Euro celebrates its 20th birthday

The historic moment was a milestone on a journey driven by the ambition of ensuring stability and prosperity in Europe. Today, still young, the euro is already the currency of 340 million Europeans in 19 Member States. It has brought tangible benefits to European households, businesses and governments alike: stable prices, lower transaction costs, protected savings, more transparent and competitive markets, and increased trade. Some 60 countries around the world link their currencies to the euro in one way or another, and we can and are doing more to let the euro play its full role on the international scene. Other EU Member States are expected to join the euro area once the criteria are met.

To mark this anniversary, the five Presidents of the EU institutions and bodies most directly responsible for the euro, the European Commission, the European Parliament, the European Council, the European Central Bank and the Eurogroup, commented on the 20 years of the single currency and on its future.

Jean-Claude Juncker, President of the European Commission, said: *"As one of the only signatories of the Maastricht Treaty still politically active today, I remember the hard-fought and momentous negotiations on the launch of the Economic and Monetary Union. More than anything, I recall a deep conviction that we were opening a new chapter in our joint history. A chapter that would shape Europe's role in the world and the future of all its people. 20 years on, I am convinced that this was the most important signature I ever made. The euro has become a symbol of unity, sovereignty and stability. It has delivered prosperity and protection to our citizens and we must ensure that it continues to do so. This is why we are working hard to complete our Economic and Monetary Union and boost the euro's international role further."*

Antonio Tajani, President of the European Parliament, said: *"The euro is more popular today than ever: three out of four citizens believe it is good for our economy. In order for Europeans to benefit fully from the jobs, growth and solidarity that the single currency should bring, we must complete our Economic and Monetary union through genuine financial, fiscal and political Union. This will also allow Europe to better shield its citizens from potential future crises."*

Donald Tusk, President of the European Council, said:*"The creation of the euro 20 years ago – alongside the liberation of Central and Eastern Europe and the reunification of Germany– was a pivotal moment in European history. Our common currency has since matured into a powerful expression of the European Union as a political and economic force in the world. Despite crises, the euro has shown itself resilient, and the eight members which joined the original 11 have enjoyed its benefits. As the world keeps changing, we will keep upgrading and strengthening our Economic and Monetary Union."*

Mario Draghi, President of the European Central Bank, said: *"The euro was a* *logical and necessary consequence of the single market. It makes it easier to travel, trade and transact within the euro area and beyond. After 20 years, there is now a generation who knows no other domestic currency. During that time, the ECB has delivered on its main task of maintaining price stability. But we also contribute to the well-being of euro area citizens by developing safe, innovative banknotes, promoting secure payment systems, supervising banks to ensure they are resilient and overseeing financial stability in the euro area."*

Mário Centeno, President of the Eurogroup, said: *"The single currency has been one of the biggest European success stories: there can be no doubt about its importance and impact over the first two decades of its history. But its future is still being written, and that puts a historic responsibility on us. The euro and the close economic cooperation that it entails has evolved over time, overcoming challenges in its way. It has come a long way since the start, and it has seen important changes in the wake of the crisis to help us leave the hardship behind. But this work is not yet finished, it requires continuous reform efforts in good times as in bad times. There can be no doubts of our political will to strengthen the Economic and Monetary Union. We need to be prepared for what the future may hold – we owe that to our citizens."*

Background

The launch of the euro marked the culmination of a long journey that had begun long before. The global monetary turmoil of the 1970s and 1980s had exposed individual European countries and called for European solutions. Moreover, with the establishment of a single market, it would be easier to work and trade if Europeans would start to use a single currency. After decades of early discussions on how an Economic and Monetary Union could be achieved, in 1988 the Delors Committee was set up. Under the chairmanship of then Commission President Jacques Delors, it examined specific, gradual steps towards such a single currency. The agreement that political leaders subsequently signed in 1992 in Maastricht brought the single currency to life, building on the report of the Delors Committee and the ensuing negotiations. As such, the signing of the Maastricht Treaty became a symbolic moment in the move towards the euro. In 1994, the European Monetary Institute (EMI) started its preparatory work in Frankfurt for the European Central Bank (ECB) to assume its responsibility for monetary policy in the euro area. As a result, on 1 June 1998, the ECB became operational.

On 1 January 1999, the euro was launched, becoming the official currency of 11 Member States, with monetary policy responsibilities given to the European Central Bank and the Eurosystem. After three years of appearing on people's bank statements alongside national currencies, euro banknotes and coins arrived in 12 countries, which thereby participated in the largest currency changeover in history. The original members were Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Spain and Portugal. Greece joined in 2001. Since then, a further seven Member States have introduced the euro (Cyprus, Estonia, Latvia, Lithuania, Malta, Slovakia and Slovenia).

The second most used currency in the world

The euro has come a long way from the first discussions in the late 1960s to being the currency of 340 million Europeans and used by a further 175 million worldwide. It is the second most important international currency, with around 60 countries in the world using it or linking their own currency to the euro. It is a safe store of value for international central banks, used for issuing debt worldwide and widely accepted for international payments.

Ten years after the financial crisis shook the world, the architecture of Europe's Economic and Monetary Union has been significantly reinforced but more work remains to be done. Building on the vision set out in the Five Presidents' Report of June 2015 and the Reflection Papers on the Deepening of the Economic and Monetary Union and the Future of EU Finances of spring 2017, the European Commission set out a roadmap for deepening the Economic and Monetary Union. In December, EU Leaders also agreed to work towards strengthening the international role of the euro as part of this journey.

A single currency for the benefit of all Europeans

Public support for the euro has been consistently high in the EU, especially in the countries already using the euro. A majority of 74% of respondents across the euro area said that they thought the euro was good for the EU; this is the same as the record high score set last year and confirms that popular support for the euro is at its highest since surveys began in 2002. A majority of 64% of respondents across the euro area also said that they thought the euro was good for their own country. 36% of Europeans identify the euro as one of the main symbols of the European Union, the second highest behind 'freedom' as a symbol. It has brought visible and very practical benefits to European households, businesses and governments alike: stable prices, lower transaction costs, more transparent and competitive markets, and increased trade. It makes travelling and living abroad easier, and savings protected.

For more information

Learn more about the story and the benefits of the euro

Find out more about what the EU is doing to strengthen the euro

Factsheet: Commission presents ways to further strengthen the euro's global role

Factsheets: updates on deepening the Economic and Monetary Union ahead of the euro summit of 14 December 2018

Flash Eurobarometer: Support for the euro steady at all-time high levels

Information about the prospective enlargement of the euro area

The History of the euro and the European Central Bank

Archive video footage and photographs on #EUROat20 the history of the euro

How to take part in the European elections

Euro celebrates its 20th birthday

Press contacts

Preben Aamann
European Council President Spokesperson
+32 2 281 51 50
+32 476 85 05 43
Jüri Laas
Press officer
+32 2 281 55 23
+32 470 95 75 61
Maria Tomasik
Press officer
+32 2 281 24 63
+32 470 88 23 83

The Euro is 20 years old and Member States are working to strengthen the Euro-area further.

The euro, Europe's common currency, turns 20 on 1 January 2019. Exactly 20 years ago, on 1 January 1999, 11 EU countries launched a common currency, the euro, and introduced a shared monetary policy under the European Central Bank.

The historic moment was a milestone on a journey driven by the ambition of ensuring stability and prosperity in Europe. Today, still young, the euro is already the currency of 340 million Europeans in 19 Member States. It has brought tangible benefits to European households, businesses and governments alike: stable prices, lower transaction costs, protected savings, more transparent and competitive markets, and increased trade. Some 60 countries around the world link their currencies to the euro in one way or another, and we can and are doing more to let the euro play its full role on the international scene. Other EU Member States are expected to join the euro area once the criteria are met.

To mark this anniversary, the five Presidents of the EU institutions and bodies most directly responsible for the euro, the European Commission, the European Parliament, the European Council, the European Central Bank and the Eurogroup, commented on the
20 years of the single currency and on its future.

Donald Tusk, President of the European Council, said: "The creation of the euro 20 years ago – alongside the liberation of Central and Eastern Europe and the reunification of Germany– was a pivotal moment in European history. Our common currency has since matured into a powerful expression of the European Union as a political and economic force in the world. Despite crises, the euro has shown itself resilient, and the eight members which joined the original 11 have enjoyed its benefits. As the world keeps changing, we will keep upgrading and strengthening our Economic and Monetary Union."

Jean-Claude Juncker, President of the European Commission, said: "As one of the only signatories of the Maastricht Treaty still politically active today, I remember the hard-fought and momentous negotiations on the launch of the Economic and Monetary Union. More than anything, I recall a deep conviction that we were opening a new chapter in our joint history. A chapter that would shape Europe's role in the world and the future of all its people. 20 years on, I am convinced that this was the most important signature I ever made. The euro has become a symbol of unity, sovereignty and stability. It has delivered prosperity and protection to our citizens and we must ensure that it continues to do so. This is why we are working hard to complete our Economic and Monetary Union and boost the euro's international role further."

Antonio Tajani, President of the European Parliament, said: "The euro is more popular today than ever: three out of four citizens believe it is good for our economy. In order for Europeans to benefit fully from the jobs, growth and solidarity that the single currency should bring, we must complete our Economic and Monetary union through genuine financial, fiscal and political Union. This will also allow Europe to better shield its citizens from potential future crises."

Mario Draghi, President of the European Central Bank, said: "The euro was a logical and necessary consequence of the single market. It makes it easier to travel, trade and transact within the euro area and beyond. After 20 years, there is now a generation who knows no other domestic currency. During that time, the ECB has delivered on its main task of maintaining price stability. But we also contribute to the well-being of euro area citizens by developing safe, innovative banknotes, promoting secure payment systems, supervising banks to ensure they are resilient and overseeing financial stability in the euro area."

Mário Centeno, President of the Eurogroup, said: "The single currency has been one of the biggest European success stories: there can be no doubt about its importance and impact over the first two decades of its history. But its future is still being written, and that puts a historic responsibility on us. The euro and the close economic cooperation that it entails has evolved over time, overcoming challenges in its way. It has come a long way since the start, and it has seen important changes in the wake of the crisis to help us leave the hardship behind. But this work is not yet finished, it requires continuous reform efforts in good times as in bad times. There can be no doubts of our political will to strengthen the Economic and Monetary Union. We need to be prepared for what the future may hold – we owe that to our citizens."

Background

The launch of the euro marked the culmination of a long journey that had begun long before. The global monetary turmoil of the 1970s and 1980s had exposed individual European countries and called for European solutions. Moreover, with the establishment of a single market, it would be easier to work and trade if Europeans would start to use a single currency. After decades of early discussions on how an Economic and Monetary Union could be achieved, in 1988 the Delors Committee was set up. Under the chairmanship of then Commission President Jacques Delors, it examined specific, gradual steps towards such a single currency. The agreement that political leaders subsequently signed in 1992 in Maastricht brought the single currency to life, building on the report of the Delors Committee and the ensuing negotiations. As such, the signing of the Maastricht Treaty became a symbolic moment in the move towards the euro. In 1994, the European Monetary Institute (EMI) started its preparatory work in Frankfurt for the European Central Bank (ECB) to assume its responsibility for monetary policy in the euro area. As a result, on 1 June 1998, the ECB became operational.

On 1 January 1999, the euro was launched, becoming the official currency of 11 Member States, with monetary policy responsibilities given to the European Central Bank and the Eurosystem. After three years of appearing on people’s bank statements alongside national currencies, euro banknotes and coins arrived in 12 countries, which thereby participated in the largest currency changeover in history. The original members were Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Spain and Portugal. Greece joined in 2001. Since then, a further seven Member States have introduced the euro (Cyprus, Estonia, Latvia, Lithuania, Malta, Slovakia and Slovenia).

The second most used currency in the world

The euro has come a long way from the first discussions in the late 1960s to being the currency of 340 million Europeans and used by a further 175 million worldwide. It is the second most important international currency, with around 60 countries in the world using it or linking their own currency to the euro. It is a safe store of value for international central banks, used for issuing debt worldwide and widely accepted for international payments.

Ten years after the financial crisis shook the world, the architecture of Europe’s Economic and Monetary Union has been significantly reinforced but more work remains to be done. Building on the vision set out in the Five Presidents’ Report of June 2015 and the Reflection Papers on the Deepening of the Economic and Monetary Union and the Future of EU Finances of spring 2017, the European Commission set out a roadmap for deepening the Economic and Monetary Union. In December, EU Leaders also agreed to work towards strengthening the international role of the euro as part of this journey.

A single currency for the benefit of all Europeans

Public support for the euro has been consistently high in the EU, especially in the countries already using the euro. A majority of 74% of respondents across the euro area said that they thought the euro was good for the EU; this is the same as the record high score set last year and confirms that popular support for the euro is at its highest since surveys began in 2002. A majority of 64% of respondents across the euro area also said that they thought the euro was good for their own country. 36% of Europeans identify the euro as one of the main symbols of the European Union, the second highest behind 'freedom' as a symbol. It has brought visible and very practical benefits to European households, businesses and governments alike: stable prices, lower transaction costs, more transparent and competitive markets, and increased trade. It makes travelling and living abroad easier, and savings protected.

Download as pdf

Capital Markets Union: Common EU rules on securitisation will apply as of 1 January

The new harmonised securitisation rules, which will apply as of 1 January, are an important building block of the Capital Markets Union. They will help provide additional funding sources for companies, strengthen banks' ability to support the economy and spread risks across market participants, while avoiding the excesses that led to the financial crisis.

Drawing heavily on the work of the international supervisory community, the new **Securitisation Regulation** creates common rules and sets the criteria for simple, transparent and standardised (STS) securitisation in the EU. These are a new class of high-quality securitisation. The new rules will make it easier to issue and invest in securitisations in the EU and will help ensure financial stability and investor protection.

Valdis **Dombrovskis,** Vice-President responsible for Financial Stability, Financial Services and Capital Markets Union, said: *"This legislation is one of the cornerstones of the Capital Markets Union, the Commission's pivotal project to build a single market for capital in the EU. It will help build a sound and safe securitisation market in the EU, bringing real benefits to investment, jobs and growth. It will free up bank lending so that more financing can go towards supporting our companies and households."*

This EU-wide initiative on 'high-quality' securitisation will ensure high standards of process, legal certainty and comparability across securitisation instruments through a higher degree of standardisation of products. This will notably increase the transparency, consistency and availability of key information for investors, including in the area of SME loans, and increase liquidity. In turn, this should facilitate the issuance of securitised products and allow institutional investors to perform a thorough due diligence, which helps to identify those products that match their asset diversification, return and duration needs.

These rules will become directly applicable in all EU Member as of 1 January 2019.

Background

Securitisation is the process where a financial instrument is created, typically by a lender such as a bank, by pooling assets (for example car-loans or SME-loans) for investors to purchase. This facilitates access to a greater range of investors, thereby increasing liquidity and freeing up capital from the banks for new lending.

In September 2015 the European Commission proposed new rules on simple, transparent and standardised securitisation as part of the CMU Action Plan. According to the Commission's estimates at the time, if EU securitisation issuance was built up again to the pre-crisis average, it would generate about €150 billion in additional funding for the economy.

This new EU legal framework bears no relation to the securitisation of subprime mortgages created in the US that contributed to the financial crisis. The European Commission does not intend to go back to the days of opaque and complex subprime instruments. Instead, the new rules clearly differentiate between simple and more transparent securitisation products and other products which do not satisfy such criteria. This will restore an important funding channel for the EU economy without endangering financial stability.

Other **financial rules** that will come into effect **in 2019**:

- On **13 January 2019**, a revised Directive on occupational pension funds, known as **IORP2** will come into effect.
- The revision of the **Shareholders' rights Directive** takes effect on **10 June 2019**.
- The new **Prospectus Regulation**, launched as part of the CMU Action Plan to improve access to finance for companies and simplify information for investor, takes effect as of **21 July 2019**.
- Rules on **strong customer authentication** that will make electronic payments in shops and online safer, come into effect on **14 September 2019**.

For more information:

New EU rules to eliminate the main loopholes used in corporate tax avoidance come into force on 1 January

As of 1 January 2019, all Member States shall apply new legally binding anti-abuse measures that target the main forms of tax avoidance practiced by large multinationals.

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs, said: *"The Commission has fought consistently and for a long time against aggressive tax planning. The battle is not yet won, but this marks a very important step in our fight against those who try to take advantage of loopholes in the tax systems of our Member States to avoid billions of euros in tax."*

The rules build on global standards developed by the OECD in 2015 on Base Erosion and Profit Shifting (BEPS) and should help to prevent profits being siphoned out of the EU where they go untaxed. In detail:

- All Member States will now tax profits moved to low-tax countries where the company does not have any genuine economic activity (controlled foreign company rules)
- To discourage companies from using excessive interest payments to minimise taxes, Member States will limit the amount of net interest expenses that a company can deduct from its taxable income (interest limitation rules)
- Member States will be able to tackle tax avoidance schemes in cases where other anti-avoidance provisions cannot be applied (general anti-abuse rule).

Further rules governing hybrid mismatches to prevent companies from exploiting mismatches in the tax laws of two different EU countries in order to avoid taxation, as well as measures to ensure that gains on assets such as intellectual property moved from a Member State's territory become taxable in that country (exit taxation rules) will come into force as of 1 January 2020.

Background

First proposed by the Commission in 2016, the legally binding rules, known as ATAD (Anti-Tax Avoidance Directive) were agreed swiftly to spur global efforts to clamp down on aggressive tax planning. The agreement followed the agreement among OECD countries on recommendations to limit tax base erosion and profit shifting (BEPS), and made the EU a global leader in terms of the political and economic approach to corporate taxation.

The Juncker Commission has been at the forefront of global efforts to tackle tax avoidance and tax evasion. New transparency rules have gradually been coming into force to make sure that Member States have the information they need to crack down on companies that are not paying their fair share of tax. The EU is also acting to ensure that its international partners implement global anti-tax avoidance standards through its ongoing work on a list of non-cooperative tax jurisdictions. Finally, the Commission has also proposed far-reaching corporate tax reforms which would overhaul how multinationals are taxed in the EU while ensuring a business environment which makes life easier for companies doing business across borders.

For More Information

Proposal on anti-tax avoidance measures

Anti-Tax Avoidance Package

Study on Structures of Aggressive Tax Planning and Indicators

Action Plan for Fair and Efficient Corporate Taxation in the EU

Q&A on the entry into force of the Anti-Tax Avoidance Directive

Some companies exploit the differences in Member States' rules to minimise their tax bills by shifting profits within the EU. Aggressive tax planners also abuse weaknesses in one national system, or the absence of anti-avoidance measures in one Member State, to escape being taxed anywhere in the Single Market. Effective taxation is therefore heavily dependent on close coordination between Member States, to shut off opportunities for tax avoidance and prevent profit shifting in the Single Market.

The new rules will ensure that all Member States implement coordinated measures against tax avoidance, to boost their collective defences against aggressive tax planning. It also sets out a common approach to tackling external threats of tax avoidance and to help prevent companies from shifting untaxed profits out of the EU.

What anti-avoidance measures are contained in the new Directive and how will they help to prevent tax avoidance?

The Anti Tax Avoidance Directive sets out five key anti-avoidance measures, which all Member States should apply, to counter-act some of the most common types of aggressive tax planning, as identified in the discussions at the OECD, in Council discussions on tax avoidance and by the Commission itself. Three of the agreed measures come into force on 1 January 2019. These are:

a) Controlled Foreign Company (CFC) rule: To deter profit shifting to no or

low tax countries

Multinational companies sometimes shift profits from their parent company in a high tax country to controlled subsidiaries in low or no tax countries, in order to reduce the Group's tax liability. The proposed Controlled Foreign Company (CFC) rule should discourage them from doing this.

The CFC rule will ensure that the Member State where the parent company is located will tax certain profits that the company parks in a no or low tax country. The CFC rule will be triggered if the tax paid in the third country is less than half of that which would have been paid in the Member State in question. The company will be given a tax credit for any taxes that it did pay abroad. This will ensure that profits are effectively taxed, at the tax rate of the Member State in which they were generated.

Example*: A company has its headquarters in an EU Member State. It sets up a subsidiary in a non-EU country that does not apply corporate tax. This subsidiary does not carry out substantive activities relating to this income. The company makes inflated royalty payments to the offshore company, thereby reducing its taxable profits in the EU Member State. The payments the subsidiary receives are not taxed either, because of the zero rate in the non-EU country.*

With the proposed CFC rule, the EU Member State will tax the subsidiary's profits as though they had not been shifted to the no-tax country, thereby ensuring effective taxation at the tax rate of the Member State concerned.

b) Interest Limitation: To discourage companies from creating artificial debt arrangements designed to minimise taxes

Interest payments are generally tax deductible in the EU. Some companies arrange their inter-company loans so that their debt is based in one of the group's companies in a high-tax country where interest payments can be deducted. Meanwhile, the interest on the debt is paid to the group's "lender" company which is based in a low tax country where interest is taxed at a low rate (or not at all). In this way, the Group reduces its overall tax burden. Overall, the group has paid less tax by shifting its profits in loan arrangements between its companies.

The Directive proposes to limit the amount of net interest that a company can deduct from its taxable income, based on a fixed ratio of its earnings. This should make it less attractive for companies to artificially shift debt in order to minimise their taxes. Member States may choose to apply this rule only to companies which are part of a group, as standalone companies are not likely to use debt to shift profits.

The interest limitation rule includes an optional grandfathering rule, which means that Member States may exclude debt in place prior to 17 June 2016 from the scope of the rule, as they may for interest used to fund long-term public infrastructure projects. Member States which have equally efficient rules will be allowed to continue with those rules until the OECD recommends a minimum standard of interest limitation rules or at the latest by 1 January

2024.

Example: *A Group sets up a subsidiary in a no-tax third country, which then provides a high-interest loan to another company in the group, located in an EU Member State. The EU-based company must make high interest payments – which are tax deductible – to the subsidiary. In doing so, it reduces its taxable income in the Member State, while the corresponding interest income is not taxed in the third country either.*

Under the interest limitation rule, the Member State will put a fixed limit on the amount of interest that the company can deduct. This should discourage companies from shifting their debts purely to reduce their tax bills.

c) General Anti-Abuse Rule: To counter-act aggressive tax planning when other rules do not apply

Aggressive tax planning, by its nature, seeks ways around the rules in order to minimise the taxes a company has to pay. Aggressive tax planners continually try to find ways of by-passing anti avoidance provisions or new tax avoidance techniques that are not covered by specific rules.

The Directive sets out a General Anti-Abuse Rule, which will tackle abusive tax arrangements if there is no other anti-avoidance rule that specifically covers such an arrangement. The GAAR acts as a safety net in cases where other anti-abuse provisions cannot be applied. It will allow tax authorities to ignore abusive tax arrangements and tax on the basis of the real economic substance.

Further rules governing hybrid mismatches to prevent companies from exploiting mismatches in the tax laws of two different EU countries in order to avoid taxation, as well as measures to ensure that gains on assets such as intellectual property moved from a Member State’s territory become taxable in that country (exit taxation rules) will come into force as of 1 January 2020.