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REPORT

on the proposal for a Council decision on the statistical data to be used for the adjustment of the key for subscription to the capital of the European Central Bank

(COM(2003) 114 – C5-0125/2003 – 2003/0050(CNS))

Committee on Economic and Monetary Affairs

Rapporteur: Generoso Andria

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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PROCEDURAL PAGE

By letter of 24 March 2003 the Council consulted Parliament, pursuant to Article 107(6) of the EC Treaty, on the amended proposal for a Council decision on the statistical data to be used for the adjustment of the key for subscription to the capital of the European Central Bank (COM(2003) 114 – 2003/0050(CNS)).

At the sitting of 27 March 2003 the President of Parliament announced that he had referred the proposal to the Committee on Economic and Monetary Affairs as the committee responsible (C5-0125/2003).

The committee appointed Generoso Andria rapporteur at its meeting of 9 April 2003.

It considered the Commission proposal and draft report at its meetings of 20 May 2003 and 12 June 2003.

At the latter meeting it adopted the draft legislative resolution unanimously.

The following were present for the vote: Christa Randzio-Plath (chairman), José Manuel García-Margallo y Marfil and Philippe A.R. Herzog (vice-chairmen), Generoso Andria (rapporteur), Pervenche Berès, Roberto Felice Bigliardo, Hans Blokland, Jean-Louis Bourlanges (for Renato Brunetta), Benedetto Della Vedova, Bert Doorn (for Mónica Ridruejo), Manuel António dos Santos (for Fernando Pérez Royo), Harald Ettl (for Hans Udo Bullmann), Ingo Friedrich, Carles-Alfred Gasòliba i Böhm, Robert Goebbels, Lisbeth Grönfeldt Bergman, Mary Honeyball, Christopher Huhne, Elisabeth Jeggle (for Hans-Peter Mayer pursuant to Rule 153(2)), Othmar Karas, Pii-Noora Kauppi, Christoph Werner Konrad, Werner Langen (for Jonathan Evans), Thomas Mann (for John Purvis), Astrid Lulling, Bill Miller (for Bruno Trentin pursuant to Rule 153(2)), Alexander Radwan, Bernhard Rapkay, Karin Riis-Jørgensen, Martine Roure (for David W. Martin pursuant to Rule 153(2)), Olle Schmidt, Helena Torres Marques, Ieke van den Burg (for Giorgos Katiforis) and Theresa Villiers.

The report was tabled on 13 June 2003.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council decision on the statistical data to be used for the adjustment of the key for subscription to the capital of the European Central Bank (COM(2003) 114 – C5-0125/2003 – 2003/0050(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2003) 114)¹,
 - having regard to the opinion of the European Central Bank (CON/2003/5)²,
 - having regard to Article 29 of the Protocol on the Statute of the European System of Central Banks (ESCB) and of the European Central Bank (ECB) annexed to the Treaty,
 - having regard to Article 107(6) of the EC Treaty, pursuant to which the Council consulted Parliament (C5-0125/2003),
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A5-0215/2003),
1. Approves the Commission proposal;
 2. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 3. Calls for initiation of the conciliation procedure under the Joint Declaration of 4 March 1975 if the Council intends to depart from the text approved by Parliament;
 4. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
 5. Instructs its President to forward its position to the Council and Commission.

¹ Not yet published in OJ.

² OJ C 102, 29.4.2003, p. 11.

EXPLANATORY STATEMENT

1. General points related to the capital of the ECB

The main purpose of ECB capital is to provide a reserve to cover any losses. In accordance with Article 28 of the Protocol on the Statute of the European System of Central Banks (ESCB) and of the European Central Bank (ECB), the subscribed capital of the ECB totals €5 bn. Only the national central banks (NCBs) belonging to the ESCB may subscribe to and hold ECB capital.

Capital subscription is based on a subscription key determined in accordance with Article 29 of the Statute. The weighting assigned to each NCB in this key is equal to the sum of 50% of the share accounted for by the Member State concerned in the Community population in the penultimate year preceding the establishment of the ESCB and 50% of that Member State's share in Community gross domestic product (GDP) at market prices, as recorded in the last five years preceding the penultimate year before the establishment of the ESCB.

The present subscription key stems from a decision taken by the ECB Governing Council on 9 June 1998 (and revised in December 1998) and from the Council decision of 5 June 1998 defining the population and GDP data. The weightings assigned to each NCB, listed in descending order, are as follows: Deutsche Bundesbank 24.4935%, Banque de France 16.8337%, Banca d'Italia 14.8950%, Bank of England 14.6811%, Banco de España 8.8935%, De Nederlandsche Bank 4.2780%, Banque Nationale de Belgique 2.8658%, Sveriges Riksbank 2.6537%, Oesterreichische Nationalbank 2.3594%, Bank of Greece 2.0564%, Banco de Portugal 1.9232%, Danmarks Nationalbank 1.6709%, Suomen Pankki 1.397%, Central Bank of Ireland 0.8496%, and Banque centrale du Luxembourg 0.1492%.

At the end of 1992, the ECB's paid-up subscribed capital totalled €4 097 229 250. Only the euro area NCBs have paid up their subscriptions in full; the subscriptions of these central banks totalled €4 049 715 000, that is to say, 80.9943% of subscribed capital and 98.84% of paid-up capital.

The ECB capital subscriptions paid up by non-euro area NCBs are equivalent to just 5% of the amount that would have been payable had the countries in question been participating in monetary union. At the end of 2002 they totalled €47 514 250, in other words 1.16% of paid-up capital. These amounts are accounted for by the contributions to the operating costs incurred by the ECB in connection with services rendered to non-euro area NCBs. Under Article 48 of the Statute NCBs outside the euro area are not obliged, for as long as they have not joined the euro system, to pay up their capital subscriptions beyond the amounts already laid down. They have no rights as regards the ECB's distributable profits (Article 43 of the Statute), nor are they required to finance the ECB's losses. When a Union Member State that previously did not belong to the euro area decides to adopt the single currency, its central bank must pay the balance (95%) of its contribution to the ECB's capital, as the Bank of Greece did in January 2001 (pursuant to Article 49 of the Statute).

The subscription key laid down to determine the shares of ECB capital accounted for by the individual NCBs entails other consequences: it specifies what each euro system NCB should contribute to the pool of external reserves (Article 30.2 of the Statute), how the votes of the members of the ECB Governing Council should be weighted when decisions have to be taken

by weighted votes (in the cases listed in Article 10.3 of the Statute), and how ESCB monetary income is to be divided among euro system NCBs (Article 32.5 of the Statute: the income is allocated in proportion to the banks' paid-up shares in the ECB capital).

The ECB endeavours to manage its own funds (capital and legal reserves) in such a way as to generate revenue above the weighted average tender rate for its long-term refinancing operations.

2. A new automatic permanent system for calculating the ECB capital subscription key

Article 29.3 of the Statute stipulates that the key for subscription to ECB capital by each NCB must be adjusted every five years so as to allow for the trend in population and GDP figures. Given that the subscription key was first calculated in June 1998 and took effect in January 1999, the first adjustment needs to be made, and the result must come into effect on 1 January 2004.

The statistical data to be used to determine the key have been defined in the decision adopted by the Council on 5 June 1998, pursuant to Article 29.2 of the Statute. This 1998 decision merely laid down the rules for determining the initial key, without providing for the adjustments to be made to it thereafter. The Council decision was based on the European System of Integrated Economic Accounts (ESA 79), for it was not possible at that time to incorporate the latest changes to statistical methodology introduced by Council Regulation (EC) No 2223/96 on the European system of national and regional accounts in the Community (ESA 95).

A new decision is therefore needed to redefine the method and statistical data to be used for the forthcoming adjustment of the key, which will take effect on 1 January 2004, as well as to allow for changes in statistical methodology. Above all, it should be used an opportunity to establish an automatic permanent adjustment system for the subscription key: the Commission proposal thus lays down the rules for subsequent adjustments of the key, whether resulting from obligatory five-yearly adjustment or a decision concerning enlargement of the Union. When a new Member State joins the Union, its national central bank becomes part of the ESCB and is thus authorised to hold and subscribe to ECB capital. Following every enlargement, therefore, the necessary adjustments have to be made to the ECB capital subscription key.

To ensure that the methodology used and the data supplied to the Commission are coherent and will lend themselves to comparison, the data and definitions relating to population and GDP are those resulting from application of the ESA 95 regulation. The population figures correspond to the average total population over the entire year in question. Since GDP is expressed in national currency, an annual exchange rate will have to be laid down for the years before 1999 or for Member States not belonging to the euro area, the rate being defined as the arithmetic mean of the daily exchange rates for all the working days in the calendar year under consideration. Because the data to be supplied to the Commission must conform to ESA 95, the applicant countries will need to have adopted this methodology, which forms part of the *acquis communautaire*, no later than on the date of enlargement. To ensure that all the data used are properly validated, the Commission will validate the population and GDP data after consulting the specialist committees responsible for the statistics in question.

As far as the five-yearly adjustment is concerned, the key will be updated on the basis of the figures available, in the case of population, in the last year but one before the key is adjusted (rule of updating to the antepenultimate year) and, in the case of GDP, in the five years preceding the last year but one before the key is adjusted (year before the antepenultimate year). The proposal has thus not departed from the solution selected when the key was first calculated. The key applicable in 2004 will consequently use the 2001 figures for population and the figures for the period from 1996 to 2000 for GDP.

In cases where the key has to be adjusted because of an enlargement, the Commission is proposing that the reference periods for population and GDP statistics should be those used for the last five-yearly adjustment of the key. As a result, for all enlargements taking effect before 1 January 2009, the reference figures will be those for 2001 in the case of population and those for the period from 1996 to 2000 in the case of GDP. This option entails a drawback to the extent that the subscription key may be adjusted on the basis of relatively old data, but it does offer the essential advantage of simplifying the procedure.

Given that the enlargement of the Union will not have been completed by 1 January 2004, the new key resulting from the new Council decision will apply initially to the present fifteen national central banks. Its consequences are likely to be confined to minor adjustments to the shares of paid-up capital held by the NCBs, and the amount of paid-up subscribed ECB capital should remain constant.

A new key will therefore have to be recalculated immediately after the new Member States join on 1 May 2004. This will lead to an increase in the ECB's paid-up subscribed capital. The reason is that if the amount of subscribed ECB capital remained constant, the increase in the number of NCBs not belonging to the euro area would serve to reduce the aggregate amount of paid-up ECB capital because NCBs of Member States that have not adopted the euro are required to pay up only 5% of the subscribed capital. To prevent enlargement from leading automatically to a drop in paid-up ECB capital, the Ecofin Council issued conclusions in November 2002 in which it recommended that a new paragraph 3 be inserted, under the accession treaty, in Article 49 of the Statute, whereby subscribed ECB capital would be raised when new Member States joined the Union. The increases in question will be automatic and in proportion to the weight of the new Member States' NCBs within the amended subscription key, thus ensuring that the amounts of ECB capital currently paid up will remain unchanged.