



**E U R O P E A N   C E N T R A L   B A N K**

**OPINION OF THE EUROPEAN CENTRAL BANK**

**at the request of the Italian Ministry of the Treasury under Article 109f (6) of the Treaty establishing the European Community, Article 5.3 of the Statute of the EMI and Council Decision 93/717/EC of 22 November 1993, concerning a draft legislative Decree containing measures for the introduction of the euro in the Italian legal system pursuant to Law no. 433 of 17 December 1997 (the “draft legislative decree”)**

**(CON/98/23)**

1. On 24 April 1998, the EMI received a request for an opinion on the draft legislative decree from the Italian Ministry of the Treasury. This opinion is based on an on the English translation of the draft submitted to the EMI by the consulting authority.
2. In accordance with Article 109l (2) of the Treaty, the ECB has taken over the advisory functions of the EMI which has gone into liquidation upon the establishment of the ECB on 1 June 1998. The ECB’s competence to deliver an opinion is based on Article 1.1, first and second indent, of the Council Decision (93/717/EC) of 22 November 1993 on the consultation of the EMI by the authorities of the Member States on draft legislative provisions, as the Draft Legislative Decree contains provisions concerning the introduction of the euro.
3. The purpose of the draft legislative decree is to implement the Law no. 433/1997, delegating to the Government the authority to adopt rules in the changeover area, on which the EMI has already given its opinion. The present opinion will therefore concentrate on the technical details of the implementation of this law. In general, the EMI welcomes the effort made by the Italian authorities to implement the changeover in full consistency with the principles set by Community legislation and to promote the introduction of the euro beyond the minimum levels required.
4. The ECB takes note of the introduction of the provision empowering the Governor of Banca d’Italia to indicate a substitute for the Italian reference rate “official discount rate”, which will disappear at the beginning of Stage Three. This provision, very similar to the ones contained in the draft legislation of other countries for the substitution of official rates (Belgium, Germany, Austria, Portugal), has the purpose of improving legal certainty for the markets. However, the ECB notes that the five-year term indicated in Article 2 is a maximum term. The publication of such rate may be expected to cease, within this term, as soon as the need to ensure legal certainty will allow; in any event, it would be preferable that the period of efficacy of the reference rate does not coincide with the three year’s transition period.

5. The ECB welcomes Article 2.2 which empowers the Ministry of Treasury to certify with a decree which financial parameters have been substituted for in the markets by new parameters referring to the entire euro area. This is a helpful contribution to clarity; it might even be suggested to publish such decrees before 1 January 1999, thereby reducing legal uncertainty, especially on the question on whether the Italian interbank rate RIBOR should or not be replaced by the euro-area indicator EURIBOR.
6. The ECB welcomes the provision in Article 3 introducing stricter accuracy rules for the conversion from lira to euro. The ECB realises that the risk of inaccuracies due to the rounding, which can have particularly large consequences if prices and tariffs are fixed on a very low unitary basis (telephone, electricity, etc.) have particularly severe effects in the case of Italian lira. The solution found by the Italian authorities through this very detailed Article is justified by the particular arithmetic intricacy of conversions between euro and lira and seems to achieve the objective of reducing inaccuracies in the conversion. However, the ECB would welcome an explicit mention of the inapplicability of Article 3 to conversions between national currency denominations during the transitional phase. In particular, the last indent of paragraph 1 of Article 3, which defines a minimum standard of two digits for amounts of more than 1.000 lira, shall not be applicable to any conversion between the lira and other participating currencies, as the euro Regulation explicitly foresees a minimum rounding to three decimal digits for the "triangulation algorithms". Moreover, the ECB suggests to add a provision stating, similarly to what already done to by the changeover legislation of other Member States, that if the conversion rules of Article 3 are respected, possible remaining arithmetical inaccuracies would not put at risk the "legal" correspondence between the two amounts.
7. Concerning Article 6, dealing with the redenomination of international debt instruments denominated in the currency of a participating Member State, it is the opinion of the ECB that the text should be further clarified. In fact, Article 8, paragraph 4, of Council Regulation 974/98, permits redenomination of international bonds and loans issued by a Member State under its national law but in another currency when the Member State issuing that currency has redenominated in euro its public debt. Clearly, international debt instruments governed by a law different from the Italian one are not subject to Article 6 and will be redenominated in accordance with the law of the contract. However, for the sake of clarity, the ECB suggests to add in Article 6 a reference to the Italian law. The same reasoning, and the same suggestion, is applicable with reference to Article 13. Moreover, the wording "issuing Member States", both in Article 6 and in Article 13, might give rise to confusion. The ECB suggests to clarify that the reference is to the Member States issuing that currency.
8. Concerning the redenomination procedures, although they seem to differ from the method used in most other countries, the ECB considers that this is perfectly compatible with the general rules of the euro Regulation. The difference between the Italian method and that of the other

countries can be justified by the fact that Italy will convert not only dematerialised but also currently materialised debt.

The ECB confirms that it has no objection to this opinion being made public by the competent Italian authorities at their discretion.

4 June 1998