

Statement on Croatia's path towards ERM II participation

Today the Finance Ministers of the euro area Member States and Denmark, the President of the European Central Bank (ECB) and the representative of the Central Bank Governor of Denmark discussed the prospects of Croatia's participation in the Exchange Rate Mechanism (ERM II) in the presence of the Commission, the Croatian Finance Minister and Central Bank Governor, and issued the following statement.

We welcome the intention of the Croatian authorities to put in place the necessary elements for a successful entry into ERM II. Following constructive discussions with the ECB, the Commission, the euro area Member States and Denmark, Croatia has taken a number of commitments in policy areas which are of high relevance for a smooth transition to, and participation in, ERM II. With regard to, in particular, banking supervision, Croatia has sent a request to enter into close cooperation with the ECB in line with the existing procedures, and will undertake the necessary preparations accordingly – including support to the ECB's comprehensive assessment. Additional commitments relate to the macro-prudential framework, the anti-money laundering framework, the collection, production and dissemination of statistics, public sector governance and reducing the financial and administrative burden. Such reform efforts towards a more robust financial sector, stronger institutions and public governance and more efficient economic structures will contribute to the successful participation of Croatia in ERM II.

The ECB and the Commission will monitor the effective implementation of these commitments acting within their respective areas of competence as provided for by the Treaties and secondary legislation. Once they have provided a positive assessment, a decision will be taken by the ERM II parties on the formal application of the Croatian authorities for ERM II participation. The decision will be linked to the ECB decision on close cooperation, in full respect of the conditions specified in the legal framework. This would imply that Croatia simultaneously joins ERM II and the Banking Union. The ECB could be expected to conclude its comprehensive assessment within approximately one year after Croatia's formal application for close cooperation, and its decision may make the start date of close cooperation conditional on Croatia's progress in implementing the possible measures required in relation to the results of the comprehensive assessment.

In line with the relevant secondary legislation, Croatia will also participate in the Single Resolution Mechanism (including the Single Resolution Fund) from the date of entry into force of the ECB decision on close cooperation. Therefore, as from that date Croatia should be subject to the obligations stemming from the Intergovernmental Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund, notably the obligation to transfer those contributions to the Single Resolution Fund in accordance with the relevant provisions thereof. To these effects, Croatia is

expected to take all the necessary steps in order to ratify and deposit its instrument of ratification in due course before the decision on close cooperation enters into force.

In line with past practice, Croatia is also expected to take further commitments at the moment of joining ERM II with the aim of achieving a high degree of sustainable economic convergence by the time the euro will be introduced.

The process outlined above is in line with the process followed for Bulgaria as discussed and endorsed by the Eurogroup in July 2018. In the future, we will continue to follow a similar approach for Member States wishing to join ERM II, in line with the principle of equal treatment.

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