



EUROPEAN CENTRAL BANK

EUROSYSTEM

FACTS

**THE EUROPEAN CENTRAL BANK
THE EUROSISTEM
THE EUROPEAN SYSTEM OF CENTRAL BANKS**



1952 **ECSC**

European Coal and
Steel Community

1958 **EEC and EURATOM**

European Economic Community
European Atomic Energy Community

1967 **EC**

European Communities

1993

EU

European Union
Maastricht Treaty

2009

EU

Treaty of Lisbon



ENLARGEMENT OF THE EUROPEAN UNION



EUROPEAN INTEGRATION

1952 Belgium
Germany
France
Italy
Luxembourg
Netherlands

1973 Denmark
Ireland
United Kingdom

1981 Greece

1986 Spain
Portugal

1995 Austria
Finland
Sweden



2004
Czech Rep.
Estonia
Cyprus
Latvia
Lithuania
Hungary
Malta
Poland
Slovenia
Slovakia

2007
Bulgaria
Romania

2013
Croatia

CY

PREPARATION OF ECONOMIC AND MONETARY UNION (EMU)



EUROPEAN INTEGRATION

1969 **BARRE PLAN**

1970 **WERNER REPORT**
on economic and monetary union

1979 **EMS**
European Monetary System

1986 **SINGLE EUROPEAN ACT**

1988 **DELORS REPORT**



1999/2002
Introduction of the **EURO**

THREE STAGES TO ECONOMIC AND MONETARY UNION (EMU)



EUROPEAN INTEGRATION

1 1 July 1990 –
Abolition of all restrictions
on the movement of capital

2 1 January 1994 – Establishment of the
European Monetary Institute,
the ECB's predecessor

3 1 January 1999 – Irrevocable
fixing of conversion rates,
ECB responsible for monetary policy



1 January 2002 –
Introduction of euro
banknotes and coins



Economic and Monetary Union



Price stability

Interest rate
convergence



Public finance
discipline

Exchange rate
stability



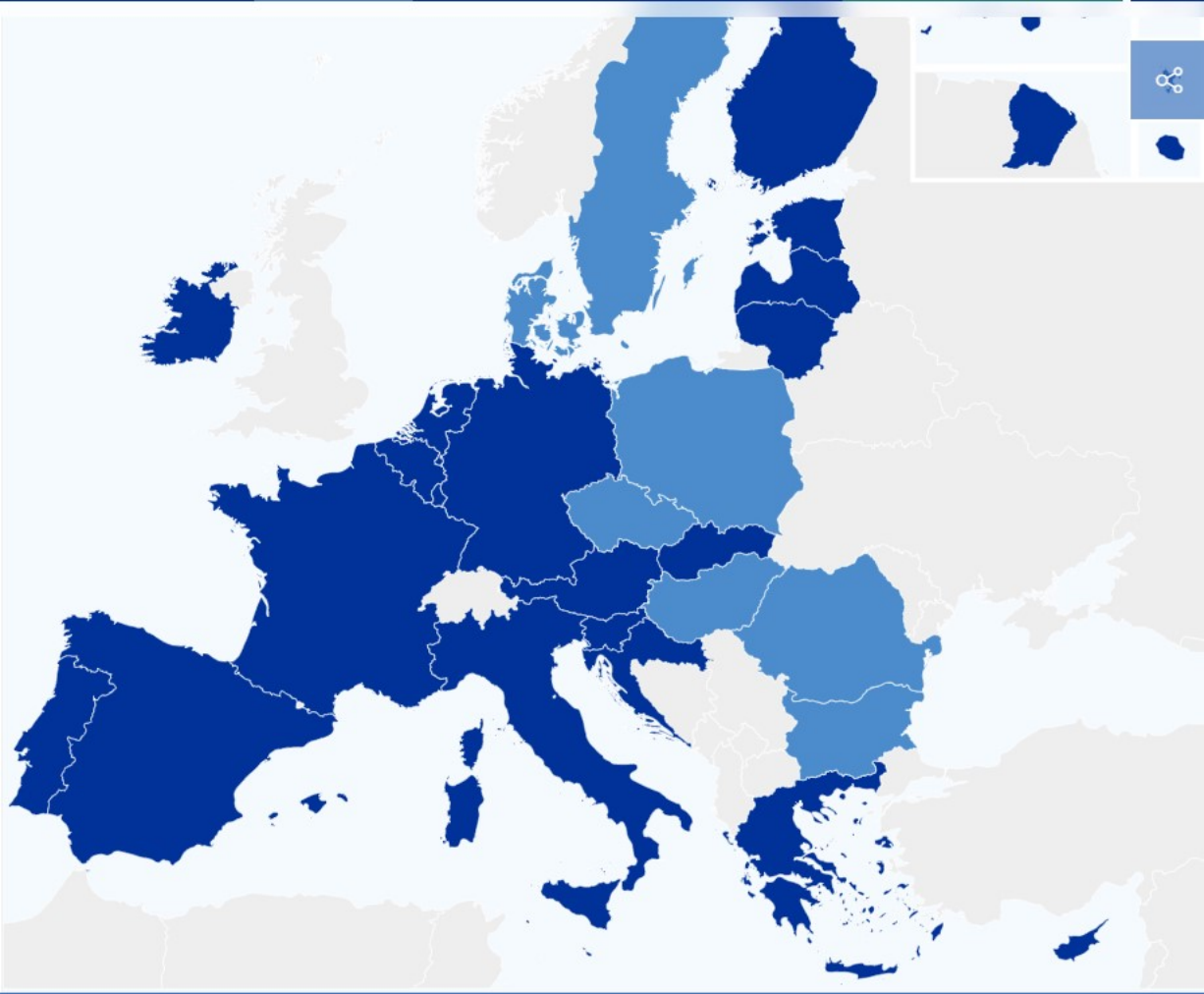
ECONOMIC AND MONETARY UNION (EMU)

 EU Member States which have adopted the euro

 EU Member States with a special status

 EU Member States with a derogation





Austria	1995	1999 (cash since 2002)
Belgium	1957	1999 (cash since 2002)
Croatia	2013	2023
Cyprus	2004	2008
Estonia	2004	2011
Finland	1995	1999 (cash since 2002)
France	1957	1999 (cash since 2002)
Germany	1957	1999 (cash since 2002)
Greece	1981	2001 (cash since 2002)
Ireland	1973	1999 (cash since 2002)
Italy	1957	1999 (cash since 2002)
Latvia	2004	2014
Lithuania	2004	2015
Luxembourg	1957	1999 (cash since 2002)
Malta	2004	2008
The Netherlands	1957	1999 (cash since 2002)
Portugal	1986	1999 (cash since 2002)
Slovakia	2004	2009
Slovenia	2004	2007
Spain	1986	1999 (cash since 2002)

Members of the European Union not using the euro

Country	Joined the EU
Bulgaria	2007
Czech Republic	2004
Denmark	1973
Hungary	2004
Poland	2004
Romania	2007
Sweden	1995



Security of
purchasing power



Removal of
transaction costs



Price transparency

Country A
€ 13,247



Country B
€ 10,738



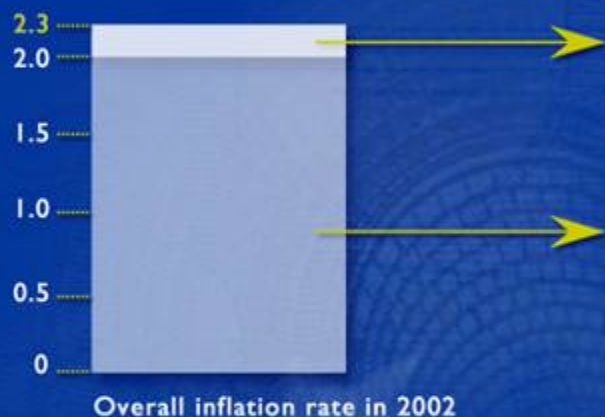
Elimination of
exchange rate risks



INTRODUCTION OF EURO BANKNOTES AND COINS: EFFECTS ON PRICES



Overall inflation rate in 2002: **2.3%**



Inflation directly linked to the introduction of euro banknotes and coins

Inflation not linked to the introduction of euro banknotes and coins, i.e:

- Normal price increases
- High increases in oil and petrol prices
- High increases in fruit and vegetable prices



but:

- Negative expectations
- Some retailers taking advantage
- Price level in national currency "frozen in time"

→ High perceived inflation

FINANCIAL INTEGRATION OF THE EURO AREA



EUROPEAN INTEGRATION

Integration of financial markets,
financial infrastructures and
financial institutions





- results in economies of scale,
larger variety of financial
products at lower cost
- enhances transmission of
monetary policy impulses
- contributes to safeguarding
of financial stability and
smooth operation of
payment systems



KEY CHARACTERISTICS OF THE EURO AREA



EUROPEAN INTEGRATION

				
Population (millions)	333	504	314	128
GDP (PPP, € trillions)	9.5	13.4	12.3	3.5
GDP per capita (PPP, € thousands)	28.5	26.6	39.3	27.6
Share of world GDP (PPP, %)	13.7	19.4	18.9	5.6
Exports (goods and services, % of GDP)	26.8	18.3	14.1	15.4
Gross fixed capital formation (% of GDP)	18.4	17.9	15.8	21.2
Gross saving (% of GDP)	20.2	18.9	12.9	24.5**

* The figures for Croatia are not yet available.

** refers to 2011

Sources: for euro area and EU: ECB, Eurostat, national data, IMF and ECB calculations; for the United States and Japan: national sources, IMF.

THE EURO BANKNOTES



BANKNOTES AND COINS



THE EURO COINS



BANKNOTES AND COINS



THE EUROPEAN SYSTEM OF CENTRAL BANKS (ESCB)



ORGANISATION

€ European Central Bank

1 Nationale Bank van België/
Banque Nationale de Belgique

2 Българска народна банка
(Bulgarian National Bank)

3 Česká národní banka

4 Danmarks Nationalbank

5 Deutsche Bundesbank

6 Eesti Pank

7 Central Bank of Ireland

8 Bank of Greece

9 Banco de España

10 Banque de France

11 Hrvatska narodna banka

12 Banca d'Italia

13 Central Bank of Cyprus

14 Latvijas Banka

15 Lietuvos bankas

16 Banque centrale du
Luxembourg

17 Magyar Nemzeti Bank

18 Bank Ċentrali ta' Malta/
Central Bank of Malta

19 De Nederlandsche Bank

20 Oesterreichische
Nationalbank

21 Narodowy Bank Polski

22 Banco de Portugal

23 Banca Națională a României

24 Banka Slovenije

25 Národná banka Slovenska

26 Suomen Pankki –
Finlands Bank

27 Sveriges Riksbank

28 Bank of England



THE EUROSISTEM



ORGANISATION

€ European Central Bank

- 1 Nationale Bank van België/
Banque Nationale de Belgique
- 2 Deutsche Bundesbank
- 3 Eesti Pank
- 4 Central Bank of Ireland
- 5 Bank of Greece
- 6 Banco de España
- 7 Banque de France
- 8 Banca d'Italia
- 9 Central Bank of Cyprus
- 10 Latvijas Banka
- 11 Banque centrale du Luxembourg
- 12 Central Bank of Malta
- 13 De Nederlandsche Bank
- 14 Oesterreichische Nationalbank
- 15 Banco de Portugal
- 16 Banka Slovenije
- 17 Národná banka Slovenska
- 18 Suomen Pankki – Finlands Bank



THE NCBs AS AN INTEGRAL PART OF THE EUROSISTEM



ORGANISATION

Article 282

"The European Central Bank, together with the national central banks of the Member States whose currency is the euro, which constitute the Eurosystem, shall conduct the monetary policy of the Union."

The Eurosystem



THE EUROPEAN CENTRAL BANK (ECB)



ORGANISATION



Eurotower

Old
Commerzbank
Tower

Eurotheum

ORGANISATIONAL STRUCTURE OF THE ECB



ORGANISATION

Administration
(Directorate General)

Banknotes (Directorate)

Communications and Language
Services (Directorate General)

Counsel to the Executive Board

ECB Representation
in Washington D.C.

Economics (Directorate General)

ESRB Secretariat

Financial Stability
(Directorate General)

Human Resources, Budget and
Organisation (Directorate General)

Information Systems
(Directorate General)

Executive Board



Internal Audit (Directorate)

International & European
Relations (Directorate General)

Legal Services
(Directorate General)

Market Operations
(Directorate General)

Payments & Market Infrastructure
(Directorate General)

Research (Directorate General)

Risk Management (Directorate)

Secretariat (Directorate General)

Statistics (Directorate General)

TARGET2-Securities Programme



KEY FOR SUBSCRIPTION OF THE ECB'S CAPITAL



ORGANISATION

Euro area national central banks (NCBs)

Nationale Bank van België/
Banque Nationale de Belgique 2.4778 %

Deutsche Bundesbank 17.9973 %

Eesti Pank 0.1928 %

Central Bank of Ireland 1.1607 %

Bank of Greece 2.0332 %

Banco de España 8.8409 %

Banque de France 14.1792 %

Banca d'Italia 12.3108 %

Central Bank of Cyprus 0.1513 %

Latvijas Banka 0.2821 %

Banque centrale
du Luxembourg 0.2030 %

Central Bank of Malta 0.0648 %

De Nederlandsche Bank 4.0035 %

Oesterreichische
Nationalbank 1.9631 %

1.7434 % Banco de Portugal

0.3455 % Banka Slovenije

0.7725 % Národná banka Slovenska

Suomen Pankki –
1.2564 % Finlands Bank

Non-euro area NCBs

Българска народна банка
0.8590 % (Bulgarian National Bank)

1.6075 % Česká národní banka

1.4873 % Danmarks Nationalbank

0.6023 % Hrvatska narodna banka

0.4132 % Lietuvos bankas

1.3798 % Magyar Nemzeti Bank

5.1230 % Narodowy Bank Polski

2.6024 % Banca Națională
a României

2.2729 % Sveriges Riksbank

13.6743 % Bank of England



Article 130 of the Treaty on the Functioning of the European Union:

“When exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB and of the ECB,...



...neither the **ECB**,



nor a **national central bank**,



nor any **member of their decision-making bodies**

shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body.”



Publications



Press conferences

Financial controls



Testimonies before
the European Parliament

Public speeches
& interviews



BASIC TASKS OF THE ECB AND THE EUROSISTEM



ORGANISATION



To define and implement
monetary policy

To conduct foreign
exchange operations



To promote the smooth operation
of **payment systems**

To hold and manage the official
foreign reserves
of the participating EU Member States



OTHER TASKS OF THE ECB AND THE EUROSISTEM



ORGANISATION

Advisory functions



Collection and compilation of statistics



Banking supervision
as of November 2014



Issuance of banknotes



International
cooperation



Contribution to prudential
supervision and
financial stability

DIVISION OF LABOUR IN THE EUROSISTEM



ORGANISATION

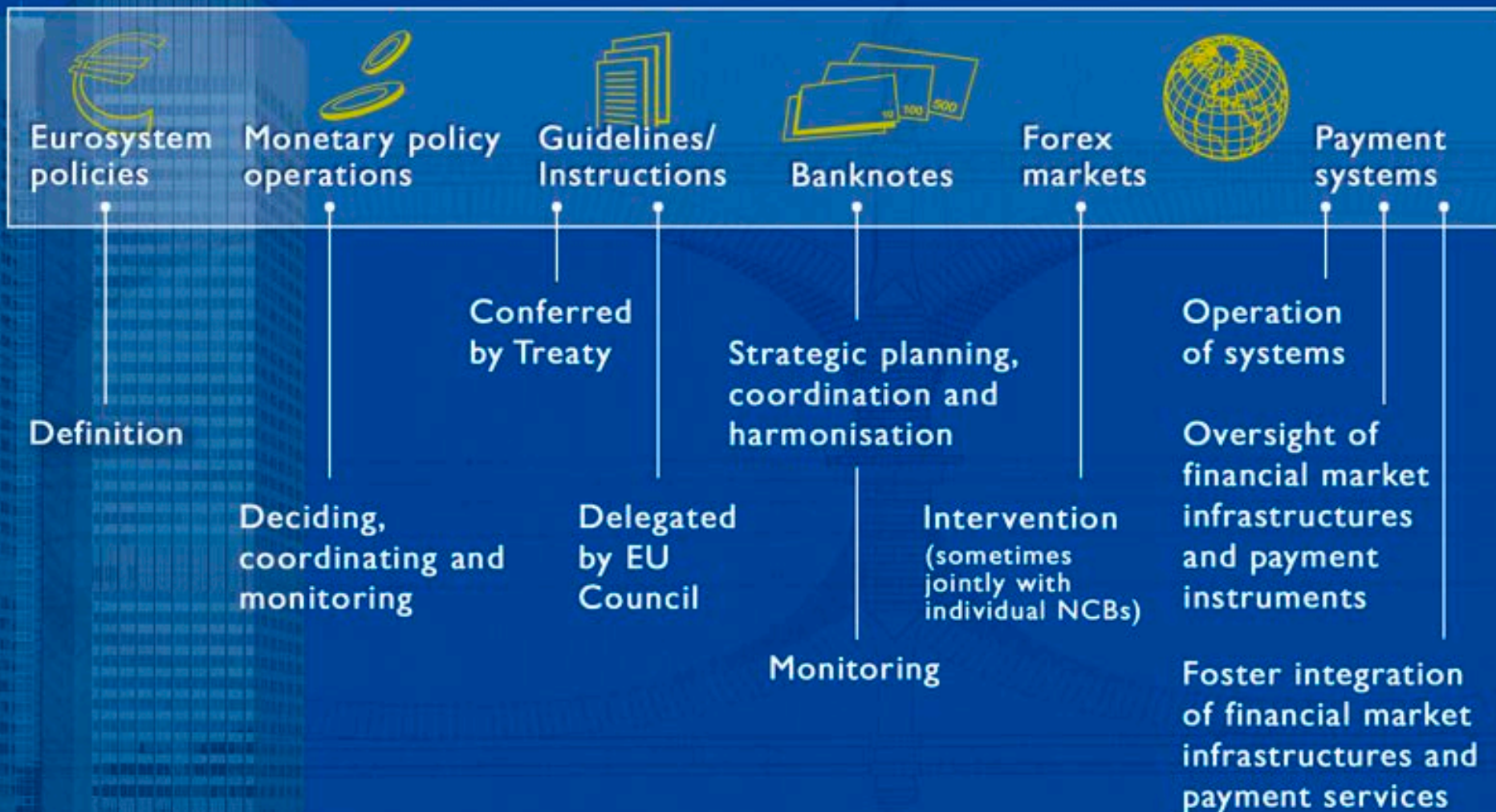
Eurosystem Mission Statement: “We jointly contribute, strategically and operationally, to attaining our common goals, with due respect to the principle of decentralisation.”



TASKS OF THE ECB (1/2)



ORGANISATION



TASKS OF THE ECB (2/2)



ORGANISATION

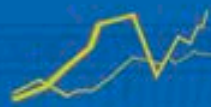


Cooperation

International
and European
cooperation

Reporting

Statutory
reports



Financial
risks

Monitoring



Advisory
function

Community
institutions

National authorities



Operational hub
for "ESCB systems"

IT systems



ECB's foreign
reserve assets

Benchmarks for
management by
the NCBs

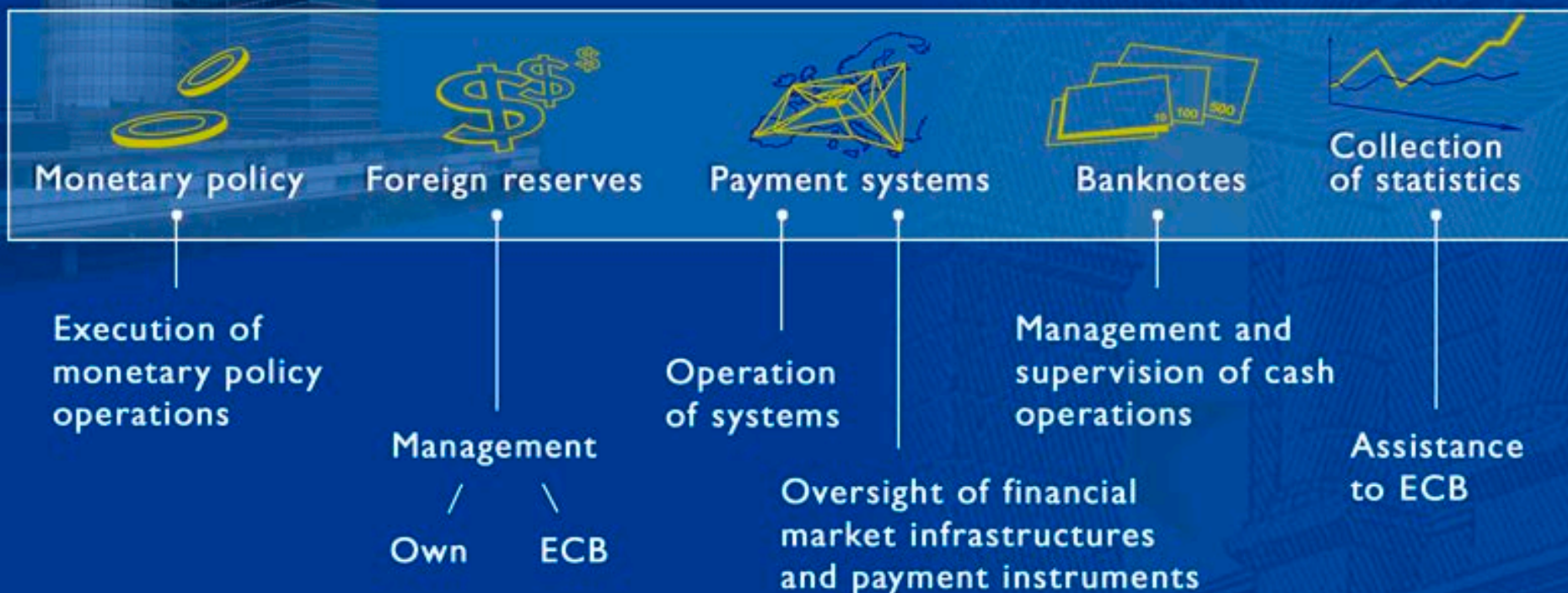


Banking
supervision
(as of November 2014)

Direct and
indirect
supervision
of banks



Article 12.1 ESCB Statute: “To the extent deemed possible and appropriate...the ECB shall have recourse to the national central banks to carry out operations which form part of the tasks of the ESCB [Eurosystem].”



DECISION-MAKING BODIES OF THE ECB



ORGANISATION

Governing Council



Executive Board



General Council





Adopting guidelines and decisions to ensure the performance of the tasks of the Eurosystem

Formulating monetary policy

Key ECB interest rates

Liquidity



Implementation of
the monetary policy
of the ECB



Preparation of
meetings of the
Governing Council



Conduct of the
day-to-day business
of the ECB



Reports on convergence

Contributes to

- the advisory functions of the ECB
- the collection of statistical data
- the reporting activities of the ECB
- the laying down of the conditions of employment of the staff of the ECB



- Accounting and Monetary Income Committee (AMICO)
- Banknote Committee (BANCO)
- Committee on Controlling (COMCO)
- Eurosystem/ESCB Communications Committee (ECCO)
- Eurosystem IT Steering Committee (EISC)
- Financial Stability Committee (FSC)
- Information Technology Committee (ITC)
- Internal Auditors Committee (IAC)
- International Relations Committee (IRC)
- Legal Committee (LEGCO)
- Market Operations Committee (MOC)
- Monetary Policy Committee (MPC)
- Organisational Development Committee (ODC)
- Payment and Settlement Systems Committee (PSSC)
- Risk Management Committee (RMC)
- Statistics Committee (STC)
- Budget Committee (BUCOM)
- Human Resources Conference (HRC)

