

European Central Bank

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The European System of Central Banks (ESCB) and the European Central Bank (ECB) were established in May 1998 by virtue of Article 4a (new Article 8), inserted in the Treaty establishing the European Community (EC) by the Treaty on European Union (EU). They fully exercised their powers and responsibilities from the first day of the third stage of Economic and Monetary Union (EMU), in other words, from 1 January 1999.

The ECB replaced the European Monetary Institute (EMI). Set up at the beginning of the second stage of EMU (1 January 1994–31 December 1998), this, in turn, replaced the European Monetary Cooperation Fund (EMCF), which was consequently dissolved. The EMI was set up as a transitional body to prepare for the creation of the ESCB.

The ESCB constitutes the final piece in the institutional structure of an EMU which was established in stages, as envisaged by Pierre Werner and by Jacques Delors in their reports (dated October 1970 and June 1989 respectively), and which resulted in the adoption of a single European currency, the euro.

The ESCB comprises the ECB and the national central banks (NCBs) of all the 15 Member States of the EU, whether or not they have adopted the euro (Article 107, EC Treaty). Eleven Member States having fulfilled the conditions required for participation in the third stage of EMU adopted the single currency on 1 January 1999. These countries were Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. With the accession to the third stage of EMU of Greece on 1 January 2001, of Slovenia on 1 January 2007, and of Malta and Cyprus on 1 January 2008, 15 of the 27 EU Member States now belong to the euro zone. The term 'Eurosystem' has been coined to refer to the ECB and the NCBs of the participating Member States.

The ESCB does not enjoy legal personality. It is governed by the decision-making bodies of the ECB, which does have legal personality, and its tasks are performed by the ECB and by the NCBs. The NCBs therefore play an integral part in the ESCB and act in accordance with ECB guidelines and instructions.

The primary objective of the ESCB is to maintain price stability. It also lends its support to the general economic policies in the Community with a view to contributing to the establishment of EMU.

In addition to the provisions regarding economic and monetary policy laid down in the EC Treaty (Articles 98 to 124), Protocol No 18, annexed to the EC Treaty by the Maastricht Treaty, sets out the Statute of the ESCB and of the ECB.