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EURO CONTRACTS

House Bill 5800
Sponsor: Rep. Mark Schauer
Committee: Commerce

Complete to 5-3-98

A SUMMARY OF HOUSE BILL 5800 AS INTRODUCED 4-29-98

House Bill 5800 would create a new act to provide for the conversion to the euro currency. The act would apply to contracts and other financial documents that state or reference a medium of currency that has been substituted by the euro.

House Bill 5800 would require that the conversion rate used to determine value or to tender payment be that rate calculated in accordance with regulations adopted by the Council of the European Union. The bill specifies that conversion to the euro would not alter the requirements or obligations under a contract or financial document. Neither would the bill alter nor otherwise affect the rights of contracting or financing parties to mutually agree to terms and conditions relating to the introduction of the euro.

House Bill 5800 defines "euro" to mean the currency of participating member states of the European union that adopt a single currency in accordance with the treaty on European union of February 7, 1992. The bill would also define "ECU" or "European currency unit" to mean the currency that is used as the unit of account of the European union as defined in European Council regulation no. 3320/94.

[According to information from the New York Times, The New Yorker magazine, and others, beginning January 1, 1999, eleven of the fifteen nations that form the European Union will adopt a single European currency called the euro, a new currency created four years ago by the twelve founding members of the European Union (EU) who described their intent in a document called the Maastricht Treaty, ratified in 1992. Under the new system and single currency, monetary policy will be set by a central bank located in Frankfurt, Germany. The bank's forerunner, the European Monetary Institute, is already in place and employs about 400 economists, statisticians, and computer experts whose task it is to set up the structure for the new central bank and eventually to monitor the money supply, in a manner similar to the Federal Reserve Board in the United States. The Monetary Institute will be legally converted to a bank in January 1999. The national currencies of the 11 countries will remain in circulation for three more years to allow an orderly transition and rate of exchange, and will be entirely replaced by euros in 2002.

Of the current 15 member nations in the EU, 11 have decided to adopt a unitary currency. Three of the 15-- Denmark, Great Britain, and Sweden--are waiting to see whether the euro makes sense for their economies. One member nation, Greece, did not meet all the economic indicators, and will not take part.

The European Union was formally called the European Community, established in 1967 with the merger of three separate trade and energy organizations originally created to rebuild Europe's devastated economies after World War II. Currently there are 15 members of the European Union: Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and Sweden. (Norway was offered membership but declined to participate.) Ten other countries have made application to join--Cyprus, Estonia, Hungary, Latvia, Malta, Poland, Romania, Slovakia, Switzerland, and Turkey--and the EU is expected to include at least twenty countries within the coming decade. In fact, six of the 10 applicant countries already are called associate members: Bulgaria, the Czech Republic, Hungary, Poland, Romania, and Slovakia.

Decision-making in the European Union is divided between supranational European institutions (the European Commission and the European Parliament, which are both administered by the EU) and governments of the member states, which send ministers to the Council of Ministers. The Court of Justice serves as the final arbiter in legal matters or disputes among EU institutions or between EU institutions and member states.

Organizationally, the European Union's executive branch is called the European Commission, which makes policy proposals and presents them to the Council of Ministers. The Council of Ministers is the main lawmaking body of the EU, although it cannot draft legislation. Instead it accepts, rejects, or requests proposals from the commission. The European Council referenced in House Bill 5800 became an official part of the European Union in 1987. The council meets in summit meetings at least once every six months, the meetings convened by the country holding the presidency of the Council of Ministers. These summit meetings include the top leaders of the member states, and began in 1975.]

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