

Compendium of Community Monetary Texts

1974 edition

Corrigendum to English version page 1

No V-5. Provisional rules of procedure⁽¹⁾ of the European Monetary
Co-operation Fund

Amend as follows :

Footnote page 85

"(1) Text adopted by the Council of the European Communities and by the
Board of Governors of the Fund on 28 June 1973."

Article 1, sub-paragraph 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."

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 9 :

Delete second sub-paragraph.

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I
Basic documents
concerning the achievement of economic
and monetary union

THE FINAL COMMUNIQUÉ
OF THE CONFERENCE OF THE HEADS OF STATE
OR GOVERNMENT
ON 1 AND 2 DECEMBER 1969 AT THE HAGUE

1. On the initiative of the Government of the French Republic and at the invitation of the Government of the Netherlands, the Heads of State or Government and the Ministers of Foreign Affairs of the Member States of the European Communities met at The Hague on 1 and 2 December 1969. On the second day, the Commission of the European Communities was invited to participate in the proceedings of the Conference.
2. Now that the final phase of the Common Market is about to begin they considered that it was the duty of those in each of the member countries of their Community who bear the heaviest political responsibilities to draw up a balance sheet of the work that has been achieved, to manifest their determination to carry it on, and to lay down broad guidelines for the future.
3. Assessing the ground covered, and observing that perhaps never before have independent States carried cooperation further, they were unanimous in the opinion that in view of the progress realized the Community has today reached a turning point in its history. Apart from the technical or legal aspects of the problems that it poses, the development scheduled for the end of the year is of major political significance. Entering into the final phase of the Common Market is not only in fact putting the seal on the irreversible character of the work accomplished by the Communities, it is also preparing the way for a united Europe capable of assuming its responsibilities in the world of tomorrow and of making a contribution corresponding to its tradition and its mission.
4. Consequently, the Heads of State or Government desire to reaffirm their faith in the political objects which give to the Community its whole meaning and significance, their determination to carry the enterprise through to its conclusion, and their confidence in the final success of their efforts. They hold in common the conviction that a Europe consisting of States which in their national diversity are united in their essential interests, assured of its own cohesion, faithful to its external friendships, conscious of the part it plays in facilitating the relaxation of international tensions and rapprochement between all peoples, and first and foremost between the peoples of the European continent

as a whole, is indispensable to the safeguarding of an exceptional cradle of development, progress and culture, to the equilibrium of the world and to the protection of peace.

The European Communities are the original nucleus from which European unity has developed and taken wing. The adhesion to these Communities of other countries in the continent — in accordance with the provisions of the Treaties of Rome — would undoubtedly contribute to the development of the Communities to dimensions approximating to an increasing extent to the present state of the economy and technology. The establishment of special links with other European countries who have expressed the desire for it should also play its part. Such a development would enable Europe to remain faithful to its traditions of opening up to the world and augmenting its efforts in favour of the countries in course of development.

5. As regards the culminating stage of the Communities the Heads of State or Government have reaffirmed the will of their Governments to pass from the period of transition to the definitive stage of the European Community and consequently to adopt the agricultural financial regulations at the end of 1969.

Within the framework of these financial regulations and taking account of all the interests involved, they agree to the progressive replacement of the contributions of the member countries by own resources with a view to arriving in the long run at the integral financing of the budgets of the Communities in accordance with the procedure laid down in Article 201 of the Treaty setting up the EEC and to reinforcing the budget powers of the European Parliament.

The problem of the method of direct elections will continue to be examined by the Council of Ministers.

6. They have asked the Governments to pursue without delay within the Council the efforts already undertaken to ensure a better control of the market by a policy of agricultural production making it possible to reduce budget charges.

7. The acceptance of a financial arrangement for the final period does not preclude its adaptation on a unanimous basis for the purpose in particular of enlarging the Community on condition that the principles of the arrangement are not altered.

8. They have reaffirmed their wish to carry on more rapidly with the further development necessary to reinforce the Community and its development into an economic union. They are of the opinion that the process of integration should end in a Community of stability and growth. With this object in view they have agreed that on the basis of the memorandum presented by the

Commission on 12 February 1969 and in close collaboration with the Commission a plan by stages should be drawn up by the Council during 1970 with a view to the creation of an economic and monetary union.

The development of monetary cooperation should be based on the harmonization of economic policies.

They have agreed that the possibility should be examined of setting up a European reserve fund, to which a common economic and monetary policy would lead.

9. As regards the technological activity of the Community, they have reaffirmed their wish to follow more closely the activity of the Community with a view to coordinating and encouraging industrial research and development in the key sectors, notably by Community programmes, and to furnishing the financial resources for the purpose.

10. They agree also on the necessity of making further efforts to formulate shortly for the European Atomic Energy Community a programme of research worked out according to the requirements of modern industrial management and calculated to ensure the most efficacious utilization of the Joint Research Centre.

11. They have reaffirmed their interest in the establishment of a European University.

12. The Heads of State or Government recognize the need for the reform of the Social Fund within the framework of a close concertation of social policies.

13. They have reaffirmed their agreement on the principle of enlargement of the Community as laid down in Article 237 of the Treaty of Rome.

In so far as States applying for membership accept the Treaties and their political objective, the decisions that have been taken since the entry into force of the Treaties and the options taken in the field of development, the Heads of State or Government have signified their agreement to the opening of negotiations between the Community on the one hand and applicant States on the other hand.

They have agreed that the preparatory work essential to the establishment of a basis of common negotiations may be undertaken at the most suitable and earliest opportunities; and these preparations will be accomplished by common consent in the most positive spirit.

14. As soon as negotiations with applicant countries have been opened, discussions will be started with the other member countries of EFTA who so request on their position in relation to the EEC.

15. They have called on the Ministers of Foreign Affairs to study the best way of realizing progress in the field of political unification with a view to enlargement. The Ministers will make proposals on this subject before the end of July 1970.

16. All the creative measures and measures for European growth here decided on will be assured of a greater future if youth is closely associated with them; this preoccupation has been borne in mind by the Government, and the Communities will proceed accordingly.

DECISION OF THE COUNCIL OF 6 MARCH 1970
REGARDING THE PROCEDURE IN THE MATTER OF
ECONOMIC AND MONETARY COOPERATION

THE COUNCIL OF THE EUROPEAN COMMUNITIES

- with the object of giving effect at the first possible moment to the resolution on economic and monetary union in the Community passed by the Conference of Heads of State or Government held at The Hague on 1 and 2 December 1969 (paragraph 8 of the Communiqué),
- taking note of the suggestions formulated by the Governments and of the Communication from the Commission to the Council regarding the formulation of a plan by stages with a view to the creation of economic and monetary union,

DECIDES:

to invite the Chairmen of the Monetary Committee, of the Committee of Governors of the central banks, of the Medium-term Economic Policy Committee, of the Short-term Economy Policy Committee, and of the Budget Policy Committee, together with a representative of the Commission to meet under the chairmanship of Mr Pierre Werner to prepare a report containing an analysis of the different suggestions and making it possible to identify the basic issues for a realization by stages of economic and monetary union in the Community.

A first report will be presented to the Council and the Commission before the end of the month of May 1970, so that the Council can consider it.

Done in Brussels, 6 March 1970

For the Council
The President

EXTRACT FROM THE ABSTRACT OF DECISIONS
116th SESSION OF THE COUNCIL
8 AND 9 JUNE 1970

*Statement by the Chairman, Mr Werner,
on the proceedings regarding the plan by stages
and the action to be taken on the interim report*

The Council has endorsed the joint conclusions based on the proceedings of the Group presided over by Mr Werner, namely:

- the starting point of the process to be embarked upon is to be found in the completion of the measures advocated in the memorandum from the Commission to the Council of 12 February 1969. That implies that the Council will decide between now and the end of 1970 on the quantitative guidelines at medium term and the institution of financial aid at medium term;
- the final objective determined by the Conference of Heads of State or Government has emerged as an objective that may be reached in the course of the present decade, provided it enjoys the permanent political support of the Governments;
- economic and monetary union signifies that the principal decisions of economic policy will be taken at Community level and therefore that the necessary powers will be transferred from the national plane to the Community plane. Its final result could be the adoption of a sole currency that will guarantee the irreversibility of the undertaking;
- between the starting point and the achievement of the final objective numerous measures will have to be taken on a parallel and progressive basis on a number of fronts. Certain measures imply a modification of the Treaty of Rome the preparatory work for which must be brought to a successful conclusion during the first stage. Nevertheless, the present arrangements already allow substantial advances to be made;
- the first stage should commence on 1 January 1971 and be completed in a specified period; on the technical plane, a delay of three years seems appropriate. This stage will be intended to render the Community instruments increasingly operational and to confer individuality on the Community within the international monetary system;

- the first stage cannot be regarded as an objective in itself; it cannot be dissociated from the entire process of economic and monetary integration. It must therefore be embarked on in the determination to arrive at the final objective;
- this first stage should include a reinforcement of the procedures for consultation according to methods which still remain to be determined; the budget policy of the Member States must be conducted in accordance with Community objectives; a certain harmonization should occur in the fiscal field; currency and credit policy must be strongly coordinated and the integration of financial markets must be intensified;
- the Community must progressively adopt common positions in monetary relations with third countries and international organizations; in particular it should not avail itself in the foreign exchange relations between member countries of any provision that would permit a weakening of the international foreign exchange system.

The Council has also invited the Group presided over by Mr Werner to continue its work in the light of the guidelines developed from the exchange of views that took place at the session of 8 and 9 June 1970 and paying due regard to any opinions of the Committee of Governors of the central banks that might be obtained on specific monetary problems. The Group is invited to present its final report in the month of September next.

**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 report¹ 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 1970², namely that:

- 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;
- 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;
- 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;
- 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;

- 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;
- 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;
- 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,

¹ OJ No C 94, 23.7.1970, p.8.

² OJ No C 136, 11.11.1970, p.19.

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 institutions 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 Banks 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:

- the internal monetary and credit policies of the union;
- monetary policy towards the outside world;

- policy with regard to the unified capital market and capital movements to and from third countries;
- 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;
- 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 economies 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:

- Community rules determining the uniform basis for assessing the value added tax within the meaning of the Decision of 21 April 1970¹ on the replacement of financial contributions from the Member States by the Communities' own resources;
- 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;
- 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;
- the further harmonization of the taxation of companies and firms;
- 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:
 - 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;
 - 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:
 - more stress shall be laid in the Monetary Committee and the Committee of Governors of Central Banks on obligatory prior consultation;

- 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;
- 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 I (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

¹ OJ No L 94, 28.4.1970, p. 19.

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:

- 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;
- 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:

- either on the basis of the existing provisions of the Treaty;
- or on the basis of Article 235 of the Treaty;
- or on the basis of Article 236 of the Treaty.

**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**

DECLARATION

'The Heads of State and Government of the Member States of the enlarged Community meeting for the first time on 19 and 20 October in Paris at the invitation of the President of the French Republic solemnly declare that:

At the time when the enlargement, decided under the Rules fixed by the Treaties and respecting the work already accomplished by the six original Member States, is about to become a reality and give the European Community another dimension;

At a time when world events are radically changing the international situation;

At a time when hopes for détente and cooperation are emerging, which satisfy the interest and deeply-felt desire of all nations;

At a time when disquieting monetary or trade problems are obliging us to seek lasting solutions for promoting expansion with stability;

At a time when many developing countries, seeing the gap widening between them and the industrialized nations, are legitimately claiming increased aid and a more equitable utilization of wealth;

At a time when the Community's tasks are magnifying and new responsibilities are being assigned to it;

The time has come for Europe to realize the unity behind her interests, the scope of her capabilities and the importance of her obligations;

Europe must be capable of making her voice heard in world affairs and making a creative contribution in proportion to her human, intellectual and material resources and affirming her own concepts in international relations in line with her role in initiating progress, peace and cooperation.

To this end:

1. The Member States reaffirm their resolve to base their Community's development on democracy, freedom of opinion, free movement of men and ideas and participation by the people through their freely elected representatives;

2. The Member States have resolved to strengthen the Community by forming an Economic and Monetary Union, as a token of stability and growth, as the indispensable basis of their social progress and as a remedy for regional disparities;

3. Economic expansion, which is not an end in itself, must as a priority help to attenuate the disparities in living conditions. It must develop with the participation of both sides of industry. It must emerge in an improved quality as well as an improved standard of life. In the European spirit special attention will be paid to non-material values and wealth and to protection of the environment so that progress shall serve mankind;

4. Aware of the problems arising from the persistent underdevelopment in the world, the Community affirms its resolve, within overall policy, towards the developing countries, to raise its efforts in aid for and cooperation with the poorest nations and with special consideration for the countries towards whom historically, geographically and through signed commitments the Community has specific obligations:

5. The Community reaffirms its resolve to promote the development of international trade. This resolve is extended to all countries without exception. The Community is prepared, openmindedly as it has already proved and in line with the IMF and GATT procedures, to enter as soon as possible into negotiations based on the principle of reciprocity, which will allow stable and balanced economic relations to be achieved in monetary affairs and trade and where the interests of the developing countries must receive full consideration;

6. In the interests of the good neighbourly relations which must exist between all the European nations, whatever their régime, the Member States are resolved, especially through the Conference on European Security and Cooperation, to promote their policy of détente and peace with Eastern European countries, establishing on a permanent basis broader human and economic cooperation;

7. In line with its political aims, the construction of Europe will allow the continent to assert its personality in the loyalty of its traditional friendships and in the alliances of its Member States and to make its mark in world affairs as a distinct entity determined to promote a better international balance which respects the United Nations Charter. The Member States of the Community, the driving wheels of European construction, declare their intention of converting their entire relationship into a European Union before the end of this decade.

Economic and Monetary Policy

1. The Heads of State and Government reaffirm the resolve of the Member States of the enlarged Community to move irrevocably the Economic and Monetary Union, by confirming all the details 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 and Government reaffirmed the principle of parallel progress in the various fields of the Economic and Monetary Union.

2. The 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 and 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 and 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.

Regional Policy

5. The Heads of State and Government give top priority to correcting the structural and regional imbalances in the Community which could hinder the achievement of the Economic and Monetary Union.

The Heads of State and Government invite the Commission to prepare as soon as possible a report analysing the regional problems of the enlarged Community and offering suitable proposals.

They henceforth commit themselves to coordinate their regional policies. Desiring to apply their efforts to a Community solution of regional problems, they ask the Community Institutions to set up a Regional Development Fund

to be operative by 31 December 1973. From the start of the second stage of the Economic and Monetary Union this Fund will be backed by the Community's own resources. Its interventions, coordinated with national aid will help, alongside the creation of the Economic and Monetary Union, to correct the major regional imbalances in the enlarged Community and especially those arising from a predominance of agriculture, industrial changes and structural underemployment.

Social Policy

6. The Heads of State and Government emphasized that vigorous action in the social sphere is to them just as important as achieving Economic and Monetary Union. They consider it absolutely necessary to secure an increasing share by both sides of industry in the Community's economic and social decisions. They ask the Institutions after consulting both sides of industry to draw up an action programme before 1 January 1974 providing practical measures and the means for them, within the scope of the Social Fund, based on suggestions put forward by the Heads of Government and the Commission during the Conference.

The programme must implement a coordinated policy for employment and vocational training, to improve working and living conditions, secure the collaboration of workers in the function of undertakings, facilitate — according to the conditions in each country — the conclusion of collective European agreements in appropriate areas and strengthen and coordinate action for protecting the consumer.

Industrial, Scientific and Technological Policy

7. The Heads of State and Government felt there was a need to try and provide a uniform foundation for industry throughout the Community.

This entails the removal of technical barriers to trade and elimination, especially in the field of taxation and law, of obstacles hindering alignment and concentration among undertakings, swift adoption of a statute for the European company, the progressive and effective opening up of public contracts, the promotion on the European scale of competitive undertakings in advanced technology, the adaptation and redevelopment, under socially acceptable conditions, of industrial branches in difficulty, the preparation of provisions to guarantee that concentrations, affecting undertakings established in the Community, are compatible with the Community's socio-economic

goals, and fair competition under the Treaty provisions both within the Common Market and on the outside markets.

Objectives should be defined and the development of a common scientific and technological policy ensured. This policy implies coordination of national policies within the Community Institutions and the joint carrying out of action in the Community interest.

To this end, an action programme with a precise schedule backed by appropriate means should be drawn up by the Community Institutions before 1 January 1974.

The Environment

8. The Heads of State and Government stressed the value of a Community environment policy. They are therefore requesting the Community Institutions to draw up an action programme with a precise schedule before 31 July 1973.

Energy

9. The Heads of State and Government feel there is a need for the Community Institutions to work out as soon as possible an energy policy which ensures a reliable and lasting supply on economically satisfactory terms.

External Relations

10. The Heads of State and Government affirm that their efforts to construct their Community will only take on their full meaning to the extent that the Member States succeed in acting together to meet Europe's growing responsibilities in the world.

11. The Heads of State and Government are convinced that without vitiating the advantages enjoyed by the countries with whom it has special relationships, the Community must respond more than ever before to the expectations of all the developing countries.

From this angle the Community puts great value on the Association policy as confirmed by the Accession Treaty and on honouring its commitments towards the Mediterranean countries with whom agreements have been or are to be made, agreements which require an overall and balanced handling.

Likewise, remembering the outcome of the UNCTAD Conference and within the scope of the development strategy adopted by the United Nations, the Community Institutions are asked to activate an overall policy of cooperation in development on a world scale and including the following aims:

- To promote in suitable cases agreements on commodities from the developing countries in order to stabilize markets and boost their exports.
- To improve the generalized preferences with the target of steady growth in imports of manufactured products from the developing countries.

Here the Community Institutions will study from early 1973 terms enabling the target of substantial growth to be achieved.

- To increase the volume of public financial aid.
- To improve the financial terms for this aid, especially for the benefit of the most underfavoured developing countries, with reference to the recommendations, of the OECD Development Aid Committee.

These questions will be the subject of studies and decisions through 1973.

12. Concerning the industrial countries, the Community is determined that to ensure a harmonious development of world trade it will:

- Contribute, while respecting the Community assets, to the progressive decontrol of international trade based on reciprocity and aimed at tariff and non-tariff barriers;
- Carry on constructive dialogue with the USA, Japan, Canada and the other commercial industrialized partners with an open mind and exploiting appropriate vehicles.

In this context, the Community regards as crucial the multilateral negotiations within GATT in which it will share as declared previously.

The Community Institutions are therefore asked to define an overall concept by 31 July 1973 at the latest.

The Community hopes that an effort by all the partners will allow the negotiations to be concluded in 1975.

The Community confirms its wish that the developing countries fully share in preparing for these negotiations which must consider the interests of these countries.

In view of the Agreements made with the EFTA countries not applying for Membership, the Community declares itself ready to seek a swift solution with Norway to the trade problems which she is facing in her relations with the enlarged Community.

13. In order to promote the détente in Europe, the Community reaffirms its resolve to follow a trade policy towards the Eastern countries from 1 January 1973. The Member States are prepared to promote a policy of cooperation with these countries based on reciprocity.

This cooperation policy is presently closely tied to preparations for the Conference on European Security and Cooperation, where the Community and Member States are asked to make a concerted and constructive contribution.

Political Cooperation

14. The Heads of State and Government consider that political cooperation between Member States in the area of foreign policy has got off to a good start and should be further improved. They agreed that consultation would be intensified at all levels and that the Foreign Ministers would henceforth meet four times instead of twice a year. They considered that the goal of this cooperation was to deal with current questions and as far as possible to work out joint medium and long-term positions bearing in mind the implications and effects in the field of international policy of Community policies in preparation. For affairs which impinge on Community activity close contact will be kept with the Community Institutions. They agreed that the Foreign Ministers would compile by 30 June 1973 a second report on methods for improving political cooperation as had been anticipated in the Luxembourg Report.

Strengthening the Institutions

15. The Heads of State and Government found that the Community Institutions were proving themselves but considered that the decision procedures and the running of the Institutions ought to be improved to boost their efficiency.

The Institutions and if need be the Government Representatives of Member States are asked to adopt, before the end of the first stage of the Economic and Monetary Union, measures based on the Report to be submitted by the Commission before 1 May 1973 under the Resolution of 22 March 1971,

concerning the distribution of authority and responsibilities between the Community Institutions and the Member States which are needed for the smooth running of the Economic and Monetary Union.

The Heads of Government also thought it desirable to standardize the dates on which the national Councils of Ministers meet in order to let the Council of the Community organize its schedules more regularly.

Wishing to strengthen the supervisory powers of the European Parliament, apart from when under Article 138 of the Rome Treaty it will be elected by universal suffrage and in wanting to improve the terms of its function, the Heads of Government confirm the decision of 22 April 1970 by the Council of the Community. They ask the Council and the Commission to implement promptly the practical measures to strengthen Parliament and improve the relations of both the Council and Commission with the Parliamentary Assembly.

Before 30 June 1973 the Council will take practical measures to improve its decision procedures and the consistency of Community action.

The Heads of Government asked the Community Institutions to accord the Economic and Social Committee the right to issue from now on Opinions on its own initiative concerning all questions affecting the Community's work.

They agreed that in order to accomplish the tasks laid out in the different action programmes, it was advisable to use as widely as possible all the provisions of the Treaties including Article 235 of the EEC Treaty.

European Union

16. The Heads of States and Government have assigned themselves the key objective of converting, before the end of this decade and in absolute conformity with the signed Treaties, all the relationships between Member States into a European Union. They are therefore asking the Community Institutions to prepare before the end of 1975 a report to be submitted to a further Summit Conference.'

**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 relationship within the Community, to pursue the application of the Resolution of the Council and of the Representatives of the Governments of the Member States¹ 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 Decision² 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.

¹ OJ No C 28, 27.3.1971, p. 1.

² OJ No L 73, 27.3.1971, p. 12.

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 countries in accordance with the principles set out below:

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

II
Monetary Committee

RULES GOVERNING THE MONETARY COMMITTEE

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 co-ordination 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.

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 two Vice-Chairmen to be elected by a majority of eight 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.

The term of office of a Chairman or Vice-Chairman is only renewable once.

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 eight 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 co-operation 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

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 co-ordination 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

to amend as follow the Rules governing the Monetary Committee determined in the Decision of 18 March 1958:

Article 7 (2) is hereby repealed.

Done at Brussels, 2 April 1962.

For the Council

The President

M. COUVE de MURVILLE

**Documents
concerning the accession
to the European Communities
of the Kingdom of Denmark, Ireland,
the Kingdom of Norway
and the United Kingdom of Great Britain
and Northern Ireland**

(Official Journal of the European Communities, Special edition of 27 March 1972).

Article 29

The acts listed in Annex I to this Act shall be adapted as specified in that Annex.

ANNEX I *

**LIST REFERRED TO IN ARTICLE 29
OF THE ACT OF ACCESSION**

VII. Economic policy

1. *Council Decision* of 18 March 1958
OJ No 17/390, 6 October 1958

In Article 7, the word 'eight' is replaced by the word 'eleven'.

In the first paragraph of Article 10, the word 'eight' is replaced by the word 'eleven'.

* Text as amended by Article 33 of the Adaptation Decision.

COUNCIL DECISION

of 30 October 1972

aligning the dates of renewal of the terms of office of the members of the Monetary Committee, the Medium-term Economic Policy Committee, and of the office of the Budgetary Policy Committee

(72/377/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Committee appointed during 1972 and 1973 shall expire on 31 December 1973.

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 105, 145 and 153 thereof;

Article 2

Having regard to the opinion and the recommendation from the Commission;

By derogation from Article 4 (2) of the Council Decision of 15 April 1964 setting up a Medium-term Economic Policy Committee, the terms of office of the members of this Committee appointed during 1973 shall expire on 31 December 1973.

Whereas the duration of the term of office of the Chairmen and the Deputy Chairmen of the Monetary Committee, the Medium-term Economic Policy Committee and the Budgetary Policy Committee is for two years;

Article 3

Whereas at present the terms of office expire on different dates; whereas these dates should be aligned to enable the offices of the committees concerned to be reappointed at the same time;

By derogation from Article 4 of the Council Decision of 8 May 1964 on cooperation between the competent government departments of the Member States in the field of budgetary policy, the terms of office of the Chairman and Deputy Chairmen of the Budgetary Policy Committee elected during 1972 or 1973 shall expire on 31 December 1973.

HAS DECIDED AS FOLLOWS:

Article 1

By derogation from Article 5 (3) of the Council Decision of 18 March 1958 on the Rules governing the Monetary Committee, the terms of office of the members of the abovementioned

Done at Luxembourg, 30 October 1972.

For the Council

The President

H. Langman

III
Committee of Governors of the Central Banks

COUNCIL DECISION
of 8 May 1964
on co-operation between the Central Banks of the Member States of the European Economic Community

(64/300/EEC)

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY,

Member States of the European Economic Community (hereinafter called the 'Committee') is hereby set up.

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 Parliament¹;

Having regard to the Opinion of the Economic and Social Committee²;

Whereas the progressive realisation 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 co-ordination 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 co-operation between the Central Banks of the Member States, a Committee of the Governors of the Central Banks of the

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:

— 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;

— 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.

¹ OJ No 24, 8.1.1964, p. 409/64.

² OJ No 38, 5.3.1964, p. 652/64.

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**

The Committee of Governors of the Central Banks of the European Economic Community, hereafter referred 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. The Members 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.

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 officials 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.

Basle, 12 October 1964

IV
Exchange rate system

**DECLARATION OF 8 MAY 1964
OF THE REPRESENTATIVES OF THE GOVERNMENTS OF THE
MEMBER STATES OF THE EUROPEAN ECONOMIC COMMUNITY
MET TOGETHER IN THE COUNCIL**

**regarding the organization of advance consultations between the
Member States in the event of changes in the exchange parities
of their currencies**

**THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER
STATES OF THE EUROPEAN ECONOMIC COMMUNITY, MET TOGETHER
IN THE COUNCIL,**

**Considering that Article 107 of the Treaty stipulates that each Member State shall
treat its exchange rate policy as a problem of common interest ;**

**Considering that it is desirable in this spirit that any change that may be made in
the exchange parity of the currency of one or more Member States shall be preceded by
consultation between the Member States ;**

**Considering that it is useful that the Monetary Committee should express its opinion
on what methods are most likely to enable such consultations to be held under the con-
ditions most appropriate to the nature of the decisions to be taken in this field ;**

**Considering that, as any changes of parity could affect the achievement and func-
tioning of the Common Market, the Commission should be associated with these consul-
tations,**

DECLARE that :

**the Governments of the Member States shall consult together before any change is
made in the exchange parity of the currency of one or more Member States, by appropriate
procedures which shall be specified after obtaining the opinion of the Monetary Com-
mittee ;**

the Commission shall be associated with these consultations.

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 Parliament¹;

Having regard to the Opinion of the Economic and Social Committee²;

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;
- participation 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

¹ OJ No 24, 8.2.1964, p. 409/64.

² OJ No 38, 5.3.1964, p. 652/64.

COUNCIL RESOLUTION
of 9 May 1971
on the monetary situation

**THE COUNCIL OF THE EUROPEAN COMMUNITIES HEREBY AGREES
AS FOLLOWS:**

1. The Council notes that the present balance of payments situation of the Member States and foreseeable developments are not such as would justify altering the parities of their currencies ; it records the determination of the Governments of the Member States to maintain their parities.

2. In view of the excessive inflows of capital into certain Community countries, the Council realises that, in spite of the incompatibility, in normal circumstances, of floating internal rates of exchange with the proper functioning of the Community, it may be necessary for such countries to widen, for a limited period, the margins of fluctuation of the rates of exchange of their currencies in relation to their present parities.

3. Such action will be supported by appropriate measures to discourage excessive inflows of capital and to neutralize the effects of such inflows on the internal monetary situation ; the Council will be called upon to consider such measures before 1 July 1971.

4. Wishing to avert any recourse to unilateral action to deal with trade disturbances in respect of agricultural products, the Council, acting in accordance with Article 103 of the Treaty, shall adopt appropriate measures without delay.

**EXCHANGE OF LETTERS DATED 22 JANUARY 1972 ON CERTAIN
MONETARY QUESTIONS ARISING OUT OF THE ACCESSION OF THE
UNITED KINGDOM TO THE COMMUNITY**

Brussels, 22 January 1972

Your Excellency,

1. At the Ministerial Meeting of the Conference on 7 June 1971, it was agreed that the declaration on monetary questions which I made at the Meeting should form the subject of an exchange of letters annexed to the Act concerning the Conditions of Accession and the Adjustments to the Treaties. I therefore now have the honour to confirm that at that Meeting I made the following declaration:

(a) We are prepared to envisage an orderly and gradual run-down of official sterling balances after our accession.

*(b) We shall be ready to discuss after our entry into the Communities what measures might be appropriate to achieve a progressive alignment of the external characteristics and practices in relation to sterling with those of other currencies in the Community in the context of progress towards economic and monetary union in the enlarged Community, and we are confident that official sterling * can be handled in a way which will enable us to take our full part in that progress.*

(c) In the meantime we shall manage our policies with a view to stabilizing the official sterling balances in a way which would be consistent with these longer term objectives.

(d) I hope that the Community will regard this statement as disposing satisfactorily of the question of sterling and associated matters, leaving only the arrangements for UK compliance with the Directives relating to capital movements under the Treaty of Rome to be settled in the course of the negotiations.'

* ' Official sterling' means ' official sterling balances'

Monsieur Gaston THORN
Ministre des affaires étrangères
du Grand-Duché de Luxembourg

2. At the same meeting on 7 June, the above declaration was agreed by the Community delegation.

3. I understand that the delegations of the Kingdom of Denmark, Ireland and the Kingdom of Norway have also signified their agreement to the above-mentioned declaration as confirmed by the present letter.

4. I would be grateful if you would kindly acknowledge receipt of this letter and confirm the agreement of the Governments of the Member States of the Community and of the Governments of the Kingdom of Denmark, Ireland and the Kingdom of Norway to the above-mentioned declaration.

Please accept, Your Excellency, the assurance of my highest consideration.

Geoffrey RIPPON
Chancellor of the Duchy of Lancaster

Brussels, 22 January 1972

Your Excellency,

You were good enough to make the following communication to me in your letter of today's date:

"1. At the Ministerial Meeting of the Conference on 7 June 1971, it was agreed that the declaration on monetary questions which I made at the Meeting should form the subject of an exchange of letters annexed to the Act concerning the Conditions of Accession and the Adjustment to the Treaties. I therefore now have the honour to confirm that at that Meeting I made the following declaration:

"(a) We are prepared to envisage an orderly and gradual run-down of official sterling balances after our accession.

The Right Honourable Geoffrey RIPPON, Q.C., M.P.
Chancellor of the Duchy of Lancaster

(b) We shall be ready to discuss after our entry into the Communities what measures might be appropriate to achieve a progressive alignment of the external characteristics and practices in relation to sterling with those of other currencies in the Community in the context of progress towards economic and monetary union in the enlarged Community, and we are confident that official sterling* can be handled in a way which will enable us to take our full part in that progress.

(c) In the meantime we shall manage our policies with a view to stabilizing the official sterling balances in a way which would be consistent with these longer term objectives.

(d) I hope that the Community will regard this statement as disposing satisfactorily of the question of sterling and associated matters, leaving only the arrangements for UK compliance with the Directives relating to capital movements under the Treaty of Rome to be settled in the course of the negotiations.'

2. At the same meeting on 7 June, the above declaration was agreed by the Community delegation.

3. I understand that the delegations of the Kingdom of Denmark, Ireland and the Kingdom of Norway have also signified their agreement to the above-mentioned declaration as confirmed by the present letter.

4. I would be grateful if you would kindly acknowledge receipt of this letter and confirm the agreement of the Governments of the Member States of the Community and of the Governments of the Kingdom of Denmark, Ireland and the Kingdom of Norway to the above-mentioned declaration."

I have the honour to acknowledge receipt of this communication and to confirm the agreement of the Governments of the Member States of the Community and of the Governments of the Kingdom of Denmark, Ireland and the Kingdom of Norway to the declaration contained in paragraph 1 of your letter.

* "Official sterling" means "official sterling balances"

Please accept, Your Excellency, the assurance of my highest consideration.

Gaston THORN

**Ministre des affaires étrangères
du Grand-Duché de Luxembourg**

P. HARMEL

**Ministre des affaires étrangères
du Royaume de Belgique
Minister van Buitenlandse Zaken
van het Koninkrijk België**

Ivar NØRGAARD

**Kongeriget Danmarks
udenrigsøkonomiminister**

Walter SCHEEL

**Bundesminister des Auswärtigen
der Bundesrepublik Deutschland**

Maurice SCHUMANN

**Ministre des affaires étrangères
de la République française**

Pádraig Ó HÍRIGHILE

**Aire Gnóthaí Eachtracha na
hÉireann**

Aldo MORO

**Ministro per gli affari esteri
della Repubblica Italiana**

N. SCHMELZER

**Minister van Buitenlandse Zaken
van het
Koninkrijk der Nederlanden**

Andreas CAPPELEN

**Kongeriket Norges
utenriksminister**

Agreement of 10 April 1972 between the Central Banks of the Member States of the Community on the narrowing of the margins of fluctuation between Community currencies

AGREEMENT

**THE CENTRAL BANKS OF THE MEMBER COUNTRIES OF THE EUROPEAN
ECONOMIC COMMUNITY**

**Pursuant to the Resolution of the Council of the
European Communities dated 21 March 1972**

HAVE AGREED ON THE FOLLOWING PROVISIONS:

Article I - Financing operations

1. For purposes of the intervention in Community currencies provided for in the Council's Resolution of 21 March 1972, each participating Central Bank shall make available to each of the other participating Central Banks short-term credit facilities without any limitation as to amount - hereinafter called 'financing operations' - which may be utilized in accordance with the conditions laid down in the present Agreement.

2. The financing operations shall take the form of swaps or outright forward sales, effected in the currencies of the two parties concerned. The spot value date of the swaps shall be the same as the value date of the interventions on the market, and the value date of the swap maturity and of the outright forward sales shall be the last working day of the month following that in which the contract was entered into.

3. The debtor Central Bank may choose not to conclude financing operations; in that case it shall acquire the creditor central bank's currency on the terms laid down in Article VI of the present Agreement.

Article II - Remuneration

The financing operations shall bear interest in favour of the creditor Central Bank at the rate fixed by the Committee of Governors on the basis of the arithmetical mean of the official discount rates of the participating Central Banks.

Article III - Rates

1. The upper and lower rates at which the intervention provided for in Article I, paragraph 1, is to be effected shall be declared by the participating Central Banks to the secretariat of the Committee of Governors.

2. The swaps shall be concluded at par, at the effective intervention rates between the two currencies, except that the remuneration provided for in Article II shall be included in the forward rate.

3. The outright forward sales shall be effected at the rate, modified to include the remuneration mentioned in Article II, at which the creditor had to buy up a partner's currency on the creditor's market.

Article IV - Termination of financing operations (Due date)

1. The financing operations shall terminate on the last working day of the month following that in which their value date fell.

2. By mutual agreement, the financing operations may be terminated in advance by delivery to the creditor Central Bank of the latter's currency. Advance termination shall take place in the chronological order in which the operations were concluded.

3. With a view to advance termination or to repayment on the due date, the debtor Central Bank may, with the consent of the creditor Central Bank and provided that none of the participating Central Banks have any objection, repurchase on the market, against its own currency, the currency it has to deliver.

Article V - Renewal of financing operations

1. On expiry a financing operation may be renewed for three months by mutual consent.

2. Articles II and III and Article IV, paragraphs 2 and 3, shall be applicable to the renewals provided for in the present Article.

Article VI - Settlements

1. On expiry of financing or renewal operations, the debtor Central Bank may obtain the currency to be delivered by selling gold, ceding special drawing rights and utilizing its reserve position in the International Monetary Fund and against dollars or any acceptable currency, in proportions to be determined on the basis of the composition of its own reserves. For the purposes of the present paragraph the reserves shall comprise gross holdings of gold, special drawing rights, reserve positions in the International Monetary Fund, dollars and other currencies, as shown in the statistics prepared for the Committee of Governors.

2. The provisions of the first paragraph of the present Article shall not prevent creditor and debtor Central Banks from agreeing to effect settlement, wholly or in part, on different terms and conditions, including settlement in the currency of the debtor Central Bank.

3. The rates applicable for the purchase of the creditor Central Bank's currency in accordance with paragraph 1 of this Article shall be established as follows :

- (i) in respect of gold, at parity or the central rate ;
- (ii) in the case of special drawing rights and transfers from reserve positions in the International Monetary Fund, in conformity with the Fund's regulations for such transactions ;
- (iii) for the dollar or any acceptable currency, on the basis of the market rates obtaining on the day when the settlement transaction is entered into.

Should a currency be revalued, balances in that currency shall be settled on the basis of the rates applying before the revaluation.

Article VII: Institutional arrangements

The Committee of Governors shall take the decisions necessary for the application of the present Agreement.

Council Statement of 12 March

'The Council met on 11 and 12 March 1973 to review measures to be taken to deal with the international monetary crisis and with special reference to the meeting of the enlarged Group of Ten, held in Paris on 9 March 1973.

The Council officially records the following decisions:

(i) to keep the maximum spot variance between the DM, the Danish crown, the florin, the Belgian franc, the Luxembourg franc and the French franc at 2.25%. For Member States keeping a two-tier system of exchange this commitment applies only to the regulated market;

(ii) to release the Central Banks from having to intervene in the fluctuation margins of the US dollar;

(iii) to apply more strictly the Directive of 21 March 1972 and set up whatever additional monitoring devices may be necessary so as to shelter the system from disruptive capital movements.

The British, Irish and Italian members said that their Governments intended to back as

soon as possible the decision to keep the Community fluctuation margins.

Therefore when the Commission submits within the scheduled deadline, that is by 30 June 1973, its Report on the development of short-term monetary support and the terms for progressive pooling of reserves it will at the same time put forward the suggestions it finds appropriate.

The Council agreed that meanwhile a close and perpetual concertation over monetary matters will be kept up between the competent Member States authorities.

The representative of the West German Government indicated his Government's intention of making a limited adjustment to the central rate of the DM before the exchange markets opened again so as to help towards an orderly development of exchange relationships.

The technical details involved in the above-mentioned questions will be finalized shortly, considering the forthcoming meeting of the enlarged Group of Ten to be held in Paris on 16 March, and in order to become applicable for 19 March 1973 when the exchange markets are scheduled to reopen.'

V
Support mechanism
and European Monetary Cooperation Fund

**AGREEMENT SETTING UP A SYSTEM OF SHORT-TERM MONETARY SUPPORT
AMONG THE CENTRAL BANKS OF THE MEMBER STATES OF THE
EUROPEAN ECONOMIC COMMUNITY**

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 above-mentioned 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 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 PRO-
VISIONS:

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 quota the amount of which is laid down in Annex 1 to this Agreement.

2. The quotas shall determine on the one hand the amount of support which each Central Bank may receive and on the other the amount of support which it agrees to finance in accordance with the provisions of this Agreement.

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 agrees to finance ('creditor rallonge').

The total of the creditor rallonges and likewise that of the debtor rallonges thus granted may not exceed an amount equal to the total of all the quotas.

When assessing the circumstances justifying the grant 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.

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 divergencies 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 for their account advance 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 once 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.

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 participating Central Banks shall note that the granting of monetary support sets in train the special consultation procedure provided for by the Decision of the Council of the European Communities dated 26 January 1970, the implementation of which form an integral part of the short-term monetary support system.

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.

**COMMITTEE OF GOVERNORS OF THE CENTRAL BANKS OF THE
MEMBER STATES OF THE EUROPEAN ECONOMIC COMMUNITY**

**Extracts from the Minutes of the 35th meeting (8.12.1969) relating to the
Community system of short-term monetary support**

The following extracts are interpretations or explanations of certain points in the draft Agreement, which the Governors have decided to consign to an Annex separate from the principal document.

I – Nature and limit of the draft Agreement

One Governor pointed out that in his opinion the object of the draft Agreement text was to set out the precise terms of an Agreement concluded among the Central Banks of the European Economic Community. This text required no parliamentary ratification, but it would be sent for information to the Council of the European Communities, which would take note of it but would not be able to change it.

The Governor in question thus considered that, independently of the Agreement, any participating Central Bank could either grant or request bilateral assistance.

The Governors noted this position, with which they were on the whole in agreement.

II – Link between short-term monetary support and the coordination of economic policies

The Governors considered that the wording of Article I, section 2, of the draft Agreement gave them the right, should the occasion arise, to refuse to support the Central Bank of a country that had not adhered to the Community's procedures regarding the coordination of short and medium-term policies.

As indicated in Article VII, section 2, the Governors were to be regularly kept informed of the course of these procedures and it was understood that such information would be furnished, with all the necessary details, by the Commission representative.

III – Agent of the system

It was understood that the Agent to be employed by the Governors for the implementation of the Agreement (Article I, section 5) was the Bank for International Settlements.

QUOTAS

1. Amounts *

Deutsche Bundesbank	DM	1 098 million
Banque Nationale de Belgique	FB	5 000 million
Banque de France	FF	1 666 million
Banca d'Italia	Lit	125 000 million
Nederlandsche Bank	Fl	362 million

2. Adjustment in the event of a parity change

In order to ensure that the relative participation of each Central Bank in the system is maintained at its level prior to any change by a member country in the parity of its currency as declared to the International Monetary Fund, the quota of the Central Bank in question expressed in that currency shall be automatically adjusted in proportion to each parity change occurring after the system has come into force.

If all member countries change their IMF-declared parities the Governors shall decide on the adjustments to be made in the quotas.

* The above amounts correspond to the following distribution. Their counter-value in millions of \$ at current parities is indicated between parentheses.

Deutsche Bundesbank	30% (\$ 300)
Banque Nationale de Belgique	10% (\$ 100)
Banque de France	30% (\$ 300)
Banca d'Italia	20% (\$ 200)
Nederlandsche Bank	10% (\$ 100)

**AGREEMENT SETTING UP A SYSTEM OF SHORT-TERM MONETARY
SUPPORT AMONG THE CENTRAL BANKS OF THE
MEMBER STATES OF THE EUROPEAN ECONOMIC COMMUNITY**

**Instrument relating to the accession of the Central Banks
of Denmark, Ireland and the United Kingdom**

WHEREAS the Central Banks of Belgium, the Federal Republic of Germany, France, Italy and the Netherlands concluded, by the final Instrument of 9 February 1970, an agreement setting up a system of short-term monetary support among the Central Banks of the Member States of the EEC (hereafter referred to as the 'Agreement');

WHEREAS on 1 January 1973 the Kingdom of Denmark, Ireland and the United Kingdom of Great Britain and Northern Ireland became members of the European Economic Community and the European Atomic Energy Community and parties to the Treaties setting up these Communities;

WHEREAS the central banks of Denmark, Ireland and the United Kingdom have signified their desire to accede to the Agreement setting up a system of short-term monetary support among the Central Banks of the Member States of the EEC;

WHEREAS, with regard to the quota assigned to each participant Central Bank, an arrangement among the eight Central Banks mentioned at the beginning of the present Instrument was concluded during the meetings of the Committee of Governors of 13 March and 10 April 1972, which, on the one hand, adjusts the quotas of the founder Central Banks to take account of the monetary realignment of 18 December 1971 and, on the other hand, fixes the quotas of the Central Banks of the three acceding countries;

THE GOVERNORS OF THE CENTRAL BANKS OF THE MEMBER STATES OF THE EUROPEAN ECONOMIC COMMUNITY, i.e. of the Banque Nationale de Belgique, the National Bank of Denmark, the German Federal Bank, the Banque de France, the Central Bank of Ireland, the Bank of Italy, the Netherlands Bank and the Bank of England, having met this day in Basle.

HAVE AGREED ON THE FOLLOWING PROVISIONS:

I – The Central Banks of Denmark, Ireland and the United Kingdom become parties to the final Instrument of 9 February 1970 approving and implementing the Agreement setting up a system of short-term monetary support among the Central Banks of the Member States of the EEC, supplemented by the extracts from the Minutes of the 35th Meeting (8.12.1969) of the Committee of Governors of the Central Banks of the Member States of the EEC.

II – The Central Banks of Belgium, the Federal Republic of Germany, France, Italy and the Netherlands take note of the accession of the Central Banks of Denmark, Ireland and the United Kingdom to the final Instrument of 9 February 1970.

III – The amount of the quota assigned to each participant Central Bank, in application of Article II/1 of the Agreement, is fixed from this day by the Annex dated 8 January 1973, which supersedes and replaces all earlier versions produced on the same subject.

IV – The following documents are included with the present Instrument and form an integral part of it:

1. Final Instrument of 9 February 1970.
2. Agreement setting up a system of short-term monetary support among the Central Banks of the Member States of the EEC, excepting the Annex referred to in Article II/1 of the Agreement.
3. Annex dated 8 January 1973 concerning the quota assigned to each participant Central Bank.
4. Extracts from the Minutes of the 35th Meeting (8.12.1969) of the Committee of Governors of the Central Banks of the Member States of the EEC.

V – The present instrument enters into force this day. Nine copies of it, duly signed, shall be drawn up; the documents referred to in Section IV above shall be duly initialled. One copy shall be sent to each Central Bank by the Secretary-General of the Committee of Governors, who is required to retain the ninth copy.

Done in Basle, 8 January 1973

(Signed)
National Bank of Belgium

(Signed)
National Bank of Denmark

(Signed)
German Federal Bank

(Signed)
Bank of France)

(Signed)
Central Bank of Ireland)

(Signed)
Bank of Italy

(Signed)
Netherlands Bank

(Signed)
Bank of England

QUOTAS

1. Amounts *	National currencies (millions)
Deutsche Bundesbank	DM 1 050
Banque Nationale de Belgique	BF 4 866
Banque de France	FF 1 666
Banca d'Italia	Lit 126 269
Nederlandsche Bank	Fl 352
Danmarks Nationalbank	DKr 341
Central Bank of Ireland	£Ir 7.3
Bank of England	£ 125

2. Adjustment in the event of a parity change

In order to ensure that the relative participation of each Central Bank in the system is maintained at its level prior to any change by a member country in the parity of its currency as declared to the International Monetary Fund, the quota of the central bank in question expressed in that currency shall be automatically adjusted in proportion to each parity change occurring after the system has come into force.

If all the member countries change their IMF-declared parities the Governors shall decide on the adjustments to be made in the quotas.

* The above amounts represent the countervalue of the following amounts expressed in units of account (1 unit of account = 0.88867088 grammes of fine gold); they correspond to the percentage distribution shown.

	Units of account (millions)	Percen- tages
Deutsche Bundesbank	300	22.02
Banque Nationale de Belgique	100	7.34
Banque de France	300	22.02
Banca d'Italia	200	14.68
Nederlandsche Bank	100	7.34
Danmarks Nationalbank	45	3.30
Central Bank of Ireland	17.5	1.28
Bank of England	300	22.02
	1 362.5	100.00

COUNCIL DECISION
of 22 March 1971
setting up machinery for medium-term financial assistance

(71/143/EEC)

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 for a period of four years commencing 1 January 1972; it shall then be automatically renewed every five years, if agreement is reached on the transition to the second stage of the plan for economic and monetary union, and provided that one or more Member States do not notify the Council and the Commission of their opposition at the latest six months before the expiry of the current period.

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 in respect of economic policy the recipient Member State must enter into, taking account in particular of the quantitative guidelines on medium-term economic policy; it shall also fix the amount and the terms of the credit, in particular its duration and the rate of interest which it shall bear.

Furthermore, where required and particularly if a Member State so requests, the Council shall, in accordance with the first subparagraph, take steps to allow the mobilisation of their claims by creditor States in difficulties or seriously threatened with difficulties as regards their balance of payments.

2. Credits under this system shall be granted for 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.

3. The claims and obligations arising from the implementation of mutual assistance shall be expressed in terms of a unit of account having a value of 0.88867088 grammes of fine gold.

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, on the strength of its statement, be exempt from contributing to the financing of that operation. A Member State finding itself in that position shall inform the Council and the Commission thereof.

2. The position of that State shall remain subject to examination within the Monetary Committee. If the Commission or a Member State considers that the trend of its balance of payments and/or reserves of that State would allow it to participate in the proposed 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 scheme and shall fix the conditions for its participation.

Article 5

1. On the initiative of the Commission or of 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 claim owed either in full or in part in so far as the conditions which brought about recourse to the system have disappeared.

2. 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.

3. 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, the Council shall, acting in accordance with the procedure laid down in Article 1 (1), decide to mobilise the claims of that or those States.

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

— by a transfer of the claim, within the system, where the resources available so permit;

— by refinancing from outside the system, if necessary by concerted action by Member States with other international organisations;

— by early repayment in full or in part by the debtor Member State or States.

4. Where refinancing takes place from outside the system; the debtor country shall agree that the currency in which the debt was originally denominated shall be replaced by 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 *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

Member States shall, in good time, take the measures necessary under their national laws for application of this Decision, so that they are in a position to grant credits in pursuance of this Decision as from 1 January 1972.

Article 7

This Decision is addressed to the Member States.

Done at Brussels, 22 March 1971.

For the Council

The President

M. COINTAT

ANNEX

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

	millions of u.a.	% of total
Germany	600	30
Belgium-Luxembourg	200	10
France	600	30
Italy	400	20
Netherlands	200	10
Total	2000	100

**Documents
concerning the accession
to the European Communities
of the Kingdom of Denmark, Ireland,
the Kingdom of Norway
and the United Kingdom of Great Britain
and Northern Ireland**

(Official Journal of the European Communities, Special edition of 27 March 1972).

Article 29

The acts listed in Annex I to this Act shall be adapted as specified in that Annex.

ANNEX I *

**LIST REFERRED TO IN ARTICLE 29
OF THE ACT OF ACCESSION**

VII. Economic policy

2. *Council No 71/143/EEC of 22 March 1971*
OJ No L 73/15, 27 March 1971

In Article 1 (2), after: "This obligation shall apply for a period of four years commencing 1 January 1972;"

the following phrase is inserted:

"in the case of the new Member States, it shall apply from the date of accession and shall cease to have effect on 31 December 1975."

* Text as amended by Article 33 of the Adaptation Decision.

In the next sentence, the word "it" is replaced by "This obligation".
In Article 6, after "from 1 January 1972":

the following phrase is inserted:

"or, in the case of the new Member States, from the date of accession."

The Annex is replaced by the following:

"ANNEX

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

	Millions of units of account	% of total
Germany	600	22.02
Belgium-Luxembourg	200	7.34
Denmark	90	3.30
France	600	22.02
Ireland	35	1.28
Italy	400	14.68
Netherlands	200	7.34
United Kingdom	600	22.02
Total	2 725	100.00

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⁽¹⁾ 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 of 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⁽²⁾ 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 :

- either the total and irreversible convertibility, at irrevocable parities, of Community currencies against each other,
- 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 :

- the proper functioning of the progressive narrowing of the margins of fluctuation of the Community currencies against each other ;
- interventions in Community currencies on the exchange markets ;
- settlements between Central Banks leading to a concerted policy on reserves.

⁽¹⁾ OJ No C 28, 27. 3. 1971, p. 1.

⁽²⁾ OJ No C 38, 18. 4. 1972, p. 3.

Article 3

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

- the concerted action necessary for the proper functioning of the Community exchange system ;
- the multilateralization of positions resulting from interventions by Central Banks in Community currencies and the multilateralization of intra-Community settlements ;
- 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⁽¹⁾ 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.

⁽¹⁾ OJ No 77, 21. 5. 1964, p. 1206/64.

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 :

- 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 ;
- 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 ¹
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.

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.

¹ Text adopted by the Board of Governors of the Fund at its meeting on 14 May 1973.

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.

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 the persons on the Board of Governors eight days before the meeting.

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.

In this connection it shall ensure the implementation of the decision of the Representatives of the Governments of the Member States concerning the Fund's location.

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 ⁽¹⁾ 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, estab-
lished by Council Regulation (EEC) No 907/73 ⁽²⁾
should be determined ;

HAVE DECIDED AS FOLLOWS :

Article 1

1. The European Monetary Cooperation Fund shall
be located in Luxembourg, which shall be its provi-
sional place of work in accordance with the Decision
of 8 April 1965 of the Representatives of the Govern-
ments of the Member States on the provisional loca-
tion 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 :

- the office of the Commission in Luxembourg ;
- 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

⁽¹⁾ OJ No 152, 13. 7. 1967, p. 18.

⁽²⁾ OJ No L 89, 5. 4. 1973, p. 2.

RESOLUTION OF THE COUNCIL OF 18 FEBRUARY 1974

Concerning short-term monetary support

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

HAVING REGARD to the draft Resolution from the Commission ;

UNTIL SUCH TIME AS IT CAN take a decision on the proposal from the Commission concerning the European Monetary Cooperation Fund ;

INVITES the Board of Governors of the Fund to amend the conditions for the provision of short-term monetary support as follows :

1. The amount of support available to each Central Bank ('debtor quota') shall be fixed as follows :

	European Monetary Units of Account (in millions)
Deutsche Bundesbank	600
Banque de France	600
Bank of England	600
Banca d'Italia	400
Banque Nationale de Belgique	200
Nederlandsche Bank	200
Danmarks Nationalbank	90
Central Bank of Ireland	35

2. The amount of support which each Central Bank agrees to provide ('creditor quota') shall be fixed as follows :

	European Monetary Units of Account (in millions)
Deutsche Bundesbank	1 200
Banque de France	1 200
Bank of England	1 200
Banca d'Italia	800
Banque Nationale de Belgique	400
Nederlandsche Bank	400
Danmarks Nationalbank	180
Central Bank of Ireland	70

3. The total of extensions beyond the debtor and creditor quotas may each attain a maximum of 1 500 million European Monetary Units of Account.

VI
Coordination of economic policies
(including liquidity and credit policies)

DECISION
of 9 March 1960
on co-ordination of the conjunctural policies of the Member States

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY,

Having regard to the Treaty, and in particular Article 103 thereof;

Having regard to the proposal from the Commission;

HAS ADOPTED THIS DECISION:

Article 1

A Conjunctural Policy Committee is hereby set up; it shall be attached to the Commission. This Committee shall participate in the conduct of the consultations between Member States and the Commission provided for in Article 103 of the Treaty. The Committee shall provide guidance and assistance to the Commission in exercising the powers conferred on it by that Article.

The Committee shall be composed of three representatives of the Commission and of three representatives of each Member State.

The Chairman of the Monetary Committee shall attend meetings of the Committee *ex officio*.

Secretarial services shall be provided for the Committee by the Commission.

To deal with certain matters the Committee may, in agreement with the Commission, call upon experts having recognised theoretical knowledge and practical experience.

The Committee may hear persons working in the national administrations or in the private sector.

The Committee shall elect its officers and adopt its own rules of procedure. It shall address its reports to the Commission, which shall forward them to the Council.

Article 2

The Governments of the Member States shall keep the Commission informed of the broad lines of any project which may affect the conjunctural situation of the Member States of the Community, apart from those exceptional cases where secrecy may be essential to the success of the measures taken.

The Governments shall facilitate the summoning by the Commission of persons able to provide it with guidance in its analyses of the conjunctural situation.

Article 3

The Commission shall consider with the OEEC how the work of the Community and that of the OEEC could be linked, as regards co-ordination of conjunctural policies. It shall then submit its findings to the Council.

Done at Brussels, 9 March 1960

For the Council

The Secretary-General

CALMES

The President

Eugène SCHAUS

COUNCIL DECISION
of 15 April 1964
setting up a Medium-term Economic Policy Committee

(64/247/EEC)

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 105 and 145 thereof;

Having regard to the Recommendation of the Commission;

Having regard to the Opinion of the European Parliament¹;

Having regard to the Opinion of the Economic and Social Committee²;

Whereas in accordance with Article 2 of the Treaty the Community has as its task, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it;

Whereas under Articles 6 and 105 of the Treaty, Member States have undertaken to co-ordinate their economic policies and under Article 145 thereof the Council must ensure co-ordination of the general economic policies of the Member States;

Whereas medium-term forecasts will provide information regarding future economic and social trends and will thereby facilitate the taking of national and Community decisions, the effects of which do not become apparent until some time later;

Whereas it is especially desirable to ensure close co-ordination of the policies of Member States and Community institutions in fields which are of decisive importance for the economic and social development of the Community;

Whereas it is desirable to integrate into a single economic programme covering a period of several years the common policies to be implemented in various fields;

Whereas to this end it is appropriate to lay down a procedure for the preparation and adoption of a medium-term economic policy programme which will provide guidelines for the action of Community institutions and Member States;

HAS DECIDED AS FOLLOWS:

1. A Medium-term Economic Policy Committee is hereby set up to promote co-ordination of the economic policies of Member States.

2. The Committee shall in particular be responsible for preparing, in the light of all available information and in particular of the forecasts of a group of experts attached to the Commission, a preliminary draft of a medium-term economic policy programme outlining in broad terms the economic policies which the Member States and the institutions of the Community intend to follow during the period under consideration, and designed to ensure the co-ordination of such policies.

That programme shall cover a period of about five years.

The Commission shall draw up a draft programme on the basis of the work of the Medium-term Economic Policy Committee. This draft shall indicate the points in respect of which it differs from the preliminary draft of the 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 their Opinions.

The Council and the governments of Member States must give their approval before the programme can be adopted.

The adoption of the Programme by the Council and the Governments of the Member States shall be evidence of their intention to follow the guidelines therein in the fields to which the programme relates.

¹ OJ No 24, 8.2.1964, p. 408/64.

² OJ No 38, 5.3.1964, p. 643/64.

The Committee shall undertake an annual review of the programme in order to adapt it if necessary.

3. The Committee shall keep under review the medium-term economic policies of the Member States and shall consider whether they are compatible with the programme adopted pursuant to the procedure provided for in paragraph 2 of this Decision.

It shall analyse the development of the economy in order to discover the reasons for any divergence from the forecasts referred to in paragraph 2.

It shall, at the request of the Council or of the Commission or on its own initiative, deliver Opinions to assist and inform the competent institutions of the Community and of Member States in pursuing the economic policy envisaged.

4. The Member States and the Commission shall each appoint two members of the Committee. They may also appoint two alternates. The members of the Committee and the alternates appointed by the Member States shall be selected from among senior officials responsible for economic policy in their own countries.

The term of office of the members of the Committee and the alternates shall be two years. It shall be renewable.

5. The Committee shall elect its officers for a period of two years. It shall adopt its own rules of procedure and shall submit them for the approval of the Council; the Council shall act after obtaining the Opinion of the Commission.

Secretarial services shall be provided for the Committee by the Commission. The Commission shall deal with preparation of the work and establish all necessary contacts with existing Committees and working parties.

6. The Committee may entrust the study of specific questions to working parties consisting of certain of its members or alternates or of experts.

7. The Committee shall address its reports and Opinions to the Council and to the Commission.

Done at Brussels, 15 April 1964.

For the Council

The President

H. FAYAT

COUNCIL DECISION

of 8 May 1964

on co-operation between the competent government departments of Member States in the field of budgetary policy

(64/299/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 Parliament¹;

Having regard to the Opinion of the Economic and Social Committee²;

Whereas budget decisions have a considerable influence on the development of the conjunctural and monetary situation of the Member States and the Community;

Whereas examination and comparison of the budgetary policies of Member States are necessary in order to facilitate co-ordination of economic and financial policies;

Whereas it is desirable that this examination and comparison should be made by a group consisting of representatives of the governments of the Member States and of the Commission;

HAS DECIDED:

Article 1

A Budgetary Policy Committee (hereinafter called the 'Committee') is hereby set up. The Committee shall study and compare the broad lines of the budgetary policies of the Member States.

¹ OJ No 24, 8.2.1964, p. 40.

² OJ No 38, 5.3.1964, p. 65.

The Opinion of the Committee may be obtained by the Council or by the Commission.

Moreover, the Committee may, on its own initiative, deliver Opinions whenever it considers this necessary for the proper fulfilment of its task.

Article 2

The Committee shall consist of representatives of the Member States and of the Commission. The Member States and the Commission shall each appoint a full member and two alternates.

Article 3

The Commission shall be responsible for co-ordinating and synchronising the work of the Committee with that of the Monetary Committee and of the Conjunctural Policy Committee.

The Chairman of the Monetary Committee and the Chairman of the Conjunctural Policy Committee may participate in the meetings of the Committee, either in person or through a representative.

Article 4

The Committee shall elect its officers; their term of office shall be for two years and renewable. It shall adopt its own rules of procedure. Secretarial services shall be provided for the Committee by the Commission.

Done at Brussels, 8 May 1964.

For the Council

The President

H. FAYAT

COUNCIL DECISION

of 17 July 1969

on co-ordination of the short-term economic policies of the Member States

(69/227/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 103 (2) and 105 (1) thereof;

Having regard to the proposal from the Commission;

Whereas, owing to the increasing interpenetration of the economies of the Member States, close co-ordination of their internal and external short-term economic policies is necessary to achieve continuous and adequate economic growth, a high level of employment, external equilibrium and a stable price level; whereas to that end it is particularly important to hold the necessary consultations in good time;

Whereas the co-ordination of short-term economic policies should also take into account the medium-term economic objectives which have been determined jointly;

Whereas it is necessary to extend and make more systematic the procedure for prior consultations on important short-term economic policy decisions or measures by Member States which may substantially affect the economies of other Member States;

HAS ADOPTED THIS DECISION:

Article 1

Prior consultations shall be held on important short-term economic policy measures or decisions taken by a Member State which substantially affect the economies of the other Member States or the internal or external equilibrium of the Member State concerned or which might cause a substantial divergence between the trend of one country's

economy and the medium-term economic objectives determined jointly. These consultations should embrace overall budgetary policy and fiscal measures designed to have a direct effect on foreign trade.

Article 2

These consultations shall be held in the Monetary Committee, the Conjunctural Policy Committee and the Budgetary Policy Committee.

Any Member State or the Commission may, in cases of particular importance, ask for the consultation to be held in the Council, which, in such a case, shall meet without delay.

Appropriate rules for consultation shall be laid down by the Council on a proposal from the Commission, which shall first obtain the Opinions of the Committees concerned.

Article 3

Any Member State or the Commission may, in accordance with the procedure laid down in Article 2, request that consultations be held if it considers that the economic developments in one Member State may have the effects referred to in Article 1.

Article 4

The Member States shall adopt the decisions or measures referred to above only when the consultations referred to in Article 1 have taken place, unless circumstances require otherwise.

Article 5

This Decision is addressed to the Member States.

Done at Brussels, 17 July 1969.

For the Council

The President

H. J. WITTEVEEN

COUNCIL DECISION OF 16 FEBRUARY 1970

**on the appropriate rules for consultation as provided for in the Council
Decision of 17 July 1969**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 103 (2) and 105 (1) thereof;

Having regard to the Council Decision of 17 July 1969¹ on coordination of the short-term economic policies of the Member States, and in particular Article 2, paragraph 3 thereof;

Having regard to the proposal from the Commission,

Whereas, under the above Decision, the appropriate rules for consultation provided for in Articles 1 and 3 are to be laid down by the Council on a proposal from the Commission, which must first obtain the Opinions of the Monetary Committee, the Conjunctural Policy Committee and the Budgetary Policy Committee;

Whereas the Commission has obtained these Opinions;

Whereas it therefore seems appropriate that these consultations be held in whichever one of the committees has special responsibility for the field covered by the proposed decisions and measures; whereas nevertheless, where more than one committee has such responsibility and for urgent reasons it is not possible for all to meet within a reasonable time, only one committee, to be chosen by a Member State or the Commission, shall be called and a representative from each of the other committees and from the Medium-term Economic Policy Committee shall attend the meeting of the committee chosen;

Whereas it is important, if consultations are to have the desired effectiveness, that exchanges of information on the development of the economic situation in Member States should be continued and intensified in the committee referred to in the Decision of 17 July 1969 and in the Medium-term Economic Policy Committee;

Whereas, moreover, short-term monetary cooperation, proposed in the Commission memorandum of 12 February 1969, has been provided for in an agreement between the Central Banks of Member States of 9 February 1970, setting up a system of short-term monetary support; whereas the smooth functioning of the system requires the implementation of a procedure for special consultations on the economic situation of the

¹ OJ No L 183 of 25.7.1969, p. 41

Member State receiving support; whereas the Monetary Committee is the most appropriate vehicle for this purpose;

HAS ADOPTED THIS DECISION:

Article 1

The consultations provided for in Articles 1 and 3 of the Decision of 17 July 1969 shall be held in the Monetary Committee, the Conjunctural Policy Committee or the Budgetary Policy Committee, whichever has special responsibility for the field covered by the decisions and measures to be discussed.

Article 2

Where consultations fall within the responsibility of more than one committee, but, for urgent reasons, it does not seem possible for each of them to meet within a reasonable time, consultations shall be held in one committee only. Where the Member State which requests the consultations does not specify in which committee they shall be held, the committee shall be nominated by the Commission. The chairmen of the other committees referred to in Article 1 and the president of the Medium-term Economic Policy Committee, or their respective representatives, shall take part in these consultations. Senior officials specially appointed by governments because of their particular knowledge of the subject matter of the consultation may also take part.

Article 3

Where, pursuant to the second paragraph of Article 2 of the Decision of 17 July 1969, a Member State or the Commission asks for the consultation to be held in the Council, this consultation shall be preceded by a meeting of the competent committee or committees unless there are urgent reasons why this should not be done.

Article 4

Any recourse to the system of short-term monetary support set up in the agreement between Central Banks of Member States of the European Communities and notified to the Council on 10 February 1970 shall be followed by special consultations on the economic situation of the country receiving support. These consultations shall be held in the Monetary Committee, which shall meet as soon as possible. Where appropriate, the matter may be put before the other committees referred to in Article 1 at a later stage.

Article 5

At the consultations provided for in Articles 1, 2 and 4, the members of the committees or the senior officials taking part shall act as representatives of the Member States.

Article 6

The consultations shall be confidential. The committee in which they are held shall decide upon the form in which the conclusions it has arrived at are to be communicated to the interested parties in the Community and the Member States.

Article 7

This Decision is addressed to the Member States.

Done at Brussels,

**For the Council
The President**

COUNCIL DECISION

of 22 March 1971

on the strengthening of co-ordination of short-term economic policies of the Member States of the European Economic Community

(71/141/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

and each Member State are to follow in order to achieve harmonious economic development.

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 103 and 145 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 States¹ of 22 March 1971 on the phased establishment of economic and monetary union in the Community;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Whereas the Resolution referred to above provides for a strengthening of co-ordination of short-term economic policies that would ensure its being fully effective;

HAS ADOPTED THIS DECISION:

Article 1

The Council shall hold three meetings yearly for the purpose of examining 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 short-term economic policy which the Community

Article 2

The first examination shall take place as soon as possible during the first quarter; its object shall be to make an assessment of the economic policy followed in the past year and to adjust the policy of the current year as required by economic developments.

Article 3

A second examination shall take place in the course of the second quarter. Its object shall be:

- to review the economic policy to be followed during the current year;
- to lay down appropriate guidelines for the essential elements of the preliminary economic estimates. Within this framework, quantitative guidelines for public budget estimates for the following year shall be fixed before these estimates are finally adopted and shall, taking account of the variations in the size of the public budgets, concern the nature and extent of balances and also the methods by which these are to be financed or used.

Article 4

A third examination shall take place towards the end of the third quarter. At this juncture the Council shall, acting on a proposal from the Commission and after consulting the European Parliament, adopt an annual report on the economic situation of the Community making it possible to set guidelines to be

¹ OJ No C 28, 27.3.1971, p. 1.

followed by each Member State in its economic policy for the following year.

Article 5

As soon as this annual report has been adopted by the Council, Governments shall bring it to the

attention of their parliaments so that it may be taken into account during the debate on the budget.

Article 6

This Decision is addressed to the Member States.

Done at Brussels, 22 March 1971.

For the Council

The President

M. COINTAT

COUNCIL DECISION

of 22 March 1971

on the strengthening of co-operation 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 1971¹ 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 co-operation between central banks;

HAS ADOPTED THIS DECISION:

Article 1

Member States shall co-ordinate 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 co-ordinate 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

¹ OJ No L 28, 27.3.1971, p. 1.

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⁽¹⁾ 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

⁽¹⁾ See p. 16 of this Official Journal.

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 :

- imposition or modification of reserve ratios applying to the liabilities of monetary institutions ;
- imposition or modification of reserve ratios applying to the credit granted by monetary institutions ;
- recourse to an open market policy with wide scope for action, including the use, as necessary, of short-, medium- and long-term securities ;
- modification of the rediscount ceilings with the central bank ;
- 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 :

- modification of the borrowing and lending interest rates paid or charged by public credit agencies ;

- imposition or modification of conditions for consumer credit, hire-purchase sales and mortgage credit ;
- 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 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

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

(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,

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 guideline figures for the draft public budgets shall not be published at this juncture.

Article 4

A third examination shall take place towards the end of the third 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 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 ⁽¹⁾ 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 ⁽²⁾ 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 :

— if, in the course of the consultations 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 ;

⁽¹⁾ OJ No L 73, 27. 3. 1971, p. 14.

⁽²⁾ OJ No C 38, 18. 4. 1972, p. 3.

— or if economic developments in a Member State constitute a considerable danger for other Member States or 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 :

- the Council Decision of 17 July 1969 ⁽¹⁾ on the coordination of short-term economic policies of the Member States ;
- 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 ;
- the Council Decision of 22 March 1971 ⁽²⁾ 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

⁽¹⁾ OJ No L 183, 25. 7. 1969, p. 41.

⁽²⁾ OJ No L 73, 27. 3. 1971, p. 12.

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⁽¹⁾ on coordination of the conjunctural policies of the Member States, the Budgetary Policy Committee set up by the Council Decision of 8 May

⁽¹⁾ OJ No 31, 9. 5. 1960, p. 764/60.

1964⁽²⁾ 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⁽³⁾ setting up a Medium-term Economic Policy Committee. The Committee shall, in particular:

- assist in coordinating general economic policies;
- examine and compare Member States' budgetary policies and the way they are being implemented;
- 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⁽⁴⁾ on the achievement of a high degree of convergence of the economic policies of the Member States of the European Community;
- keep under review the medium-term economic policies of the Member States and examine whether they are compatible with the above programme;
- 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

⁽²⁾ OJ No 64, 22. 4. 1964, p. 1031/64.

⁽³⁾ OJ No 77, 21. 5. 1964, p. 1205/64.

⁽⁴⁾ See p. 16 of this Official Journal.

VII
Capital markets

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. Where such free movement of capital might form an obstacle to the achievement of the economic policy objectives of a Member State, the latter may maintain or reintroduce the exchange restrictions on capital movements which were operative on the date of entry into force of this Directive. It shall consult the Commission on the matter.

The Commission shall examine the measures for co-ordinating 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 authorisation 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 restrictions

affecting the capital movements that were liberalised at the date of entry into force of this Directive 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:

- (a) the provisions governing capital movements at the date of entry into force of this Directive which are laid down by law, regulation and 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

The provisions of this Directive shall apply to the Member States mentioned in Article 227 (1) of the Treaty, to Algeria and to the French overseas departments, and to European territories for whose external relations a Member State is responsible.

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
CALMES

The President
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 to giving the person providing the capital indirect access to the money or capital market of another country, through the creation of an undertaking or 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 — amounts required for establishment with a view to carrying on a gainful activity	X F
Transfers of capital belonging to emigrants returning to their country of origin — amounts imported and amounts earned in carrying on a gainful activity	X G
The granting and repayment of short-term and medium-term credits in respect of commercial transactions in which a resident is participating	VII 1 A (i) and (ii) B (i) and (ii)
Sureties, other guarantees and rights of pledges and transfers connected with them	
related to the short-term and medium-term credits in respect of commercial transactions in which a resident is participating	XII A and B in conjunction with VII 1 A (i) and (ii) B (i) and (ii)
where 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
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 liberalisation 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
— excluding the acquisition of bonds issued on a foreign market and denominated in national currency	
— 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 liberalisation accepted by Member States.

LIST C

Capital movements referred to in Article 3 of the Directive

	Items of nomenclature
Issuance and placing of securities of a domestic undertaking on a foreign capital market	III A 2
Issuance and placing of securities of a foreign undertaking on a domestic capital market	III B 2
Operations in securities	
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 of domestic unit trusts dealt in on a stock exchange and repatriation of the proceeds of liquidation thereof	IV A
Acquisition by residents of units of 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 (f)
Physical movements of the securities mentioned above	IV E in conjunction with IV C, D and IV B 3 (f)

	Items of nomenclature
Granting and repayment of long-term credits related to commercial transactions in which a resident is participating	VII 1 A (iii) and B (iii)
Granting and repayment of medium- and long-term credits related to commercial transactions 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	VIII A (ii) and (iii) B (ii) and (iii)
Sureties, other guarantees and rights of pledges and transfers connected with them and relating to:	
Long-term credits in respect of commercial transactions in which a resident is participating	XII A and B in conjunction with VII 1 A (iii) B (iii)
Medium- and long-term credits in respect of commercial transactions 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	XII A and B in conjunction with 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 regards liberalisation 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 loans related to commercial transactions 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	V III A (i) B (i)
Personal capital movements	X A
Loans	
Sureties, other guarantees and rights of pledges and transfers connected with them	
related to short term credits in respect of commercial transactions in which no resident is participating	XII A and B in conjunction with VII 2 A (i) B (i)

	Items of nomenclature
related to short-term loans and credits not connected with commercial transactions	XII A and B in conjunction with VIII A (1) B (1)
related to private loans	XII A and B in conjunction with X A
Physical import and export of financial assets	XIII
Other capital movements	XIV

ANNEX II

NOMENCLATURE OF CAPITAL MOVEMENTS

I. Direct investments*

A. *Direct investments on national territory by non-residents**

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

B. *Direct investments abroad by residents**

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 liquidation* 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* 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* 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;

(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.

* See Explanatory Notes, p. 59.

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

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

IV. Operations in securities*
(not included under I, II or III)

A. Acquisition by non-residents of domestic securities* dealt in on a stock exchange* and registration of the proceeds of liquidation thereof

- (a) quoted*;
- (b) unquoted*
 1. Acquisition of shares* and other securities of a participating nation.
 2. Registration of the proceeds of liquidation of shares and other securities of a participating nation.
3. Acquisition of bonds*:
 - (i) denominated in national currency;
 - (ii) denominated in foreign currency.
4. Registration of the proceeds of liquidation of bonds.

B. Acquisition by residents of foreign securities* 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 nation.
 2. Use of the proceeds of liquidation of shares and other securities of a participating nation.
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 registration of the proceeds of liquidation thereof

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

V. Investments in real estate*
(not included under I and II)

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

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

* See Explanatory Notes, p. 58.

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.

- | | | |
|--------------------------------|---|-----------------------------------|
| (a) by natural persons | } | other than financial institutions |
| (b) by legal persons | | |
| (c) by financial institutions. | | |

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* | } | other than financial institutions |
| (b) by legal persons* | | |
| (c) by financial institutions.* | | |

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

- | | | |
|---------------------------------|---|-----------------------------------|
| (a) by natural persons | } | other than financial institutions |
| (b) by legal persons | | |
| (c) by financial institutions.* | | |

VII. Granting and repayment of credits related to commercial transactions

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 institutions |
| (b) by legal persons | | |
| (c) by financial institutions. | | |

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);

VIII. Granting and repayment of loans and credits not related to commercial transactions

(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 institutions |
| (b) by legal persons | | |
| (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 institutions |
| (b) by legal persons | | |
| (c) by financial institutions. | | |

IX. Opening and placing of funds on current or deposit accounts, repatriation or use of balances on current or deposit accounts with credit institutions*

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
 - (b) by legal persons
- | | | |
|--------------------------------|---|-----------------------------------|
| | } | other than financial institutions |
| (c) by financial institutions. | | |

B. By residents with foreign credit institutions

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

* See Explanatory Notes, p. 59.

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*

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 capital transfers in respect of insurance contracts*

XII. Securities, other guarantees and pledges and transfers connected with 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 all kinds*
- B. *Gold*

XIV. Other capital movements

Explanatory notes

For the purpose 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, means 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 sales, 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, and 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, easement and building rights.

Natural or legal person

As defined by the national rules.

Financial institutions

Banks, savings banks and institutions specialising 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 specialising in the provision of short-, medium- and long-term credit.

Documents
concerning the accession
to the European Communities
of the Kingdom of Denmark, Ireland,
the Kingdom of Norway
and the United Kingdom of Great Britain
and Northern Ireland

(Official Journal of the European Communities, Special edition of 27 March 1972).

Article 29

The acts listed in Annex I to this Act shall be adapted as specified in that Annex.

*ANNEX I**

LIST REFERRED TO IN ARTICLE 29
OF THE ACT OF ACCESSION

VII. Economic policy

3. *Council Directive of 11 May 1960*
OJ No 43/921, 12 July 1960

The text of the first subparagraph of Article 3 (2) is replaced by the following:

"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."

* Text as amended by Article 33 of the Adaptation Decision.

Article 6 is replaced by the following text

“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.”

The first subparagraph of Article 7 is replaced by:

“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.”**

Article 8 is deleted.

SECOND COUNCIL DIRECTIVE

of 18 December 1962

adding to and amending the First Directive for the implementation of Article 67 of the Treaty¹

(63/21/EEC)

THE COUNCIL OF THE EUROPEAN ECONOMIC COMMUNITY,

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

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 the movement of capital;

Having regard to the First Directive of 11 May 1960 for the implementation of Article 67 of the Treaty;

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

Whereas it is appropriate to consolidate within the European Economic Community the liberalisation of capital movements to which Member States have

already committed themselves within the framework of the Organisation for Economic Co-operation and Development;

Whereas the abolition of certain restrictions on the free movement of capital, closely connected with the movement of goods, persons and services, is necessary to ensure the satisfactory establishment and functioning of a common market in these fields;

HAS ADOPTED THIS DIRECTIVE:

Article 1

Article 2 (3) of the First Directive of 11 May 1960 for the implementation of Article 67 of the Treaty (hereinafter called 'First Directive') is hereby repealed.

Article 2

Annexes I and II to the First Directive shall be amended as follows:

¹ OJ No 43, 12.7.1960, pp. 919 to 932.

ANNEX I

LIST A

1. After the words 'Transfers of capital belonging to residents who emigrate' delete the words:

'amounts required for establishment with a view to carrying on a gainful activity'

2. After the words 'Transfers of capital belonging to emigrants returning to their country of origin':

(a) delete the words:

'amounts imported and sums earned in carrying on a gainful activity';

(b) add the following items:

	Items of nomenclature
'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
'Transfer of minor amounts abroad'.	X M

3. Each time the words 'commercial transactions' appear in the list, they should be followed by the words 'or provision of services'.

4. The following items shall be added after Item 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

LIST C

5. Each time the words 'commercial transactions' appear in the list, they should be followed by the words 'or provision of services'.

LIST D

6. Each time the words 'commercial transactions' appear in the list, they should be followed by the words 'or provision of services'.

7. For Item XIV 'Other capital movements', there shall be substituted the following item:

	Items of nomenclature
'Other capital movements: Miscellaneous'.	XIV F

ANNEX II

8. For the heading of Category VII 'Granting and repayment of credits related to commercial transactions', there shall be substituted the following heading:

'Granting and repayment of credits related to commercial transactions or to provision of services'.

9. For the heading of Category VIII 'Granting and repayment of loans and credits not related to commercial transactions' there shall be substituted the following heading:

'Granting and repayment of loans and credits not related to commercial transactions or to provision of services'.

10. Under 'Personal capital movements', in Category X, the following items shall be inserted:

	Items of nomenclature
'Transfers of workers' savings during their period of stay';	H
'Transfers by instalment of blocked funds belonging to non-residents by the holders of such funds in the case of special hardship';	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';	L
'Transfers of minor amounts abroad'.	M

11. Under 'Personal capital movements', in Category XIV, the following items shall be inserted:

	Items of nomenclature
'Death duties';	A
'Damages (where these can be considered as capital)';	B
'Refunds in the case of cancellation of contracts and refunds of uncalled-for payments (where these can be considered as capital)';	C
'Authors' royalties. Patents, designs, trade marks and inventions (assignments and transfers arising out of such assignments)';	D
'Transfers of the moneys required for the provision of services (not included in Category IX)';	E
'Miscellaneous'.	F

Article 3

Member States shall within three months of notification of this Directive take the necessary measures to comply with it and shall forthwith inform the Commission thereof.

Article 4

This Directive is addressed to the Member States.

Done at Brussels, 18 December 1962.

For the Council

The President

E. COLOMBO

At its 90th Session on 17 December 1962, the Council of the European Economic Community approved the Second Directive for the implementation of Article 67 of the Treaty concerning the free movement of capital adding to and amending the First Directive of 11 May 1960.¹

As this instrument led to the alteration of the lists and nomenclature annexed to the First Directive, it seemed appropriate to publish the text of the lists and nomenclature as it stands with additions and revisions, following the Council's approval of the Second Directive. The text appears below.

¹ Published in the *Official Journal of the European Communities*, 12 July 1960, pp. 919-932.

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 or 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 and B 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

	Items of nomenclature
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
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 liberalisation 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
— excluding the acquisition of bonds issued on a foreign market and denominated in national currency	
— 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 liberalisation 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
Operation in securities	
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 in conjunction with 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 regards liberalisation 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 provision 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*

A. *Direct investments on national territory by non-residents**

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
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**

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* 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* 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* 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
- (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

* See Explanatory Notes, p. 16.

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*
(not included under I, II and III)

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

- (a) quoted*
- (b) unquoted*
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.

B. Acquisition by residents of foreign securities 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

V. Investments in real estate*
(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

* See Explanatory Notes, p. 16.

5. 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*

other than financial institutions

(b) by legal persons*

(c) by financial institutions*

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

(a) by natural persons*

other than financial institutions

(b) by legal persons*

(c) by financial institutions*

VIII. Granting and repayment of loans and credits not related to commercial transactions or to provision 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 institutions

(b) by legal persons

(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 institutions

(b) by legal persons

(c) by financial institutions

VII. Creating 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 institutions

(b) by legal persons

(c) by financial institutions

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 institutions

(b) by legal persons

(c) by financial institutions

VIII. Granting and repayment of loans and credits not related to commercial transactions or to provision 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 institutions

(b) by legal persons

(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 institutions

(b) by legal persons

(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*

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 institutions

(b) by legal persons

(c) by financial institutions

B. By residents with foreign credit institutions

1. Accounts and balances in national currency

2. Accounts and balances in foreign currency

(a) by natural persons

other than financial institutions

(b) by legal persons

(c) by financial institutions

* See Explanatory Notes, p. 16.

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*
 - 1. *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, means 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 specialising 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 specialising 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,¹ as amended by the Directive of 18 December 1962,² 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:
 - rules governing investment on the money market and payment of interest on deposits by non-residents;
 - 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:
 - regulation of the net external position of credit institutions,
 - 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.

¹ OJ No 43, 12.7.1960, p. 921/60.

² OJ No 9, 22.1.1963, p. 62/63.

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⁽¹⁾, and in particular Title IV A thereof;

Having regard to the General Programme for the abolition of restrictions on freedom to provide services⁽²⁾, 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⁽³⁾;

Having regard to the Opinion of the Economic and Social Committee⁽⁴⁾;

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 an 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⁽¹⁾; 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;

⁽¹⁾ OJ No 2, 15. 1. 1962, p. 36/62.

⁽²⁾ OJ No 2, 15. 1. 1962, p. 32/62.

⁽³⁾ OJ No 201, 5. 11. 1966, p. 3472/66.

⁽⁴⁾ OJ No 224, 5. 12. 1966, p. 3799/66.

⁽¹⁾ OJ No 56, 4. 4. 1964, p. 869/64.

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 and 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:

- receipt of orders to buy or to sell,
- participation as intermediary in transfers outside the market and the recording of such transfers,
- information or advice given following a public offer,
- payment of coupons.

Article 2

This 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:*

- the obligation imposed by Article 10 of *arrêté royal* 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,
- 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 royal* No 43 of 15 December 1934, as regards private savings banks and financing companies respectively, and in Articles 38 and 44 of *arrêté royal* No 225 of 7 January 1936 as regards mortgage undertakings;

(b) *in Denmark:*

- 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,
- the nationality requirement demanded of members of the board of directors and man-

agers of banks and branches located in Denmark, by Article 8 (2) of the abovementioned Law,

- the nationality requirement demanded of members of the supervisory board, by Article 8 (3) of the abovementioned Law,
- 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:*

- 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,
- 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,
- 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,
- 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,
- the nationality requirement laid down for *démarcheurs en valeurs mobilières* by Article 8 of the Law No 72-6, 3 January 1972,
- 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,
- 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,

- the registration of foreign banks on a special list, referred to in Article 15 of the Law of 13 June 1941;

(d) *in Ireland:*

- 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,
- the nationality requirement laid down for the majority of the members to the board of directors, stipulated by the same instructions as above,
- 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,
- 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;

(e) *in Italy:*

- 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:*

- the limited duration of authorizations granted to foreigners, laid down in Article 21 of the Law of 2 June 1962;

(g) *in the Netherlands:*

- 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:*

- 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

Extract from the Treaty of Accession

TITLE V

Capital movements

Article 120

1. The new Member States may, under the conditions and within the time limits in Articles 121 to 126, defer the liberalization of capital movements provided for in the First Council Directive of 11 May 1960 for the implementation of Article 67 of the EEC Treaty and in the Second Council Directive of 18 December 1962 adding to and amending the First Directive for the implementation of Article 67 of the EEC Treaty.

2. Appropriate consultations shall take place in due course between the new Member States and the Commission about procedures for applying measures of liberalization or relaxation, the implementation of which may be deferred under the following provisions.

Article 121

1. Denmark may:

(a) for a period of two years after accession, defer the liberalization of purchases by non-residents of bonds denominated in Danish kroner and dealt in on the stock exchange in Denmark, including physical transfers of the securities in question;

(b) for a period of five years after accession, defer the liberalization of purchases by persons resident in Denmark of foreign securities dealt in on the stock exchange and of repurchases from abroad of Danish securities dealt in on the stock exchange, denominated entirely or partly in foreign currency, including physical transfers of the securities in question.

2. From the date of accession, Denmark will proceed to a progressive liberalization of the operations referred to in paragraph 1 (a).

Article 122

1. Ireland may:

(a) for a period of two years after accession, defer the liberalization of direct investments in Member States by persons resident in Ireland and the liberalization of the liquidation of direct investments in Member States by persons resident in Ireland;

(b) for a period of thirty months after accession, defer the liberalization of the following capital movements of a personal nature:

- transfers of capital belonging to persons resident in Ireland who are emigrating, other than transfers connected with freedom of movement for workers which shall be liberalized from the date of accession;
- gifts and endowments, dowries, succession duties, and real estate investments other than those connected with freedom of movement for workers which shall be liberalized from the date of accession;

(c) for a period of five years after accession, defer the liberalization of the operations set out in List B annexed to the Directives referred to in Article 120 and carried out by persons resident in Ireland.

2. Recognizing that it is desirable to proceed, from the date of accession, to a substantial relaxation in the rules concerning the operations referred to in paragraph 1 (a), Ireland will endeavour to take appropriate measures to this end.

*Article 123 **

Article 124

1. The United Kingdom may:

(a) for a period of two years after accession, defer the liberalization of direct investments in Member States by persons resident in the United Kingdom and the liberalization of the liquidation of direct investments in Member States by persons resident in the United Kingdom;

(b) for a period of thirty months after accession, defer the liberalization of the following capital movements of a personal nature:

- transfers of capital belonging to persons resident in the United Kingdom who are emigrating, other than transfers connected with freedom of movement for workers which shall be liberalized from the date of accession;
- gifts and endowments, dowries, succession duties, and real estate investments other than those connected with freedom of movement for workers which shall be liberalized from the date of accession;

* Provisions having lapsed by virtue of Article 25 of the Adaptation Decision.

(c) for a period of five years after accession, defer the liberalization of the operations set out in List B annexed to the Directives referred to in Article 120, and carried out by persons resident in the United Kingdom.

2. From the date of accession, the United Kingdom will proceed to a substantial relaxation in the rules concerning the operations referred to in paragraph 1 (a).

Article 125

The new Member States will, circumstances permitting, carry out the liberalization of capital movements referred to in Articles 121 to 124 before the expiry of the time limits laid down in those Articles.

Article 126

For the purpose of implementing the provisions of this Title, the Commission may consult the Monetary Committee and submit appropriate proposals to the Council.

VIII
Agricultural unit of account

REGULATION No 129 OF THE COUNCIL

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 authorising 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 recognised 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 recognised 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 recognised 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 jeopardise 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;

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 recognised 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 which are adopted by the Council under Article 43 of the Treaty, or in provisions adopted pursuant to those instruments, sums are expressed in units of account, the value of that unit of account shall be 0.88867088 grammes of fine gold.

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 recognised 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 recognised by the International Monetary Fund, and where in exceptional

circumstances such fluctuation, although within the limits set by the rules of the Fund, might jeopardise 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 committed par values to the International Monetary Fund or whose par values are not recognised 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 jeopardise the implementation of the instruments or provisions referred to in Article 1, the Council or the Commission, acting
This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 23 October 1962.

within their 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 recognised 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 barrier 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.

For the Council
The President
L. 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/EEC¹ 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 129² 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:

- automatically, where the parities of the currencies of all Member States move simultaneously and in the same direction;
- 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 subject 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 jeopardising the attainment of the fundamental objectives of the common agricultural policy;

HAS ADOPTED THIS REGULATION:

Article 1

The following shall be substituted for Article 1 of Regulation No 129:

'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 0.88867088 grammes of fine gold. This

¹ OJ No 195, 28.10.1966, p. 3361/66.

² OJ No 106, 30.10.1962, p. 2553/62.

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 653/68¹ 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 authorising officers and accounting officers (Article 209 (a) and (c) of the Treaty)².

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:

- where the alterations are in the same proportion: in the same direction and in the proportion as the alterations in the parities;
- 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:

- whether the value of the unit of account as defined in Article 1 of Regulation No 129 should be altered;
- the percentage of any such alteration; 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 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.

¹ OJ No L 123, 31.5.1968, p. 4.

² OJ No 83, 29.12.1960, p. 1939/60.

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 recognised by the International Monetary Fund.

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

Done at Brussels, 30 May 1968.

Article 7

The Monetary Committee shall examine the situation arising in agriculture as a result of alterations 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*.

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 653/68¹ 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 125² 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 func-

tioning from an economic and financial point of view of the common market organisations 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 or 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;

¹ OJ No L 123, 31.5.1968, p. 4.

² OJ No 106, 30.10.1962, p. 2553/62.

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 recognised by the International Monetary Fund, disturbances endanger or threaten to endanger the proper functioning of the common market organisations 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 organisation 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 compe-

near authority within thirty days of the entry into force of the measure fixing the altered amount, obtain cancellation of the advance fixing and of the relevant document or certificate.

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 State or a duly subordinated 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 purpose 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/EEC¹ 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/EEC² of 22 September 1966 on the establishment of a common organisation of the market in oils and fats, and for skim milk processed into casein, as laid down in Article 11 of Council Regulation (EEC) No 804/68³ of 27 June 1968 on the common organisation of the market in milk and milk products.
6. Production refunds.

¹ OJ No 165, 21.9.1966, p. 2965/66.

² OJ No 172, 30.9.1966, p. 3025/66.

³ OJ No L 148, 28.6.1968, p. 13.

REGULATION (EEC) No 974/71 OF THE COUNCIL

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

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;

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 jeopardising 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 the one permitted by international rules, it shall be authorised to:

- (a) charge on imports from Member States and third countries,
- (b) grant on exports to Member States and third countries,

compensatory amounts for the products referred to below under the conditions determined hereinafter.

2. Paragraph 1 shall apply:

- (a) to products covered by intervention arrangements under the common organisation 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 organisation of market or are the subject of a specific arrangement under Article 235 of the Treaty.

This option shall be exercised only where application of the monetary measures referred to in paragraph 1 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 the percentage difference between:

- the parity of the currency of the Member State concerned declared to and recognised by the International Monetary fund, on the one hand, and
- the arithmetic mean of the spot market rates of this currency against the US dollar during a period to be determined.

2. For the other products referred to in Article 1, the compensatory amounts shall be equal to the incidence, on the prices of the product concerned, of

the application of the compensatory amount to the prices of the product referred to in paragraph 1, on which they depend.

3. However, with regard to trade between one Member State referred to in Article 1 and another Member State referred to in that Article, the compensatory amount applicable to a specified product shall be reduced by the compensatory amount applied to that product in the latter Member State.

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 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 6

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/EEC¹ of 13 June 1967 on the common organisation of the market in cereals, as last amended by Regulation (EEC) No 2434/70², or, if appropriate, the corresponding article of the other regulations on the common organisation 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

Partial or temporary use may not be made of the authorisation provided for in this Regulation.

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.

3. The Commission shall submit a monthly report to the Council on the way 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

¹ OJ No 117, 19.6.1967, p. 2269/67.

² OJ No L 262, 3.12.1970, p. 1.

REGULATION (EEC) No 2746/72 OF THE COUNCIL

of 19 December 1972

amending Regulation (EEC) No 974/71 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

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 28, 43, 103 and 235 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Whereas Council Regulation (EEC) No 974/71¹ 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, introduced for the Member States allowing the exchange rate of their currency to fluctuate by a margin wider than the one permitted by international rules, a system of compensatory amounts based upon the difference between the parties in force in the Member States concerned and the arithmetic mean of the spot market rates of that currency against the US Dollar;

Whereas pending the official revaluation of the currencies of certain Member States, compensatory amounts should be brought within the common agricultural policy;

Whereas compensatory amounts charged in trade with non-Member States under Regulation (EEC) No 974/71 constitute agricultural levies within the meaning of Article 2 (a) of the Decision of 21 April 1970² on the replacement of financial contributions from Member States by the Communities own resources or, for goods subject to special trade arrangements, these compensatory amounts constitute customs duties within the meaning of Article 2 (b)

of that Decision; whereas other compensatory amounts should be taken into account within the system of financing the common agricultural policy;

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 974/71 shall be amended as follows:

1. The following shall be substituted for the first citation:
'Having regard to the Treaty establishing the European Economic Community, and in particular Articles 28, 43 and 235 thereof.'
2. The following shall be substituted for Article 1 (1):
 1. If in commercial transactions a Member State allows the exchange rate of its currency to fluctuate by a margin wider than the one permitted by the international rules in force on 12 May, 1971, it shall:
 - (a) charge on imports from other Member States and third countries,
 - (b) grant on exports to other Member States and third countriescompensatory amounts for the products referred to below in paragraph 2 under the conditions laid down hereinafter.'
3. The following shall be substituted for the second subparagraph of Article 1 (2):
 1. 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.'

¹ OJ No L 106, 12.5.1971, p. 1.

² OJ No L 94, 28.4.1970, p. 19.

Article 2

The following shall be substituted for Article 7 of Regulation (EEC) No 974/71:

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

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

Done at Brussels, 19 December 1972.

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 stabilise 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 729/70.¹

Article 3

This Regulation shall apply from 1 July 1972.

For the Council

The President

T. WESTERTERP

¹ OJ No L 94, 28.4.1970, p. 13.

REGULATION (EEC) No 509/73 OF THE COUNCIL

of 22 February 1973

amending Regulation (EEC) No 974/71 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

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Article 2

Article 1 (1) shall be replaced by the following :

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 ;

Whereas it is possible that the actual market exchange rates of some Member States may exceed appreciably the lower limit of fluctuation permitted by international rules ; in order to avoid the difficulties which may result from such excess, it is opportune to provide for the granting of compensatory amounts for imports and the charging of such amounts on exports ; whereas the system of compensatory amounts introduced by Council Regulation (EEC) No 974/71 ⁽¹⁾ 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 for this purpose, as amended by Regulation (EEC) No 2746/72 ⁽²⁾, may be used after the necessary amendments have been made ;

Whereas Council Regulation (EEC) No 222/73 ⁽³⁾ of 31 January 1973 on the exchange rates to be used in agriculture for the currencies of the new Member States makes provision for the application of exchange rates other than the official parities for the currencies of such States ; whereas the actual market exchange rates might differ appreciably from these exchange rates ; whereas it is therefore necessary to apply compensatory amounts to avoid the problems which may be caused thereby ;

HAS ADOPTED THIS REGULATION :

Article 1

Regulation (EEC) No 974/71 shall be amended as indicated in the following Articles.

⁽¹⁾ OJ No L 106, 12. 5. 1971, p. 1.
⁽²⁾ OJ No L 291, 28. 12. 1972, p. 148.
⁽³⁾ OJ No L 27, 1. 2. 1973, p. 4.

'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,

- (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'.

Article 3

1. Article 2 (3) shall be deleted.
2. The following Articles shall be inserted :

'Article 2a

Notwithstanding the provisions of Articles 1 and 2, the following rules shall apply to trade between Member States :

1. The compensatory amount applicable to a given product, as resulting from the calculation referred to in Article 2 in respect of a Member State shall :

- be decreased by the compensatory amount as resulting from the aforesaid calculation in respect of the other Member State if the currencies of the two Member States concerned both increase or decrease in value,
 - be increased by the compensatory amount described in the foregoing indent of one of the currencies of the two Member States concerned increases and the other decreases in value.
2. Compensatory amounts calculated in accordance with Article 2 or, where appropriate, as indicated in paragraph 1, shall be charged on imports or granted on exports by the one of the two Member States concerned whose currency has increased more or decreased less in value in terms of the percentages adopted for the calculation of the compensatory amounts'.

'Article 4a

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.

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 4

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Communities*.

This Regulation shall apply from 1 February 1973.

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

Done at Brussels, 22 February 1973.

For the Council

The President

A. LAVENS

REGULATION (EEC) No 1112/73 OF THE COUNCIL
of 30 April 1973

amending Regulation (EEC) No 974/71 on certain measures of conjunctureal policy to be taken in agriculture following the temporary widening of the margins of fluctuation 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 233 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Whereas Council Regulation (EEC) No 974/71 (1) of 12 May 1971 on certain measures of conjunctureal policy to be taken in agriculture following the temporary widening of margins of fluctuation for the currencies of certain Member States, as last amended by Regulation (EEC) No 509/73 (2), instituted a system of compensatory amounts in trade among Member States and between them and third countries; whereas this system has become highly complex with the increase in the number of Member States involved;

Whereas it was agreed on 11 March 1973 to maintain a maximum variation of 2.25 % at any given moment in the spot market rate for the currencies of certain Member States, accordingly a new and less complex system may be introduced;

Whereas it should be a principle of the new system, when calculating compensatory amounts for the currencies of Member States that they maintain among themselves within a maximum spread of 2.25 %, to take into consideration the variation between the conversion rate applied under the common agricultural policy and the central rate; whereas in the case of the other currencies the basis should be their relation to the aforementioned currencies;

Whereas Article 2a of Regulation (EEC) No 974/71 instituted a system of addition and subtraction of compensatory amounts applicable in intra-Community trade; whereas experience has shown that this gives rise to administrative difficulties; whereas accordingly it seems advisable to move towards a system whereby each Member State may compensate for deviations due to trends in its currency situ-

ation, subject to the possibility of derogating from this system in certain cases;

HAS ADOPTED THIS REGULATION:

Article 1

Article 2 (1) of Regulation (EEC) No 974/71 shall be replaced by the following:

1. The compensatory amounts for the producer 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:

— the conversion rate used under the common agricultural policy, and

— 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:

— 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

— 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.

Article 2

Article 2a of Regulation (EEC) No 974/71 shall be replaced by the following:

(1) O J No L 106, 12.5.1971, p. 1.
(2) O J No L 50, 23.2.1973, p. 1.

'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

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Communities*.

It shall apply from the date on which the detailed rules required for its application, adopted in accordance with Article 6 (1) of Regulation (EEC) No 974/71, enter into force.

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

Done at Luxembourg, 30 April 1973.

For the Council
The President
A. LAVENS

REGULATION (EEC) No 2544/73 OF THE COUNCIL
of 19 September 1973
on the exchange rate to be applied in agriculture for the Dutch guilder

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community;

Having regard to Council Regulation No 129⁽¹⁾ 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⁽²⁾ and in particular Article 3 (1) thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the Monetary Committee;

Whereas the situation referred to in Article 3 (1) of Regulation No 129, in which derogations may be made from the principle of using par values for converting one currency into another, now obtains in various Member States;

Whereas, however, it has generally been possible to solve the problems posed by such a situation by applying monetary compensatory amounts, enabling exchange rates to be maintained which correspond to the parities of the currencies concerned;

Whereas by reason of the customs union existing among the Benelux countries, and the fact that these Member States had decided to maintain between their currencies the rates prevailing before 9 May 1971, the system of monetary compensatory amounts does not apply in trade between these countries which, for the purposes of that system, are treated as one Member State;

Whereas on 15 September 1973 the Netherlands government decided to raise the central rate for the Dutch guilder by 5 %; whereas, therefore, the system of monetary compensatory amounts should also apply in trade between the Benelux countries, since for these Member States these amounts are calculated on the basis of the difference between the central rate and the parity for each currency, and this difference is no longer the same for these countries;

Whereas, however, this result could be avoided by fixing, pursuant to the said Article 3, a representative exchange rate for the Dutch guilder so that the difference between the central rate and the representative rate corresponds to the difference existing for the Belgian/Luxembourg franc between the central rate and the parity;

Whereas to fix such a representative rate would lead to an adjustment of agricultural prices in the Netherlands; whereas this result is consistent with the basic principle of uniformity of prices in the Community; whereas it was on the basis of this principle and its consequences that specific provisions were laid down in Council Regulation (EEC) No 1134/68⁽³⁾ 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; 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;

HAS ADOPTED THIS REGULATION:

Article 1

1. Where transactions to be carried out in pursuance of instruments relating to the common agricultural policy, or specific rules laid down under Article 235 of the Treaty, require the Dutch guilder to be expressed in another currency or in units of account, the rate of exchange to be applied for conversion shall, in derogation from Article 2 (1) of Regulation No 129, be the rate which corresponds to the representative rate for that currency.

2. The representative rate referred to in paragraph 1 shall be: 1 Dutch guilder = 0.2904 units of account.

Article 2

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.

Article 3

1. This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Communities*. However, at the request of the interested party it shall have effect as from 17 September 1973.

2. It shall cease to have effect at such time as the Kingdom of the Netherlands shall declare a new parity to the International Monetary Fund.

⁽¹⁾ O.J. No 106, 31. 10. 1962, p. 2551/62.

⁽²⁾ See p. 1 of this Official Journal.

⁽³⁾ O.J. No L 188, 1. 8. 1968, p. 1.

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

Done at Brussels, 19 September 1973.

For the Council

The President

I. NØRGAARD

REGULATION (EEC) No 2958/73 OF THE COUNCIL
of 31 October 1973
on the exchange rate applied in agriculture for the Italian lire

THE COUNCIL OF THE EUROPEAN
COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community;

Having regard to Council Regulation No 129⁽¹⁾ 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⁽²⁾ and in particular Article 3 thereof;

Having regard to the proposal from the Commission;

Whereas the situation referred to in Article 3 (1) of Regulation No 129, in which derogations may be made from the principle of using par values for converting one currency into another, now obtains in various Member States;

Whereas, however, it has generally been possible to solve the problems posed by such a situation by applying monetary compensatory amounts, enabling exchange rates to be maintained which correspond to the parities of the currencies concerned; whereas this arrangement has led to different price levels in the Member States affected; whereas it is possible to reduce the compensatory amounts at present applicable in trade with Italy and thus take one step on the road back to uniform farm prices in the Community;

Whereas this objective can be attained by fixing a representative conversion rate for the Italian lira at a level more closely related to the actual economic situation — in agriculture —; whereas in view of the consequences for price levels, the rate should be fixed in stages; whereas the most appropriate method would be to fix immediately a rate involving only a small change, while a second step in the desired direction would be made within a reasonable time;

Whereas to fix such a representative rate would lead to an adjustment of agricultural prices in Italy; whereas this result is consistent with the basic principle of uniformity of prices in the Community; whereas it was on the basis of this principle and its consequences that specific provisions were laid down

in Council Regulation (EEC) No 1134/68⁽¹⁾ 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; 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 the Monetary Committee has been consulted and whereas in view of the urgency entailed, 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. Where transactions to be carried out in pursuance of instruments relating to the common agricultural policy, or specific rules laid down under Article 235 of the Treaty, require the Italian lira to be expressed in another currency or in units of account, the rate of exchange to be applied for conversion shall, in derogation from Article 2 (1) of Regulation No 129, be the rate which corresponds to the representative rate for that currency.

2. The representative rate referred to in paragraph 1 shall be:

(a) with effect from 1 November 1973:

100 Italian lire = 0.153846 units of account

(b) with effect from 1 January 1974:

100 Italian lire = 0.147493 units of account.

Article 2

1. Those provisions of Regulation (EEC) No 1134/68 which relate to an alteration of the relationship between the parity of the currency of a Member State and the value of the unit of account, in parti-

⁽¹⁾ OJ No L 106, 30. 10. 1962, p. 2553/62.

⁽²⁾ OJ No L 263, 19. 9. 1973, p. 1.

⁽¹⁾ OJ No L 188, 1. 8. 1968, p. 1.

ular Articles 4, 5 and 6 thereof, shall apply in respect of each product concerned from the date on which the representative rate is fixed for that product.

2. However, the second subparagraph of Article 4 (1) of Regulation (EEC) No 1134/68 shall not apply when the representative rate specified in Article 1 (2) (b) is introduced.

Article 3

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Communities*.

It shall cease to have effect at such times as the Italian Republic shall declare a new parity to the International Monetary Fund.

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

Done at Brussels, 31 October 1973.

For the Council

The President

lb FREDERIKSEN

REGULATION (EEC) No 197/74 OF THE COUNCIL

of 25 January 1974

amending in particular Regulation (EEC) No 2958/73 on the exchange rate applied in agriculture for the Italian lira

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 Council Regulation No 129⁽¹⁾ 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⁽²⁾, and in particular Article 3 thereof;

Having regard to the proposal from the Commission;

Whereas Article 1 of Council Regulation (EEC) No 2958/73⁽³⁾ of 31 October 1973 on the exchange rates applied in agriculture for the Italian lira, as amended by Regulation (EEC) No 2996/73⁽⁴⁾, provided for the application of representative rates for the Italian lira with effect from 1 November 1973 and 1 January 1974;

Whereas the economic situation in Italy necessitates taking another step towards uniformity of agricultural prices in the Community by fixing another more realistic representative rate;

Whereas the Monetary Committee will be consulted and whereas, in view of the urgency of the matter, the measures envisaged should be adopted under the conditions laid down in Article 3 (2) of Regulation No 129;

Whereas the fixing of such a representative rate would lead to an adjustment in the level of prices for agricultural products in Italy; whereas this result is consistent with the basic principle of uniformity of prices in the Community; whereas it was on the basis of this principle and its consequences that specific provisions were laid down, in particular in Council Regulation (EEC) No 1134/68⁽⁵⁾ 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; whereas these provisions cover only the case of a change in the parity of a currency; whereas they should also be applied in this case; whereas the new representative rate should therefore be included in Regulation (EEC) No 2958/73, the other provisions of which remain unchanged;

Whereas Article 4b of Council Regulation (EEC) No 974/71⁽⁶⁾ 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 3430/73⁽⁷⁾, provided that in principle the intervention and purchase prices applicable in Italy shall be fixed, until the end of the 1973/74 marketing year, at the level resulting from the application of the provisions in force on 31 December 1973, expressed in Italian lira;

Whereas in view of the repercussions which the situation on the beef and veal market in Italy is already having on the level of production and which it may therefore have on the general balance of the economy it is necessary that this new representative rate be applied immediately in the beef and veal sector; whereas the basis for determining the incidence of the present Regulation should be the price level currently applicable in Italy,

HAS ADOPTED THIS REGULATION:

Article 1

The following is added to Article 1 (2) of Regulation (EEC) No 2958/73:

'(c) with effect from 28 January 1974 100 Italian lira = 0.140449 unit of account'

Article 2

1. With effect from 28 January 1974 the intervention price for beef and veal in Italy shall be increased by 5%.
2. Article 4b of Regulation (EEC) No 974/71 shall be applicable in this sector, taking into account the provisions of paragraph 1.

Article 3

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Communities*.

(1) OJ No 106, 30. 10. 1962, p. 2553/62.

(2) OJ No L 263, 19. 9. 1973, p. 1.

(3) OJ No L 303, 1. 11. 1973, p. 1.

(4) OJ No L 303, 1. 11. 1973, p. 7.

(5) OJ No L 188, 1. 8. 1968, p. 1.

(6) OJ No L 106, 12. 5. 1971, p. 1.

(7) OJ No L 353, 22. 12. 1973, p. 25.

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

Done at Brussels, 25 January 1974.

For the Council

The President

J. ERTL