investments, securities, etc.)*

Proceeds of sale, amount of repayments, proceeds of execution of judgments, etc.

*Introduction on a stock exchange*

The admission of securities — in accordance with a specified procedure — to dealings on a stock exchange, whether controlled officially or unofficially, and their admission to public sale.

*Securities dealt in on a stock exchange (quoted or unquoted)*

Securities the dealings in which are controlled by regulations, the prices for which are regularly published, either by official stock exchanges (quoted securities) or by other bodies attached to a stock exchange — e.g. committees of banks (unquoted securities).

*Placing of securities*

The direct sale of securities by the issuer, or sale thereof by the consortium which the issuer has instructed to sell them.

*Operations in securities*

Any dealings in securities, including the initial sale of units by unit trusts.

*Domestic or foreign securities*

Securities according to the country in which the issuer has his principal place of business.

*Shares*

Include rights to subscribe for new issues of shares.

*Bonds (under IV of the Nomenclature)*

Bonds issued by public or private bodies.

*Investments in real estate*

Purchases of buildings and land and the construction of buildings by private persons for gain or personal use. This category does not include loans secured by mortgages but it does include rights of usufruct, easements and building rights.

*Natural or legal persons*

As defined by the national rules.

*Financial institutions*

Banks, savings banks and institutions specializing in the provision of short, medium and long-term credit, and insurance companies, building societies, investment companies and other institutions of like character.

*Credit institutions*

Banks, savings banks and institutions specializing in the provision of short, medium and long-term credit.

**COUNCIL DIRECTIVE**

**of 21 March 1972**

**on regulating international capital flows and neutralizing their undesirable effects on domestic liquidity**

**(72/156/EEC)**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 70 and 103 thereof;

Having regard to the proposal from the Commission;

Whereas exceptionally large capital movements have caused serious disturbances in the monetary situation and in economic trends in Member States; whereas these disturbances may hinder the establishment by stages of an economic and monetary union; whereas the Council, in its resolution of 9 May 1971, agreed to discuss before 1 July 1971 the adoption of appropriate measures to deal with this situation;

Whereas, so that contingencies of comparable character and magnitude do not recur, the Member States should supplement the instruments that are available for regulating domestic liquidity;

Whereas to this end it is imperative that Member States adopt measures immediately in order to have available, should occasion arise, the appropriate instruments for purpose of discouraging exceptionally large capital movements, in particular to and from third countries, and of neutralizing their effects on the domestic monetary situation, thereby creating the conditions required for concerted action on the part of the Member States in those fields in order to ensure smooth trading conditions within the Community and the achievement of economic and monetary union;

Whereas exceptionally large capital movements can produce serious stresses on the exchange markets of the Member States, the smooth operation of which constitutes the object of the policy with regard to rates of exchange which each Member State must, by virtue of Article 107 (1), treat as a matter of common concern;

Whereas, in order to ensure the efficacy of the measures to be taken to prevent exceptionally large capital movements, the regulation of loans and credits not related to commercial transactions or to provision of services and granted by non-residents to residents must be extended to medium and long-term loans and credits; whereas for this purpose a derogation from Article 3 (1) of the First Directive for the implementation of Article 67 of the Treaty, as amended by the Directive of 18 December 1962, should be permitted;

HAS ADOPTED THIS DIRECTIVE :

*Article 1*

The Member States shall take all necessary steps to ensure that the monetary authorities have available the following instruments and are able, where necessary, to put them into operation immediately without further enabling measures:

- (a) for effective regulation of international capital flows :
  - (i) rules governing investment on the money market and payment of interest on deposits by non-residents;
  - (ii) regulation of loans and credits which are not related to commercial transactions or to provision of services and are granted by non-residents to residents, if need be by derogating from Article 3 (1) of the First Directive for the implementation of Article 67 of the Treaty;
- (b) for the neutralization of those effects produced by international capital flows on domestic liquidity which are considered undesirable :
  - (i) regulation of the net external position of credit institutions,
  - (ii) fixing minimum reserve ratios, in particular for the holdings of non-residents.

*Article 2*

1. The Member States shall forthwith adopt the necessary measures to comply with this Directive.
2. Each Member State shall, where necessary, and taking account of the interests of the other Member States, apply all or some of the instruments mentioned in Article 1. To this end the Commission, in cooperation with the Monetary Committee and the Committee of Governors of Central Banks, shall ensure close coordination between the competent authorities of the Member States.
3. The Commission, after consulting the Monetary Committee and the Committee of Governors of Central Banks, shall keep the Council informed of the situation and its development.

*Article 3*

This directive is addressed to the Member States.

Done at Brussels, 21 March 1972.

*For the Council*  
*The President*  
**G. THORN**

**COUNCIL DIRECTIVE**

**of 28 June 1973**

**on the abolition of restrictions on freedom of establishment and freedom to provide services in respect of self-employed activities of banks and other financial institutions**

**(73/183/EEC)**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 54 (2) and (3), Article 61 (2) and Article 63 (2) and (3) thereof;

Having regard to the General Programme for the abolition of restrictions on freedom of establishment, and in particular Title IV A thereof;

Having regard to the General Programme for the abolition of restrictions on freedom to provide services, and in particular Title V C 2 (b) thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Economic and Social Committee;

Having regard to the Opinion of the Monetary Committee;

Whereas, as regards banks and other financial institutions, the General Programmes provide for the abolition, before the end of the second year of the second stage, of restrictions on freedom of establishment and freedom to provide services not linked with capital movements and the abolition, at the same rate as the liberalization of capital movements, of restrictions on banking services linked with such capital movements;

Whereas as regards services linked with capital movements, a series of closely specified activities should be liberalized in a initial stage, having regard to the Opinion of the Monetary Committee; whereas the list of such activities will be supplemented, particularly on the basis of progress in liberalizing capital movements;

Whereas the provider of a service may, in order to provide his service, temporarily pursue his activity in the country in which the service is supplied under the same conditions as those applied by that country to its own nationals;

Whereas the activities of brokers pose particular problems because of the rules governing the taking-up and pursuit of such activity in the various countries; whereas the liberalization of this activity should be the subject of a future Directive;

Whereas the activities of self-employed intermediaries in the sector of banks and other financial institutions is not covered by the Council Directive of 25 February 1964 relating to the achievement of freedom of establishment and the freedom to provide services in respect of the activities of intermediaries in commerce, industry and small craft industries; whereas such activities should therefore be included in this Directive;

Whereas, however, in the present state of the various bodies of legislation, the activities of intermediaries moving to another Member State in order to provide services there would pose problems difficult to resolve; whereas there should therefore be a further Directive on the liberalization of the provision of services by such intermediaries;

Whereas, pending coordination, this Directive does not alter the provisions of the Member States laid down by law, regulation or administrative action which, applicable without condition as to nationality, forbid natural persons and companies or firms constituted in certain forms to pursue any one of the activities covered by this Directive;

Whereas the General Programme for the abolition of restrictions on freedom of establishment provides that restrictions on the right to join professional or trade organizations must be abolished where the professional activities of the person concerned necessarily involve the exercise of this right;

Whereas, although the provisions laid down by law, regulation or administrative action relating to the taking-up and pursuit of the activities covered by this Directive should be coordinated as soon as possible, restrictions can be abolished without prior or simultaneous reference to this coordination;

Whereas it should be guaranteed that there is joint examination of the problems which will face the authorities responsible in the Community and the Member States for implementing banking regulations, concerning supervision of the activities covered by this Directive and to this end close cooperation should be established between the Commission and the Member States end among the latter;

Whereas measures that a Member State might take in order to implement joint decisions taken in the framework of monetary cooperation between the Member States do not constitute restrictions within the meaning of this Directive;

HAS ADOPTED THIS DIRECTIVE :

#### *Article 1*

Member States shall abolish, in respect of the natural persons and companies or firms covered by Title I of the General Programmes for the abolition of restrictions on freedom of establishment and freedom to provide services (hereinafter called 'beneficiaries'), the restrictions referred to in Title III of those General Programmes affecting the right to take up and pursue the activities specified in Article 2 of this Directive.

As regards the provision of services linked with capital movements, this Directive shall only apply to the services listed in Annex I excluding those provided by the managers and trustees of unit trusts.

The following services connected with securities and involving the transfer of the provider of the service to the country of the beneficiary shall not be liberalized:

- (a) receipt of orders to buy or to sell,
- (b) participation as intermediary in transfers outside the market and the recording of such transfers,
- (c) information or advice given following a public offer,
- (d) payment of coupons.

#### *Article 2*

The Directive shall apply to activities of self-employed persons falling within Group 620 of Annex I of the General Programme for the abolition of restrictions on freedom of establishment, as set out in Annex II to this Directive, except for the activity of brokers (Category 4 of Annex II).

This Directive shall not apply to the provision of services, in connection with banks and other financial institutions, by self-employed intermediaries who move to a Member State other than that in which they are established.

### Article 3

1. Member States shall in particular abolish the following restrictions;
  - (a) those which prevent beneficiaries from establishing themselves or from providing services in the host country under the same conditions and with the same rights as nationals of that country;
  - (b) those existing by reason of administrative practices which result in treatment being applied to beneficiaries that is discriminatory by comparison with that applied to nationals.
2. The restrictions to be abolished shall include in particular those arising out of measures which prohibit or limit establishment or the provision of services by beneficiaries by the following means:
  - (a) *in Belgium:*
    - (i) the obligation imposed by Article 10 of arrêté royale No 185 of 9 July 1935 for foreign banks belonging to private individuals or constituted in the form of a partnership to operate in Belgium with a capital of at least 10 million francs required for Belgian banks of the same type is only 2 million francs,
    - (ii) the reciprocity requirement referred to in Article 8 of the provisions for the control of private savings banks, coordinated by the Law of 23 June 1967, and in Article 8 of arrêté royale No 43 of 15 December 1934, as regards private savings banks and financing companies respectively, and in Articles 38 and 44 of arrêté royale No 225 of 7 January 1936 as regards mortgage undertakings;
  - (b) *in Denmark:*
    - (i) necessity for a special authorization for foreign banks stipulated by Law No 122 of 15 April 1930, amended by Laws No 163 of 13 April 1938 and No 134 of 29 May 1956,
    - (ii) the nationality requirement demanded of members of the board of directors and managers of banks and branches located in Denmark, by Article 8 (2) of the abovementioned Law,
    - (iii) the nationality requirement demanded of members of the supervisory board, by Article 8 (3) of the abovementioned Law,
    - (iv) the nationality requirement demanded of the supervisory board and managers of savings banks and branch savings banks by Article 7 (6) of Law No 159 of 18 May 1937, in conjunction with Law No 327 of 3 July 1950, which were amended by Article 18 of Law No 286 of 18 June 1951, and by Law No 343 of 23 December 1959;
  - (c) *in France:*
    - (i) the obligation to hold a carte d'identité de commerçant pour les étrangers, imposed by the décret-loi of 12 November 1938 and the décret of 2 February 1939, as amended by the Law of 8 October 1940,
    - (ii) the nationality requirement for persons who carry out banking operations, direct, administer or manage a company or firm or an agency for a company or firm which carries out these operations, who sign, on behalf of a bank, with power of attorney, the papers relating to the said operations, laid down by Article 7 of the Law of 13 June 1941, as amended by Article 49 of Law No 51-592 of 24 May 1951, and by Article 2 of the décret of 28 May 1946,
    - (iii) the nationality requirement laid down for the undertakings referred to in Articles 1 and 2 of the Law of 14 June 1941 by Articles 7 and 11 of the same Law which refer to the requirements laid down in banking matters,
    - (iv) the nationality requirement laid down for auxiliaries of the banking professions, referred to in Article 13 of the Law of 14 June 1941, as amended by the ordonnance of 16 October 1958,

- (v) the nationality requirement laid down for démarcheurs en valeurs mobilières by Article 8 of the Law No 72-6, 3 January 1972,
- (vi) the nationality requirement laid down for auxiliaries of the stock market professions referred to in Article 5 of Law No 72-1128 of 21 December 1972,
- (vii) the nationality requirement laid down by Article 11 of ordonnance No 45-2710 of 2 November 1945 for the Chairman of the Board of Directors, the Managing Director and at least two-thirds of the board of any investment company,
- (viii) the registration of foreign banks on a special list, referred to in Article 15 of the Law of 13 June 1941;

(d) *in Ireland* :

- (i) the requirement to be constituted in Ireland for any company which requests approval for access to banking activity and stipulated by the instructions of the Central Bank in the setting of the powers conferred upon it by Article 9 of Law No 24 of 28 July 1971, and published in the autumn 1972 number of the 'Quarterly Bulletin' of the said Bank,
- (ii) the nationality requirement laid down for the majority of the members to the board of directors, stipulated by the same instructions as above,
- (iii) the nationality requirement and, for companies, the requirement that they be constituted in Ireland, imposed on those who intend to exercise a professional activity as a loan enterprise, by Article 6 (3) of Law No 36 of 2 October 1933,
- (iv) the obligation to be constituted in Ireland required of any company which intends to exercise the activity of manager and trustee of a unit trust, stipulated by Article 3 (1) (b) and (c) of Law No 23 of 18 July 1972;

(c) *in Italy*:

- (i) the reciprocity requirement, referred to in Article 2 of regio decreto No 1620 of 4 September 1919 concerning banks, and the discriminatory requirements regarding foreigners, which are imposed individually by ministerial decree when the said Article is implemented;

(f) *in the Grand Duchy of Luxembourg*:

- (i) the limited duration of authorization granted to foreigners, laid down in Article 21 of the Law of 2 June 1962;

(g) *in the Netherlands*:

- (i) the nationality requirement for members of the 'Vereniging voor den Effectenhandel te Amsterdam', the 'Vereniging van Effectenhandelaren te Rotterdam' and the 'Bond voor de Geld- en Effectenhandel in de Provincie te 's-Gravenhage' laid down by their statutes, approved by the Ministerial authorities;

(h) *in the United Kingdom*:

- (i) the obligation to be constituted in the United Kingdom imposed on any company which intends to exercise the activity of manager and trustee of a unit trust, stipulated by Article 17 (1) (a), of Title 45 of the Law of 23 July 1958, known as the 'Prevention of Fraud (Investments) Act', and by Article 15 (1) (a), of Title 9 of the Law of 28 May 1940, known as the 'Prevention of Fraud (Investments) Act (Northern Ireland)'.

*Article 4*

1. Member States shall ensure that beneficiaries have the right to join professional or trade organizations under the same conditions and with the same rights and obligations as their own nationals.

2. The right to join professional or trade organizations shall, in the case of establishment, entail eligibility for election or appointment to high office in such organizations. However, such posts may be reserved for nationals where, in pursuance of any provision laid down by law or regulation, the organization concerned is involved in the exercise of official authority.

3. In the Grand Duchy of Luxembourg, membership of the *Chambre de Commerce* shall not give beneficiaries the right to take part in the election of the administrative organs of that Chamber.

#### *Article 5*

1. Where a Member State requires of its own nationals, who wish to pursue one of the activities referred to in Article 2, either an extract from the 'judicial records' or the production of a specific document, it shall accept, in respect of nationals of other Member States, the production of the document required for the same purpose in the Member State of origin or the State from which the foreign national comes or, failing this, an equivalent document issued by a competent judicial or administrative authority in the State of origin or in the State from which the foreign national comes.

2. Where a Member State takes other information into account in respect of its own nationals, account may also be taken of facts other than those which may appear in the documents referred to in paragraph 1 if they can be substantiated and if they show that the person concerned does not fulfil all the requirements as to good repute necessary in order to pursue his activity.

Member States shall accord to certificates issued by the competent judicial or administrative authorities of the country of origin or country from which the foreign national comes and relating to the existence or non-existence of certain facts the same recognition as they accord to certificates issued by their own authorities.

3. Where a Member State requires of its own nationals wishing to take up or pursue any activity referred to in Article 2 proof of no previous bankruptcy, that State shall accept, in respect of nationals of other Member States, the production of the certificate usually issued for this purpose by the authorities of the Member State of origin or country from which the foreign national comes.

4. Where the country of origin or the country from which the foreign national comes does not issue one of the documents referred to in paragraphs 1 and 3, such proof may be replaced by a declaration on oath — or, in States where there is no provision for declaration on oath, by a solemn declaration — made by the person concerned before a competent judicial or administrative authority, or, where appropriate, a notary, in the country from which the person comes; such authority or notary will issue a certificate attesting the authority of the declaration on oath or solemn declaration. A declaration in respect of no previous bankruptcy may also be made before a competent professional or trade body in the said country.

5. Documents issued in accordance with paragraphs 1, 2 and 3 may not be produced more than three months after their date of issue.

6. Member States shall, within the time limit laid down in Article 8, designate the authorities and bodies competent to issue these documents and shall forthwith inform the other Member States and the Commission thereof.

#### *Article 6*

Pending coordination of the provisions laid down by law, regulation or administrative action relating to legal protection of the title 'bank', 'banker', 'savings bank' or any other equivalent term, unestablished foreign undertakings may provide services under names including such words provided such names are their original ones and that such undertakings leave no doubt as to their status under the national law to which they are subject.

To this end, Member States may require prior registration on a special list of unestablished foreign providers of services. Such registration may be subject to production of a certificate issued by the authority of the country of origin specifying the status of the undertaking in question under the national legislation applicable.

For public information, the competent authority may publish the list and require foreign providers of services to inform their clients of their legal status and the chief characteristics of and facts about their activity and their financial position.

#### *Article 7*

The Commission and the representatives of the authorities responsible in the Member States for the supervision of banks and other financial institutions shall meet regularly so that they may facilitate, for the purpose of implementing the Directive, the solution of problems which the authorities might face regarding supervision of the activities covered by this Directive, and shall ensure all appropriate cooperation among themselves within the limits of their respective powers.

#### *Article 8*

Member States shall adopt the measures necessary to comply with this Directive within 18 months of its notification and shall forthwith inform the Commission thereof.

However, as regards the abolition of the restriction referred to in Article 3 (2) (g), the Netherlands shall be allowed a period of four years as from the date of the said notification.

#### *Article 9*

This Directive is addressed to the Member States.

Done at Luxembourg, 28 June 1973.

*For the Council*  
*The President*  
W. DE CLERCQ

## **VI**

### **ECU and European Unit of Account**

**COUNCIL DECISION**

**of 21 April 1975**

**on the definition and conversion of the European Unit of Account used for  
expressing the amounts of aid mentioned in Article 42 of the ACP-EEC Convention of Lomé**

**(75/250/EEC)**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the recommendation of the Commission;

Having regard to the report of the Monetary Committee;

Whereas at the signing of the ACP-EEC Convention of Lomé on 28 February 1975, the Community declared that the Council would have to define the European unit of account to be used for expressing the amounts of aid mentioned in Article 42 of the said convention;

Whereas the unit of account has been established on the basis of an initial value equivalent to the value fixed by the International Monetary Fund on 28 June 1974 for the special drawing right;

Whereas the unit of account should represent the average of any changes in the value of the currencies of the Member States of the Community.

HEREBY DECIDES :

*Article 1*

The amounts of aid mentioned in Article 42 of the ACP-EEC Convention of Lomé shall be expressed in a unit of account, defined as the sum of the following amounts in the currencies of the Member States of the Community:

German mark	0.828
Pound sterling	0.0885
French franc	1.15
Italian lira	109
Dutch guilder	0.286
Belgian franc	3.66
Luxembourg franc	0.14
Danish krone	0.217
Irish pound	0.00759

*Article 2*

The value of the unit of account in any given currency shall be equal to the sum of the equivalent in that currency of the amounts of currency referred to in Article 1. It shall be calculated by the Commission using daily market exchange rates.

The daily values of the unit of account in the various national currency shall be made available every day and shall be published periodically in the *Official Journal of the European Communities*.

Done at Luxembourg, 21 April 1975.

*For the Council*  
*The President*  
R. RYAN

**DECISION No 3289/75/ECSC OF THE COMMISSION**

**of 18 December 1975**

**on the definition and conversion of the unit of account to be used in decisions, recommendations, opinions and communications for the purposes of the Treaty establishing the European Coal and Steel Community**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Coal and Steel Community, and in particular Articles 8, 14, 26, 50, 54, 55 and 56 thereof;

Whereas, in its report of 4 March 1975, the Monetary Committee took the view that a unit of account based on a basket of Community currencies would best suit the requirements of the Community in general;

Whereas any reference to gold in the definition of the value of currencies and consequently of units of account is now irrelevant in view of developments in the international monetary system; whereas Commission Decision No 3541/73/ECSC must therefore be replaced by a decision defining a new unit of account which eliminates the distortions in the present system;

Whereas, in its Decision No 75/250/EEC, the Council has already adopted such a unit of account for expressing the amounts of aid referred to in Article 42 of the ACP-EEC Lomé Convention; whereas the same definition should be adopted for the purposes of the ECSC Treaty;

Whereas the unit of account should represent an average value of the variations in the currencies of the Member States of the Community;

Whereas the Commission Decisions in which reference has been made to the unit of account comprise Decisions taken after consultation with, or with the assent, or the unanimous assent, of the Council;

With the unanimous assent of the Council,

HAS ADOPTED THIS DECISION :

*Article 1*

The unit of account to be used in decisions, recommendations, opinions and communications for the purposes of the Treaty establishing the European Coal and Steel Community shall be the European unit of account 'EUA', defined as the sum of the following amounts of the currencies of the Member States of the Community:

German mark	0.828
Pound sterling	0.0885
French franc	1.15
Italian lira	109

Dutch guilder	0.286
Belgian franc	3.66
Luxembourg franc	0.14
Danish krone	0.217
Irish pound	0.00759

#### *Article 2*

The value of the unit of account in any given currency shall be equal to the sum of the equivalent in that currency of the amounts of currency referred to in Article 1. It shall be calculated by the Commission using the daily market exchange rates.

The rates of conversion into the various national currencies shall be made available every day; they shall be published daily in the 'Information and Notices' section of the *Official Journal of the European Communities*.

#### *Article 3*

The amounts of levies shall be expressed in EUA and paid in their equivalent in national currencies at the conversion rate obtaining on the day prior to the day of payment.

However, during a transitional period which shall expire on 31 December 1976, this conversion rate shall, for each payment made from the fifteenth of a given month to the fourteenth of the following month, be the rate obtaining on the last working day of the month preceding this period.

#### *Article 4*

Commitments to be charged to the operating budget of the ECSC shall be denominated in EUA and the corresponding expenditure paid in national currencies at the rate obtaining on the day. In the case of contracts relating to financial aid based on Article 55 of the Treaty, the statements of expenditure submitted to the Commission by the recipients of the aid shall be drawn up in EUA at the conversion rates obtaining on the day on which each item of expenditure is paid. However, if the recipient encounters difficulties in applying this system of statements of expenditure; the Commission may make provision in the contract for the conversion into EUA of the amounts of expenditure shown in each statement at the rate obtaining on the last day of the half-year to which the statement pertains.

The special fund provided for in Decision No 73/287/ ECSC on aids granted for the sale of coking coal and coke to the Community iron and steel industry shall be established in EUA and the contributions towards its financing shall be paid in national currencies at the rate obtaining for levies paid at the same date.

#### *Article 5*

The rights and obligations determined in units of account but which before 1 January 1976 were converted by the Commission into national currencies on the basis of the rates in force at the time of their inception shall continue to be managed on the same basis.

#### *Article 6*

This Decision shall not apply to the measures for balancing imports of scrap and material treated as such covered by Decision No 21/60/ECSC of 20 July 1960.

*Article 7*

This Decision shall enter into force on 1 January 1976 and shall replace, from that date, Commission Decision No 3541/73/ECSC.

This Decision shall also apply for the calculation of the average values used in calculating levies for 1976 and 1977.

On 31 December 1975 the balance sheet drawn up under Decisions No 3541/73/ECSC, No 3542/73/ECSC and No 3328/74/ECSC shall be presented in EUA.

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

Done at Brussels, 18 December 1975.

*For the Commission*  
*Vice-President*  
Wilhelm HAFERKAMP

**Extracts from the  
FINANCIAL REGULATION  
of 21 December 1977  
applicable to the general budget of the European Communities**

Whereas the definition of the unit of account and the methods applicable for making conversions between the unit of account and the currencies of the Member States, embodied in the text of Article 10 of the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities, are no longer appropriate to the current international monetary situation; whereas in its report of 4 March 1975 the Monetary Committee took the view that a unit of account based on a basket of Community currencies would be best suited to the requirements of the Community in general;

Whereas, by Decision 75/250/EEC, the Council has already adopted such a unit of account to express the amounts of aid mentioned in Article 42 of the ACP-EEC Convention of Lomé; whereas, by Decision No 3289/75/ECSC, the Commission adopted the same unit of account for the implementation of the ECSC Treaty; whereas the same definition should be adopted for the purposes of implementing the EEC and Euratom Treaties;

*Article 10*

1. The budget shall be drawn up in European units of account (EUA).

The European unit of account shall be expressed as the sum of the following amounts of the currencies of the Member States of the European Communities:

German mark	0.828
Pound sterling	0.0885
French franc	1.15
Italian lira	109
Dutch guilder	0.286
Belgian franc	3.66
Luxembourg franc	0.14
Danish krone	0.217
Irish pound	0.00759

2. The value of the European unit of account in a national currency shall be equal to the sum of the equivalents in that currency of the amounts of the currencies set out in paragraph 1. It shall be determined by the Commission on the basis of the exchange rates recorded each day on the exchange markets.

The daily rates for conversion into the various national currencies shall be available each day: they shall be published in the *Official Journal of the European Communities*.

3. Any operations involving conversion of the European unit of account into a national currency shall, where appropriate, be effected on the basis of the exchange rate applicable on that day, without prejudice to the special provisions of Article 108 (7).

**COUNCIL REGULATION (EEC) No 3180/78**

**of 18 December 1978**

**changing the value of the unit of account used by the European Monetary  
Cooperation Fund**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community;

Having regard to Council Regulation (EEC) No 907/73 of 3 April 1973 establishing a European Monetary Cooperation Fund, and in particular the last paragraph of Article 5 of the Statutes of the Fund;

Having regard to the proposal from the Commission;

Having regard to the opinion of the Monetary Committee;

Having regard to the opinion of the Board of Governors of the European Monetary Cooperation Fund;

Whereas Regulation (EEC) No 907/73, in Article 5 of the Statutes of the Fund, requires the latter's operations in the currencies of the Member States to be expressed in a European monetary unit of account of a value of 0.88867088 gram of fine gold;

Whereas this definition no longer conforms with the rules in force in the international monetary system;

Whereas, apart from cases in which the value of the European monetary unit of account is changed automatically, the last paragraph of the said Article 5 provides that any other changes shall be decided on by the Council, acting unanimously on a proposal from the Commission, after consulting the Monetary Committee and the Board of Governors of the Fund;

Whereas the establishment of a new European monetary system, which was the subject of the resolution of the European Council meeting in Brussels on 4 and 5 December 1978, provides for the use of an 'ECU' defined as a basket of Member States' currencies,

HAS ADOPTED THIS REGULATION :

*Article 1*

With effect from 1 January 1979, the Fund's operations shall be expressed in a unit of account known as the ECU which is defined as the sum of the following amounts of the currencies of the Member States:

German mark	0.828
Pound sterling	0.0885
French franc	1.15
Italian lira	109

Dutch guilder	0.286
Belgian franc	3.66
Luxembourg franc	0.14
Danish krone	0.217
Irish pound	0.00759

*Article 2*

The Council, acting unanimously on a proposal from the Commission after consulting the Monetary Committee and the Board of Governors of the Fund, shall determine the conditions under which the composition of the ECU may be changed.

*Article 3*

This Regulation shall enter into force on 1 January 1979.

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

Done at Brussels, 18 December 1978.

*For the Council*  
*The President*  
H. MATTHÖFER

## **VII**

### **Agricultural unit of account**

## REGULATION No 129 OF THE COUNCIL <sup>1</sup>

on the value of the unit of account and the exchange rates to be applied for the purposes  
of the common agricultural policy

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 43 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Monetary Committee;

Whereas sums should be expressed in a standard unit of account in a number of instruments on the common agricultural policy; whereas the unit of account to be used should be that already applied within the Community under Article 18 of the Financial Regulation on the establishment and implementation of the budget of the European Communities and on the responsibility of authorizing and accounting officers;

Whereas it is necessary to fix the rate of exchange to be used for measures taken in pursuance of the common agricultural policy which require sums given in one currency to be expressed in another currency; whereas all Member States and a large number of third countries have communicated par values for their currencies to the International Monetary Fund and whereas the latter has recognized these par values; whereas, under the rules of the Fund, exchange rates which apply to current transactions and are recorded on foreign exchange markets supervised by the monetary authorities of countries the par values of whose currencies have been recognized by the Fund may differ from parity only within narrow limits; whereas, therefore, the use of the exchange rate corresponding to parity normally makes it possible to avoid monetary difficulties which might hinder the implementation of the common agricultural policy;

Whereas, since the unit of account is defined solely as a weight of gold, either the gold parity or the US dollar parity of national currencies as communicated to and recognized by the International Monetary Fund must of necessity be used to express in national currencies sums given in units of account and *vice versa*;

Whereas provision should nevertheless be made, in respect of countries which have communicated a par value for their currency to the International Monetary Fund, for cases where fluctuations in the operative exchange rate in relation to the par value communicated, although within the limits laid down under the rules of that body, might jeopardize the implementation of the common agricultural policy;

Whereas, in such cases, the exchange rate on the most representative foreign exchange market or markets should be used;

---

<sup>1</sup> Text incorporating the amendments contained in Council Regulations (EEC) 653/68 of 30.5.1968 and 2543/73 of 19.9.1973.

Whereas the rate on the most representative foreign exchange market or markets must be chosen also for the currencies of countries which have not communicated par values to the International Monetary Fund or whose par values have not been recognized by the Fund;

Whereas, finally, provision should be made for derogations where monetary circumstances are likely to hinder the satisfactory implementation of the common agricultural policy;

HAS ADOPTED THIS REGULATION :

#### *Article 1*

Where, in instruments concerning the common agricultural policy or the special trade systems for certain goods resulting from the processing of agricultural products, sums are expressed in units of account, the value of that unit of account shall be 0.8886708 grammes of fine gold. This value may be changed only in the cases and in accordance with the procedures laid down in Articles 2 and 3 of Regulation (EEC) No 653/68 of the Council of 30 May 1968 on conditions for alterations to the value of the unit of account used for the common agricultural policy.

The provisions of this Article shall apply without prejudice to Article 18 of the Financial Regulation on the establishment and implementation of the EEC budget and on the responsibility of authorizing officers and accounting officers (Article 209 (a) and (c) of the Treaty).

#### *Article 2*

1. Where measures taken in pursuance of the instruments or provisions referred to in Article 1 require sums given in one currency to be expressed in another currency, the exchange rate to be applied shall be that which corresponds to the par value communicated to and recognized by the International Monetary Fund.
2. However, where in one or more countries the exchange rate operative on the foreign exchange market supervised by the monetary authorities fluctuates in relation to the rate which corresponds to the par value communicated to and recognized by the International Monetary Fund, and where in exceptional circumstances such fluctuation, although within the limits set by the rules of the Fund, might jeopardize the implementation of the instruments or provisions referred to in Article 1, the Council or the Commission, acting within their powers under those instruments or provisions and in accordance with the procedures laid down therein for each individual case, may decide that the exchange rates for the currencies in question on the most representative foreign exchange market or markets, as provided by paragraph 4, must be applied temporarily in measures taken in pursuance of those instruments or provisions.
3. The exchange rate to be applied in respect of the currencies of countries which have not communicated par values to the International Monetary Fund or whose par values are not recognized by that body but whose currencies are quoted on the official foreign exchange markets shall be that recorded on the most representative market or markets, as provided by paragraph 4.
4. For the purposes of paragraphs 2 and 3, the exchange rates on the most representative market or markets shall be those in force on the last working day of the market(s) preceding the date on which the measures referred to in this Article are taken.

#### *Article 3*

1. Where monetary practices of an exceptional nature are likely to jeopardize the implementation of the instruments or provisions, referred to in Article 1, the Council, acting by a qualified majority

on a proposal from the Commission, or the Commission, acting within its powers under those instruments or provisions and in accordance with the procedures laid down therein for each individual case, may, after consulting the Monetary Committee, make derogations from this Regulation, in particular in the following cases:

- (a) when a member country of the International Monetary Fund, having communicated a par value and had it recognized by the Fund, allows the value of its currency to fluctuate beyond the limits laid down under the rules of the Fund;
- (b) when a country resorts to abnormal exchange techniques such as floating or multiple exchange rates or applies a barter agreement;
- (c) in the case of countries whose currency is not quoted on official foreign exchange markets.

2. However, in an emergency the measures provided for in the preceding paragraph may be taken without prior consultation with the Monetary Committee but provided that at the same time a request for an Opinion is addressed to that body. In such cases these exceptional measures shall apply provisionally; definitive measures shall be taken only after an Opinion has been received from the Monetary Committee.

#### *Article 4*

This Regulation shall enter into force on 1 November 1962.

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

Done at Brussels, 23 October 1962.

*For the Council*  
*The President*  
E. COLOMBO

**REGULATION (EEC) No 653/68 OF THE COUNCIL**

**of 30 May 1968**

**on conditions for alterations to the value of the unit of account used for the common agricultural policy**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 28, 43 and 235 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Monetary Committee;

Having regard to the Opinion of the Economic and Social Committee;

Whereas, in pursuance of the instruments on the common agricultural policy and of Council Regulation No 160/66/EEC of 27 October 1966 instituting a trade system in respect of certain goods processed from agricultural products, and also of other instruments concerning the system to be applied to certain goods processed from agricultural products, amounts are to be expressed in units of account and converted into the national currencies of Member States by applying the rates of exchange corresponding to the official parities of those currencies;

Whereas Council Regulation No 129 on the value of the unit of account and the exchange rates to be applied for the purposes of the common agricultural policy defines such unit of account as a fixed amount of fine gold;

Whereas, in order to avoid problems which might arise because of the fixed value of the unit of account, provision should be made for its alteration:

- (i) automatically, where the parities of the currencies of all Member States move simultaneously and in the same direction;
- (ii) by decision of the Council, if necessary, where there is a change in the parity relationship between the currencies of Member States;

Whereas, where there is a change in the parity relationship between the currencies of Member States, it might, exceptionally and subject to certain conditions, be necessary in the general economic interest to adopt limited measures to adjust certain agricultural prices;

Whereas a certain period would elapse before the new value of the unit of account could be determined and published and whereas, therefore, transactions involving agricultural or assimilated products would be subjects to uncertainty as to the value of the unit of account to be applied; whereas during that period it would therefore be necessary to suspend both the definition of that value and the settlement of such transactions;

Whereas, where the value of the unit of account or the parity of the currency of a Member State or that of a third country used in international transactions is altered, certain elements in the calculation of amounts used for the implementation of the common agricultural policy, or certain amounts used in transactions governed by the provisions of that policy, may be affected; whereas the amounts so affected must therefore be adapted to the new situation;

Whereas, moreover, it should be possible to lessen the economic and monetary consequence of alterations in parity relationships without jeopardizing the attainment of the fundamental objectives of the common agricultural policy:

HAS ADOPTED THIS REGULATION :

#### *Article 1*

‘...’<sup>1</sup>

#### *Article 2*

Where all Member States alter the parity of their currencies simultaneously and in the same direction, the value of the unit of account as defined in Article 1 of Regulation No 129 shall be altered automatically:

- (i) where the alterations are in the same proportion: in the same direction and in the proportion as the alterations in the parities;
- (ii) where the alterations are in different proportions: in the same direction as the alterations and in the same proportion equivalent to the smallest alteration in parity.

Simultaneous alterations means alterations in the parity of currencies of Member States made within three days of the official announcement made by the Member State which first announces a change in the parity of its currency.

#### *Article 3*

When one or more Member States announce a change in the parity of their currencies, the Council shall meet as soon as possible and, in any event, within three days of the official announcement made by the Member State which first announces a change in the parity of its currency, unless the conditions contained in the first indent of the first paragraph of Article 2 are fulfilled before the Council meeting.

During that meeting and within the time referred to above, the Council shall decide unanimously, on a proposal from the Commission and after hearing the opinion of the Monetary Committee:

- (i) whether the value of the unit of account as defined in Article 1 of Regulation No 129 should be altered;
- (ii) the percentage of any such alterations; the percentage may be greater than that of the automatic alteration provided for in the second indent of the first paragraph of Article 2.

If by the end of its meeting the Council has not decided to alter the value of the unit of account, the latter shall remain unchanged, unless it is altered in accordance with the second indent of the first paragraph of Article 2.

During that meeting the Council may furthermore, subject to the conditions laid down in the second paragraph of this Article and by way of derogation from existing agricultural regulations, adopt, in the general economic interest, limited measures to adjust certain agricultural prices which do not

---

<sup>1</sup> Amendment incorporated in Regulation 129.

adversely affect the free movement of agricultural products, if the particular and exceptional nature of the situation created by the alteration of the parity relationship between the currencies of Member States makes such measures seem appropriate.

The second and fourth paragraphs of this Article shall apply only where the conditions contained in the first indent of the first paragraph of Article 2 are not fulfilled.

#### *Article 4*

The value of the unit of account laid down in Article 1 of Regulation No 129 shall be suspended, from the time of the official announcement by the Member State which first announces an alteration in the parity of its currency, up to and including the day of publication of the value thenceforth applicable.

Member States, shall take all necessary measures to ensure that suspension of the value of the unit of account is effective throughout the Community from the time of the official announcement referred to in the preceding paragraph.

Immediately after the official announcement referred to in the first paragraph of this Article the Commission shall publish in the *Official Journal of the European Communities* the date and time at which the value of the unit of account was suspended.

The new value of the unit of account shall be published without delay either:

(a) by the Commission when it establishes:

that the conditions for the application of the first indent of the first paragraph of Article 2 are fulfilled; or

that the Council, meeting in accordance with Article 3, has taken no decision regarding the unit of account within the time limit stated; or

(b) by the Council when it has taken a decision in accordance with Article 3.

Settlement of transactions involving agricultural products or goods processed therefrom, where such transactions are carried out during the suspension period and are subject to provisions of the common agricultural policy or to special trade systems applicable to those goods, shall take place only after publication of the value of the unit of account thenceforth applicable as provided for in the preceding paragraph and shall be based on the new value and take into account the alterations made pursuant to Articles 5 and 6.

#### *Article 5*

When the new value of the unit of account is published pursuant to Article 4 or when certain agricultural prices are adjusted pursuant to the fourth paragraph of Article 3, the sums referred to in Article 1 of Regulation No 129 which contain elements determined on the basis of prices ruling on international markets shall be altered as necessary. Such alterations shall be made according to the methods of calculation applicable in each case and shall be based on the value of the unit of account thenceforth applicable and/or the new prices.

#### *Article 6*

1. The Council, acting in accordance with the voting procedure laid down in Article 43 (2) of the Treaty on a proposal from the Commission, shall adopt, where necessary:

(a) rules for implementing Article 5;

- (b) rules to be applied for the prevention of disturbances which might occur where there is a suspension or alteration of the value of the unit of account;
  - (c) rules to be applied where there is an alteration in the relationship between the parity of a Member State's currency and the value of the unit of account with respect to amounts fixed in units of account and expressed in national currency.
2. The Council, acting in accordance with the voting procedure laid down in Article 43 (2) of the Treaty on a proposal from the Commission, may extend the rules laid down in paragraph 1 (a) and (b) in the case of an alteration in the parity of a third country's currency which has been communicated to and recognized by the International Monetary Fund.

#### *Article 7*

The Monetary Committee shall examine the situation arising in agriculture as a result of alteration in the parity relationship between the currencies of Member States and shall deliver an Opinion on the economic and monetary consequences of the automatic readjustments entailed by the application of Article 2 (1) of Regulation No 129. It shall also deliver an Opinion on whether it is possible in certain cases to alleviate temporarily the effect of such automatic readjustments. The Commission, in the light of the Opinion of the Monetary Committee, may make any recommendations it considers useful to the Member States concerned.

The Member State or Member States concerned may take the necessary transitional measures to alleviate temporarily the effects of such automatic readjustments, In no circumstances may such measures adversely affect the free movement of agricultural goods, the operation of the system of common agricultural prices or the obligations arising from the Treaty or instruments adopted in implementation thereof.

The measures taken by the Member State or States concerned shall be communicated immediately to the Commission, which shall keep the Council informed of the situation and of its development and shall make all appropriate proposals to the Council.

#### *Article 8*

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

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

Done at Brussels, 30 May 1968.

*For the Council*  
*The President*  
G. LUPIS

**REGULATION (EEC) No 1134/68 OF THE COUNCIL**

**of 30 July 1968**

**laying down rules for the implementation of Regulation (EEC) No 653/68 on conditions for alterations to the value of the unit of account used for the common agricultural policy**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community;

Having regard to Council Regulation (EEC) No 653/68 of 30 May 1968 on conditions for alterations to the value of the unit of account used for the common agricultural policy, and in particular Article 6 thereof;

Having regard to the proposal from the Commission;

Whereas Council Regulation No 129 on the value of the unit of account and the exchange rates to be applied for the purposes of the common agricultural policy, as amended by Regulation (EEC) No 653/68, defined by a weight in fine gold the value of the unit of account to be used for the common agricultural policy and the special trade systems for certain goods processed from agricultural products; whereas, moreover, that Regulation also provided that the rates of exchange between currencies to be applied for the same purposes are those corresponding to the par value communicated to the International Monetary Fund, which is also defined by a weight in gold; whereas that Regulation thus fixed the ratio between the unit of account and the different currencies; whereas, in accordance with Regulation (EEC) No 653/68, rules should be adopted to be applied where there is an alteration in the value of the unit of account or the exchange rates;

Whereas any alteration in the value of the unit of account or the currency of a third country may necessitate an urgent amendment of the amounts fixed in pursuance of provisions on the common agricultural policy or the special trade systems arising therefrom, in that the elements used in the calculation of those amounts, determined in many cases on the basis of prices ruling on international markets, are affected by the alteration in question or by the results which it produces on the market;

Whereas, because of the advance fixing of certain of the amounts referred to above, the proper functioning from an economic and financial point of view of the common market organizations or the special systems referred to above might be endangered if the transactions to which such amounts apply are carried out after an alteration in the value of the unit of account or of the currency of a third country; whereas such a danger may be avoided by adjusting those amounts; whereas such an adjustment must not prejudice persons who have obtained an advance fixing of such amounts and whereas they should therefore be allowed to cancel that fixing;

Whereas, for the same reason, it may prove necessary to suspend the advance fixing of the amounts in question during a period in which the market situation is affected by those alterations or by the fact that the value of the unit of account has been suspended pursuant to Article 4 of Regulation (EEC) No 653/68;

Whereas certain amounts determined under the provisions on the common agricultural policy of the special trade systems arising therefrom and fixed in units of account are expressed in national currencies in the Member States; whereas rules must therefore be laid down which, in the case of an alteration in the parity of the currency of a Member State accompanied by an alteration in the relationship between that currency and the value of the unit of account, will ensure that the Member State concerned adjusts to the new relationship those amounts which before the alteration in question were the subject of advance fixing or of a private agreement for a transaction still to be carried out; whereas such adjustment must, if necessary, be made after the amounts fixed in units of account have been adjusted to the new market situation;

Whereas, moreover, rules must be laid down to ensure that, in the case of an alteration either of the value of the unit of account or of the parity of the currency of a Member State, settlement in national currency of amounts due in respect of transactions carried out prior to that alteration is made in terms of the relationship between that currency and the unit of account at the time when the transaction was carried out, so that Community provisions involving the amounts expressed in units of account and applying to obligations arising from such transactions are duly observed; whereas, finally, it is necessary for the purposes of this Regulation to define the moment when a transaction is considered to be carried out;

HAS ADOPTED THIS REGULATION :

#### *Article 1*

1. In the case of an alteration to the value of the unit of account or an adjustment of agricultural prices pursuant to the fourth paragraph of Article 3 of Regulation (EEC) No 653/68:

- (a) the amounts which contain the elements determined on the basis of prices on international markets, listed in the Annex to this Regulation under items 1 to 5, shall where necessary be recalculated and refixed without delay by the Commission in accordance with the procedure applicable in each case, using the new value of the unit of account and, where appropriate, the new agricultural prices;
- (b) the amounts referred to under item 6 of the Annex shall be recalculated and refixed so as to maintain the average difference existing over the last three months between the price ruling on international markets and the price which these amounts are intended to ensure for consumers, provided that, where the relevant Regulations provide for a shorter period, such period shall apply;
- (c) moreover, the amounts listed in the Annex to this Regulation may be altered, in accordance with normal procedure, before the date laid down for periodic fixing if market trends make this necessary.

2. In cases where the provisions of paragraph 1 (a) apply, any amounts referred to therein which have been fixed in advance for a transaction still to be carried out after the alteration in the value of the unit of account or adjustment of agricultural prices shall where necessary be recalculated and refixed by the Commission in like manner as laid down in those provisions; however, any person who has obtained advance fixing of such amounts for a specific transaction may, by written application which must reach the competent authority within thirty days of the entry into force of the measures fixing the recalculated amounts, obtain cancellation of the advance fixing and of the relevant document or certificate.

#### *Article 2*

1. When, following alteration by a third country of the par value of its currency, communicated to and recognized by the International Monetary Fund, disturbances endanger or threaten to endanger the proper functioning of the common market organizations or special trade systems for certain goods processed from agricultural products:

- (a) the amounts referred to in the Annex to this Regulation shall be altered by the Commission in accordance to the procedure applicable in each case;
- (b) moreover, the amounts set out in the Annex may be altered, in accordance with normal procedure, before the date provided for their periodic fixing if market trends make this necessary.

2. In cases where the provisions of paragraph 1 (a) apply, any amounts referred to therein which have been fixed in advance for a transaction still to be carried out after the alteration of parity shall be altered by the Commission in like manner as laid down in those provisions; however, any person who has obtained advance fixing of such amounts for a specific transaction may, by written application which must reach the competent authority within thirty days of the entry into force of the measures fixing the altered amounts, obtain cancellation of the advance fixing and of the relevant document or certificate.

### *Article 3*

The amounts referred to in the Annex to this Regulation may not be fixed in advance during the period of suspension of the value of the unit of account provided for in Article 4 of Regulation (EEC) No 653/68.

Moreover, after publication of the value of the unit of account to be thenceforth applicable, or after alteration of the parity of the currency of a third country or after application of the provisions of the fourth paragraph of Article 3 of Regulation (EEC) No 653/68, the Commission may suspend advance fixing of the abovementioned amounts for one or more products until the disturbances which may affect the market disappear but only for ten days. This period may be extended only for as long as is strictly necessary, in accordance with the Management Committee procedure laid down by the market organization concerned.

### *Article 4*

1. In the case of an alteration of the relationship between the parity of the currency of a Member State and the value of the unit of account, the Member State concerned, using the new parity relationship and without prejudice to the application of Article 1 (2), shall adjust the following amounts, given in units of account, if they appear in national currency in the documents or certificates issued in pursuance of the common agricultural policy or the special trade systems for goods processed from agricultural products:

- (a) amounts which have been fixed in advance for a transaction or part of a transaction still to be carried out after alteration of that parity relationship;
- (b) amounts appearing in agreements concluded between a private individual and an intervention agency for a transaction or part of a transaction still to be carried out after the alteration of the parity relationship.

However, any person who has obtained advance fixing of such amounts for a specific transaction may, by written application which must reach the competent authority within thirty days of the entry into force of the measures fixing the altered amounts, obtain cancellation of the advance fixing and of the relevant document or certificate.<sup>1</sup>

2. For transactions carried out pursuant to provisions on the common agricultural policy or special trade systems for goods processed from agricultural products, the sums owed to or by a Member

---

<sup>1</sup> The second subparagraph of Article 4 (1) of Regulation (EEC) No 1134/68 shall only apply if the application of the new representative rates is disadvantageous to the party concerned (cf. Article 4 (2) of Regulation (EEC) 878/77).

State or a duly authorized body, expressed in national currency and representing amounts fixed in those provisions in units of account, shall be paid on the basis of the relationship between the unit of account and the national currency which obtained at the time when the transaction or part transaction was carried out.

*Article 5*

In documents or certificates involving an advance fixing or expressing in national currency the amounts referred to in Article 4, reference shall be made to the possibility of Article 1 (2), Article 2 (2) and Article 4 being applicable.

*Article 6*

For the purposes of this Regulation, the time when a transaction is carried out shall be considered as being the date on which occurs the event, as defined by Community rules or, in the absence of and pending adoption of such rules, by the rules of the Member State concerned, in which the amount involved in the transaction becomes due and payable.

*Article 7*

This Regulation shall apply to all transactions carried out from the date of its entry into force.

However, any person who before that date has obtained advance fixing or concluded an agreement with an intervention agency for a transaction still to be carried out after that date may, by written application which must reach the competent authority within thirty days of the entry into force of this Regulation, obtain cancellation of the advance fixing and of the relevant document or certificate, or cancellation of the agreement.

*Article 8*

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

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

Done at Brussels, 30 July 1968.

*For the Council*  
*The President*  
G. MEDICI

*ANNEX*

**AMOUNTS REFERRED TO IN ARTICLES 1, 2 AND 3**

1. Levies within the meaning of Article 11 of Council Regulation No 130/66/EEC of 26 July 1966 on financing the common agricultural policy.

2. Import taxes, excluding customs duties, as provided for under the special trade systems for certain goods processed from agricultural products.
3. Export refunds.
4. Sluice-gate prices.
5. Subsidies for oil seeds, as laid down in Article 27 of Council Regulation No 136/66/EEC of 22 September 1966 on the establishment of a common organization of the market in oils and fats, and for skimmed milk processed into casein, as laid down in Article 11 of Council Regulation (EEC) No 804/68 of 27 June 1968 on the common organization of the market in milk and milk products.
6. Production refunds.

**REGULATION (EEC) No 974/71 OF THE COUNCIL <sup>1</sup>**

**of 12 May 1971**

**on certain measures of conjunctural policy to be taken in agriculture following the temporary widening of the margins of fluctuations for the currencies of certain Member States**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 28, 43 and 235 thereof;

Having regard to the proposal from the Commission;

Whereas in the course of the last few weeks certain foreign exchange markets within the Community have been disturbed by speculative movements involving an abnormal influx of short-term capital; whereas this influx was such as to provoke an excessive increase in the volume of money in the economies concerned and, consequently, dangerous inflationary effects for economic development;

Whereas, in order to put an end to the abnormal movements of capital, the Council was prepared to envisage that in certain circumstances Member States may, for a limited period, widen the margins of fluctuation for the exchange rates of their currencies in relation to their present parities;

Whereas if, in one Member State, the current rate of exchange deviates from the official parity by more than a specified margin, serious difficulties may arise as regards the proper functioning of the common market; whereas trade to which the current rate of exchange applies may then be effected at a price, in national currency, lower than the intervention or buying-in prices laid down by Community rules on the basis of the official parity;

Whereas in the Member State concerned this may entail a disruption of the intervention system laid down by Community rules and abnormal movements of prices jeopardizing a normal trend of business in agriculture;

Whereas it would seem justifiable to forestall these difficulties by providing that the Member State concerned may, within the framework of Community rules, apply a system of compensatory amounts in trade with other Member States and third countries;

Whereas the compensatory amounts should be limited to the amounts strictly necessary to compensate the incidence of the monetary measures on the prices of basic products covered by intervention arrangements and whereas it is appropriate to apply them only in cases where this incidence would lead to difficulties;

HAS ADOPTED THIS REGULATION :

*Article 1*

1. If, for the purposes of commercial transactions, a Member State allows the exchange rate of its currency to fluctuate by a margin wider than that permitted by international rules in force on 12 May 1971:

---

<sup>1</sup> Text in force in March 1979.

- (a) the Member State whose currency increases in value beyond the permitted fluctuation margin shall charge on imports and grant on exports;
- (b) the Member State whose currency decreases beyond the permitted fluctuation margins shall charge on exports and grant on imports,

Compensatory amounts for the products referred to in paragraph 2, in trade with the Member States and third countries.

1.a Paragraph 1 shall not be applicable when a rate of exchange other than that which corresponds to the parity of the currency in question is used for the purposes of conversion between the unit of account and that currency or between this latter and another currency.

However, in such an event, paragraph 1 shall apply also where the mean of the spot market rates of this currency during a period to be determined depart by at least 1% from the conversion rate. Should such a case arise, for the purposes of applying Article 2 (1), that conversion rate shall replace the parity.

2. Paragraph 1 shall apply:

- (a) to products covered by intervention arrangements under the common organization of agricultural markets;
- (b) to products whose price depends on the price of the products referred to under (a) and which are governed by the common organization of market or are the subject of a specific arrangement under Article 235 of the Treaty.

3. Paragraph 1 shall not apply where application of the monetary measures referred to in that paragraph would lead to disturbances in trade in agricultural products.

## *Article 2*

1. The compensatory amounts for the products covered by intervention arrangements shall be equal to the amounts obtained by applying to the prices:

- (a) in respect of those Member States the currencies of which are maintained among themselves within a spread at any given moment of 2.25%, the percentage difference between:
  - (i) the conversion rate used under the common agricultural policy; and
  - (ii) the conversion rates resulting from the central rate;
- (b) in respect of Member States other than those referred to in (a), the average of the percentage differences between:
  - (i) the relationship between the conversion rate used under the common agricultural policy for the currency of the Member State concerned and the official parity, or, where this parity is not observed, the central rate of each of the currencies of the Member States referred to in (a), and
  - (ii) the spot market rate for the currency of the Member State in question in relation to each of the currencies of the Member States referred to in (a), as recorded over a period to be determined.

However, this average shall be reduced by 1.50 points in the case of Member States whose currencies have depreciated.

2. For the other products referred to in Article 1, the compensatory amounts shall be equal to the incidence, on the prices of the products concerned, of the application of the compensatory amount to the prices of the product referred to in paragraph 1, on which they depend.

3. Where the market price for adult bovine animals remains lower than the intervention price for a relatively long period, the monetary compensatory amounts applicable in the beef and veal sector may be correspondingly modified in accordance with the procedure laid down in Article 6.

#### *Article 2a*

Where a product exported from one Member State has been imported into a Member State which has to grant a compensatory amount upon importation, the exporting Member State may, by agreement with the importing Member State, pay the compensatory amount which should be granted by the said importing Member State. In this case no compensatory amount shall be granted by the importing Member State for products originating in the Member State concerned. The compensatory amount shall be converted on the basis of the spot market rate of the relevant currencies as recorded over a period to be determined.

Exporting Member States which exercise this option shall inform the Commission accordingly.

#### *Article 3*

If the difference referred to in Article 2 (1) changes by at least 1 point from the percentage taken as a basis for the preceding determination, the compensatory amount shall be altered by the Commission in line with the change in the difference.

#### *Article 4*

1. No compensatory amount shall be fixed where, in any Member State, the percentage referred to in Article 2 (1) does not exceed 2.5 %.
2. No compensatory amount shall be fixed for products for which the amount calculated in accordance with Article 2 is negligible in relation to their average value.

#### *Article 4a*<sup>1</sup>

1. In trade with third countries, compensatory amounts:
  - (a) granted on imports shall be deducted from the import charge;
  - (b) charged on exports shall be deducted from the export refund.

The Member States concerned may, however, decide not to apply the provisions contained under point (b) of the preceding subparagraph. Member States availing themselves of the right referred to in the second subparagraph shall, by an aggregate method to be adopted, determine the total amount of the monetary compensatory amounts which pursuant to the first subparagraph should have been deducted from the refunds. For accounting purposes within the context of the budget of the European Communities:

- (i) this total amount shall be considered to have been deducted from the refunds,
- (ii) any excess over the sum of the refunds shall be considered to be a monetary compensatory amount levied on exports.

Detailed rules for the application of the preceding subparagraph shall be adopted in accordance with the procedure laid down in Article 13 of Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy, as last amended by Regulation (EEC) No 2788/72

---

<sup>1</sup> With effect from 21 October 1974, the application of Article 4a (2) of Regulation (EEC) No. 974/71 shall be suspended. (See Article 1 of Regulation (EEC) No. 2497/74 of 2.10.1974, OJ No. L 266 of 3.10.1974).

2. In trade between the Member States and with third countries, the compensatory amounts applicable due to the decrease in value of the currency concerned may not be higher than the charge on products imported from third countries.

However, the Council, acting on a proposal from the Commission and in accordance with the voting procedure provided for in Article 43 (2) of the Treaty, may decide, in certain exceptional cases, that the first subparagraph shall not be applicable.

#### *Article 4b*

‘...’<sup>1</sup>

#### *Article 5*

Until the Member States concerned are in a position to charge compensatory amounts on imports, they may make imports of the products referred to in Article 1 dependent on the lodging of a deposit intended to guarantee payment of these amounts.

#### *Article 4*

1. Detailed rules for the application of this Regulation, which may include other derogations from the regulations on the common agricultural policy, shall be adopted in accordance with the procedure laid down in Article 26 of Council Regulation No 120/67/EEC of 13 June 1967 on the common organization of the market in cereals, as last amended by Regulation (EEC) No 2434/70, or, if appropriate, the corresponding article of the other regulations on the common organization of agricultural markets.

2. Subject to the provisions of Article 3, the detailed rules for application shall cover in particular the fixing of the compensatory amounts.

#### *Article 7*

1. With effect from 1 July 1972, for the purposes of the financing of the common agricultural policy, the compensatory amounts granted in trade with third countries shall be treated as part of the expenditure on refunds granted on exports to third countries.

2. With effect from 1 January 1973, for the purposes of the financing of the common agricultural policy, the compensatory amounts charged or granted in trade with Member States shall be treated as part of the expenditure on intervention intended to stabilize the agricultural markets.

3. Where necessary, detailed rules for the application of this Article may be adopted according to the procedure laid down in Article 13 of Regulation (EEC) No 729/70.

#### *Article 8*

1. This Regulation shall be applicable with effect from 12 May 1971.

2. It shall cease to be applicable as soon as all the Member States concerned again apply the international rules on margins of exchange rate fluctuation around official parity.

The Commission shall twice a year submit to the European Parliament and the Council a report on the way in which this Regulation is being applied.

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

Done at Brussels, 12 May 1971.

*For the Council*  
*The President*  
M. SCHUMANN

---

<sup>1</sup> Not applicable (marketing year 1973/1974).

**REGULATION (EEC) No 1380/75 OF THE COMMISSION <sup>1</sup>**

**of 27 May 1975**

**laying down detailed rules for the application of monetary compensatory amounts**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community;

Having regard to Council Regulation (EEC) No 974/71 of 12 May 1971 on certain measures of conjunctural policy to be taken in agriculture following the temporary widening of the margins of fluctuation for the currencies of certain Member States, as last amended by Regulation (EEC) No 475/75, and in particular Article 6 thereof;

Whereas since their adoption the provisions of Commission Regulation (EEC) No 1463/73 of 30 May 1973 laying down detailed rules for the application of monetary compensatory amounts have been amended a number of times and on the last occasion by Regulation (EEC) No 538/75 of 3 March 1975; whereas by reason of their number and their dispersal among various issues of the Official Journal, these texts are difficult to use; whereas they should therefore be consolidated in a single text; whereas some amendments should be made to them in the process;

Whereas Article 1 (1) of Regulation (EEC) No 974/71 provides that if, for the purposes of commercial transactions, a Member State allows the exchange rate for its currency to fluctuate by a wider margin, up or down, than that permitted by the international rules in force on 12 May 1971, then in trade with other Member States and with third countries:

- (a) the Member State whose currency appreciates above the margin of fluctuation is to charge on imports and grant on exports; and
- (b) the Member State whose currency depreciates below the margin of fluctuation is to charge on exports and grant on imports.

Monetary compensatory amounts for the products specified in paragraph 2 of that Article;

Whereas, pursuant to paragraph 1a of the said Article, where a rate of exchange other than that corresponding to the parity of the currency in question is used for conversions between the unit of account and the currency of a Member State, paragraph 1 aforesaid applies equally when the mean of the spot market rates for that currency during a period to be determined varies by at least 1% from the conversion rate used for the purposes of calculation;

Whereas it is necessary, for the purpose of applying Articles 1 (1a), 2 (1) (b) and 2a of Regulation (EEC) No 974/71 to determine the period during which are to be recorded the spot market rates whose arithmetical mean is to be used in particular for calculating compensatory amounts; whereas the period must be sufficiently representative to slow trends in rates and must yet allow those rates

---

<sup>1</sup> Text in force in March 1979.

to be reflected as quickly as possible in the fixing of the compensatory amounts; whereas a period of seven days fixed for the purposes of technical administrative requirements should therefore be used;

Whereas the most representative spot market rates should be used for the purpose of calculation;

Whereas the common price level should be used as a basis for the calculation of monetary compensatory amounts, bearing in mind the fact that the new Member States do not yet apply the common price in the case of certain products and that the difference between the two price levels is expressed by the accession compensatory amount;

Whereas accession compensatory amounts, fixed components as referred to in Article 61 of the Act of Accession, import charges, export refunds and all other amounts charged or granted in units of account in respect of trade with third countries are, like the prices in the Member States concerned, converted into the currencies of those Member States by applying the exchange rates provided for under the common agricultural policy; whereas, therefore, in calculating the monetary compensatory amount only the difference between the price level and the amount in question expressed in units of account need be taken into consideration; whereas, in order to simplify the system so that the same compensatory amount may be applied in respect of the trade of a given Member State with every other Member State and with third countries, accession compensatory amounts, fixed components, import charges, export refunds and all other amounts charged or granted in respect of trade with third countries should be corrected by a coefficient expressing the position of the currency of the Member State which is to apply the monetary compensatory amount;

Whereas the representative rates for the pound sterling and the Irish pound are different, although the real value of the two currencies is the same; whereas, because of this, the change referred to in Article 3 of Regulation (EEC) No 974/71 may occur in respect of only one of the currencies in question; whereas, however, altering the compensatory amount only in respect of that currency may, in the circumstances described, lead to distortions of competition; whereas, therefore, provision should be made for a suitable procedure to avoid this;

Whereas the Belgo-Luxembourg Economic Union (BLEU) and the Netherlands have decided to maintain the margins of fluctuation between their currencies which obtained before 9 May 1971 and have not altered the relationship between their currencies; whereas therefore, widening the fluctuation margins will, in the case of those Member States, only affect trade with other Member States and with third countries, trade within the BLEU and between the BLEU and the Netherlands being unaffected; whereas, for this reason, those Member State have declared under Article 233 of the Treaty that they do not desire to apply monetary compensatory amounts between themselves; whereas, for the purpose of applying the system of monetary compensatory amounts, those countries should be regarded as a single Member State;

Whereas certain Member States may still experience difficulties in granting compensatory amounts on imports; whereas it is therefore necessary to make provision, in case of recourse to the provisions of Article 2a of Regulation (EEC) No 974/71, for common rules for applying or opting not to apply those provisions;

Whereas, with a view to harmonization, the date selected as the date of import for the purpose of applying monetary compensatory amounts should be the date used for the purpose of customs duties and levies, while the date of export should be the date used for the purpose of export refunds;

Whereas, before a compensatory amount for a product exported to another Member State is paid, proof must be supplied that the product has left the geographical territory of the Member State in which the customs export formalities were completed;

Whereas the system provided for by this Regulation can cover only products in free circulation within the Community; whereas moreover, products benefiting from a compensatory amount should be of a quality such that they can be marketed under normal conditions;

Whereas, in the interests of sound administration, it seems desirable to require that application for payment of the compensatory amount be made within a reasonable period; whereas, in order to prevent distortions of competition between the trade interests concerned in the Member States, a time limit should be laid down for payment of the compensatory amounts; whereas the fact that in exceptional cases this time limit cannot be respected should be taken into consideration;

Whereas non-observance of a lower price limit at the time of import of certain agricultural products subject to the application of monetary compensatory amounts entails an increase in the import charge; whereas this system leads to increased prices for the products concerned whenever a currency appreciates, having regard to the compulsory application of the rates of exchange fixed for the purposes of the common agricultural policy, for the prices in question, as expressed in terms of the currency of a Member State whose currency has appreciated are increased in relation to their value expressed in terms of the currency of third countries; whereas, in addition, the compensatory amount is levied at the time of import: whereas, on the other hand, in the event of a depreciation of a currency there is a risk that the lower limit will not be observed; whereas this difficulty can be overcome by a system which results in the said limit being considered as having been observed if the offer price of the product supplied, increased or reduced by an amount reflecting the effect of the currency situation on the limit in question, is not below that limit;

Whereas food aid exports fulfil a humanitarian purpose; whereas they should therefore be exempted from the application of monetary compensatory amounts;

Whereas under Community rules small consignments of a non commercial character and products or goods carried in travellers' personal luggage are exempted from customs duties and other charges; whereas such products or goods must similarly be exempted from monetary compensatory amounts on exportation;

Whereas the measures provided for in this Regulation are in accordance with the Opinions of all the Management Committees for the common organization of agricultural markets.

HAS ADOPTED THIS REGULATION :

#### *Article 1*

This Regulation lays down detailed rules, for the application of the compensatory amounts introduced by Article 1 of Regulation (EEC) No 974/71 hereinafter called 'monetary compensatory amounts';

### TITLE I

#### **Calculation of the monetary compensatory amounts**

#### *Article 2*

The period referred to in the second subparagraph of Article 1 (1a), the second indent of Article 2 (1) (b) and Article 2a of Regulation (EEC) No 974/71 shall run from a Wednesday to the following Tuesday.

#### *Article 3*

The spot market rates against each of the currencies of the Member States which keep their exchange rates within a spread at any given moment of 2.25% shall be:

- (a) for the French franc: the average official rate recorded each working day during official dealings on the Paris foreign exchange market;
- (b) for the Italian lira: the mean of the average official rates fixed each working day during official dealings on the Rome and Milan foreign exchange markets;
- (c) for the Irish pound and the pound sterling: the average rates recorded each working day at noon on the foreign exchange markets of the two Member States concerned.

#### *Article 4*

1. A monetary compensatory amount shall be fixed for each product and for each Member State in respect of which the conditions for the application of monetary compensatory amounts are fulfilled.

The monetary compensatory amount shall be calculated on the basis of the common price, reduced where appropriate in accordance with the provisions of the Act of Accession.

However, in the sugar sector, it is calculated on the basis of the intervention price plus the amount of the levy collected on sugar of Community origin under the arrangements for the reduction of storage costs.

2. The amount fixed in accordance with the preceding paragraph shall apply in trade between the Member States and in trade with third countries.

3. However,

(a) in trade with a new Member State the accession compensatory amounts and the fixed components; and

(b) in trade with third countries the import charges and the export refunds and levies.

fixed in units of account, applicable to the products referred to in paragraph 1 shall be multiplied by a coefficient. This coefficient shall be derived from the percentage used to calculate the monetary compensatory amount and shall be fixed by the Commission at the same time as that amount.

For the purposes of this Regulation, the amount levied pursuant to the last subparagraph of Article 2 (1) of Regulation (EEC) No 986/68 on exports of skimmed milk or skimmed-milk powder in the form of denatured skimmed-milk powder or compound feedingstuffs shall not be treated as an export levy.

4. Where the levy or refund is to be increased or reduced, as the case may be, by accession and monetary compensatory amounts and multiplied by a coefficient, the calculation shall be made as follows:

(a) the levy or refund shall be reduced or increased, as the case may be, by the accession compensatory amount;

(b) the resulting amount shall be multiplied by the coefficient; and

(c) the amount obtained after multiplication shall, after conversion into national currency, be reduced or increased, as the case may be, by the monetary compensatory amount.

5. The coefficient referred to in paragraph 3 shall also be applied to refunds and levies, the amount of which has been set in a national currency in the statement of award following an invitation to tender.

#### *Article 5*

Where the condition laid down in Article 3 of Regulation (EEC) No 974/71 is met only in respect of the Irish pound or the pound sterling the monetary compensatory amounts applied in both the Member States concerned shall be altered by the Commission in line with the changes recorded for each of the two currencies.

If, during such period as the representative rates for the Irish pound and the pound sterling vary according to the product concerned, it appears that, as a result of the application of those of the new rates as specified in Regulation (EEC) No 475/75 which are applicable with effect from 27 October 1975, an alteration in the monetary compensatory amounts is required pursuant to Article 3 of Regulation (EEC) No 974/71, then such alteration shall be made in respect of all products and shall be calculated for each product by reference to the change recorded in respect of the rate applicable to that product.

The monetary compensatory amounts shall not be altered if the change referred to in Article 3 of Regulation (EEC) No 974/71 occurs only in relation to the representative rates for the Irish pound and the pound sterling applicable before 27 October 1975.

## TITLE II

### **Application of the monetary compensatory amounts in trade with third countries**

#### *Article 6*

In trade with third countries the provisions concerning the granting of export refunds and the charging of customs duties and import levies shall apply to monetary compensatory amounts. If the monetary compensatory amount to be levied on export is higher than the refund or if no refund has been fixed, that part of the monetary compensatory amount which exceeds the refund, or the entire monetary compensatory amount, as the case may be, shall fall due on completion of the customs export formalities.

2. At the time of completion of the customs formalities for entry into free circulation the person concerned shall declare on the appropriate document all such information as is necessary to enable the monetary compensatory amount to be calculated, concerning the composition of the product or the primary products used in its manufacture and their quantities and in particular:

- (i) the relevant headings or subheadings of the Common Customs Tariff;
- (ii) the net weight, or as appropriate the quantity expressed in the units of measurement to be taken into account in calculating the monetary compensatory amount, in respect of each heading or subheading.

3. If the monetary compensatory amount charged at exportation is, in accordance with Article 4a (1) (b) of Regulation (EEC) No 974/71, deducted from the export refund, the amount by which the export refund is reduced must, at the time of completion of customs export formalities, be covered by an appropriate security.

In those cases where the monetary compensatory amount exceeds the export refund and the provisions of paragraph 1 are applied, the amount by which the monetary compensatory amount is reduced must, at the time of completion of customs export formalities, be covered by an appropriate security.

The security may be on the basis of each transaction or of a number of transactions.

4. The appropriate security provided for in paragraph 3 shall be determined having regard to the amount of the reduction of the export refund or the monetary compensatory amount, as appropriate. However, a security need not be required if:

- (a) the export refund is the same for all destinations, or the lowest export refund is in excess of the monetary compensatory amount, and
- (b) the products are placed under the Community transit system, or an equivalent system, for exportation to a third country, or

the products are placed under a national administrative system which ensures their exportation to a third country from the Member State in which customs export formalities have been completed.

5. On production of the proof required by Article 4 and, as appropriate, Articles 6 and 11 of Regulation (EEC) No 192/75 or the appropriate Articles in the Regulations containing special provisions for the granting of the export refund for the particular products, the security is to be released in proportion to the refund that would have been granted against that proof if the monetary compensatory amount had not been chargeable.

If any of the proofs required have not been furnished within the time limits prescribed, the proportion not released by reason of the absence of such proofs shall be forfeited. However, the security shall not be forfeited in cases where the proof is furnished within any period by which the original period has been extended.

In those cases where the security is forfeited, late payment of the amount guaranteed by the security shall be considered as a further payment facility within the meaning of Article 7 of Directive 78/453/EEC of 22 May 1978 on the harmonization of provisions laid down by law, regulation or administrative action concerning deferred payments of import duties or export duties. This facility shall be considered as having been granted from the latest date upon which the monetary compensatory amount would have been paid, under the provisions of the Directive, if Article 4a (1) (b) of Regulation (EEC) No 974/71 had not been applied.

#### *Article 6a*

1. In respect of products to be exported after having been obtained under inward processing, hereinafter referred to as obtained products, the monetary compensatory amounts shall be applied in accordance with the provisions of this Article.

2. This Article shall apply to obtained products which are subject to the system of monetary compensatory amounts and:

(a) in the case of products covered by a common market organization, contain agricultural products:

(i) which before being used in the processing came within the terms of Article 9 (2) of the Treaty, and

(ii) would be subject to monetary compensatory amounts if exported unprocessed at the time of completion of the customs export formalities for the obtained products; or

(b) in the case of products covered by Regulation (EEC) No 1059/69, contain basic products or goods obtained by processing basic products where, before being used in the processing, such basic products or goods complied with the conditions set out in the first and second indent of (a) above.

3. Where an obtained product:

(i) belongs to a category of products covered by a common market organization, or

(ii) is covered by Regulation (EEC) No 1059/69, and the monetary compensatory amount is calculated by reference to the quantities of basic products actually contained therein but is not fixed for the obtained product itself,

the amount to be applied shall be the total amount applicable to the products used in the processing which came within the terms of Article 9 (2) of the Treaty.

4. In the case of an obtained product covered by Regulation (EEC) No 1059/69, but not coming within paragraph 3, the amount to be applied shall be that fixed for the obtained product, less the amount which would have been applied to the basic products actually used in the processing, but not coming within the terms of Article 9 (2) of the Treaty before being used in the processing, if these products had been put into free circulation at the time of export of the obtained product.

However, the amount to be deducted shall not exceed the amount calculated on the basis of the national quantities indicated in the Annex to Regulation (EEC) No 1060/69. For purposes of comparison of these amounts the quantities of basic products actually used and the notional quantities indicated in the Annex to Regulation (EEC) No 1060/69 shall be grouped together within the following categories:

- (a) cereals and processed cereals,
- (b) milk and milk products, other than lactose,
- (c) lactose, sugar and sugar syrups.

Within each of these categories the amount calculated on the basis of the quantities actually used and the amount calculated from the notional quantity indicated in the Annex to Regulation (EEC) No 1060/69 shall be compared.

5. For purposes of the second indent of paragraph 3 and of paragraph 4, the term 'basic products' means the products covered by:

- (a) Regulation (EEC) No 804/68 (milk and milk products);
- (b) Regulation (EEC) No 3330/74 (sugar);
- (c) Regulation (EEC) No 2727/75 (cereals).

Goods covered by Regulation (EEC) No 1059/69 shall, if used in processing, also be considered as basic products.

6. On completion of customs export formalities in respect of obtained products covered by Regulation (EEC) No 1059/69, certificates as referred to in Article 6 of Regulation (EEC) No 2682/72 for the advance fixing of the refund on basic products shall not be accepted where they include advance fixing of the monetary compensatory amount.

### TITLE III

#### **Application of the monetary compensatory amounts in intra-Community trade**

##### *Article 7*

In trade between Member States, Articles 8 to 15a shall apply.

##### *Article 8*

1. The monetary compensatory amount to be granted or levied shall be the amount applicable on the day of export or on the day of import.

2. For the purposes of determining the monetary compensatory amount to be granted or levied on export, the day of export shall be the day on which the customs authority accepts the document by which the declarant states his intention to export to another Member State products to which monetary compensatory amounts are applicable. At the time of such acceptance, the products shall be placed under customs control and shall remain so until they leave the territory of the exporting Member State.

3. For the purpose of this Regulation, acceptance of the document referred to in paragraph 2 above shall be considered to mark the completion of customs export formalities.

4. The day on which customs export formalities are completed shall be the operative date for determining the quantity, nature and characteristics of the products exported.

5. For the purpose of determining the monetary compensatory amount to be levied or granted on import, the day of import shall be the date used for determining customs duties and levies.

#### *Article 9*

1. No monetary compensatory amount shall be granted or levied in trade between Belgium, Luxembourg and the Netherlands.

However, if a Community document proving that a product is eligible for treatment as a Community product is used in such trade, the preceding subparagraph shall apply only if the document includes one of the following entries, authenticated by the stamp of the customs office of departure:

- ‘Montant compensatoire monétaire non applicable au Benelux’,
- ‘Wahrungsausgleichsbetrag in Benelux nicht anwendbar’,
- ‘Monetair compenserend bedrag niet van toepassing in de Benelux’.

2. For the purposes of this Regulation, the BLEU and the Netherlands are considered as a single Member State.

3. No monetary compensatory amount shall be granted or levied in trade between Ireland and the United Kingdom.

Each of those two Member States shall take all necessary measures to ensure that the monetary compensatory amount is levied in all cases where the products is not marketed in the other.

However, the foregoing subparagraphs shall apply only with effect from:

- (i) 3 November 1975 as regards products of the cereals sector,
- (ii) 5 January 1976 as regards products of the beef and veal sector,
- (iii) 1 July 1976 as regards common wheat and as regards products, as specified in the relevant Regulation fixing the monetary compensatory amounts, the monetary compensatory amount for which is derived from that for common wheat.

#### *Article 10*

1. The monetary compensatory amount granted on export shall be paid only upon production of proof that the product in respect of which customs export formalities were completed has left the geographical territory of the Member State in which the formalities were completed.

Where on completion of customs export formalities a product is placed under the procedure provided for in Regulation (EEC) No 304/71 for carriage to a station of destination in the geographical territory of another Member State, payment of the monetary compensatory amount shall not be subject to production of proof as provided in the first subparagraph.

For the purposes of the preceding subparagraph, the office of departure where customs formalities are completed shall ensure that the following endorsement is entered on the document issued for the purposes of payment of the monetary compensatory amount.

‘Departure from the geographical territory of ... (Member State of departure) under Regulation (EEC) No 304/71 procedure.’

The office of departure may permit the contract of carriage to be varied so that carriage ends within the Member State of departure only if it is established:

- (i) that, if the monetary compensatory amount has already been paid, such refund has been repaid, or
- (ii) that the necessary steps have been taken by the authorities concerned to ensure that the monetary compensatory amount is not paid.

However, if the monetary compensatory amount has been paid pursuant to the second subparagraph and the product has not left the geographical territory of the Member State of departure, the office of departure shall so inform the agency responsible for payment of the monetary compensatory amount and shall provide it as soon as possible with all the necessary particulars. In such cases, the monetary compensatory amount shall be regarded as having been paid in error.

2. The monetary compensatory amount granted on import be paid only on production of proof that customs import formalities have been completed and that the duties and charges having equivalent effect payable in the Member State in question have been charged.

#### *Article 10a*

1. At the time of completion of the customs export formalities for a product in respect of which the exporting Member State is to grant or levy a monetary compensatory amount, the person concerned shall declare on the appropriate document all such information as is necessary to enable the monetary compensatory amount to be calculated concerning the composition of the product or the primary products used in its manufacture and their quantities and, in particular:

- (i) the relevant headings or subheadings of the Common Customs Tariff,
- (ii) the net weight, or as appropriate the quantity expressed in the unit of measurement to be taken into account in calculating the monetary compensatory amount, in respect of each heading or subheading.

2. The particulars as referred to in paragraph 1 concerning the Tariff heading or subheading and the quantity of the products shall be entered in section 31 of the internal Community transit document to used.

Where the procedure provided for in Title IV, section I, of Regulation (EEC) No 223/77 is applied the particulars shall be entered in section 25 of the International Consignment Note (CIM) or as the case may be in the International Express Parcels Consignment Note (TIEX) and shall be confied by the stamp of the customs office of departure.

3. Where a Community transit document is replaced by a new document this must include the same particulars as were entered on the original document, together with a record of the nature and registration number of that document and the name of the customs office of departure having issued it.

4. Where the competent authorities, on clearing the product for release for home use, classify it under a customs heading or subheading different from that which is entered in the transit document, they shall inform the customs office of departure accordingly.

5. The provisions of paragraph 2 above shall not apply in respect of:

- (i) products which are accompanied by the control copy referred to in Article 11 (2) and,
- (ii) consignments the net quantity of which in respect of each customs heading or subheading does not exceed 1 000 kilograms or, as appropriate, 10 hectolitres.

#### *Article 10b*

1. At the time of completion of the customs formalities for release for home use of a product in respect of which the importing Member State is to pay or levy a monetary compensatory amount, the person

concerned shall declare on the appropriate document all such information as is necessary to enable the monetary compensatory amount to be calculated concerning the composition of the product or the primary products used in its manufacture and their quantities, and in particular,

- (i) the relevant headings or subheading of the Common Customs Tariff;
- (ii) the net weight, or as appropriate the quantity expressed in the unit of measurement to be taken into account in calculating the monetary compensatory amount, in respect of each heading or subheading.

2. When the provisions of Article 11 (1) are applied, the control copy shall contain the information referred to in paragraph 1.

### *Article 11*

1. Where an exporting Member State wishes to exercise the option provided for in Article 2a of Regulation (EEC) No 974/71, it shall inform the Commission of its intention after it has obtained the agreement of the importing Member State. The Commission in turn shall inform the other Member States.

Products for which the customs export formalities were completed before the date on which the option provided for in Article 2a of Regulation (EEC) No 974/71 was exercised shall not be subjects to the provisions of the said Article 2a.

2. Payment by the exporting Member State of the monetary compensatory amount which should be granted by the importing Member State shall be conditional upon the production of proof that customs import formalities have been completed and that the duties and charges having equivalent effect payable in the importing Member State have been charged.

This proof shall be furnished by production of the control copy provided for in Article 1 of Regulation (EEC) No 2315/69. In the additional information section, the following shall be completed:

Sections 101 and 103;

2. Section 104 by deleting what does not apply and adding one of the following:

- Intended for entry for home use in ... (importing Member State) — application of Article 2a of Regulation (EEC) No 974/71;
- Zum freien Verkehr in ... (einführender Mitgliedstaat) bestimmt, Anwendung von Artikel 2a der Verordnung (EWG) Nr. 974/71;
- Bestemt til fri omsætning i ... (den indførende medlemsstat) anvendelse af artikel 2a i forordning (EOF) nr. 974/71;
- Destiné à être mis à la consommation en ... (État membre importateur) application de l'article 2 bis du règlement (CEE) n° 974/71;
- Destinato ad essere immesso in consumo in ... (Stato membro importatore) applicazione dell'articolo 2 bis del regolamento (CEE) n. 974/71;
- Bestemd om in het vrije verkeer te worden gebracht in ... (invoerende Lid-Staat) toepassing van artikel 2 bis van Verordening (EEG) nr. 974/71.

The competent customs office in the importing Member State shall complete the section headed 'control as to use and/or destination' and add one of the following:

- 'Monetary compensatory amount applicable on (date of entry for home use) not granted in (importing Member State)'
- 'Montant compensatoire monétaire applicable le (date de mise à la consommation) non octroyé en/au(x) (État membre importateur)'

- ‘Monetært udligningsbeløb, gældende den (datoen for overgang til forbrug) ikke ydet i (den importerende medlemsstat)’
- ‘Wahrungsausgleichsbetrag, gültig am (Tag der Überführung in den freien Verkehr) in (einführender Mitgliedstaat) nicht gewährt’
- ‘Importo compensativo monetario applicabile il (data d'immissione al consumo) non concesso in (Stato membro importatore)’
- ‘Monetair compenserend bedrag van toepassing op (datum van invoer tot verbruik) niet toegekend in (invoerende Lid-Staat)’.

3. Where Article 3 of Regulation (EEC) No 974/71 is applied the Commission shall after the exchange rate to be used for the purpose of applying Article 2a of that Regulation.

4. If, after having had recourse to the provisions of Article 2a of Regulation (EEC) No 974/71, an exporting or importing Member State wishes to abandon its exercise of the option provided for therein it shall first inform the other Member State concerned and the Commission, which shall inform the other Member States.

In such a case, products in respect of which customs export formalities have been completed before the date on which such abandonment takes effect shall remain subject to the provisions of the said Article.

5. Where the control copy referred to in paragraph 2 is not returned to the office of departure or relevant central body within three months of its issue owing to circumstances beyond the control of the person concerned, the latter may make application to the competent agency for other documents to be accepted as equivalent, stating the ground for such application and furnishing supporting documents. Such supporting documents shall include the transport document and the document whereby the product concerned is entered with the customs authorities for home use in the Member State of destination or a copy or photocopy thereof certified by the competent authorities.

In such a case the competent office of the Member State of destination shall, on the document whereby the product concerned is entered with the customs authorities for home use, include the same information as that specified in respect of the section of the control copy headed ‘control as to use and/or destination’. This endorsement shall be authenticated by the stamp of the customs office placed directly on the supporting document.

Member States shall each 1 March and 1 September send returns to the Commission showing for each product sector the number of applications made under the preceding subparagraph, the reasons where known for the failure to return the control copy, the quantities and the compensatory amount claimed.

#### *Article 12*

1. A monetary compensatory amount shall be levied or granted only in respect of products which come within the terms of Article 9 (2) of the Treaty, irrespective of the legal position with regard to their packaging.

Where compound products subject to a monetary compensatory amount fixed on the basis of one or more of their components are exported or imported, that monetary compensatory amount shall be applied only in so far as the component or components in respect of which the monetary compensatory amount is applicable come within the terms of Article 9 (2) of the Treaty. This provision shall also apply where the component or components in respect of which the monetary compensatory amount is applicable came originally within the terms of the said Article 9 (2) and no longer do so by reason solely of their incorporation in other products.

If a product is exported from one Member State to another Member State and subsequently re-exported to another Member State, the compensatory amount shall not be applied on exit from the re-exporting Member State unless it was applied on entry into that Member State or if the option provided for in Article 2a of Regulation (EEC) No 974/71 was exercised on behalf of that State.

If a product is exported from one Member State to another Member State and subsequently re-exported to a non-member country, and if the compensatory amount was not applied on entry into the re-exporting Member State or if the option provided for in Article 2a of Regulation (EEC) No 974/71 was not exercised on behalf of that State, the export refunds and export levies shall be multiplied in the re-exporting Member State by the coefficient as specified in Article 4 (3) applicable in that Member State. In such case the compensatory amount given for the product in question in Annex I to the Regulation fixing the monetary compensatory amounts shall not be applied on exit from the re-exporting Member State.

2. No monetary compensatory amount shall be granted on products which are not of sound and fair marketable quality or for products intended for human consumption if their characteristics or condition exclude or substantially impair their use for that purpose.

#### *Article 13*

Where a monetary compensatory amount is levied on export, it shall fall due on completion of the customs export formalities.

#### *Article 14*

Payment of monetary compensatory amounts shall be made only on receipt of a written application from the person concerned. Member States may prescribe a special form for this purpose.

#### *Article 15*

Except in cases of *force majeure*, no claim for payment of a monetary compensatory amount shall be entertained unless the relevant documents are submitted within the six months following the day on which customs formalities were completed.

#### *Article 15a*

1. Where agricultural products or goods subject to specific arrangements pursuant to Article 235 of the Treaty are re-imported by a Member State after having been exported by that Member State to another Member State, the provisions of Regulation (EEC) No 754/76 shall, upon the request of the person concerned, be applied *mutatis mutandis*, with effect from 1 January 1977 to the monetary compensatory amounts.

2. However, in respect of transactions which have not been regularized by the competent authorities, the measure provided for in paragraph 1 shall apply to products falling within Common Customs Tariff subheading 22.05 C that are re-imported into the exporting Member State on or after 1 August 1973.

### TITLE IV

#### General provisions

#### *Article 16*

Where the competent authorities are to grant a monetary compensatory amount, payment shall be made within two months from the day of deposit of sufficient supporting documents except in cases:

- (i) of *force majeure*: or
- (ii) where administrative enquiries have been commenced owing to doubts concerning the accuracy of the evidence produced.

#### *Article 16a*

For monetary compensatory amounts which fall due in trade between Member States, payment shall, at the request of the party concerned, be deferred for the period allowed and under the conditions laid down by Directive 78/453/EEC.

#### *Article 17*

1. The sluice-gate prices for pigmeat, eggs, poultrymeat and albumins shall be considered to have been observed at the time of import from third countries if, for the product in question, the offer price

(a) in the case of appreciation of the currency of the importing Member State, increased

(b) in the case of depreciation of that currency, reduced

by the amount referred to in the following subparagraph is not less than the sluice-gate price.

The amount referred to in the preceding subparagraph shall be obtained for pigmeat by multiplying the sluice-gate price by a coefficient corresponding to the percentage appreciation or depreciation of the currency of the importing Member State. In the case of eggs, poultrymeat and albumins this amount shall be the monetary compensatory amount applicable in trade within the Community.

2. For milk and milk products: the free-at-frontier values of products falling within subheadings 04.04 E 1 b) 2, 04.04 E 1 b) 3 and 04.04 E 1 b) 4 shall be considered to have been observed at the time of import from third countries if, for the product in question, the offer price

(a) in the case of appreciation of the currency of the importing Member State, increased

(b) in the case of depreciation of that currency, reduced

by the amount referred to in the following subparagraph is not less than the free-at-frontier value in question.

The amount referred to in the preceding subparagraph shall be obtained by multiplying the free-at-frontier value in question by a coefficient corresponding to the percentage appreciation or depreciation of the currency of the importing Member State.

3. In the wine sector the free-at-frontier reference prices shall be considered to have been observed at the time of import from third countries if, for the product concerned the offer price:

(a) in the case of appreciation of the currency of the importing Member State, increased or

(b) in the case of depreciation of that currency, reduced

by the amount referred to in the following subparagraph is not less than the free-at-frontier reference price.

The amount referred to in the preceding subparagraph is the monetary compensatory amount applicable in intra-Community trade.

#### *Article 18*

1. No monetary compensatory amount shall be applicable in respect of the following transactions concerning products supplied for purposes of Community or national food-aid programmes:

- (i) in the case of products from intervention stocks, intra-Community trading operations and exports to third countries,
  - (ii) in the case of products mobilized on the Community market, exports to third countries.
2. No monetary compensatory amount shall be applied in respect of exports to third countries for purposes of food-aid programmes carried out by humanitarian organizations provided that such programmes have been approved under the procedure laid down in Article 6 of Regulation (EEC) No 974/71.
  3. Where pursuant to the foregoing paragraphs no monetary compensatory amount is applied the provisions of Article 4 (3) shall not be applicable.

#### *Article 19*

1. In respect of exports to third countries or to another Member State, no monetary compensatory amount shall be applied to:
  - (a) small consignments of a non-commercial character.

The limits and the conditions of application of this exemption shall be the same as those laid down in Article 1 (2) of Council Directive No 74/651/EEC of 19 December 1974; however, in the event of export to third countries, the total value of the consignment may not exceed 25 units of account;
  - (b) products carried in travellers' personal luggage.

The limits and the conditions of application of this exemption shall be the same as those set out in Council Directive No 69/169/EEC of 28 May 1969, as amended by Directive No 72/230/EEC of 12 June 1972.

However for exports to third countries of products which are subject to export levies or other export charges imposed under the common agricultural policy or the special arrangements applicable pursuant to Article 235 of the Treaty to certain goods processed from agricultural products, the quantities in respect of which no monetary compensatory amount is applicable shall not exceed 3 kg per consignment or traveller.

2. For the purpose of paragraph 1 the total value of the consignments in question shall be ascertained by taking into account only the products which are subject to monetary compensatory amounts.
3. No monetary compensatory amount shall be granted on imports from third countries or their Member States of products mentioned in paragraph 1.

#### *Article 19a*

1. No monetary compensatory amount shall be charged on products which within the Community are for victualling purposes shipped on board sea-going vessels or aircraft serving on international routes, provided that the quantity involved does not exceed that reasonably required for consumption on board such vessels or aircraft.
2. However, if an export refund is requested for a product as referred to in paragraph 1, the monetary compensatory amount shall be applied.

#### *Article 20*

Regulation (EEC) No 1463/73 is hereby repealed.

*Article 21*

This Regulation shall enter into force on 1 June 1975, with the exception of Article 19 which shall enter into force on 1 July 1975.

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

Done at Brussels, 29 May 1975.

*For the Commission*  
**P.J. LARDINOIS**  
*Member of the Commission*

**COUNCIL REGULATION (EEC) No 878/77<sup>1</sup>**  
**of 26 April 1977**  
**on the exchange rates to be applied in agriculture**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 28, 43 and 235 thereof,

Having regard to Council Regulation No 129 on the value of the unit of account and the exchange rates to be applied for the purposes of the common agricultural policy, as last amended by Regulation (EEC) No 2543/73, and in particular Article 3 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas the situation referred to in Article 3 (1) of Regulation No 129, in respect of which derogations may be made from the principle of using parities for converting one currency into another, now obtains in various Member States;

Whereas it has been possible to solve the problems posed by such a situation by applying monetary compensatory amounts and representative conversion rates for the purposes of the common agricultural policy; whereas this arrangement leads to divergent price levels in the Member States concerned; whereas, however, in order to prevent the maintenance of unchanged rates for the common agricultural policy from leading to an increase in the difference between price levels expressed in national currencies when prices are increased and in view of the fact that certain adjustments may be made to the rates to adapt them to the real economic situation in the Member States, representative rates for the currencies of the Member States concerned should be fixed at levels more closely related to the actual economic situation; whereas, at the same time, all the representative rates should be republished in a new text;

Whereas, however, the impact of this measure on the economies of the Member States concerned should be moderated as far as possible; whereas, for this reason, the new rates should be applied within a reasonable period, coinciding if possible with the beginning of the marketing year or with a change in prices;

Whereas fixing a representative rate leads to an adjustment of agricultural prices; whereas the problems raised by the modification of exchange rates are the subject of Community provisions, in particular Council Regulation (EEC) No 1134/68 of 30 July 1968 laying down rules for the implementation of Regulation (EEC) No 653/68 on conditions for alterations to the value of the unit

---

<sup>1</sup> Modified by several Council Regulations. The last amendment taken into account is the Council Regulation (EEC) No 643/79 of 29 March 1979.

of account used for the common agricultural policy; whereas these provisions only cover the case of a change in the parity of a currency; whereas they should also be applied in this case; whereas, however, in so far as the parties concerned may request the cancellation of documents or certificates, such application would be justified only if they are placed at a disadvantage as a result of the fixing of the new representative rates; whereas, however, provision should be made for this right to be replaced by another giving rise to compensation for the disadvantage suffered;

Whereas the Monetary Committee will be consulted; whereas, in view of the urgency involved, the measures envisaged should be adopted in accordance with the conditions laid down in Article 3 (2) of Regulation No 129,

HAS ADOPTED THIS REGULATION :

#### *Article 1*

1. When transactions to be carried out in pursuance of instruments relating to the common agricultural policy, or specific rules laid down by virtue of Article 235 of the Treaty, require the currencies referred to in Article 2 to be expressed in another currency or in units of account, the rate of exchange shall, in derogation from Article 2 (1) of Regulation No 129, be that corresponding to the representative rate for that currency.

2. The representative rate shall cease to be applicable for the currency of a Member State at such time as that State declares a new parity to the International Monetary Fund.

#### *Article 2*

1. The representative rate referred to in Article 1 shall be:

(a) for the Belgian franc and the Luxembourg franc:

1 Belgian franc/Luxembourg franc = 0.0202640 unit of account;

(b) for the Danish kroner:

1 Danish krone = 0.116733 unit of account;

(c) for the German mark:

1 German mark = 0.293033 unit of account;

(d) for the French franc:

1 French franc = 0.166638 unit of account;

(e) for the Irish pound:

1 Irish pound = 1.35190 units of account;

(f) for the Italian lira:

100 Italian lire = 0.0912409 unit of account;

(g) for the Dutch guilder:

1 Dutch guilder = 0.293884 unit of account;

(h) for the pound sterling:

1 pound sterling = 1.57678 units of account.

2. These representative rates shall be applied from:

(a) 1 April 1977 as regards the French franc, the Italian lira and the Irish pound for:

(i) milk and milk products,

(ii) beef and veal,

(iii) pigmeat,

- (iv) dehydrated fodder,
  - (v) silkworms,
  - (vi) cherries,
- (a) a) 20 May for tomato concentrates;
  - (b) 1 August 1977 for eggs, poultry and ovalbumin and lactalbumin;
  - (c) 1 November 1977 for pigmeat as regards the German mark;
  - (d) 16 December 1977 for wine; however, other dates may be laid down for distillation operations;
  - (e) 1 January 1978 for fishery products;
  - (f) the beginning of the 1977/78 marketing year for the other products for which the marketing year has not commenced by the date of entry into force of this Regulation; however, in the case of the additional aid referred to in Article 1 (2) of Regulation (EEC) No 2511/69, the rates shall be applied as from 1 May 1977.
  - (g) 1 May 1977 in all other cases.

3. The representative rate for the Danish kroner as fixed by Regulation (EEC) No 2024/77 shall be applicable from:

- (a) the dates referred to in paragraph 2 (d) and (e) for the products mentioned therein;
- (b) the beginning of the 1977/78 marketing year for the other products for which the marketing year has not commenced by 16 September 1977;
- (c) 16 September 1977 in all other cases.

4. The representative rate for the French franc, fixed by Regulation (EEC) No 2840/77, shall apply with effect from 1 February 1978.

5. The representative rate for the Italian lira, fixed by Regulation (EEC) No 178/78, shall apply with effect from:

- (a) 1 August 1978 for eggs, poultry, ovalbumin and lactalbumin;
- (b) 22 May 1978 for wine; however, other dates may be laid down for distillation operations;
- (c) 1 January 1979 for fishery products;
- (d) subject to (e) and (f), the beginning of the 1978/79 marketing year for the other products for which the marketing year has not yet commenced on the day of the entry into force of Regulation (EEC) No 178/78;
- (e) 20 February 1978 for tomato concentrates;
- (f) the date of the entry into force of Regulation (EEC) No 178/78:
  - (i) for milk and milk products, beef and veal, pigmeat, and sugar;
  - (ii) for the additional aid referred to in Article 1 (2) of Regulation (EEC) No 2511/69;
  - (iii) in all other cases not mentioned above.

The preceding provisions shall cease to be applied to the Italian lira in the sectors concerned on the dates on which the provisions of Article 2a of this Regulation are applied in these sectors.

6. The representative rate for the pound sterling, fixed by Regulation (EEC) No 179/78, shall apply with effect from:

- (a) 1 July 1978 for isoglucose;
- (b) 1 August 1978 for eggs, poultry, ovalbumin and lactalbumin;
- (c) 16 December 1978 for wine; however, other dates may be laid down for the distillation operations;
- (d) 1 January 1979 for fishery products;

- (e) subject to the provisions laid down under (f), the beginning of the 1978/79 marketing year for the other products for which the marketing year has not yet commenced on the day of the entry into force of Regulation (EEC) No 179/78;
  - (f) the date of application of the prices for the 1978/79 marketing year for beef and veal and for milk and milk products, and the date applicable to milk and milk products for pigmeat and for all other cases not mentioned above.
7. The representative rate for the French franc fixed by Regulation (EEC) No 470/78 shall apply with effect from 8 March 1978.

*Article 2a*

1. The following rates shall be applied with effect from the dates indicated in paragraph 2:
- (a) for the Belgian and Luxembourg franc:  
1 Belgian franc/Luxembourg franc = 0.0202640 unit of account;
  - (b) for the Danish krone:  
1 Danish krone = 0.116733 unit of account;
  - (c) for the German mark:  
1 German mark = 0.293912 unit of account;
  - (d) for the French franc:  
1 French franc = 0.160639 unit of account;
  - (e) for the Irish pound:  
1 Irish pound = 1.27079 units of account;
  - (f) for the Italian lira:  
100 Italian lire = 0.0866551 unit of account;
  - (g) for the Dutch guilder:  
1 Dutch guilder = 0.293884 unit of account;
  - (h) for the pound sterling:  
1 pound = 1.57678 units of account.
2. These representative rates shall be applied:
- (a) for hops, from 24 April 1978 for the French franc, the Irish pound, the Italian lira and the pound sterling;
  - (b) for isoglucose, from 1 July 1978;
  - (c) for eggs, poultry, ovalbumin and lactalbumin, from 1 August 1978;
  - (d) for pigmeat, subject to paragraph 3, from 17 May 1978, with the exception of the German mark to which the rate referred to in paragraph 1 does not apply until 1 November 1978;
  - (e) for wine, from 16 December 1978; however, other dates may be laid down for distillation operations;
  - (f) for fishery products, from 1 January 1979;
  - (g) except as indicated under (h) and (i), for other products the marketing year for which has not yet commenced on the date of entry into force of this Regulation, from the beginning of the 1978/79 marketing year;
  - (h) from 22 May 1978:
    - (i) for the Italian lira, for tomato concentrates,
    - (ii) for the additional aid referred to in Article 2 (1) of Regulation (EEC) No 2511/69,
    - (iii) in all other cases not specified above.
  - (i) for olive oil, from 1 November 1978.

3. By way of derogation from paragraph 2, as regards the French franc:
- (a) the representative rate of one French franc = 0.152417 unit of account shall apply with effect from:
    - (i) 1 July 1979 for the sugar and isoglucose sectors,
    - (ii) 1 August 1979 for the cereals sector,
    - (iii) 9 April 1979 in all other cases; however, in the wine sector, other dates may be set for the distillation operations;
  - (b) the representative rate of one French franc = 0.144796 unit of account shall apply with effect from:
    - (i) 9 April 1979 for the pigmeat sector,
    - (ii) 1 July 1980 for the isoglucose sector,
    - (iii) 1 August 1980 for the eggs, poultrymeat, ovalbumin and lactalbumin sectors,
    - (iv) 16 December 1980 for the wine sector; however, other dates may be set for the distillation operations,
    - (v) 1 January 1981 for the fishery products sector,
    - (vi) the beginning of the 1980/81 marketing year for other products in the case of which a marketing year exists,
    - (vii) the beginning of the 1980/81 milk marketing year for all other cases not referred to above.
4. By way of derogation from paragraph 2, as regards the Italian lira, the representative rate of Lit 100 = 0.0823045 unit of account shall apply with effect from:
- (a) 9 April 1979 for the milk and milk products, beef and pigmeat sectors;
  - (b) 1 July 1979 for the isoglucose sector;
  - (c) 1 August 1979 for the eggs, poultrymeat, ovalbumin and lactalbumin sectors;
  - (d) 16 December 1979 for the wine sector; however, other dates may be set for the distillation operations;
  - (e) 1 January 1980 for the fishery products sector;
  - (f) the beginning of the 1979/80 marketing year, with the exception of that which is indicated under (h), for other products in respect of which the marketing year has not yet begun at the date of the entry into force of Regulation (EEC) No 643/79;
  - (g) the date of the fixing of the amount of aid to producers in respect of the 1978 crop for the hops sector;
  - (h) 9 April 1979:
    - (i) for the additional aid referred to in Article 1 (2) of Regulation (EEC) No 2511/69.
    - (ii) in all other cases not mentioned above.

However, following the Council Decision concerning the fixing of agricultural prices for the 1979/80 marketing year, the representative rate of Lit 100 = 0.0788644 unit of account shall be applicable:

- (i) from the date of application of the prices for the 1979/80 marketing year for beef and veal and for milk and milk products: for all the products for which the rate referred to in the first paragraph applies on that date,
- (ii) for the dates referred to in the first paragraph: in all remaining cases.

5. By way of derogation from paragraph 2, as regards the pound sterling, the representative rate of one pound sterling = 1.49794 units of account shall apply with effect from:

- (a) 9 April 1979 for the milk and milk products, beef, pigmeat, sugar and isoglucose sectors and in all other cases not mentioned below;
- (b) 1 August 1979 for the eggs, poultrymeat, ovalbumin and lactalbumin sectors;

- (c) 16 December 1979 for the wine sector; however, other dates may be set for the distillation operations;
  - (d) 1 January 1980 for the fishery products sector;
  - (e) the beginning of the 1979/80 marketing year for other products in respect of which the marketing year has not yet begun at the date of the entry into force of Regulation (EEC) No 643/79;
  - (f) the date of the fixing of aid to producers in respect of the 1978 crop for the hops sector.
6. By way of derogation from paragraph 2, as regards the Irish pound, the representative rate of one Irish pound = 1.26702 units of account shall apply as from 9 April 1979 in all sectors.

### *Article 3*

By way of derogation from Article 2, with regard to milk and milk products, the representative rate applicable in the United Kingdom from the beginning of the milk year until 15 September 1977 shall be: 1 pound sterling = 1.75560 units of account, and that applicable from 16 September 1977 until 31 March 1978 shall be 1 pound sterling = 1.73013 units of account.

By way of derogation from Article 2, with regard to pigmeat and to beef and veal, the representative rate applicable in the United Kingdom from 2 February 1978 shall be:

1 pound sterling = 1.61940 units of account.

### *Article 3a*

The provisions of this Regulation shall apply subject to the provisions of Regulation (EEC) No 129/78.

### *Article 4*

1. The provisions of Regulation (EEC) No 1134/68 in respect of an alteration of the relationship between the parity of the currency of a Member State and the value of the unit of account shall apply.
2. However, the second subparagraph of Article 4 (1) of Regulation (EEC) No 1134/68 shall apply only if the application of the new representative rates is disadvantageous to the party concerned. Before the date of application of the new rate it may be decided to offset this disadvantage by an appropriate measure. In this case, advance fixing and the certificate or document attesting thereto may not be cancelled.
3. In accordance with the procedure provided for in Article 5, derogations may be made to the provisions laid down in paragraph 1.

### *Article 5*

1. Rules for the application of this Regulation shall be adopted in accordance with the procedure laid down in Article 26 of Council Regulation (EEC) No 2727/75 of 29 October 1975 on the common organization of the market in cereals, as last amended by Regulation (EEC) No 3138/76, or, where appropriate, in the corresponding Articles of the other agricultural Regulations establishing similar procedures, if necessary, in derogation from the rules governing the fixing of prices laid down in the relevant provisions where and so long as strictly necessary for implementation of this Regulation.
2. As regards the amounts fixed in units of account which are not connected with the fixing of prices, the arrangements referred to in paragraph 1 above may consist, of an increase of 2.00%.

*Article 6*

The provisions of Council Regulation (EEC) No 557/76 of 15 March 1976 on the exchange rates to be applied in agriculture and repealing Regulation (EEC) No 475/75, as last amended by Regulation (EEC) No 723/77, shall cease to be applicable for a given sector on the date on which the provisions of this Regulation become applicable to that sector.

*Article 7*

This Regulation shall enter into force on 1 May 1977.

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

Done at Luxembourg, 26 April 1977.

*For the Council*  
*The President*  
J. SILKIN

**COUNCIL REGULATION (EEC) No 652/79**

**of 29 March 1979**

**on the impact of the European monetary system on the common agricultural policy**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 28, 43 and 235 thereof;

Having regard to Council Regulation No 129 on the value of the unit of account and the exchange rates to be applied for the purposes of the common agricultural policy, as last amended by Regulation (EEC) No 2543/73, and in particular to Article 3 thereof;

Having regard to the proposal from the Commission;

Having regard to the opinion of the European Parliament;

Having regard to the opinion of the Economic and Social Committee;

Having regard to the opinion of the Monetary Committee;

Whereas Regulations (EEC) No 3180/78 and (EEC) No 3181/78 introduced a unit of account called the ECU as the basis of the new European monetary system; whereas this unit of account should also be applied for the purposes of the common agricultural policy; whereas under the existing provisions the ECU will be used for calculating the monetary compensatory amounts and will thereby determine the common price level;

Whereas the value of the ECU does not correspond to the value of the unit of account (u.a.) used hitherto: whereas, in order to maintain the common level of prices, the amounts fixed in units of account must be multiplied by the coefficient indicating for the currencies of the countries party to the joint float agreement, the relationship between the ratio of their central rates to the European monetary unit of account, and the ratio of their central rates to the ECU on the date of entry into force of the European monetary system; whereas, in order to prevent changes in the level of the prices and other amounts in national currencies, the representative rates must then be adjusted by using the same coefficient as that to be applied to the amount expressed in units of account; whereas the representative rates at present applicable in agriculture were fixed by Regulation (EEC) No 878/77 as last amended by Regulation (EEC) No 643/79;

Whereas Article 2 of Council Regulation (EEC) No 974/71 of 12 May 1971 on certain measures of conjunctural policy to be taken in agriculture following the temporary widening of the margins of fluctuation for the currencies of certain Member States, as last amended by Regulation (EEC) No 557/76, provides that the monetary compensatory amounts for Member States with floating currencies shall be calculated on the basis of a difference between the representative rate and the actual rate minus 1.50 points if the currency has depreciated; whereas, in order to ensure continuity in calculating the monetary compensatory amounts, this rule should also be applied where a Member State with a depreciated currency which had been floating joins the Member States, the currencies of which

are maintained within 2.25% of one another at any given moment; whereas, however, this must not lead to excessive franchises in trade; whereas it further appears appropriate also to introduce the idea of a franchise for Member States with an appreciated currency; whereas it is however necessary to avoid too great a difference developing between the prices of the Member States, which is not covered by monetary compensatory amounts;

Whereas the changeover to the new system could present unforeseen difficulties which would require immediate action; whereas therefore the Commission should be authorized to adopt the necessary measures in accordance with the management committee procedure and, where appropriate, by way of derogation from the existing provisions;

Whereas the Council has decided to postpone fixing the prices for the 1979/80 marketing year to 30 June 1979; whereas, in connection with this decision, introduction of the ECU into the common agricultural policy should be limited as a first step to this same period,

HAS ADOPTED THIS REGULATION :

#### *Article 1*

The amounts fixed in units of account for the purposes of the common agricultural policy or special trade arrangements for goods resulting from the processing of agricultural products shall be expressed in ECU by means of a coefficient of 1.208953.

#### *Article 2*

Regulation (EEC) No 878/77 is hereby amended as follows:

- (a) In Articles 1 and 2a the words 'unit(s) of account' shall be replaced by 'ECU'.
- (b) In Article 2a, the exchange values of the currencies indicated therein shall be replaced by the amounts produced by applying the coefficient referred to in Article 1 of this Regulation to the amounts applicable at present.

#### *Article 3*

Regulation (EEC) No 974/71 is hereby amended as follows:

- (a) The last sentence of Article 2 (1) (b) shall be deleted.
- (b) The following paragraph shall be added to Article 2:
  - 1a. The percentage referred to in paragraph 1 (a) shall be reduced by:
    - (i) 1.50 points in the case of Member States whose currency has depreciated,
    - (ii) one point in the case of other Member States whose currency is revalued after the entry into force of Council Regulation (EEC) No 652/79 of 29 March 1979 on the impact of the European monetary system on the common agricultural policy

The average of the percentages referred to in paragraph 1 (b) shall be reduced by 1.50 points.

However, for the Member States referred to in paragraph 1 (a), 1% shall be applied as long as the percentage obtained after deducting one or 1.50 points, as the case may be, is less than 1.1 and more than 0.

*Article 4*

The necessary rules for the application of this Regulation, in particular the transitional provisions to facilitate the changeover to the new monetary system, shall be adopted in accordance with the procedure laid down in Article 26 of Council Regulation (EEC) No 2727/75 of 29 October 1975 on the common organization of the market in cereals, as last amended by Regulation (EEC) No 1254/78; or, where appropriate, in the corresponding Articles of the other agricultural Regulations establishing similar procedures, if necessary by way of derogation from the existing rules, where and for so long as strictly necessary to take account of this Regulation.

*Article 5*

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Communities*.

It shall apply from 9 April to 30 June 1979.

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

Done at Brussels, 29 March 1979.

*For the Council*  
*The President*  
P. MEHAIGNERIE

European Community — Commission

**Compendium of Community Monetary texts**

Luxembourg: Office for Official Publications of the European Communities

1979 — 177 pp. — 17.6 × 25.0 cm

DA, DE, EN, FR, IT, NL

ISBN 92-825-1148-0

Catalogue number: CB-28-79-504-EN-C

BFR 300	DKR 52,80	DM 19	FF 43,60
LIT 8 500	HFL 20,60	UKL 5	USD 11

The Compendium of Community Monetary Texts gathers together the major legal texts on Community monetary affairs which have been adopted since the institution of the Community. Its purpose is to facilitate access to and consultation of these texts.

This edition does not aim to provide an exhaustive collection of all such texts but only those which are currently in force at the time of its publication.