



**EUROPEAN CENTRAL BANK**  
**EUROSYSTEM**

*COURTESY TRANSLATION*

Mario DRAGHI  
President

Mr Jonas Fernández  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt, 17 June 2015

L/MD/15/386

**Re: Your letter (QZ-83)**

Honourable Member of the European Parliament, dear Mr Fernández,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 5 May 2015.

At present, 19 EU Member States have adopted the euro as a single currency, and thus participate in the third stage of Economic and Monetary Union. Under the Treaty, all other EU Member States – except Denmark and the United Kingdom, both of which have opt-out clauses – are supposed to join the euro area once the necessary conditions have been fulfilled.

The decision on the adoption of the euro by these EU Member States is taken by the Council of the European Union, in line with the relevant Treaty provisions. Under the Treaty, the European Commission and the European Central Bank report to the Council of the European Union on the progress made by these EU Member States in fulfilling their obligations with regard to Economic and Monetary Union, and thus in meeting the necessary conditions for adopting the euro, at least every two years, or at the request of one (or more) of these EU Member States. As set out in the Treaty, this includes an examination of:

- a. the compatibility of the national legislation of these EU Member States with the Treaty, as well as with the Statute of the European System of Central Banks and of the European Central Bank; and
- b. the achievement of a high degree of sustainable convergence by reference to:
  - (i) a high degree of price stability, which will be apparent from a rate of inflation which is close to that of, at most, the three best-performing EU Member States in terms of price stability;

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- (ii) the sustainability of government finances, which will be apparent from a budgetary position without a deficit that is excessive, as determined in accordance with the Treaty;
- (iii) the observance of the normal fluctuation margins provided for by the exchange rate mechanism (henceforth ERM II), for at least two years, without any devaluation against the euro; and
- (iv) the durability of convergence being reflected in the long-term interest-rate levels.

A detailed description of the framework of analysis used by the European Central Bank to examine the state of economic convergence, which has been applied in a consistent manner for all Convergence Reports prepared by the European Central Bank or the European Monetary Institute, is included in the ECB's latest Convergence Report, published in June 2014.<sup>1</sup>

In July 2014, the Council of the European Union, having taken into account also to the aforementioned Convergence Report, decided that Lithuania fulfilled the necessary conditions for the adoption of the euro. At that time, the Council of the European Union did not take any decision on whether or not other EU Member States fulfilled the necessary conditions for the adoption of the euro.

The European Central Bank will again provide an examination of the above-mentioned convergence criteria in its next report on this issue to the Council of the European Union, which will be prepared in accordance with the Treaty positions, i.e. at least once every two years, or at the request of one (or more) EU Member State(s) concerned.

As in the past, the report will also assess the participation of EU Member States in ERM II. In this respect, according to the European Council Resolution of 16 June 1997, all decisions regarding ERM II participation are taken upon mutual agreement by the ministers of the euro area Member States, the European Central Bank and the ministers and central bank governors of the non-euro area Member States participating in ERM II.

In this regard, I would like to draw your attention to the policy position of the Governing Council of the European Central Bank, adopted in 2003,<sup>2</sup> which emphasises the need for stability-oriented policies as a prerequisite for successful ERM II participation. At the same time, the document acknowledges that no single path towards ERM II can be identified and that participation in the mechanism needs to be assessed on a case-by-case basis, at the request of the EU Member State concerned.

Yours sincerely,

[signed]

Mario Draghi

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<sup>1</sup> The document is accessible on the ECB's website at <https://www.ecb.europa.eu/pub/pdf/conrep/cr201406en.pdf>

<sup>2</sup> The document is accessible on the ECB's website at <https://www.ecb.europa.eu/pub/pdf/other/policyaccexchangerateen.pdf>

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