



**EUROPEAN CENTRAL BANK**

**OPINION OF THE EUROPEAN CENTRAL BANK**

**of 13 December 2002**

**at the request of the Italian Ministry for the Economy and Finance on a draft provision of  
the 2003 Budget Law on banknotes and coins**

**(CON/2002/31)**

1. On 6 December 2002 the European Central Bank (ECB) received a request from the Italian Ministry for the Economy and Finance for an opinion on a draft provision of the 2003 Budget Law on banknotes and coins (hereinafter the 'draft provision').
2. The ECB's competence to deliver an opinion is based on Article 105(4) of the Treaty establishing the European Community, Article 4 of the Statute of the European System of Central Banks and of the European Central Bank and the first and third indents of Article 2(1) of Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions<sup>1</sup>, since the draft provision concerns currency matters and the Banca d'Italia. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council of the ECB has adopted this opinion.
3. The first paragraph of the draft provision amends Article 3 of Law No 96 of 7 April 1997 and Article 52b of Legislative Decree No 213 of 24 June 1998, by inserting a new paragraph into each according to which banknotes and coins denominated in lira, respectively, can be converted into euro at all branches of the Banca d'Italia within ten years of the date on which they cease to be legal tender. In addition, the new provision to be inserted into the Legislative Decree would confirm the terms currently prescribed for the lapse of the right of conversion by Article 3(1) of Law No 96/1997 and Article 52b(1) of Legislative Decree 213/98, also for the purposes of the conversion into euro at the Banca d'Italia's branches.
4. As regards the timing of the lapse of the right of conversion of banknotes and coins denominated in lira into euro, the ECB notes that Article 16 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro<sup>2</sup> states that the issuers of banknotes and coins of the Member States shall continue to accept, against euro at the conversion rate, the banknotes and coins previously issued by them 'in accordance with the laws or practices' of each participating

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<sup>1</sup> OJ L 189, 3.7.1998, p. 42.

<sup>2</sup> OJ L 139, 11.5.1998, p. 1.

Member State. The draft provision now expressly clarifies that the ordinary terms for the lapse of the right of conversion to legal tender under Italian law for banknotes and coins denominated in lira also apply for the purposes of the conversion into euro at the Banca d'Italia's branches. The ECB welcome this provision as it enhances legal clarity.

5. As regards coins, the ECB notes that the draft provision has regard to the possibility provided for by Article 11 of Regulation (EC) No 974/98, according to which '[e]xcept for the issuing authority and for those persons specifically designated by the national legislation of the issuing Member State, no party shall be obliged to accept more than 50 coins in any single payment', and designates for the purpose of the unlimited conversion of coins denominated in lira into euro the Banca d'Italia.
6. The second paragraph of the draft provision deals with the payment by the Banca d'Italia to the Government of the value of banknotes denominated in lira that have been withdrawn from circulation and which, 10 years after their withdrawal, still have not been submitted for exchange. The draft provision envisages the following: by 31 January 2003, the Ministry for the Economy and Finance and the Banca d'Italia will make an evaluation of the banknotes denominated in lira that, according to their forecasts, will be not submitted for exchange by 28 February 2012. The estimated total value will be paid by the Banca d'Italia to the Government according to the following timetable: 65% will be paid by 28 February 2003; up to 25% by 31 January 2008 having regard to the trend of reimbursements; and the residual value of the banknotes denominated in lira that have not by then been submitted for exchange by 31 March 2012. The ECB has no objection to this provision.
7. It is understood that under Article 8(1) of Legislative Decree No 43 of 10 March 1998 the Banca d'Italia is empowered to draw up its financial statements in compliance with any decisions taken by the ECB in accordance with Article 26.4 of the Statute. The envisaged treatment of banknotes denominated in lira is compliant with Guideline ECB/2002/10 of 5 December 2002 on the legal framework for accounting and financial reporting in the European System of Central Banks, according to which the 'banknotes in circulation figure' shall exclude, as of 1 January 2003, banknotes denominated in national currency units. The ECB notes that for statistical purposes such national banknotes will also be excluded from 'currency in circulation' as from the same date.
8. The draft provision states that if the actual value of banknotes denominated in lira to be converted into euro exceeds the estimated value, the Banca d'Italia shall convert the excess value using holdings on the Treasury's account referred to in Article 4 of Law No 483 of 26 November 1993. The ECB welcomes the draft provision in so far as it limits possible central bank financing of the Government by the Banca d'Italia. The ECB notes that an additional safeguard is provided by Article 5 of Law No 483/93, which obliges the Treasury to cover any shortfalls on its deposit account.

9. This opinion will be published on the ECB's website.

Done at Frankfurt am Main on 13 December 2002.

*The President of the ECB*

[signed]

Willem F. DUISENBERG