



EUROPEAN CENTRAL BANK  
EUROSYSTEM

# The ERM II as a preparatory phase for euro adoption

27<sup>th</sup> Dubrovnik  
Economic Conference

18/07/2021



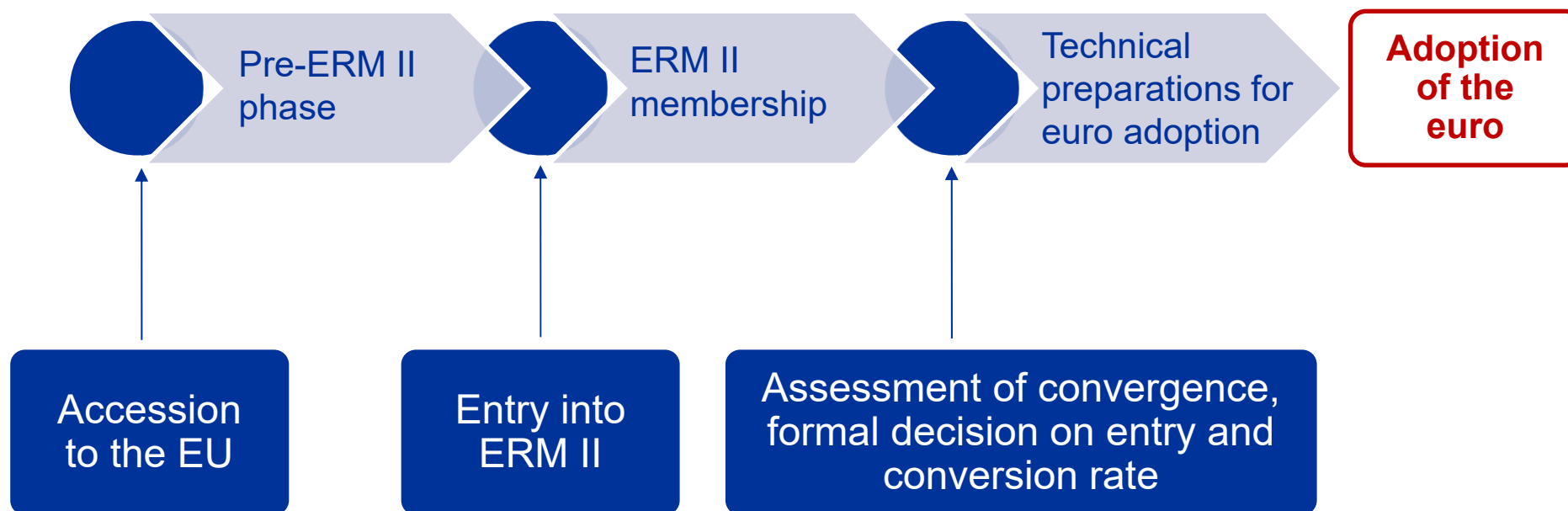
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*The views expressed in this presentation are solely those of the presenter and do not necessarily reflect those of the European Central Bank.*

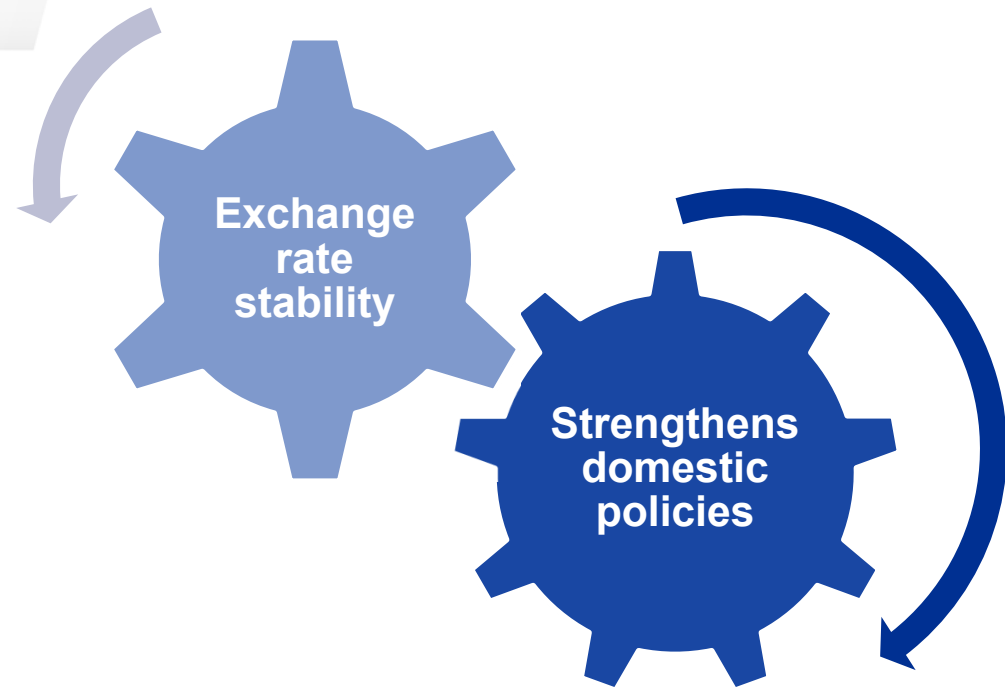


# ERM II membership is a precondition for the eventual adoption of the euro



## The role of ERM II participation

- Contributes to the smooth functioning of the Single Market via a regime of stable exchange rates vis-à-vis the euro (“**market test**”)
- Fosters stability-oriented policies consistent with sustainable convergence towards the euro area (“**policy test**”)



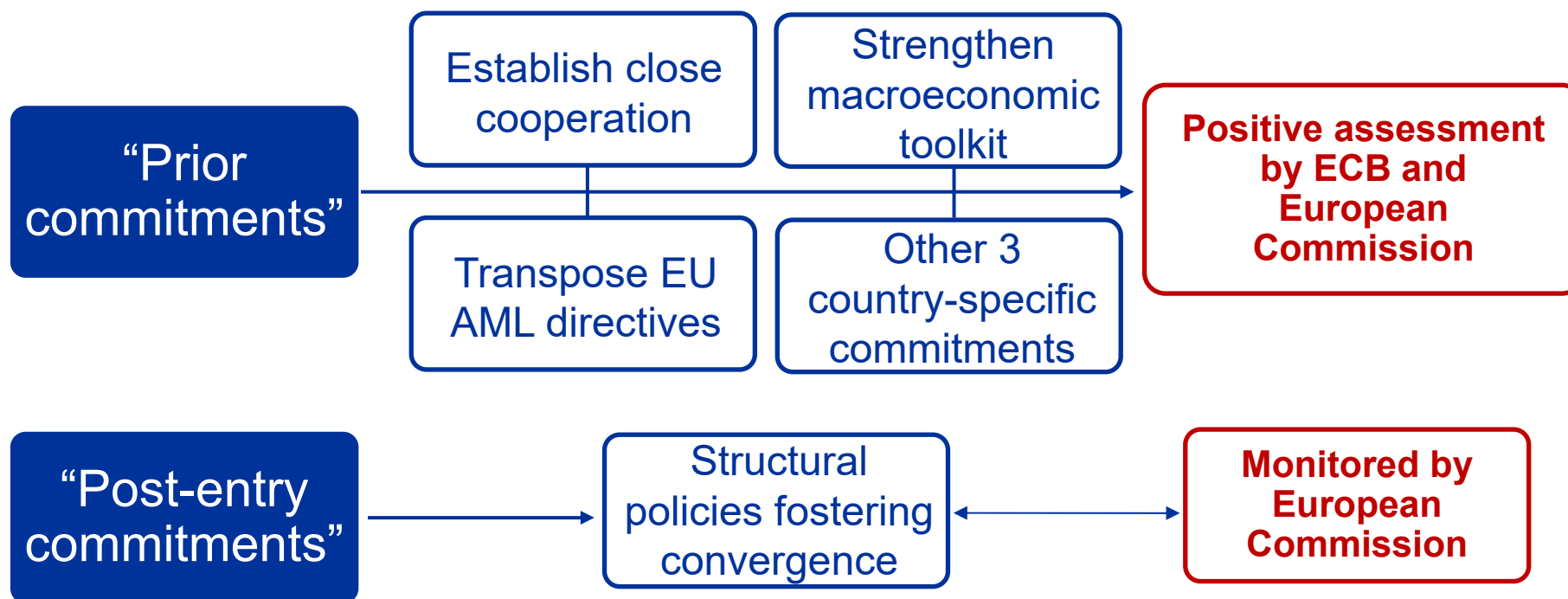
## Bulgaria and Croatia approaching ERM II

- First time for a country to join since the global financial crisis → more prominent role of an assessment of **longer-term sustainability of euro adoption**
- First time for a country to join since the start of the European banking union → advisable to enter into **close supervisory cooperation** with the ECB at the same time as joining the ERM II
- **Country-specific considerations** owing to remaining vulnerabilities

## Principles of ERM II participation

- All EU Member States outside the euro area must be treated **equally** at any given stage of EMU
- **No preconditions** or new rules can be imposed before a Member State applies for ERM participation
- Any Member State is **free** to request inclusion of their currency at any time and make its policy commitments
- ERM II parties free to **not agree** to that Member State's ERM II participation

# The experience of Bulgaria and Croatia in the ERM II 1/2



## The experience of Bulgaria and Croatia in the ERM II 2/2

*“Our discussion today recognises the important economic reforms already undertaken by Bulgaria and Croatia, as well as the continued attractiveness of the euro as a tangible symbol of European unity, prosperity and solidarity.”*

(Paschal Donohoe, public remarks following the Eurogroup meeting of 17 June 2021)



Thank you for your  
attention