

COMMISSION OF THE EUROPEAN COMMUNITIES

C(75) 1025 final

Brussels, 15 July 1975

Draft

DECISION (ECSC) OF THE COMMISSION

on the rates for the conversion of
the currencies of the Member States into the unit
of account used in Decisions, Recommendations,
Opinions and Communiqués for the purposes of the
Treaty establishing the European Coal and Steel Community

(submitted by the Commission to the Council)

C(75) 1025 final

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EXPLANATORY MEMORANDUM

I. Reasons for changing the unit of account

1. In December 1973, the Commission adopted, for ECSC purposes, a new unit of account replacing the old one based on gold parities. This unit of account, still defined in terms of gold, was converted into national currencies on the basis of the central rates of the Community currencies which are floating jointly. This decision, which was to apply only in 1974, was extended to cover 1975 pending a general solution to the problem of recasting the entire structure of the units of account used in the Community. When the Council was consulted in December 1974 under the procedure for extending the validity of the new unit of account, certain delegations pressed the Commission to adopt, for ECSC purposes, a unit of account which was not based solely on the central rates of the currencies floating jointly, as this resulted in discrimination in favour of these currencies and against those floating independently, since it imposed upon the latter the entire burden of adjustment.

II. Scope of the new system

2. The Commission laid before the Council on 19 December 1974 a Communication on the guidelines forreshaping the structure of units of account, in which it expressed its preference for the gradual introduction of a unit of account made up of a basket of the Member States currencies. The Council asked the Monetary Committee to report on the general problem of units of account. Presented on the 4 March, the Monetary Committee's report concluded that a unit of account of the "basket" type would, in most cases, best satisfy the needs of the Communities.

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3. Since then, this basket unit of account - known as the "European unit of account" (EUA)- has been adopted for the 1975 EDF by decision of the Council of 21 April 1975 (O.J. n° L 104, 24 April 1975) and as the conversion rate for the European Investment Bank by decision of the Board of Governors of the Bank of 18 March 1975.

4. For ECSC purposes, this unit of account will be introduced on 1 January 1976; the new provisions will apply for calculating the levies referred to in Article 49, establishing the operating budget and drawing up the ECSC balance sheet.

III. Principles of application

5. The new system is based on daily exchange rates and the basic principle is that all relevant transactions, as regards both revenue and expenditure, should be denominated in European units of account, payment in national currencies being made on the basis of the EUA equivalent, in such currencies on the day of payment.

As the unit of account mechanism was seriously affected by disruptions in the international monetary system, there was been a tendency to shift the exchange risk, stemming formerly from parity changes, from the State concerned to the Community. The new system once again puts this risk, of profit or of loss, on to the contributors and recipients of aid - a normal step as the ECSC and the Community in general should not be made to suffer the consequences of monetary changes over which it has as yet no influence.

6. Restoring the system to this logical basis requires, however, provisional adjustments to allow for certain difficulties. An explanatory note is therefore attached to this decision giving details of how these principles are to applied.

IV. Consultations

7. Under Article 50 (2) of the Treaty establishing the ECSC, the Council must be consulted on decisions concerning the rates for converting the unit of account used in Decisions, Recommendations, Opinions and Communiqués for the purposes of the Treaty establishing the ECSC into national currencies.

Draft

DECISION (ECSC) OF THE COMMISSION

on the definition and conversion of the unit of account to be used in Decisions, Recommendations, Opinions and Communiqués for the purposes of the Treaty establishing the European Coal and Steel Community

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

having regard to the Treaty establishing the European Coal and Steel Community, and in particular Articles 8, 14, 26, 50, 54, 55 and 56 thereof;

Whereas, in its report of 4 March 1975, the Monetary Committee took the view that a unit of account based on a basket of Community currencies is a type of unit which will best satisfy to the needs of the Community in general;

whereas any reference to gold in the definition of the value of currencies and consequently of units of account is now irrelevant in view of developments in the international monetary system; whereas Decision No 3541/73/ECSC of the Commission (1) must therefore be replaced by a decision defining a new unit of account which eliminates the distortions to be found in the present system;

whereas, in its Decision No 75/250/EEC (2), the Council has already adopted such a unit of account for expressing the amounts of aid mentioned in Art. 42 of the ACP-EEC Convention of Lomé; whereas the same definition should be adopted for the purposes of the ECSC Treaty.

whereas, to this end, the ECSC should adopt a unit of account which is an average of the exchange rates of the currencies of the Community Member States;

after consulting the Council,

(1) O.J. No L 361, 29 December 1973, p. 10

(2) O.J. No L 104, 24 April 1975, p. 35

HAS ADOPTED THIS DECISION :

Article 1

The unit of account to be used in Decisions, Recommendations, Opinions and Communiqués for the purposes of the Treaty establishing the European Coal and Steel Community shall be the European unit of account "EUA", defined as the sum of the following amounts of the currencies of the Member States of the Community :

DM	0.828
£ sterling	0.0885
FF	1.15
Lit	109
Hfl	0.286
BF	3.66
Flux	0.14
DKr	0.217
£ (irish)	0.00759

Article 2

The value of the unit of account in any given currency shall be equal to the sum of the equivalent in that currency of the amounts of currency referred to in Article 1. It shall be calculated by the Commission using daily market exchange rates with the method given in the annexe.

The value of the unit of account in the various national currencies shall be made available every day and shall be published daily in the Official Journal of the European Communities, under "Information and notices".

Article 3

The levy amounts shall be denominated in EUA and paid in their equivalent in national currencies at the conversion rate ruling on the day.

However, during a transitional period which shall expire at a date fixed by decision of the Commission, this conversion rate shall, for each payment made from the fifteenth of a given month to the fourteenth of the following month, be the rate on the last working day of the month preceding this period.

Article 4

Commitments to be charged to the operating budget of the ECS shall be denominated in EUA and the corresponding expenditure paid in national currencies at the rate ruling on the day. However for contracts relating to financial aid based on Art. 55 of the Treaty other provisions for the date to be taken for conversion into national currencies may be made.

The special fund provided for in Decision No 73/287/ECSC (1) on aids granted for the sale of coking coal and coke to the Community iron and steel industry shall be established in EUA and the contributions to its financing shall be paid in national currencies at the rate obtaining for levies paid at the same date.

Article 5

This Decision does not alter the value in national currencies of commitments and obligations taken before 1 January 1976.

Article 6

This Decision shall enter into force on 1 January 1976 and shall replace, on this date, Decision No 3541/73 (2) of the Commission.

The provisions of this Decision shall also apply for the calculation of the average values used in calculating levies for 1976.

The balance sheet as at 31 December 1975, drawn up under Decision Nos 3541/73, 3542/73 (3) and 3328/74 ECSC (4), shall be presented in EUA using a rate determined by the relationship between the rates of conversion into national currencies of the two units of account on 2 January 1976.

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

Done at Brussels,

For the Commission

The President

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- (1) O.J. No L 259, 15 September 1973, p. 36
 - (2) O.J. No L 361, 29 December 1973, p. 10
 - (3) O.J. No L 361, 29 December 1973, p. 14
 - (4) O.J. No L 357, 31 December 1974, p. 16

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Explanatory note to Decision (ECSC) of the Commission

The detailed rules for applying the principles laid down in the ECSC Decision should be explained; these detailed rules have been agreed with each department concerned.

Levies

1. The conversion rate for the payment of levies between the fifteenth of a given month and the fourteenth of the following month will be the rate ruling on the last working day of the previous month; e.g. from 15 February to 14 March the rate to be applied will be that ruling on 31 January.

This rate will be shown on a separate form attached to the questionnaire..

Financial aid for research

2. Conversion rates to be applied to applications for aid.

When the formal decision is taken to grant financial aid, the amounts of aid applied for will be converted into EUA at the rate ruling on the date when the first decision was taken by the Commission.

3. Conversion rates to be applied to payments.

Payments will be authorized in EUA and paid in national currencies at the rate ruling on the day of payment.

4. Research expenditure incurred by recipients.

Two methods may be envisaged for bearing these costs :

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5. The partners in the contract with the ECSC draw up their half-yearly statements of accounts in UA and in this case the conversion rate will automatically be the rate obtaining on the date on which payment was made by the recipient of the ECSC aid. This is the only method which avoids all distortions. When the accounts are closed, the Commission representatives could carry out sample checks.

6. For certain types of research work and, in particular, medical research, the method recommended above is apparently impracticable in view of the administrative structure of medical institutions and universities. In such cases, it is necessary to make other arrangements for specifying the date at which the conversion into national currency should be made.

Financing subsidized housing

7. The financing of subsidized housing was not included in the draft Decision as it is not carried out under the ECSC operating budget.

8. It should however be pointed out that where such housing is financed from the operating budget or from funds raised by EUA loans, the resources made available in this field will be denominated in EUA.

Calculation of daily value of European Unit of Account

1. The value in the initial Community currency

The initial currency value of EUA is found in Belgian francs using the official daily fixing rates of exchange of the other Community currencies against the commercial Belgian franc on the Brussels market. The daily value is expressed to six significant figures.

If the Brussels market is closed, the calculations for the initial currency value are made in Dutch guilders using the official daily fixing rates of Amsterdam. And if both Brussels and Amsterdam are closed the "amtlicher Mittelkurs" of Frankfurt are used.

2. The value in other Community currencies

The value in the other Community currencies apart from that in which the initial currency value was made is obtained by multiplying this initial value by the official fixing or representative exchange rate against the initial currency on the following markets :

Frankfurt	for the DM
London	for the £ sterling :
Copenhagen	for the Danish Crown
Amsterdam	for the Dutch guilder
Paris	for the French franc
Rome and Milan (average)	for the Lira (1)
Dublin	for the Irish £

If any of these markets is closed, no value for the EUA in the corresponding currency will be published that day.

(1) This is the same system as that used by the Bank of Italia for officially calculating exchange rates for the Italian market.