

**THE MAASTRICHT TREATY**

**PROVISIONS AMENDING THE TREATY  
ESTABLISHING THE EUROPEAN ECONOMIC  
COMMUNITY WITH A VIEW TO ESTABLISHING  
THE EUROPEAN COMMUNITY**

**MAASTRICHT**

**7 FEBRUARY 1992**

**TITLE II**

**PROVISIONS AMENDING THE TREATY  
ESTABLISHING THE EUROPEAN ECONOMIC  
COMMUNITY WITH A VIEW TO ESTABLISHING  
THE EUROPEAN COMMUNITY**

**Article G**

The Treaty establishing the European Economic Community shall be amended in accordance with the provisions of this Article, in order to establish a European Community.

**A - Throughout the Treaty:**

(1) The term ‘European Economic Community’ shall be replaced by the term ‘European Community’.

**B - In Part One ‘Principles’:**

(2) Article 2 shall be replaced by the following:

*‘ARTICLE 2*

*The Community shall have as its task, by establishing a common market and an economic and monetary union and by implementing the common policies or activities referred to in Articles 3 and 3a, to promote throughout the Community a harmonious and balanced development of economic activities, sustainable and non-inflationary growth respecting the environment, a high degree of convergence of economic performance, a high level of employment and of social protection, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States.’*

(3) Article 3 shall be replaced by the following:

*‘ARTICLE 3*

*For the purposes set out in Article 2, the activities of the Community shall include, as provided in this Treaty and in accordance with the time-table set out therein:*

- (a) the elimination, as between Member States of customs duties and quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect;*
- (b) a common commercial policy;*
- (c) an internal market characterized by the abolition, as between Member States, of obstacles to the free movement of goods, persons, services and capital;*
- (d) measures concerning the entry and movement of persons in the internal market as provided for in Article 100c;*
- (e) a common policy in the sphere of agriculture and fisheries;*
- (f) a common policy in the sphere of transport;*
- (g) a system ensuring that competition in the internal market is not distorted;*

- (h) *the approximation of the laws of Member States to the extent required for the functioning of the common market;*
- (i) *a policy in the social sphere comprising a European Social Fund;*
- (j) *the strengthening of economic and social cohesion;*
- (k) *a policy in the sphere of the environment;*
- (l) *the strengthening of the competitiveness of Community industry;*
- (m) *the promotion of research and technological development;*
- (n) *encouragement for the establishment and development of trans-European networks;*
- (o) *a contribution to the attainment of a high level of health protection;*
- (p) *a contribution to education and training of quality and to the flowering of the cultures of the Member States;*
- (q) *a policy in the sphere of development co-operation;*
- (r) *the association of the overseas countries and territories in order to increase trade and promote jointly economic and social development;*
- (s) *a contribution to the strengthening of consumer protection;*
- (t) *measures in the spheres of energy, civil protection and tourism.'*

**(4)** The following Article shall be inserted:

*'ARTICLE 3 a*

*1. For the purposes set out in Article 2, the activities of the Member States and the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein, the adoption of an economic policy which is based on the close co-ordination of Member States' economic policies, on the internal market and on the definition of common objectives, and conducted in accordance with the principle of an open market economy with free competition.*

*2. Concurrently with the foregoing, and as provided in this Treaty and in accordance with the timetable and the procedures set out therein, these activities shall include the irrevocable fixing of exchange rates leading to the introduction of a single currency, the ECU, and the definition and conduct of a single monetary policy and exchange rate policy the primary objective of both of which shall be to maintain price stability and, without prejudice to this objective, to support the general economic policies in the Community, in accordance with the principle of an open market economy with free competition.*

*3. These activities of the Member States and the Community shall entail compliance with the following guiding principles: stable prices, sound public finances and monetary conditions and a sustainable balance of payments.'*

**(5)** The following Article shall be inserted:

*'ARTICLE 3 b*

*The Community shall act within the limits of the powers conferred upon it by this Treaty and of the objectives assigned to it therein.*

*In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States*

*and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.*

*Any action by the Community shall not go beyond what is necessary to achieve the objectives of this Treaty.'*

**(6)** Article 4 shall be replaced by the following:

*'ARTICLE 4*

*1. The tasks entrusted to the Community shall be carried out by the following institutions:*

- a EUROPEAN PARLIAMENT,*
- a COUNCIL,*
- a COMMISSION,*
- a COURT OF JUSTICE,*
- a COURT OF AUDITORS.*

*Each institution shall act within the limits of the powers conferred upon it by this Treaty.*

*2. The Council and the Commission shall be assisted by an Economic and Social Committee and a Committee of the Regions acting in an advisory capacity.'*

**(7)** The following Articles shall be inserted:

*'ARTICLE 4 a*

*A European System of Central Banks (hereinafter referred to as 'ESCB') and a European Central Bank (hereinafter referred to as 'ECB') shall be established in accordance with the procedures laid down in this Treaty; they shall act within the limits of the powers conferred upon them by this Treaty and by the Statute of the ESCB and of the ECB ( hereinafter referred to as 'Statute of the ESCB') annexed thereto.'*

*'ARTICLE 4 b*

*A European Investment Bank is hereby established, which shall act within the limits of the powers conferred upon it by this treaty and the Statute annexed thereto.'*

**(8)** Article 6 shall be deleted and Article 7 shall become Article 6. Its second paragraph shall be replaced by the following:

*'The Council, acting in accordance with the procedure referred to in Article 189c, may adopt rules designed to prohibit such discrimination.'*

**(9)** Articles 8, 8a, 8b and 8c shall become respectively Articles 7, 7a, 7b and 7c.

**C - The following Part shall be inserted:**

***'PART TWO***

***CITIZENSHIP OF THE UNION***

*ARTICLE 8*

*1. Citizenship of the Union is hereby established.*

*Every person holding the nationality of a Member State shall be a citizen of the Union.*

*2. Citizens of the Union shall enjoy the rights conferred by this Treaty and shall be subject to the duties imposed thereby.*

*ARTICLE 8 a*

*1. Every citizen of the Union shall have the right to move and reside freely within the territory of the Member States, subject to the limitations and conditions laid down in this Treaty and by the measures adopted to give it effect.*

*2. The Council may adopt provisions with a view to facilitating the exercise of the rights referred to in paragraph 1; save as otherwise provided in this Treaty, the Council shall act unanimously on a proposal from the Commission and after obtaining the assent of the European Parliament.*

*ARTICLE 8 b*

*1. Every citizen of the Union residing in a Member State of which he is not a national shall have the right to vote and to stand as a candidate at municipal elections in the Member State in which he resides, under the same conditions as nationals of that State. This right shall be exercised subject to detailed arrangements to be adopted before 31 December 1994 by the Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament; these arrangements may provide for derogations where warranted by problems specific to a Member State.*

*2. Without prejudice to Article 138(3) and to the provisions adopted for its implementation, every citizen of the Union residing in a Member State of which he is not a national shall have the right to vote and to stand as a candidate in elections to the European Parliament in the Member State in which he resides, under the same conditions as nationals of that State. This right shall be exercised subject to detailed arrangements to be adopted before 31 December 1993 by the Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament; these arrangements may provide for derogations where warranted by problems specific to a Member State.*

*ARTICLE 8 c*

*Every citizen of the Union shall, in the territory of a third country in which the Member State of which he is a national is not represented, be entitled to protection by the diplomatic or consular authorities of any Member State, on the same conditions as the nationals of that State. Before 31 December 1993, Member States shall establish the necessary rules among themselves and start the international negotiations required to secure this protection.*

*ARTICLE 8 d*

*Every citizen of the Union shall have the right to petition the European Parliament in accordance with Article 138d.*

*Every citizen of the Union may apply to the Ombudsman established in accordance with Article 138e.*

*ARTICLE 8 e*

*The Commission shall report to the European Parliament, to the Council and to the Economic and Social Committee before 31 December 1993 and then every three years on the application of the provisions of this Part. This report shall take account of the development of the Union.*

*On this basis, and without prejudice to the other provisions of this Treaty, the Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament, may adopt provisions to strengthen or to add to the rights laid down in this Part, which it shall recommend to the Member States for adoption in accordance with their respective constitutional requirements.'*

**D - Parts Two and Three shall be grouped under the following Title:**

***'PART THREE***

***COMMUNITY POLICIES'***

and in this Part:

**(10)** The first sentence of Article 49 shall be replaced by the following:

*'As soon as this Treaty enters into force, the Council shall, acting in accordance with the procedure referred to in Article 189b and after consulting the Economic and Social Committee, issue directives or make regulations setting out the measures required to bring about, by progressive stages, freedom of movement for workers, as defined in Article 48, in particular.'*

**(11)** Article 54(2) shall be replaced by the following:

*'2. In order to implement this general programme or, in the absence of such programme, in order to achieve a stage in attaining freedom of establishment as regards a particular activity, the Council, acting in accordance with the procedure referred to in Article 189b and after consulting the Economic and Social Committee, shall act by means of directives.'*

**(12)** Article 56(2) shall be replaced by the following:

*'2. Before the end of the transitional period, the Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, issue directives for the coordination of the abovementioned provisions laid down by law, regulation or administrative action. After the end of the second stage, however, the Council shall, acting in accordance with the procedure referred to in Article 189b, issue directives for the coordination of such provisions as, in each Member State, are a matter for regulation or administrative action.'*

(13) Article 57 shall be replaced by the following:

*'ARTICLE 57*

- 1. In order to make it easier for persons to take up and pursue activities as self-employed persons, the Council shall, acting in accordance with the procedure referred to in Article 189b, issue directives for the mutual recognition of diplomas, certificates and other evidence of formal qualifications.*
- 2. For the same purpose, the Council shall, before the end of the transitional period, issue directives for the co-ordination of the provisions laid down by law, regulation or administrative action in Member States concerning the taking up and pursuit of activities as self-employed persons. The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament, shall decide on directives the implementation of which involves in at least one Member State amendment of the existing principles laid down by law governing the professions with respect to training and conditions of access for natural persons. In other cases the Council shall act in accordance with the procedure referred to in Article 189b.*
- 3. In the case of the medical and allied and pharmaceutical professions, the progressive abolition of restrictions shall be dependent upon co-ordination of the conditions for their exercise in the various Member States.'*

(14) The title of Chapter 4 shall be replaced by the following:

*'CHAPTER 4  
Capital and payments'*

(15) The following Articles shall be inserted:

*'ARTICLE 73 a*

*As from 1 January 1994, Articles 67 to 73 shall be replaced by Articles 73b, c, d, e, f and g.*

*ARTICLE 73 b*

- 1. Within the framework of the provisions set out in this Chapter, all restrictions on the movement of capital between Member States and between Member States and third countries shall be prohibited.*
- 2. Within the framework of the provisions set out in this Chapter, all restrictions on payments between Member States and between Member States and third countries shall be prohibited.*

*ARTICLE 73 c*

- 1. The provisions of Article 73b shall be without prejudice to the application to third countries of any restrictions which exist on 31 December 1993 under national or Community law adopted in respect of the movement of capital to or from third countries involving direct investment - including investment in real estate - establishment, the provision of financial services or the admission of securities to capital markets.*
- 2. Whilst endeavouring to achieve the objective of free movement of capital between Member States and third countries to the greatest extent possible and without prejudice*

*to the other Chapters of this Treaty, the Council may, acting by a qualified majority on a proposal from the Commission, adopt measures on the movement of capital to or from third countries involving direct investment - including investment in real estate - establishment, the provision of financial services or the admission of securities to capital markets.*

*Unanimity shall be required for measures under this paragraph which constitute a step back in Community law as regards the liberalization of the movement of capital to or from third countries.*

#### *ARTICLE 73 d*

*1. The provisions of Article 73b shall be without prejudice to the right of Member States:*

- (a) to apply the relevant provisions of their tax law which distinguish between tax-payers who are not in the same situation with regard to their place of residence or with regard to the place where their capital is invested;*
- (b) to take all requisite measures to prevent infringements of national law and regulations, in particular in the field of taxation and the prudential supervision of financial institutions, or to lay down procedures for the declaration of capital movements for purposes of administrative or statistical information, or to take measures which are justified on grounds of public policy or public security.*

*2. The provisions of this Chapter shall be without prejudice to the applicability of restrictions on the right of establishment which are compatible with this Treaty.*

*3. The measures and procedures referred to in paragraphs 1 and 2 shall not constitute a means of arbitrary discrimination or a disguised restriction on the free movement of capital and payments as defined in Article 73b.*

#### *ARTICLE 73 e*

*By way of derogation from Article 73b, Member States which, on 31 December 1993, enjoy a derogation on the basis of existing Community law, shall be entitled to maintain, until 31 December 1995 at the latest, restrictions on movements of capital authorized by such derogations as exist on that date.*

#### *ARTICLE 73 f*

*Where, in exceptional circumstances, movements of capital to or from third countries cause, or threaten to cause, serious difficulties for the operation of economic and monetary union, the Council, acting by a qualified majority on a proposal from the Commission and after consulting the ECB, may take safeguard measures with regard to third countries for a period not exceeding six months if such measures are strictly necessary.*

#### *ARTICLE 73 g*

*1. If in the cases envisaged in Article 228a, action by the Community is deemed necessary, the Council may, in accordance with the procedure provided for in Article 228a, take the necessary urgent measures on the movement of capital and on payments as regards the third countries concerned.*

*2. Without prejudice to Article 224 and as long as the Council has not taken measures pursuant to paragraph 1, a Member State may, for serious political reasons and on grounds of urgency, take unilateral measures against a third country with regard to capital movements and payments. The Commission and the other Member*

*States shall be informed of such measures by the date of their entry into force at the latest.*

*The Council may, acting by a qualified majority on a proposal from the Commission, decide that the Member State concerned shall amend or abolish such measures. The President of the Council shall inform the European Parliament of any such decision taken by the Council.*

#### **ARTICLE 73 h**

*Until 1 January 1994, the following provisions shall be applicable:*

- (1) *Each Member State undertakes to authorize, in the currency of the Member State in which the creditor or the beneficiary resides, any payments connected with the movement of goods, services or capital, and any transfers of capital and earnings, to the extent that the movement of goods, services, capital and persons between Member States has been liberalized pursuant to this Treaty.*

*The Member States declare their readiness to undertake the liberalization of payments beyond the extent provided in the preceding subparagraph, in so far as their economic situation in general and the state of their balance of payments in particular so permit.*

- (2) *In so far as movements of goods, services and capital are limited only by restrictions on payments connected therewith, these restrictions shall be progressively abolished by applying, mutatis mutandis, the provisions of this Chapter and the Chapters relating to the abolition of quantitative restrictions and to the liberalization of services.*

- (3) *Member States undertake not to introduce between themselves any new restrictions on transfers connected with the invisible transactions listed in Annex III to this Treaty.*

*The progressive abolition of existing restrictions shall be effected in accordance with the provisions of Articles 63 to 65, in so far as such abolition is not governed by the provisions contained in paragraphs 1 and 2 or by the other provisions of this Chapter.*

- (4) *If need be, Member States shall consult each other on the measures to be taken to enable the payments and transfers mentioned in this Article to be effected; such measures shall not prejudice the attainment of the objectives set out in this Treaty.'*

**(16)** Article 75 shall be replaced by the following:

#### **'ARTICLE 75**

*1. For the purpose of implementing Article 74, and taking into account the distinctive features of transport, the Council shall, acting in accordance with the procedure referred to in Article 189c and after consulting the Economic and Social Committee, lay down:*

- (a) *common rules applicable to international transport to or from the territory of a Member State or passing across the territory of one or more Member States;*
- (b) *the conditions under which non-resident carriers may operate transport services within a Member State;*
- (c) *measures to improve transport safety;*
- (d) *any other appropriate provisions.*

2. *The provisions referred to in (a) and (b) of paragraph 1 shall be laid down during the transitional period.*

3. *By way of derogation from the procedure provided for in paragraph 1, where the application of provisions concerning the principles of the regulatory system for transport would be liable to have a serious effect on the standard of living and on employment in certain areas and on the operation of transport facilities, they shall be laid down by the Council acting unanimously on a proposal from the Commission, after consulting the European Parliament and the Economic and Social Committee. In so doing, the Council shall take into account the need for adaptation to the economic development which will result from establishing the common market.'*

(17) The title of Title I in Part Three shall be replaced by the following:

*'TITLE V  
COMMON RULES ON COMPETITION, TAXATION  
AND APPROXIMATION OF LAWS'*

(18) In Article 92(3):

- the following point shall be inserted:

*'(d) aid to promote culture and heritage conservation where such aid does not affect trading conditions and competition in the Community to an extent that is contrary to the common interest.'*

- the present point (d) shall become (e).

(19) Article 94 shall be replaced by the following:

*'ARTICLE 94*

*The Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament, make any appropriate regulations for the application of Articles 92 and 93 and may in particular determine the conditions in which Article 93(3) shall apply and the categories of aid exempted from this procedure.'*

(20) Article 99 shall be replaced by the following:

*'ARTICLE 99*

*The Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, adopt provisions for the harmonization of legislation concerning turnover taxes, excise duties and other forms of indirect taxation to the extent that such harmonization is necessary to ensure the establishment and the functioning of the internal market within the time limit laid down in Article 7a.'*

**(21)** Article 100 shall be replaced by the following:

*‘ARTICLE 100*

*The Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, issue directives for the approximation of such laws, regulations or administrative provisions of the Member States as directly affect the establishment or functioning of the common market.’*

**(22)** Article 100a(1) shall be replaced by the following:

*‘1. By way of derogation from Article 100 and save where otherwise provided in this Treaty, the following provisions shall apply for the achievement of the objectives set out in Article 7a. The Council shall, acting in accordance with the procedure referred to in Article 189b and after consulting the Economic and Social Committee, adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market.’*

**(23)** The following Article shall be inserted:

*‘ARTICLE 100 c*

*1. The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament, shall determine the third countries whose nationals must be in possession of a visa when crossing the external borders of the Member States.*

*2. However, in the event of an emergency situation in a third country posing a threat of a sudden inflow of nationals from that country into the Community, the Council, acting by a qualified majority on a recommendation from the Commission, may introduce, for a period not exceeding six months, a visa requirement for nationals from the country in question. The visa requirement established under this paragraph may be extended in accordance with the procedure referred to in paragraph 1.*

*3. From 1 January 1996, the Council shall adopt the decisions referred to in paragraph 1 by a qualified majority. The Council shall, before that date, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament, adopt measures relating to a uniform format for visas.*

*4. In the areas referred to in this Article, the Commission shall examine any request made by a Member State that it submit a proposal to the Council.*

*5. This Article shall be without prejudice to the exercise of the responsibilities incumbent upon the Member States with regard to the maintenance of law and order and the safeguarding of internal security.*

*6. This Article shall apply to other areas if so decided pursuant to Article K.9 of the provisions of the Treaty on European Union which relate to co-operation in the fields of justice and home affairs, subject to the voting conditions determined at the same time.*

*7. The provisions of the conventions in force between the Member States governing areas covered by this Article shall remain in force until their content has been replaced by directives or measures adopted pursuant to this Article.’*

(24) The following Article shall be inserted:

*‘ARTICLE 100 d*

*The Co-ordinating Committee consisting of senior officials set up by Article K.4 of the Treaty on European Union shall contribute, without prejudice to the provisions of Article 151, to the preparation of the proceedings of the Council in the fields referred to in Article 100c.’*

(25) Title II, Chapters 1, 2 and 3 in Part Three shall be replaced by the following:

*‘TITLE VI*

*Economic and Monetary Policy*

*CHAPTER 1*

*ECONOMIC POLICY*

*ARTICLE 102 a*

*Member States shall conduct their economic policies with a view to contributing to the achievement of the objectives of the Community, as defined in Article 2, and in the context of the broad guidelines referred to in Article 103(2). The Member States and the Community shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 3a.*

*ARTICLE 103*

*1. Member States shall regard their economic policies as a matter of common concern and shall co-ordinate them within the Council, in accordance with the provisions of Article 102a.*

*2. The Council shall, acting by a qualified majority on a recommendation from the Commission, formulate a draft for the broad guidelines of the economic policies of the Member States and of the Community, and shall report its findings to the European Council.*

*The European Council shall, acting on the basis of the report from the Council, discuss a conclusion on the broad guidelines of the economic policies of the Member States and of the Community.*

*On the basis of this conclusion, the Council shall, acting by a qualified majority, adopt a recommendation setting out these broad guidelines. The Council shall inform the European Parliament of its recommendation.*

*3. In order to ensure closer co-ordination of economic policies and sustained convergence of the economic performances of the Member States, the Council shall, on the basis of reports submitted by the Commission, monitor economic developments in each of the Member States and in the Community as well as the consistency of economic policies with the broad guidelines referred to in paragraph 2, and regularly carry out an overall assessment.*

*For the purpose of this multilateral surveillance, Member States shall forward information to the Commission about important measures taken by them in the field of their economic policy and such other information as they deem necessary.*

*4. Where it is established, under the procedure referred to in paragraph 3, that the economic policies of a Member State are not consistent with the broad guidelines referred to in paragraph 2 or that they risk jeopardizing the proper functioning of economic and monetary union, the Council may, acting by a qualified majority on a recommendation from the Commission, make the necessary recommendations to the Member State concerned. The Council may, acting by a qualified majority on a proposal from the Commission, decide to make its recommendations public.*

*The President of the Council and the Commission shall report to the European Parliament on the results of multilateral surveillance. The President of the Council may be invited to appear before the competent Committee of the European Parliament if the Council has made its recommendations public.*

*5. The Council, acting in accordance with the procedure referred to in Article 189c, may adopt detailed rules for the multilateral surveillance procedure referred to in paragraphs 3 and 4 of this Article.*

#### *ARTICLE 103 a*

*1. Without prejudice to any other procedures provided for in this Treaty, the Council may, acting unanimously on a proposal from the Commission, decide upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products.*

*2. Where a Member State is in difficulties or is seriously threatened with severe difficulties caused by exceptional occurrences beyond its control, the Council may, acting unanimously on a proposal from the Commission, grant, under certain conditions, Community financial assistance to the Member State concerned. Where the severe difficulties are caused by natural disasters, the Council shall act by qualified majority. The President of the Council shall inform the European Parliament of the decision taken.*

#### *ARTICLE 104*

*1. Overdraft facilities or any other type of credit facility with the ECB or with the central banks of the Member States (hereinafter referred to as 'national central banks') in favour of Community institutions or bodies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the ECB or national central banks of debt instruments.*

*2. Paragraph 1 shall not apply to publicly-owned credit institutions which, in the context of the supply of reserves by central banks, shall be given the same treatment by national central banks and the ECB as private credit institutions.*

#### *ARTICLE 104 a*

*1. Any measure, not based on prudential considerations, establishing privileged access by Community institutions or bodies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States to financial institutions shall be prohibited.*

2. *The Council, acting in accordance with the procedure referred to in Article 189c, shall, before 1 January 1994, specify definitions for the application of the prohibition referred to in paragraph 1.*

#### *ARTICLE 104 b*

1. *The Community shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of any Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project. A Member State shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law or public undertakings of another Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project.*

2. *If necessary, the Council, acting in accordance with the procedure referred to in Article 189c, may specify definitions for the application of the prohibitions referred to in Article 104 and in this Article.*

#### *ARTICLE 104 c*

1. *Member States shall avoid excessive government deficits.*

2. *The Commission shall monitor the development of the budgetary situation and of the stock of government debt in the Member States with a view to identifying gross errors. In particular it shall examine compliance with budgetary discipline on the basis of the following two criteria:*

(a) *whether the ratio of the planned or actual government deficit to gross domestic product exceeds a reference value, unless:*

- *either the ratio has declined substantially and continuously and reached a level that comes close to the reference value;*
- *or, alternatively, the excess over the reference value is only exceptional and temporary and the ratio remains close to the reference value;*

(b) *whether the ratio of government debt to gross domestic product exceeds a reference value, unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace.*

*The reference values are specified in the Protocol on the excessive deficit procedure annexed to this Treaty.*

3. *If a Member State does not fulfil the requirements under one or both of these criteria, the Commission shall prepare a report. The report of the Commission shall also take into account whether the government deficit exceeds government investment expenditure and take into account all other relevant factors, including the medium-term economic and budgetary position of the Member State.*

*The Commission may also prepare a report if, notwithstanding the fulfilment of the requirements under the criteria, it is of the opinion that there is a risk of an excessive deficit in a Member State.*

4. *The Committee provided for in Article 109c shall formulate an opinion on the report of the Commission.*

5. *If the Commission considers that an excessive deficit in a Member State exists or may occur, the Commission shall address an opinion to the Council.*

6. *The Council shall, acting by a qualified majority on a recommendation from the Commission, and having considered any observations which the Member State*

concerned may wish to make, decide after an overall assessment whether an excessive deficit exists.

7. Where the existence of an excessive deficit is decided according to paragraph 6, the Council shall make recommendations to the Member State concerned with a view to bringing that situation to an end within a given period. Subject to the provisions of paragraph 8, these recommendations shall not be made public.

8. Where it establishes that there has been no effective action in response to its recommendations within the period laid down, the Council may make its recommendations public.

9. If a Member State persists in failing to put into practice the recommendations of the Council, the Council may decide to give notice to the Member State to take, within a specified time limit, measures for the deficit reduction which is judged necessary by the Council in order to remedy the situation.

In such a case, the Council may request the Member State concerned to submit reports in accordance with a specific timetable in order to examine the adjustment efforts of that Member State.

10. The rights to bring actions provided for in Articles 169 and 170 may not be exercised within the framework of paragraphs 1 to 9 of this Article.

11. As long as a Member State fails to comply with a decision taken in accordance with paragraph 9, the Council may decide to apply or, as the case may be, intensify one or more of the following measures:

- to require the Member State concerned to publish additional information, to be specified by the Council, before issuing bonds and securities;
- to invite the European Investment Bank to reconsider its lending policy towards the Member State concerned;
- to require the Member State concerned to make a non-interest-bearing deposit of an appropriate size with the Community until the excessive deficit has, in the view of the Council, been corrected;
- to impose fines of an appropriate size.

The President of the Council shall inform the European Parliament of the decisions taken.

12. The Council shall abrogate some or all of its decisions referred to in paragraphs 6 to 9 and 11 to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected. If the Council has previously made public recommendations, it shall, as soon as the decision under paragraph 8 has been abrogated, make a public statement that an excessive deficit in the Member State concerned no longer exists.

13. When taking the decisions referred to in paragraphs 7 to 9, 11 and 12, the Council shall act on a recommendation from the Commission by a majority of two thirds of the votes of its members weighted in accordance with Article 148(2), excluding the votes of the representative of the Member State concerned.

14. Further provisions relating to the implementation of the procedure described in this Article are set out in the Protocol on the excessive deficit procedure annexed to this Treaty.

The Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the ECB, adopt the appropriate provisions which shall then replace the said Protocol.

*Subject to the other provisions of this paragraph the Council shall, before 1 January 1994, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament, lay down detailed rules and definitions for the application of the provisions of the said Protocol.*

## CHAPTER 2

### MONETARY POLICY

#### ARTICLE 105

*1. The primary objective of the ESCB shall be to maintain price stability. Without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2. The ESCB shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 3a.*

*2. The basic tasks to be carried out through the ESCB shall be:*

- to define and implement the monetary policy of the Community;*
- to conduct foreign exchange operations consistent with the provisions of Article 109;*
- to hold and manage the official foreign reserves of the Member States;*
- to promote the smooth operation of payment systems.*

*3. The third indent of paragraph 2 shall be without prejudice to the holding and management by the governments of Member States of foreign exchange working balances.*

*4. The ECB shall be consulted:*

- on any proposed Community act in its fields of competence;*
- by national authorities regarding any draft legislative provision in its fields of competence, but within the limits and under the conditions set out by the Council in accordance with the procedure laid down in Article 106(6).*

*The ECB may submit opinions to the appropriate Community institutions or bodies or to national authorities on matters in its fields of competence.*

*5. The ESCB shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the Financial system.*

*6. The Council may, acting unanimously on a proposal from the Commission and after consulting the ECB and after receiving the assent of the European Parliament, confer upon the ECB specific tasks concerning policies relating to the prudential supervision of credit institutions and other financial institutions with the exception of insurance undertakings.*

#### ARTICLE 105 a

*1. The ECB shall have the exclusive right to authorize the issue of bank notes within the Community. The ECB and the national central banks may issue such notes. The bank notes issued by the ECB and the national central banks shall be the only such notes to have the status of legal tender within the Community.*

2. *Member States may issue coins subject to approval by the ECB of the volume of the issue. The Council may, acting in accordance with the procedure referred to in Article 189c and after consulting the ECB, adopt measures to harmonize the denominations and technical specifications of all coins intended for circulation to the extent necessary to permit their smooth circulation within the Community.*

#### *ARTICLE 106*

1. *The ESCB shall be composed of the ECB and of the national central banks.*
2. *The ECB shall have legal personality.*
3. *The ESCB shall be governed by the decision-making bodies of the ECB which shall be the Governing Council and the Executive Board.*
4. *The Statute of the ESCB is laid down in a Protocol annexed to this Treaty.*
5. *Articles 5.1, 5.2, 5.3, 17, 18, 19.1, 22, 23, 24, 26, 32.2, 32.3, 32.4, 32.6, 33.1(a) and 36 of the Statute of the ESCB may be amended by the Council, acting either by a qualified majority on a recommendation from the ECB and after consulting the Commission or unanimously on a proposal from the Commission and after consulting the ECB. In either case, the assent of the European Parliament shall be required.*
6. *The Council, acting by a qualified majority either on a proposal from the Commission and after consulting the European Parliament and the ECB or on a recommendation from the ECB and after consulting the European Parliament and the Commission, shall adopt the provisions referred to in Articles 4, 5.4, 19.2, 20, 28.1, 29.2, 30.4 and 34.3 of the Statute of the ESCB.*

#### *ARTICLE 107*

*When exercising the powers and carrying out the tasks and duties conferred upon them by this Treaty and the Statute of the ESCB, neither the ECB, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body.*

*The Community institutions and bodies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the ECB or of the national central banks in the performance of their tasks.*

#### *ARTICLE 108*

*Each Member State shall ensure, at the latest at the date of the establishment of the ESCB, that its national legislation including the statutes of its national central bank is compatible with this Treaty and the Statute of the ESCB.*

#### *ARTICLE 108 a*

1. *In order to carry out the tasks entrusted to the ESCB, the ECB shall, in accordance with the provisions of this Treaty and under the conditions laid down in the Statute of the ESCB:*
  - *make regulations to the extent necessary to implement the tasks defined in Article 3.1, first indent, Articles 19.1, 22 and 25.2 of the Statute of the ESCB and in cases which shall be laid down in the acts of the Council referred to in Article 106(6);*
  - *take decisions necessary for carrying out the tasks entrusted to the ESCB under this Treaty and the Statute of the ESCB;*
  - *make recommendations and deliver opinions.*

2. *A regulation shall have general application. It shall be binding in its entirety and directly applicable in all Member States.*

*Recommendations and opinions shall have no binding force.*

*A decision shall be binding in its entirety upon those to whom it is addressed.*

*Articles 190 to 192 shall apply to regulations and decisions adopted by the ECB. The ECB may decide to publish its decisions, recommendations and opinions.*

3. *Within the limits and under the conditions adopted by the Council under the procedure laid down in Article 106(6), the ECB shall be entitled to impose fines or periodic penalty payments on undertakings for failure to comply with obligations under its regulations and decisions.*

#### *ARTICLE 109*

1. *By way of derogation from Article 228, the Council may, acting unanimously on a recommendation from the ECB or from the Commission, and after consulting the ECB in an endeavour to reach a consensus consistent with the objective of price stability, after consulting the European Parliament, in accordance with the procedure in paragraph 3 for determining the arrangements, conclude formal agreements on an exchange rate system for the ECU in relation to non-Community currencies. The Council may, acting by a qualified majority on a recommendation from the ECB or from the Commission, and after consulting the ECB in an endeavour to reach a consensus consistent with the objective of price stability, adopt, adjust or abandon the central rates of the ECU within the exchange rate system. The President of the Council shall inform the European Parliament of the adoption, adjustment or abandonment of the ECU central rates.*

2. *In the absence of an exchange rate system in relation to one or more non-Community currencies as referred to in paragraph 1, the Council, acting by a qualified majority either on a recommendation from the Commission and after consulting the ECB or on a recommendation from the ECB, may formulate general orientations for exchange rate policy in relation to these currencies. These general orientations shall be without prejudice to the primary objective of the ESCB to maintain price stability.*

3. *By way of derogation from Article 228, where agreements concerning monetary or foreign exchange regime matters need to be negotiated by the Community with one or more States or international organizations, the Council, acting by a qualified majority on a recommendation from the Commission and after consulting the ECB, shall decide the arrangements for the negotiation and for the conclusion of such agreements. These arrangements shall ensure that the Community expresses a single position. The Commission shall be fully associated with the negotiations. Agreements concluded in accordance with this paragraph shall be binding on the institutions of the Community, on the ECB and on Member States.*

4. *Subject to paragraph 1, the Council shall, on a proposal from the Commission and after consulting the ECB, acting by a qualified majority decide on the position of the Community at international level as regards issues of particular relevance to economic and monetary union and, acting unanimously, decide its representation in compliance with the allocation of powers laid down in Articles 103 and 105.*

5. *Without prejudice to Community competence and Community agreements as regards economic and monetary Union, Member States may negotiate in international bodies and conclude international agreements.*

## CHAPTER 3

### INSTITUTIONAL PROVISIONS

#### ARTICLE 109 a

1. *The Governing Council of the ECB shall comprise the members of the Executive Board of the ECB and the Governors of the national central banks.*
2. (a) *The Executive Board shall comprise the President, the Vice-President and four other members.*  
(b) *The President, the Vice-President and the other members of the Executive Board shall be appointed from among persons of recognized standing and professional experience in monetary or banking matters by common accord of the Governments of the Member States at the level of Heads of State or of Government, on a recommendation from the Council, after it has consulted the European Parliament and the Governing Council of the ECB.*

*Their term of office shall be eight years and shall not be renewable.*

*Only nationals of Member States may be members of the Executive Board.*

#### ARTICLE 109 b

1. *The President of the Council and a member of the Commission may participate, without having the right to vote, in meetings of the Governing Council of the ECB. The President of the Council may submit a motion for deliberation to the Governing Council of the ECB.*
2. *The President of the ECB shall be invited to participate in Council meetings when the Council is discussing matters relating to the objectives and tasks of the ESCB.*
3. *The ECB shall address an annual report on the activities of the ESCB and on the monetary policy of both the previous and current year to the European Parliament, the Council and the Commission, and also to the European Council. The President of the ECB shall present this report to the Council and to the European Parliament, which may hold a general debate on that basis. The President of the ECB and the other members of the Executive Board may, at the request of the European Parliament or on their own initiative, be heard by the competent Committees of the European Parliament.*

#### ARTICLE 109 c

1. *In order to promote co-ordination of the policies of Member States to the full extent needed for the functioning of the internal market, a Monetary Committee with advisory status is hereby set up.*

*It shall have the following tasks:*

- *to keep under review the monetary and financial situation of the Member States and of the Community and the general payments system of the Member States and to report regularly thereon to the Council and to the Commission;*
- *to deliver opinions at the request of the Council or of the Commission, or on its own initiative for submission to those institutions;*
- *without prejudice to Article 151, to contribute to the preparation of the work of the Council referred to in Articles 73f, 73g, 103(2), (3), (4) and (5), 103a, 104a, 104b, 104c, 109e(2), 109f(6), 109h, 109i, 109j(2) and 109k(1);*
- *to examine, at least once a year, the situation regarding the movement of capital and the freedom of payments, as they result from the application of this Treaty and of measures adopted by the Council; the examination shall cover all measures*

*relating to capital movements and payments; the Committee shall report to the Commission and to the Council on the outcome of this examination.*

*The Member States and the Commission shall each appoint two members of the Monetary Committee.*

*2. At the start of the third stage, an Economic and Financial Committee shall be set up. The Monetary Committee provided for in paragraph 1 shall be dissolved.*

*The Economic and Financial Committee shall have the following tasks:*

- to deliver opinions at the request of the Council or of the Commission, or on its own initiative for submission to those institutions;*
- to keep under review the economic and financial situation of the Member States and of the Community and to report regularly thereon to the Council and to the Commission, in particular on financial relations with third countries and international institutions;*
- without prejudice to Article 151, to contribute to the preparation of the work of the Council referred to in Articles 73f, 73g, 103(2), (3), (4) and (5), 103a, 104a, 104b, 104c, 105(6), 105a(2), 106(5) and (6), 109, 109h, 109i(2) and (3), 109k(2), 109l(4) and (5), and to carry out other advisory and preparatory tasks assigned to it by the Council;*
- to examine, at least once a year, the situation regarding the movement of capital and the freedom of payments, as they result from the application of this Treaty and of measures adopted by the Council; the examination shall cover all measures relating to capital movements and payments; the Committee shall report to the Commission and to the Council on the outcome of this examination.*

*The Member States, the Commission and the ECB shall each appoint no more than two members of the Committee.*

*3. The Council shall, acting by a qualified majority on a proposal from the Commission and after consulting the ECB and the Committee referred to in this Article, lay down detailed provisions concerning the composition of the Economic and Financial Committee. The President of the Council shall inform the European Parliament of such a decision.*

*4. In addition to the tasks set out in paragraph 2, if and as long as there are Member States with a derogation as referred to in Articles 109k and 109l, the Committee shall keep under review the monetary and financial situation and the general payments system of those Member States and report regularly thereon to the Council and to the Commission.*

#### *ARTICLE 109 d*

*For matters within the scope of Articles 103(4), 104c with the exception of paragraph 14, 109, 109j, 109k and 109l(4) and (5), the Council or a Member State may request the Commission to make a recommendation or a proposal, as appropriate. The Commission shall examine this request and submit its conclusions to the Council without delay.*

## *CHAPTER 4*

### *TRANSITIONAL PROVISIONS*

#### *ARTICLE 109 e*

*1. The second stage for achieving economic and monetary union shall begin on 1 January 1994.*

2. *Before that date*
  - (a) *each Member State shall:*
    - *adopt, where necessary, appropriate measures to comply with the prohibitions laid down in Article 73b, without prejudice to Article 73e, and in Articles 104 and 104a(1);*
    - *adopt, if necessary, with a view to permitting the assessment provided for in sub-paragraph (b), multiannual programmes intended to ensure the lasting convergence necessary for the achievement of economic and monetary union, in particular with regard to price stability and sound public finances;*
  - (b) *the Council shall, on the basis of a report from the Commission, assess the progress made with regard to economic and monetary convergence, in particular with regard to price stability and sound public finances, and the progress made with the implementation of Community law concerning the internal market.*
3. *The provisions of Articles 104, 104a(1), 104b(1) and 104c with the exception of paragraphs 1, 9, 11 and 14 shall apply from the beginning of the second stage. The provisions of Articles 103a(2), 104c(1), (9) and (11), 105, 105a, 107, 109, 109a, 109b and 109c(2) and (4) shall apply from the beginning of the third stage.*
4. *In the second stage, Member States shall endeavour to avoid excessive government deficits.*
5. *During the second stage, each Member State shall, as appropriate, start the process leading to the independence of its central bank, in accordance with Article 108.*

#### *ARTICLE 109 f*

*1. At the start of the second stage, a European Monetary Institute (hereinafter referred to as 'EMI') shall be established and take up its duties; it shall have legal personality and be directed and managed by a Council, consisting of a President and the Governors of the national central banks, one of whom shall be Vice-President.*

*The President shall be appointed by common accord of the Governments of the Member States at the level of Heads of State or of Government, on a recommendation from, as the case may be, the Committee of Governors of the central banks of the Member States (hereinafter referred to as 'Committee of Governors') or the Council of the EMI, and after consulting the European Parliament and the Council. The President shall be selected from among persons of recognized standing and professional experience in monetary or banking matters. Only nationals of Member States may be President of the EMI. The Council of the EMI shall appoint the Vice-President.*

*The Statute of the EMI is laid down in a Protocol annexed to this Treaty.*

*The Committee of Governors shall be dissolved at the start of the second stage.*

2. *The EMI shall:*
  - *strengthen co-operation between the national central banks;*
  - *strengthen the co-ordination of the monetary policies of the Member States, with the aim of ensuring price stability;*
  - *monitor the functioning of the European Monetary System;*
  - *hold consultations concerning issues falling within the competence of the national central banks and affecting the stability of financial institutions and markets;*
  - *take over the tasks of the European Monetary Co-operation Fund, which shall be dissolved; the modalities of dissolution are laid down in the Statute of the EMI;*

- *facilitate the use of the ECU and oversee its development, including the smooth functioning of the ECU clearing system.*

3. *For the preparation of the third stage, the EMI shall:*

- *prepare the instruments and the procedures necessary for carrying out a single monetary policy in the third stage;*
- *promote the harmonization, where necessary, of the rules and practices governing the collection, compilation and distribution of statistics in the areas within its field of competence;*
- *prepare the rules for operations to be undertaken by the national central banks within the framework of the ESCB;*
- *promote the efficiency of cross-border payments;*
- *supervise the technical preparation of ECU bank notes.*

*At the latest by 31 December 1996, the EMI shall specify the regulatory, organizational and logistical framework necessary for the ESCB to perform its tasks in the third stage. This framework shall be submitted for decision to the ECB at the date of its establishment.*

4. *The EMI, acting by a majority of two-thirds of the members of its Council, may:*

- *formulate opinions or recommendations on the overall orientation of monetary policy and exchange rate policy as well as on related measures introduced in each Member State;*
- *submit opinions or recommendations to Governments and to the Council on policies which might affect the internal or external monetary situation in the Community and, in particular, the functioning of the European Monetary System;*
- *make recommendations to the monetary authorities of the Member States concerning the conduct of their monetary policy.*

5. *The EMI, acting unanimously, may decide to publish its opinions and its recommendations.*

6. *The EMI shall be consulted by the Council regarding any proposed Community act within its field of competence.*

*Within the limits and under the conditions set out by the Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament and the EMI, the EMI shall be consulted by the authorities of the Member States on any draft legislative provision within its field of competence.*

7. *The Council may, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the EMI, confer upon the EMI other tasks for the preparation of the third stage.*

8. *Where this Treaty provides for a consultative role for the ECB, references to the ECB shall be read as referring to the EMI before the establishment of the ECB.*

*Where this Treaty provides for a consultative role for the EMI, references to the EMI shall be read, before 1 January 1994, as referring to the Committee of Governors.*

9. *During the second stage, the term 'ECB' used in Articles 173, 175, 176, 177, 180 and 215 shall be read as referring to the EMI.*

#### *ARTICLE 109 g*

*The currency composition of the ECU basket shall not be changed.*

*From the start of the third stage, the value of the ECU shall be irrevocably fixed in accordance with Article 109l(4).*

#### *ARTICLE 109 h*

*1. Where a Member State is in difficulties or is seriously threatened with difficulties as regards its balance of payments either as a result of an overall disequilibrium in its balance of payments, or as a result of the type of currency at its disposal, and where such difficulties are liable in particular to jeopardize the functioning of the common market or the progressive implementation of the common commercial policy, the Commission shall immediately investigate the position of the State in question and the action which, making use of all the means at its disposal, that State has taken or may take in accordance with the provisions of this Treaty. The Commission shall state what measures it recommends the State concerned to take.*

*If the action taken by a Member State and the measures suggested by the Commission do not prove sufficient to overcome the difficulties which have arisen or which threaten, the Commission shall, after consulting the Committee referred to in Article 109c, recommend to the Council the granting of mutual assistance and appropriate methods therefor.*

*The Commission shall keep the Council regularly informed of the situation and of how it is developing.*

*2. The Council, acting by a qualified majority, shall grant such mutual assistance; it shall adopt directives or decisions laying down the conditions and details of such assistance, which may take such forms as:*

- (a) a concerted approach to or within any other international organizations to which Member States may have recourse;*
- (b) measures needed to avoid deflection of trade where the State which is in difficulties maintains or reintroduces quantitative restrictions against third countries;*
- (c) the granting of limited credits by other Member States, subject to their agreement.*

*3. If the mutual assistance recommended by the Commission is not granted by the Council or if the mutual assistance granted and the measures taken are insufficient, the Commission shall authorize the State which is in difficulties to take protective measures, the conditions and details of which the Commission shall determine.*

*Such authorization may be revoked and such conditions and details may be changed by the Council acting by a qualified majority.*

*4. Subject to Article 109k(6), this Article shall cease to apply from the beginning of the third stage.*

#### *ARTICLE 109 i*

*1. Where a sudden crisis in the balance of payments occurs and a decision within the meaning of Article 109h(2) is not immediately taken, the Member State concerned may, as a precaution, take the necessary protective measures. Such measures must cause the least possible disturbance in the functioning of the common market and must not be wider in scope than is strictly necessary to remedy the sudden difficulties which have arisen.*

*2. The Commission and the other Member States shall be informed of such protective measures not later than when they enter into force. The Commission may recommend to the Council the granting of mutual assistance under Article 109h.*

*3. After the Commission has delivered an opinion and the Committee referred to in Article 109c has been consulted, the Council may, acting by a qualified majority, decide*

*that the State concerned shall amend, suspend or abolish the protective measures referred to above.*

*4. Subject to Article 109k(6), this Article shall cease to apply from the beginning of the third stage.*

#### *ARTICLE 109 j*

*1. The Commission and the EMI shall report to the Council on the progress made in the fulfilment by the Member States of their obligations regarding the achievement of economic and monetary union. These reports shall include an examination of the compatibility between each Member State's national legislation, including the statutes of its national central bank, and Articles 107 and 108 of this Treaty and the Statute of the ESCB. The reports shall also examine the achievement of a high degree of sustainable convergence by reference to the fulfilment by each Member State of the following criteria:*

- the achievement of a high degree of price stability; this will be apparent from a rate of inflation which is close to that of, at most, the three best performing Member States in terms of price stability;*
- the sustainability of the government financial position; this will be apparent from having achieved a government budgetary position without a deficit that is excessive as determined in accordance with Article 104c(6);*
- the observance of the normal fluctuation margins provided for by the Exchange Rate Mechanism of the European Monetary System, for at least two years, without devaluing against the currency of any other Member State;*
- the durability of convergence achieved by the Member State and of its participation in the Exchange Rate Mechanism of the European Monetary System being reflected in the long-term interest rate levels.*

*The four criteria mentioned in this paragraph and the relevant periods over which they are to be respected are developed further in a Protocol annexed to this Treaty. The reports of the Commission and the EMI shall also take account of the development of the ECU, the results of the integration of markets, the situation and development of the balances of payments on current account and an examination of the development of unit labour costs and other price indices.*

*2. On the basis of these reports, the Council, acting by a qualified majority on a recommendation from the Commission, shall assess:*

- for each Member State, whether it fulfils the necessary conditions for the adoption of a single currency;*
- whether a majority of the Member States fulfil the necessary conditions for the adoption of a single currency,*

*and recommend its findings to the Council, meeting in the composition of the Heads of State or of Government. The European Parliament shall be consulted and forward its opinion to the Council, meeting in the composition of the Heads of State or of Government.*

*3. Taking due account of the reports referred to in paragraph 1 and the opinion of the European Parliament referred to in paragraph 2, the Council, meeting in the composition of Heads of State or of Government, shall, acting by a qualified majority, not later than 31 December 1996:*

- decide, on the basis of the recommendations of the Council referred to in paragraph 2, whether a majority of the Member States fulfil the necessary conditions for the adoption of a single currency;*
- decide whether it is appropriate for the Community to enter the third stage,*

*and if so*

*- set the date for the beginning of the third stage.*

*4. If by the end of 1997 the date for the beginning of the third stage has not been set, the third stage shall start on 1 January 1999. Before 1 July 1998, the Council, meeting in the composition of Heads of State or of Government, after a repetition of the procedure provided for in paragraphs 1 and 2, with the exception of the second indent of paragraph 2, taking into account the reports referred to in paragraph 1 and the opinion of the European Parliament, shall, acting by a qualified majority and on the basis of the recommendations of the Council referred to in paragraph 2, confirm which Member States fulfil the necessary conditions for the adoption of a single currency.*

#### *ARTICLE 109 k*

*1. If the decision has been taken to set the date in accordance with Article 109j(3), the Council shall, on the basis of its recommendations referred to in Article 109j(2), acting by a qualified majority on a recommendation from the Commission, decide whether any, and if so which, Member States shall have a derogation as defined in paragraph 3 of this Article. Such Member States shall in this Treaty be referred to as 'Member States with a derogation'.*

*If the Council has confirmed which Member States fulfil the necessary conditions for the adoption of a single currency, in accordance with Article 109j(4), those Member States which do not fulfil the conditions shall have a derogation as defined in paragraph 3 of this Article. Such Member States shall in this Treaty be referred to as 'Member States with a derogation'.*

*2. At least once every two years, or at the request of a Member State with a derogation, the Commission and the ECB shall report to the Council in accordance with the procedure laid down in Article 109j(1). After consulting the European Parliament and after discussion in the Council, meeting in the composition of the Heads of State or of Government, the Council shall, acting by a qualified majority on a proposal from the Commission, decide which Member States with a derogation fulfil the necessary conditions on the basis of the criteria set out in Article 109j(1), and abrogate the derogations of the Member States concerned.*

*3. A derogation referred to in paragraph 1 shall entail that the following Articles do not apply to the Member State concerned: Articles 104c(9) and (11), 105(1), (2), (3) and (5), 105a, 108a, 109, and 109a(2)(b). The exclusion of such a Member State and its national central bank from rights and obligations within the ESCB is laid down in Chapter IX of the Statute of the ESCB.*

*4. In Articles 105(1), (2) and (3), 105a, 108a, 109 and 109a(2)(b), 'Member States' shall be read as 'Member States without a derogation'.*

*5. The voting rights of Member States with a derogation shall be suspended for the Council decisions referred to in the Articles of this Treaty mentioned in paragraph 3. In that case, by way of derogation from Articles 148 and 189a(1), a qualified majority shall be defined as two thirds of the votes of the representatives of the Member States without a derogation weighted in accordance with Article 148(2), and unanimity of those Member States shall be required for an act requiring unanimity.*

*6. Articles 109h and 109i shall continue to apply to a Member State with a derogation.*

#### ARTICLE 109 l

1. Immediately after the decision on the date for the beginning of the third stage has been taken in accordance with Article 109j(3), or, as the case may be, immediately after 1 July 1998:

- the Council shall adopt the provisions referred to in Article 106(6);
- the governments of the Member States without a derogation shall appoint, in accordance with the procedure set out in Article 50 of the Statute of the ESCB, the President, the Vice-President and the other members of the Executive Board of the ECB. If there are Member States with a derogation, the number of members of the Executive Board may be smaller than provided for in Article 11.1 of the Statute of the ESCB, but in no circumstances shall it be less than four.

As soon as the Executive Board is appointed, the ESCB and the ECB shall be established and shall prepare for their full operation as described in this Treaty and the Statute of the ESCB. The full exercise of their powers shall start from the first day of the third stage.

2. As soon as the ECB is established, it shall, if necessary, take over the tasks of the EMI. The EMI shall go into liquidation upon the establishment of the ECB; the modalities of liquidation are laid down in the Statute of the EMI.

3. If and as long as there are Member States with a derogation, and without prejudice to Article 106(3) of this Treaty, the General Council of the ECB referred to in Article 45 of the Statute of the ESCB shall be constituted as a third decision-making body of the ECB.

4. At the starting date of the third stage, the Council shall, acting with the unanimity of the Member States without a derogation, on a proposal from the Commission and after consulting the ECB, adopt the conversion rates at which their currencies shall be irrevocably fixed and at which irrevocably fixed rate the ECU shall be substituted for these currencies, and the ECU will become a currency in its own right. This measure shall by itself not modify the external value of the ECU. The Council shall, acting according to the same procedure, also take the other measures necessary for the rapid introduction of the ECU as the single currency of those Member States.

5. If it is decided, according to the procedure set out in Article 109k(2), to abrogate a derogation, the Council shall, acting with the unanimity of the Member States without a derogation and the Member State concerned, on a proposal from the Commission and after consulting the ECB, adopt the rate at which the ECU shall be substituted for the currency of the Member State concerned, and take the other measures necessary for the introduction of the ECU as the single currency in the Member State concerned.

#### ARTICLE 109 m

1. Until the beginning of the third stage, each Member State shall treat its exchange rate policy as a matter of common interest. In so doing, Member States shall take account of the experience acquired in co-operation within the framework of the European Monetary System (EMS) and in developing the ECU, and shall respect existing powers in this field.

2. From the beginning of the third stage and for as long as a Member State has a derogation, paragraph 1 shall apply by analogy to the exchange rate policy of that Member State.

(26) In Title II of Part Three, the title of Chapter 4 shall be replaced by the following:

*'TITLE VII*

*COMMON COMMERCIAL POLICY'*

(27) Article 111 shall be repealed.

(28) Article 113 shall be replaced by the following:

*'ARTICLE 113*

*1. The common commercial policy shall be based on uniform principles, particularly in regard to changes in tariff rates, the conclusion of tariff and trade agreements, the achievement of uniformity in measures of liberalization, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies.*

*2. The Commission shall submit proposals to the Council for implementing the common commercial policy.*

*3. Where agreements with one or more States or international organizations need to be negotiated, the Commission shall make recommendations to the Council, which shall authorize the Commission to open the necessary negotiations.*

*The Commission shall conduct these negotiations in consultation with a special committee appointed by the Council to assist the Commission in this task and within the framework of such directives as the Council may issue to it.*

*The relevant provisions of Article 228 shall apply.*

*4. In exercising the powers conferred upon it by this Article, the Council shall act by a qualified majority.'*

(29) Article 114 shall be repealed.

(30) Article 115 shall be replaced by the following:

*'ARTICLE 115*

*In order to ensure that the execution of measures of commercial policy taken in accordance with this Treaty by any Member State is not obstructed by deflection of trade, or where differences between such measures lead to economic difficulties in one or more Member States, the Commission shall recommend the methods for the requisite co-operation between Member States. Failing this, the Commission may authorize Member States to take the necessary protective measures, the conditions and details of which it shall determine.*

*In case of urgency, Member States shall request authorization to take the necessary measures themselves from the Commission, which shall take a decision as soon as possible; the Member States concerned shall then notify the measures to the other Member States. The Commission may decide at any time that the Member States concerned shall amend or abolish the measures in question.*

*In the selection of such measures, priority shall be given to those which cause the least disturbance to the functioning of the common market.'*

(31) Article 116 shall be repealed.

(32) In Part Three, the title of Title III shall be replaced by the following:

*'TITLE VIII*

*SOCIAL POLICY, EDUCATION, VOCATIONAL TRAINING AND YOUTH'*

(33) The first subparagraph of Article 118a(2) shall be replaced by the following:

*'2. In order to help achieve the objective laid down in the first paragraph, the Council, acting in accordance with the procedure referred to in Article 189c and after consulting the Economic and Social Committee, shall adopt by means of directives, minimum requirements for gradual implementation, having regard to the conditions and technical rules obtaining in each of the Member States.'*

(34) Article 123 shall be replaced by the following:

*'ARTICLE 123*

*In order to improve employment opportunities for workers in the internal market and to contribute thereby to raising the standard of living, a European Social Fund is hereby established in accordance with the provisions set out below; it shall aim to render the employment of workers easier and to increase their geographical and occupational mobility within the Community, and to facilitate their adaptation to industrial changes and to changes in production systems, in particular through vocational training and retraining.'*

(35) Article 125 shall be replaced by the following:

*'ARTICLE 125*

*The Council, acting in accordance with the procedure referred to in Article 189c and after consulting the Economic and Social Committee, shall adopt implementing decisions relating to the European Social Fund.'*

(36) Articles 126, 127 and 128 shall be replaced by the following:

*'CHAPTER 3*

*EDUCATION, VOCATIONAL TRAINING AND YOUTH*

*ARTICLE 126*

*1. The Community shall contribute to the development of quality education by encouraging co-operation between Member States and, if necessary, by supporting and supplementing their action, while fully respecting the responsibility of the Member States for the content of teaching and the organization of education systems and their cultural and linguistic diversity.*

2. *Community action shall be aimed at:*
  - *developing the European dimension in education, particularly through the teaching and dissemination of the languages of the Member States;*
  - *encouraging mobility of students and teachers, inter alia by encouraging the academic recognition of diplomas and periods of study;*
  - *promoting co-operation between educational establishments;*
  - *developing exchanges of information and experience on issues common to the education systems of the Member States;*
  - *encouraging the development of youth exchanges and of exchanges of socio-educational instructors;*
  - *encouraging the development of distance education.*
3. *The Community and the Member States shall foster co-operation with third countries and the competent international organizations in the field of education, in particular the Council of Europe.*
4. *In order to contribute to the achievement of the objectives referred to in this Article, the Council:*
  - *acting in accordance with the procedure referred to in Article 189b, after consulting the Economic and Social Committee and the Committee of the Regions, shall adopt incentive measures, excluding any harmonization of the laws and regulations of the Member States;*
  - *acting by a qualified majority on a proposal from the Commission, shall adopt recommendations.*

#### *ARTICLE 127*

1. *The Community shall implement a vocational training policy which shall support and supplement the action of the Member States, while fully respecting the responsibility of the Member States for the content and organization of vocational training.*
2. *Community action shall aim to:*
  - *facilitate adaptation to industrial changes, in particular through vocational training and retraining;*
  - *improve initial and continuing vocational training in order to facilitate vocational integration and reintegration into the labour market;*
  - *facilitate access to vocational training and encourage mobility of instructors and trainees and particularly young people;*
  - *stimulate co-operation on training between educational or training establishments and firms;*
  - *develop exchanges of information and experience on issues common to the training systems of the Member States.*
3. *The Community and the Member States shall foster co-operation with third countries and the competent international organizations in the sphere of vocational training.*
4. *The Council, acting in accordance with the procedure referred to in Article 189c and after consulting the Economic and Social Committee, shall adopt measures to contribute to the achievement of the objectives referred to in this Article, excluding any harmonization of the laws and regulations of the Member States.'*

(37) The following shall be inserted:

*'TITLE IX*

*CULTURE*

*ARTICLE 128*

*1. The Community shall contribute to the flowering of the cultures of the Member States, while respecting their national and regional diversity and at the same time bringing the common cultural heritage to the fore.*

*2. Action by the Community shall be aimed at encouraging co-operation between Member States and, if necessary, supporting and supplementing their action in the following areas:*

- improvement of the knowledge and dissemination of the culture and history of the European peoples;*
- conservation and safeguarding of cultural heritage of European significance;*
- non-commercial cultural exchanges;*
- artistic and literary creation, including in the audio-visual sector.*

*3. The Community and the Member States shall foster co-operation with third countries and the competent international organizations in the sphere of culture, in particular the Council of Europe.*

*4. The Community shall take cultural aspects into account in its action under other provisions of this Treaty.*

*5. In order to contribute to the achievement of the objectives referred to in this Article, the Council:*

- acting in accordance with the procedure referred to in Article 189b and after consulting the Committee of the Regions, shall adopt incentive measures, excluding any harmonization of the laws and regulations of the Member States. The Council shall act unanimously throughout the procedures referred to in Article 189b;*
- acting unanimously on a proposal from the Commission, shall adopt recommendations.'*

(38) Titles IV, V, VI and VII shall be replaced by the following:

*'TITLE X*

*PUBLIC HEALTH*

*ARTICLE 129*

*1. The Community shall contribute towards ensuring a high level of human health protection by encouraging co-operation between the Member States and, if necessary, lending support to their action.*

*Community action shall be directed towards the prevention of diseases, in particular the major health scourges, including drug dependence, by promoting research into their causes and their transmission, as well as health information and education.*

*Health protection requirements shall form a constituent part of the Community's other policies.*

*2. Member States shall, in liaison with the Commission, co-ordinate among themselves their policies and programmes in the areas referred to in paragraph 1. The Commission may, in close contact with the Member States, take any useful initiative to promote such co-ordination.*

*3. The Community and the Member States shall foster co-operation with third countries and the competent international organizations in the sphere of public health.*

*4. In order to contribute to the achievement of the objectives referred to in this Article, the Council:*

- acting in accordance with the procedure referred to in Article 189b, after consulting the Economic and Social Committee and the Committee of the Regions, shall adopt incentive measures, excluding any harmonization of the laws and regulations of the Member States;*
- acting by a qualified majority on a proposal from the Commission, shall adopt recommendations.*

## *TITLE XI*

### *CONSUMER PROTECTION*

#### *ARTICLE 129 a*

*1. The Community shall contribute to the attainment of a high level of consumer protection through:*

- (a) measures adopted pursuant to Article 100a in the context of the completion of the internal market;*
- (b) specific action which supports and supplements the policy pursued by the Member States to protect the health, safety and economic interests of consumers and to provide adequate information to consumers.*

*2. The Council, acting in accordance with the procedure referred to in Article 189b and after consulting the Economic and Social Committee, shall adopt the specific action referred to in paragraph 1(b).*

*3. Action adopted pursuant to paragraph 2 shall not prevent any Member State from maintaining or introducing more stringent protective measures. Such measures must be compatible with this Treaty. The Commission shall be notified of them.*

## *TITLE XII*

### *TRANS-EUROPEAN NETWORKS*

#### *ARTICLE 129 b*

*1. To help achieve the objectives referred to in Articles 7a and 130a and to enable citizens of the Union, economic operators and regional and local communities to derive full benefit from the setting up of an area without internal frontiers, the Community shall contribute to the establishment and development of trans-European networks in the areas of transport, telecommunications and energy infrastructures.*

*2. Within the framework of a system of open and competitive markets, action by the Community shall aim at promoting the interconnection and inter-operability of national networks as well as access to such networks. It shall take account in particular of the*

*need to link island, landlocked and peripheral regions with the central regions of the Community.*

#### *ARTICLE 129 c*

- 1. In order to achieve the objectives referred to in Article 129b, the Community:*
  - shall establish a series of guidelines covering the objectives, priorities and broad lines of measures envisaged in the sphere of trans-European networks; these guidelines shall identify projects of common interest;*
  - shall implement any measures that may prove necessary to ensure the inter-operability of the networks, in particular in the field of technical standardization;*
  - may support the financial efforts made by the Member States for projects of common interest financed by Member States, which are identified in the framework of the guidelines referred to in the First indent, particularly through feasibility studies, loan guarantees or interest rate subsidies; the Community may also contribute, through the Cohesion Fund to be set up no later than 31 December 1993 pursuant to Article 130d, to the financing of specific projects in Member States in the area of transport infrastructure.*

*The Community's activities shall take into account the potential economic viability of the projects.*

- 2. Member States shall, in liaison with the Commission, co-ordinate among themselves the policies pursued at national level which may have a significant impact on the achievement of the objectives referred to in Article 129c. The Commission may, in close co-operation with the Member States, take any useful initiative to promote such co-ordination.*

- 3. The Community may decide to co-operate with third countries to promote projects of mutual interest and to ensure the inter-operability of networks.*

#### *ARTICLE 129 d*

*The guidelines referred to in Article 129c(1) shall be adopted by the Council, acting in accordance with the procedure referred to in Article 189b and after consulting the Economic and Social Committee and the Committee of the Regions.*

*Guidelines and projects of common interest which relate to the territory of a Member State shall require the approval of the Member State concerned.*

*The Council, acting in accordance with the procedure referred to in Article 189c and after consulting the Economic and Social Committee and the Committee of the Regions, shall adopt the other measures provided for in Article 129c(1).*

### *TITLE XIII*

#### *INDUSTRY*

#### *ARTICLE 130*

- 1. The Community and the Member States shall ensure that the conditions necessary for the competitiveness of the Community's industry exist.*

*For that purpose, in accordance with a system of open and competitive markets, their action shall be aimed at:*

- speeding up the adjustment of industry to structural changes;*

- *encouraging an environment favourable to initiative and to the development of undertakings throughout the Community, particularly small and medium-sized undertakings;*
  - *encouraging an environment favourable to co-operation between undertakings;*
  - *fostering better exploitation of the industrial potential of policies of innovation, research and technological development.*
2. *The Member States shall consult each other in liaison with the Commission and, where necessary, shall co-ordinate their action. The Commission may take any useful initiative to promote such co-ordination.*
3. *The Community shall contribute to the achievement of the objectives set out in paragraph 1 through the policies and activities it pursues under other provisions of this Treaty. The Council, acting unanimously on a proposal from the Commission, after consulting the European Parliament and the Economic and Social Committee, may decide on specific measures in support of action taken in the Member States to achieve the objectives set out in paragraph 1.*
- This Title shall not provide a basis for the introduction by the Community of any measure which could lead to a distortion of competition.*

## *TITLE XIV*

### *ECONOMIC AND SOCIAL COHESION*

#### *ARTICLE 130 a*

*In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least-favoured regions, including rural areas.*

#### *ARTICLE 130 b*

*Member States shall conduct their economic policies and shall co-ordinate them in such a way as, in addition, to attain the objectives set out in Article 130a. The formulation and implementation of the Community's policies and actions and the implementation of the internal market shall take into account the objectives set out in Article 130a and shall contribute to their achievement. The Community shall also support the achievement of these objectives by the action it takes through the structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section; European Social Fund; European Regional Development Fund), the European Investment Bank and the other existing financial instruments.*

*The Commission shall submit a report to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions every three years on the progress made towards achieving economic and social cohesion and on the manner in which the various means provided for in this Article have contributed to it. This report shall, if necessary, be accompanied by appropriate proposals.*

*If specific actions prove necessary outside the Funds and without prejudice to the measures decided upon within the framework of the other Community policies, such actions may be adopted by the Council acting unanimously on a proposal from the Commission and after consulting the European Parliament, the Economic and Social Committee and the Committee of the Regions.*

*ARTICLE 130 c*

*The European Regional Development Fund is intended to help to redress the main regional imbalances in the Community through participation in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions.*

*ARTICLE 130 d*

*Without prejudice to Article 130e, the Council, acting unanimously on a proposal from the Commission and after obtaining the assent of the European Parliament and consulting the Economic and Social Committee and the Committee of the Regions, shall define the tasks, priority objectives and the organization of the Structural Funds, which may involve grouping the Funds. The Council, acting by the same procedure, shall also define the general rules applicable to them and the provisions necessary to ensure their effectiveness and the co-ordination of the Funds with one another and with the other existing financial instruments.*

*The Council, acting in accordance with the same procedure, shall before 31 December 1993 set up a Cohesion Fund to provide a financial contribution to projects in the fields of environment and trans-European networks in the area of transport infrastructure.*

*ARTICLE 130 e*

*Implementing decisions relating to the European Regional Development Fund shall be taken by the Council, acting in accordance with the procedure referred to in Article 189c and after consulting the Economic and Social Committee and the Committee of the Regions.*

*With regard to the European Agricultural Guidance and Guarantee Fund, Guidance Section, and the European Social Fund, Articles 43 and 125 respectively shall continue to apply.*

*TITLE XV*

*RESEARCH AND TECHNOLOGICAL DEVELOPMENT*

*ARTICLE 130 f*

*1. The Community shall have the objective of strengthening the scientific and technological bases of Community industry and encouraging it to become more competitive at international level, while promoting all the research activities deemed necessary by virtue of other Chapters of this Treaty.*

*2. For this purpose the Community shall, throughout the Community, encourage undertakings, including small and medium-sized undertakings, research centres and universities in their research and technological development activities of high quality; it shall support their efforts to co-operate with one another, aiming, notably, at enabling undertakings to exploit the internal market potential to the full, in particular through the opening up of national public contracts, the definition of common standards and the removal of legal and fiscal obstacles to that co-operation.*

*3. All Community activities under this Treaty in the area of research and technological development, including demonstration projects, shall be decided on and implemented in accordance with the provisions of this Title.*

#### *ARTICLE 130 g*

*In pursuing these objectives, the Community shall carry out the following activities, complementing the activities carried out in the Member States:*

- (a) implementation of research, technological development and demonstration programmes, by promoting co-operation with and between undertakings, research centres and universities;*
- (b) promotion of co-operation in the field of Community research, technological development and demonstration with third countries and international organizations;*
- (c) dissemination and optimization of the results of activities in Community research, technological development and demonstration;*
- (d) stimulation of the training and mobility of researchers in the Community.*

#### *ARTICLE 130 h*

*1. The Community and the Member States shall co-ordinate their research and technological development activities so as to ensure that national policies and community policy are mutually consistent.*

*2. In close co-operation with the Member States, the Commission may take any useful initiative to promote the co-ordination referred to in paragraph 1.*

#### *ARTICLE 130 i*

*1. A multiannual framework programme, setting out all the activities of the Community, shall be adopted by the Council, acting in accordance with the procedure referred to in Article 189b after consulting the Economic and Social Committee. The Council shall act unanimously throughout the procedures referred to in Article 189b.*

*The framework programme shall:*

- establish the scientific and technological objectives to be achieved by the activities provided for in Article 130g and fix the relevant priorities;*
- indicate the broad lines of such activities;*
- fix the maximum overall amount and the detailed rules for Community financial participation in the framework programme and the respective shares in each of the activities provided for.*

*2. The framework programme shall be adapted or supplemented as the situation changes.*

*3. The framework programme shall be implemented through specific programmes developed within each activity. Each specific programme shall define the detailed rules for implementing it, fix its duration and provide for the means deemed necessary. The sum of the amounts deemed necessary, fixed in the specific programmes, may not exceed the overall maximum amount fixed for the framework programme and each activity.*

*4. The Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall adopt the specific programmes.*

#### *ARTICLE 130 j*

*For the implementation of the multi-annual framework programme the Council shall:*

- determine the rules for the participation of undertakings, research centres and universities;*
- lay down the rules governing the dissemination of research results.*

*ARTICLE 130 k*

*In implementing the multi-annual framework programme, supplementary programmes may be decided on involving the participation of certain Member States only, which shall finance them subject to possible Community participation.*

*The Council shall adopt the rules applicable to supplementary programmes, particularly as regards the dissemination of knowledge and access by other Member States.*

*ARTICLE 130 l*

*In implementing the multi-annual framework programme the Community may make provision, in agreement with the Member States concerned, for participation in research and development programmes undertaken by several Member States, including participation in the structures created for the execution of those programmes.*

*ARTICLE 130 m*

*In implementing the multi-annual framework programme the Community may make provision for co-operation in Community research, technological development and demonstration with third countries or international organizations.*

*The detailed arrangements for such co-operation may be the subject of agreements between the Community and the third parties concerned, which shall be negotiated and concluded in accordance with Article 228.*

*ARTICLE 130 n*

*The Community may set up joint undertakings or any other structure necessary for the efficient execution of Community research, technological development and demonstration programmes.*

*ARTICLE 130 o*

*The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall adopt the provisions referred to in Article 130n.*

*The Council, acting in accordance with the procedure referred to in Article 189c and after consulting the Economic and Social Committee, shall adopt the provisions referred to in Articles 130j to l. Adoption of the supplementary programmes shall require the agreement of the Member States concerned.*

*ARTICLE 130 p*

*At the beginning of each year the Commission shall send a report to the European Parliament and the Council. The report shall include information on research and technological development activities and the dissemination of results during the previous year, and the work programme for the current year.*

*TITLE XVI*

*ENVIRONMENT*

*ARTICLE 130 r*

*1. Community policy on the environment shall contribute to pursuit of the following objectives:*

- preserving, protecting and improving the quality of the environment;*

- protecting human health;
- prudent and rational utilization of natural resources;
- promoting measures at international level to deal with regional or world-wide environmental problems.

2. Community policy on the environment shall aim at a high level of protection taking into account the diversity of situations in the various regions of the Community. It shall be based on the precautionary principle and on the principles that preventive action should be taken, that environmental damage should as a priority be rectified at source and that the polluter should pay. Environmental protection requirements must be integrated into the definition and implementation of other Community policies.

In this context, harmonization measures answering these requirements shall include, where appropriate, a safeguard clause allowing Member States to take provisional measures, for non-economic environmental reasons, subject to a Community inspection procedure.

3. In preparing its policy on the environment, the Community shall take account of:

- available scientific and technical data;
- environmental conditions in the various regions of the Community;
- the potential benefits and costs of action or lack of action;
- the economic and social development of the Community as a whole and the balanced development of its regions.

4. Within their respective spheres of competence, the Community and the Member States shall co-operate with third countries and with the competent international organizations.

The arrangements for Community co-operation may be the subject of agreements between the Community and the third parties concerned, which shall be negotiated and concluded in accordance with Article 228.

The previous sub-paragraph shall be without prejudice to Member States' competence to negotiate in international bodies and to conclude international agreements.

#### ARTICLE 130 s

1. The Council, acting in accordance with the procedure referred to in Article 189c and after consulting the Economic and Social Committee, shall decide what action is to be taken by the Community in order to achieve the objectives referred to in Article 130r.

2. By way of derogation from the decision-making procedure provided for in paragraph 1 and without prejudice to Article 100a, the Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall adopt:

- provisions primarily of a fiscal nature;
- measures concerning town and country planning, land use with the exception of waste management and measures of a general nature, and management of water resources;
- measures significantly affecting a Member State's choice between different energy sources and the general structure of its energy supply.

The Council may, under the conditions laid down in the preceding sub-paragraph, define those matters referred to in this paragraph on which decisions are to be taken by a qualified majority.

3. In other areas, general action programmes setting out priority objectives to be attained shall be adopted by the Council, acting in accordance with the procedure referred to in Article 189b and after consulting the Economic and Social Committee.

The Council, acting under the terms of paragraph 1 or paragraph 2 according to the case, shall adopt the measures necessary for the implementation of these programmes.

4. *Without prejudice to certain measures of a Community nature, the Member States shall finance and implement the environment policy.*

5. *Without prejudice to the principle that the polluter should pay, if a measure based on the provisions of paragraph 1 involves costs deemed disproportionate for the public authorities of a Member State, the Council shall, in the act adopting that measure, lay down appropriate provisions in the form of:*

- *temporary derogations and/or*
- *financial support from the Cohesion Fund to be set up no later than 31 December 1993 pursuant to Article 130d.*

#### *ARTICLE 130 t*

*The protective measures adopted pursuant to Article 130s shall not prevent any Member State from maintaining or introducing more stringent protective measures. Such measures must be compatible with this Treaty. They shall be notified to the Commission.*

## *TITLE XVII*

### *DEVELOPMENT CO-OPERATION*

#### *ARTICLE 130 u*

1. *Community policy in the sphere of development co-operation, which shall be complementary to the policies pursued by the Member States, shall foster:*

- *the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;*
- *the smooth and gradual integration of the developing countries into the world economy;*
- *the campaign against poverty in the developing countries.*

2. *Community policy in this area shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms.*

3. *The Community and the Member States shall comply with the commitments and take account of the objectives they have approved in the context of the United Nations and other competent international organizations.*

#### *ARTICLE 130 v*

*The Community shall take account of the objectives referred to in Article 130u in the policies that it implements which are likely to affect developing countries.*

#### *ARTICLE 130 w*

1. *Without prejudice to the other provisions of this Treaty the Council, acting in accordance with the procedure referred to in Article 189c, shall adopt the measures necessary to further the objectives referred to in Article 130u. Such measures may take the form of multiannual programmes.*

2. *The European Investment Bank shall contribute, under the terms laid down in its Statute, to the implementation of the measures referred to in paragraph One.*

3. *The provisions of this Article shall not affect co-operation with the African, Caribbean and Pacific countries in the framework of the ACP-EEC Convention.*

*ARTICLE 130 x*

*1. The Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes, including in international organizations and during international conferences. They may undertake joint action. Member States shall contribute if necessary to the implementation of Community aid programmes.*

*2. The Commission may take any useful initiative to promote the co-ordination referred to in paragraph One.*

*ARTICLE 130 y*

*Within their respective spheres of competence, the Community and the Member States shall co-operate with third countries and with the competent international organizations. The arrangements for Community co-operation may be the subject of agreements between the Community and the third parties concerned, which shall be negotiated and concluded in accordance with Article 228.*

*The previous paragraph shall be without prejudice to Member States' competence to negotiate in international bodies and to conclude international agreements.'*

**E - In Part Five 'Institutions of the Community'**

**(39)** Article 137 shall be replaced by the following:

*'ARTICLE 137*

*The European Parliament, which shall consist of representatives of the peoples of the States brought together in the Community, shall exercise the powers conferred upon it by this Treaty.'*

**(40)** Paragraph 3 of Article 138 shall be replaced by the following:

*'3. The European Parliament shall draw up proposals for elections by direct universal suffrage in accordance with a uniform procedure in all Member States.*

*The Council shall, acting unanimously after obtaining the assent of the European Parliament, which shall act by a majority of its component members, lay down the appropriate provisions, which it shall recommend to Member States for adoption in accordance with their respective constitutional requirements.'*

**(41)** The following Articles shall be inserted:

*'ARTICLE 138 a*

*Political parties at European level are important as a factor for integration within the Union. They contribute to forming a European awareness and to expressing the political will of the citizens of the Union.*

*ARTICLE 138 b*

*In so far as provided in this Treaty, the European Parliament shall participate in the process leading up to the adoption of Community acts by exercising its powers under*

*the procedures laid down in Articles 189b and 189c and by giving its assent or delivering advisory opinions.*

*The European Parliament may, acting by a majority of its members, request the Commission to submit any appropriate proposal on matters on which it considers that a Community act is required for the purpose of implementing this Treaty.*

#### *ARTICLE 138 c*

*In the course of its duties, the European Parliament may, at the request of a quarter of its members, set up a temporary Committee of Inquiry to investigate, without prejudice to the powers conferred by this Treaty on other institutions or bodies, alleged contravention or maladministration in the implementation of Community law, except where the alleged facts are being examined before a court and while the case is still subject to legal proceedings.*

*The temporary Committee of Inquiry shall cease to exist on the submission of its report. The detailed provisions governing the exercise of the right of inquiry shall be determined by common accord of the European Parliament, the Council and the Commission.*

#### *ARTICLE 138 d*

*Any citizen of the Union, and any natural or legal person residing or having its registered office in a Member State, shall have the right to address, individually or in association with other citizens or persons, a petition to the European Parliament on a matter which comes within the Community's fields of activity and which affects him, her or it directly.*

#### *ARTICLE 138 e*

*1. The European Parliament shall appoint an Ombudsman empowered to receive complaints from any citizen of the Union or any natural or legal person residing or having its registered office in a Member State concerning instances of maladministration in the activities of the Community institutions or bodies, with the exception of the Court of Justice and the Court of First Instance acting in their judicial role.*

*In accordance with his duties, the Ombudsman shall conduct inquiries for which he finds grounds, either on his own initiative or on the basis of complaints submitted to him direct or through a member of the European Parliament, except where the alleged facts are or have been the subject of legal proceedings. Where the Ombudsman establishes an instance of maladministration, he shall refer the matter to the institution concerned, which shall have a period of three months in which to inform him of its views.*

*The Ombudsman shall then forward a report to the European Parliament and the institution concerned. The person lodging the complaint shall be informed of the outcome of such inquiries.*

*The Ombudsman shall submit an annual report to the European Parliament on the outcome of his inquiries.*

*2. The Ombudsman shall be appointed after each election of the European Parliament for the duration of its term of office. The Ombudsman shall be eligible for reappointment.*

*The Ombudsman may be dismissed by the Court of Justice at the request of the European Parliament if he no longer fulfils the conditions required for the performance of his duties or if he is guilty of serious misconduct.*

3. *The Ombudsman shall be completely independent in the performance of his duties. In the performance of those duties he shall neither seek nor take instructions from any body. The Ombudsman may not, during his term of office, engage in any other occupation, whether gainful or not.*

4. *The European Parliament shall, after seeking an opinion from the Commission and with the approval of the Council acting by a qualified majority, lay down the regulations and general conditions governing the performance of the Ombudsman's duties.'*

**(42)** The second subparagraph of Article 144 shall be supplemented by the following sentence:

*'In this case, the term of office of the members of the Commission appointed to replace them shall expire on the date on which the term of office of the members of the Commission obliged to resign as a body would have expired.'*

**(43)** The following Article shall be inserted:

*'ARTICLE 146*

*The Council shall consist of a representative of each Member State at ministerial level, authorized to commit the government of that Member State.*

*The office of President shall be held in turn by each Member State in the Council for a term of six months, in the following order of Member States:*

- *for a first cycle of six years: Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Portugal, United Kingdom;*
- *for the following cycle of six years: Denmark, Belgium, Greece, Germany, France, Spain, Italy, Ireland, Netherlands, Luxembourg, United Kingdom, Portugal.'*

**(44)** The following Article shall be inserted:

*'Article 147*

*The Council shall meet when convened by its President on his own initiative or at the request of one of its members or of the Commission.'*

**(45)** *Article 149 shall be repealed.*

**(46)** The following Article shall be inserted:

*'ARTICLE 151*

*1. A committee consisting of the Permanent Representatives of the Member States shall be responsible for preparing the work of the Council and for carrying out the tasks assigned to it by the Council.*

2. *The Council shall be assisted by a General Secretariat, under the direction of a Secretary-General. The Secretary-General shall be appointed by the Council acting unanimously.*

*The Council shall decide on the organization of the General Secretariat.*

3. *The Council shall adopt its rules of procedure.'*

**(47)** The following Article shall be inserted:

*'ARTICLE 154*

*The Council shall, acting by a qualified majority, determine the salaries, allowances and pensions of the President and members of the Commission, and of the President, Judges, Advocates-General and Registrar of the Court of Justice. It shall also, again by a qualified majority, determine any payment to be made instead of remuneration.'*

**(48)** The following Articles shall be inserted:

*'ARTICLE 156*

*The Commission shall publish annually, not later than one month before the opening of the session of the European Parliament, a general report on the activities of the Community.*

*ARTICLE 157*

1. *The Commission shall consist of twenty members, who shall be chosen on the grounds of their general competence and whose independence is beyond doubt.*

*The number of members of the Commission may be altered by the Council, acting unanimously.*

*Only nationals of Member States may be members of the Commission.*

*The Commission must include at least one national of each of the Member States, but may not include more than two members having the nationality of the same State.*

2. *The members of the Commission shall, in the general interest of the Community, be completely independent in the performance of their duties.*

*In the performance of these duties, they shall neither seek nor take instructions from any government or from any other body. They shall refrain from any action incompatible with their duties. Each Member State undertakes to respect this principle and not to seek to influence the members of the Commission in the performance of their tasks.*

*The members of the Commission may not, during their term of office, engage in any other occupation, whether gainful or not. When entering upon their duties they shall give a solemn undertaking that, both during and after their term of office, they will respect the obligations arising therefrom and in particular their duty to behave with integrity and discretion as regards the acceptance, after they have ceased to hold office, of certain appointments or benefits. In the event of any breach of these obligations, the Court of Justice may, on application by the Council or the Commission, rule that the member concerned be, according to the circumstances, either compulsorily retired in accordance with Article 160 or deprived of his right to a pension or other benefits in its stead.*

#### ARTICLE 158

1. *The members of the Commission shall be appointed, in accordance with the procedure referred to in paragraph 2, for a period of five years, subject, if need be, to Article 144.*

*Their term of office shall be renewable.*

2. *The governments of the Member States shall nominate by common accord, after consulting the European Parliament, the person they intend to appoint as President of the Commission.*

*The governments of the Member States shall, in consultation with the nominee for President, nominate the other persons whom they intend to appoint as members of the Commission.*

*The President and the other members of the Commission thus nominated shall be subject as a body to a vote of approval by the European Parliament. After approval by the European Parliament, the President and the other members of the Commission shall be appointed by common accord of the governments of the Member States.*

3. *Paragraphs 1 and 2 shall be applied for the first time to the President and the other members of the Commission whose term of office begins on 7 January 1995.*

*The President and the other members of the Commission whose term of office begins on 7 January 1993 shall be appointed by common accord of the governments of the Member States. Their term of office shall expire on 6 January 1995.*

#### ARTICLE 159

*Apart from normal replacement, or death, the duties of a member of the Commission shall end when he resigns or is compulsorily retired.*

*The vacancy thus caused shall be filled for the remainder of the member's term of office by a new member appointed by common accord of the governments of the Member States. The Council may, acting unanimously, decide that such a vacancy need not be filled.*

*In the event of resignation, compulsory retirement or death, the President shall be replaced for the remainder of his term of office. The procedure laid down in Article 158(2) shall be applicable for the replacement of the President.*

*Save in the case of compulsory retirement under Article 160, members of the Commission shall remain in office until they have been replaced.*

#### ARTICLE 160

*If any member of the Commission no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct, the Court of Justice may, on application by the Council or the Commission, compulsorily retire him.*

#### ARTICLE 161

*The Commission may appoint a Vice-President or two Vice-Presidents from among its members.*

#### ARTICLE 162

1. *The Council and the Commission shall consult each other and shall settle by common accord their methods of co-operation.*

2. *The Commission shall adopt its rules of procedure so as to ensure that both it and its departments operate in accordance with the provisions of this Treaty. It shall ensure that these rules are published.*

*ARTICLE 163*

*The Commission shall act by a majority of the number of members provided for in Article 157.*

*A meeting of the Commission shall be valid only if the number of members laid down in its rules of procedure is present.'*

**(49)** Article 165 shall be replaced by the following:

*'ARTICLE 165*

*The Court of Justice shall consist of 13 Judges.*

*The Court of Justice shall sit in plenary session. It may, however, form chambers, each consisting of three or five Judges, either to undertake certain preparatory inquiries or to adjudicate on particular categories of cases in accordance with rules laid down for these purposes.*

*The Court of Justice shall sit in plenary session when a Member State or a Community institution that is a party to the proceedings so requests.*

*Should the Court of Justice so request, the Council may, acting unanimously, increase the number of Judges and make the necessary adjustments to the second and third paragraphs of this Article and to the second paragraph of Article 167.'*

**(50)** Article 168a shall be replaced by the following:

*'ARTICLE 168a*

*1. A Court of First Instance shall be attached to the Court of Justice with jurisdiction to hear and determine at first instance, subject to a right of appeal to the Court of Justice on points of law only and in accordance with the conditions laid down by the Statute, certain classes of action or proceeding defined in accordance with the conditions laid down in paragraph 2. The Court of First Instance shall not be competent to hear and determine questions referred for a preliminary ruling under Article 177.*

*2. At the request of the Court of Justice and after consulting the European Parliament and the Commission, the Council, acting unanimously, shall determine the classes of action or proceeding referred to in paragraph 1 and the composition of the Court of First Instance and shall adopt the necessary adjustments and additional provisions to the Statute of the Court of Justice. Unless the Council decides otherwise, the provisions of this Treaty relating to the Court of Justice, in particular the provisions of the Protocol on the Statute of the Court of Justice, shall apply to the Court of First Instance.*

*3. The members of the Court of First Instance shall be chosen from persons whose independence is beyond doubt and who possess the ability required for appointment to judicial office; they shall be appointed by common accord of the governments of the Member States for a term of six years. The membership shall be partially renewed every three years. Retiring members shall be eligible for reappointment.*

*4. The Court of First Instance shall establish its rules of procedure in agreement with the Court of Justice. Those rules shall require the unanimous approval of the Council.'*

**(51)** Article 171 shall be replaced by the following:

*‘ARTICLE 171*

*If the Court of Justice finds that a Member State has failed to fulfil an obligation under this Treaty, the State shall be required to take the necessary measures to comply with the judgement of the Court of Justice.*

*2. If the Commission considers that the Member State concerned has not taken measures it shall, after giving that State the opportunity to submit its observations, issue a reasoned opinion specifying the points on which the Member to concerned has not complied with the judgment of the Court of Justice.*

*If the Member State concerned fails to take the necessary measures to comply the Court’s judgement within the time-limit laid down by the Commission, the r may bring the case before the Court of Justice. In so doing it shall specify `amount of the lump sum or penalty payment to be paid by the Member State concerned which it considers appropriate in the circumstances.*

*If the Court of Justice finds that the Member State concerned has not complied its judgement it may impose a lump sum or penalty payment on it.*

*This procedure shall be without prejudice to Article 170.’*

**(52)** Article 172 shall be replaced by the following:

*‘ARTICLE 172*

*Regulations adopted jointly by the European Parliament and the Council, and by the Council, pursuant to the provisions of this Treaty, may give the Court of Justice unlimited jurisdiction with regard to the penalties provided for in such regulations.’*

**(53)** Article 173 shall be replaced by the following:

*‘ARTICLE 173*

*The Court of Justice shall review the legality of acts adopted jointly by the European Parliament and the Council, of acts of the Council, of the Commission and of the ECB, other than recommendations and opinions, and of acts of the European Parliament intended to produce legal effects vis-a-vis third parties.*

*It shall for this purpose have jurisdiction in actions brought by a Member State, the Council or the Commission on grounds of lack of competence, infringement of an essential procedural requirement, infringement of this Treaty or of any rule of law relating to its application, or misuse of powers.*

*The Court shall have jurisdiction under the same conditions in actions brought by the European Parliament and by the ECB for the purpose of protecting their prerogatives.*

*Any natural or legal person may, under the same conditions, institute proceedings against a decision addressed to that person or against a decision which, although in the form of a regulation or a decision addressed to another person, is of direct and individual concern to the former.*

*The proceedings Provided for in this Article shall be instituted within two months of the publication of the measure, or of its notification to the plaintiff, or, in the absence thereof, of the day on which it came to the knowledge of the latter, as the case may be.’*

(54) Article 175 shall be replaced by the following:

*‘ARTICLE 175*

*Should the European Parliament, the Council or the Commission, in infringement of this Treaty, fail to act, the Member States and the other institutions of the Community may bring an action before the Court of Justice to have the infringement established.*

*The action shall be admissible only if the institution concerned has first been called upon to act. If, within two months of being so called upon, the institution concerned has not defined its position, the action may be brought within a further period of two months.*

*Any natural or legal person may, under the conditions laid down in the preceding paragraphs, complain to the Court of Justice that an institution of the Community has failed to address to that person any act other than a recommendation or an opinion.*

*The Court of Justice shall have jurisdiction, under the same conditions, in actions or proceedings brought by the ECB in the areas falling within the latter’s field of competence and in actions or proceedings brought against the latter.’*

(55) Article 176 shall be replaced by the following:

*‘ARTICLE 176*

*The institution or institutions whose act has been declared void or whose failure to act has been declared contrary to this Treaty shall be required to take the necessary measures to comply with the judgement of the Court of Justice.*

*This obligation shall not affect any obligation which may result from the application of the second paragraph of Article 215.*

*This Article shall also apply to the ECB.’*

(56) Article 177 shall be replaced by the following:

*‘ARTICLE 177*

*The Court of Justice shall have jurisdiction to give preliminary rulings concerning:*

- (a) the interpretation of this Treaty;*
- (b) the validity and interpretation of acts of the institutions of the Community and of the ECB;*
- (c) the interpretation of the statutes of bodies established by an act of the Council, where those statutes so provide.*

*Where such a question is raised before any court or tribunal of a Member State, that court or tribunal may, if it considers that a decision on the question is necessary to enable it to give judgement, request the Court of Justice to give a ruling thereon.*

*Where any such question is raised in a case pending before a court or tribunal of a Member State against whose decisions there is no judicial remedy under national law, that court or tribunal shall bring the matter before the Court of Justice.’*

(57) Article 180 shall be replaced by the following:

*‘ARTICLE 180*

*The Court of Justice shall, within the limits hereinafter laid down, have jurisdiction in disputes concerning:*

- (a) *the fulfilment by Member States of obligations under the Statute of the European Investment Bank. In this connection, the Board of Directors of the Bank shall enjoy the powers conferred upon the Commission by Article 169;*
- (b) *measures adopted by the Board of Governors of the European Investment Bank. In this connection, any Member State, the Commission or the Board of Directors of the Bank may institute proceedings under the conditions laid down in Article 173;*
- (c) *measures adopted by the Board of Directors of the European Investment Bank. Proceedings against such measures may be instituted only by Member States or by the Commission, under the conditions laid down in Article 173, and solely on the grounds of non-compliance with the procedure provided for in Article 21(2), (5), (6) and (7) of the Statute of the Bank;*
- (d) *the fulfilment by national central banks of obligations under this Treaty and the Statute of the ESCB. In this connection the powers of the Council of the ECB in respect of national central banks shall be the same as those conferred upon the Commission in respect of Member States by Article 169. If the Court of Justice finds that a national central bank has failed to fulfil an obligation under this Treaty, that bank shall be required to take the necessary measures to comply with the judgment of the Court of Justice.'*

**(58)** Article 184 shall be replaced by the following:

*‘ARTICLE 184*

*Notwithstanding the expiry of the period laid down in the fifth paragraph of Article 173, any party may, in proceedings in which a regulation adopted jointly by the European Parliament and the Council, or a regulation of the Council, of the Commission, or of the ECB is at issue, plead the grounds specified in the second paragraph of Article 173 in order to invoke before the Court of Justice the inapplicability of that regulation.’*

**(59)** The following section shall be inserted

*‘Section 5*

*The Court of Auditors*

*ARTICLE 188 a*

*The Court of Auditors shall carry out the audit.*

*ARTICLE 188 b*

- 1. The Court of Auditors shall consist of fifteen members.*
- 2. The members of the Court of Auditors shall be chosen from among persons who belong or have belonged in their respective countries to external audit bodies or who are especially qualified for this office. Their independence must be beyond doubt.*
- 3. The members of the Court of Auditors shall be appointed for a term of six years by the Council, acting unanimously after consulting the European Parliament. However, when the first appointments are made, four members of the Court of Auditors, chosen by lot, shall be appointed for a term of office of four years only. The members of the Court of Auditors shall be eligible for reappointment.*

*They shall elect the President of the Court of Auditors from among their number for a term of three years. The President may be re-elected.*

*4. The members of the Court of Auditors shall, in the general interest of the Community, be completely independent in the performance of their duties.*

*In the performance of these duties, they shall neither seek nor take instructions from any government or from any other body. They shall refrain from any action incompatible with their duties.*

*5. The members of the Court of Auditors may not, during their term of office, engage in any other occupation, whether gainful or not. When entering upon their duties they shall give a solemn undertaking that, both during and after their term of office, they will respect the obligations arising therefrom and in particular their duty to behave with integrity and discretion as regards the acceptance, after they have ceased to hold office, of certain appointments or benefits.*

*6. Apart from normal replacement, or death, the duties of a member of the Court of Auditors shall end when he resigns, or is compulsorily retired by a ruling of the Court of Justice pursuant to paragraph 7.*

*The vacancy thus caused shall be filled for the remainder of the member's term of office.*

*Save in the case of compulsory retirement, members of the Court of Auditors shall remain in office until they have been replaced.*

*7. A member of the Court of Auditors may be deprived of his office or of his right to a pension or other benefits in its stead only if the Court of Justice, at the request of the Court of Auditors, finds that he no longer fulfils the requisite conditions or meets the obligations arising from his office.*

*8. The Council, acting by a qualified majority, shall determine the conditions of employment of the President and the members of the Court of Auditors and in particular their salaries, allowances and pensions. It shall also, by the same majority, determine any payment to be made instead of remuneration.*

*9. The provisions of the Protocol on the Privileges and Immunities of the European Communities applicable to the judges of the Court of Justice shall also apply to the members of the Court of Auditors.*

#### *ARTICLE 188 c*

*1. The Court of Auditors shall examine the accounts of all revenue and expenditure of the Community. It shall also examine the accounts of all revenue and expenditure of all bodies set up by the Community in so far as the relevant constituent instrument does not preclude such examination.*

*The Court of Auditors shall provide the European Parliament and the Council with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions.*

*2. The Court of Auditors shall examine whether all revenue has been received and all expenditure incurred in a lawful and regular manner and whether the financial management has been sound.*

*The audit of revenue shall be carried out on the basis both of the amounts established as due and the amounts actually paid to the Community.*

*The audit of expenditure shall be carried out on the basis both of commitments undertaken and payments made.*

*These audits may be carried out before the closure of accounts for the financial year in question.*

*3. The audit shall be based on records and, if necessary, performed on the spot in the other institutions of the Community and in the Member States. In the Member States the audit shall be carried out in liaison with the national audit bodies or, if these do not have the necessary powers, with the competent national departments. These bodies or departments shall inform the Court of Auditors whether they intend to take part in the audit.*

*The other institutions of the Community and the national audit bodies or, if these do not have the necessary powers, the competent national departments, shall forward to the Court of Auditors, at its request, any document or information necessary to carry out its task.*

*4. The Court of Auditors shall draw up an annual report after the close of each financial year. It shall be forwarded to the other institutions of the Community and shall be published, together with the replies of these institutions to the observations of the Court of Auditors, in the 'Official Journal of the European Communities'. The Court of Auditors may also, at any time, submit observations, particularly in the form of special reports, on specific questions and deliver opinions at the request of one of the other institutions of the Community.*

*It shall adopt its annual reports, special reports or opinions by a majority of its members.*

*It shall assist the European Parliament and the Council in exercising their powers of control over the implementation of the budget.'*

**(60)** Article 189 shall be replaced by the following:

*'ARTICLE 189*

*In order to carry out their task and in accordance with the provisions of this Treaty, the European Parliament acting jointly with the Council, the Council and the Commission shall make regulations and issue directives, take decisions, make recommendations or deliver opinions.*

*A regulation shall have general application. It shall be binding in its entirety and directly applicable in all Member States.*

*A directive shall be binding, as to the result to be achieved, upon each Member State to which it is addressed, but shall leave to the national authorities the choice of form and methods.*

*A decision shall be binding in its entirety upon those to whom it is addressed.*

*Recommendations and opinions shall have no binding force.'*

**(61)** The following Articles shall be inserted:

*'ARTICLE 189 a*

*1. Where, in pursuance of this Treaty, the Council acts on a proposal from the Commission, unanimity shall be required for an act constituting an amendment to that proposal, subject to Article 189b(4) and (5).*

*2. As long as the Council has not acted, the Commission may alter its proposal at any time during the procedures leading to the adoption of a Community act.*

*ARTICLE 189 b*

*1. Where reference is made in this Treaty to this Article for the adoption of an act, the following procedure shall apply.*

*2. The Commission shall submit a proposal to the European Parliament and the Council.*

*The Council, acting by a qualified majority after obtaining the opinion of the European Parliament, shall adopt a common position. The common position shall be communicated to the European Parliament. The Council shall inform the European Parliament fully of the reasons which led it to adopt its common position. The Commission shall inform the European Parliament fully of its position.*

*If, within three months of such communication, the European Parliament:*

- (a) approves the common position, the Council shall definitively adopt the act in question in accordance with that common position;*
- (b) has not taken a decision, the Council shall adopt the act in question in accordance with its common position;*
- (c) indicates, by an absolute majority of its component members that it intends to reject the common position, it shall immediately inform the Council. The Council may convene a meeting of the Conciliation Committee referred to in paragraph 4 to explain further its position. The European Parliament shall thereafter either confirm, by an absolute majority of its component members, its rejection of the common position, in which event the proposed act shall be deemed not to have been adopted, or propose amendments in accordance with sub-paragraph (d) of this paragraph;*
- (d) proposes amendments to the common position by an absolute majority of its component members, the amended text shall be forwarded to the Council and to the Commission, which shall deliver an opinion on those amendments.*

*3. If, within three months of the matter being referred to it, the Council, acting by a qualified majority, approves all the amendments of the European Parliament, it shall amend its common position accordingly and adopt the act in question; however, the Council shall act unanimously on the amendments on which the Commission has delivered a negative opinion. If the Council does not approve the act in question, the President of the Council, in agreement with the President of the European Parliament, shall forthwith convene a meeting of the Conciliation Committee.*

*4. The Conciliation Committee, which shall be composed of the members of the Council or their representatives and an equal number of representatives of the European Parliament, shall have the task of reaching agreement on a joint text, by a qualified majority of the members of the Council or their representatives and by a majority of the representatives of the European Parliament. The Commission shall take part in the Conciliation Committee's proceedings and shall take all the necessary initiatives with a view to reconciling the positions of the European Parliament and the Council.*

*5. If, within six weeks of its being convened, the Conciliation Committee approves a joint text, the European Parliament, acting by an absolute majority of the votes cast, and the Council, acting by a qualified majority, shall have a period of six weeks from that approval in which to adopt the act in question in accordance with the joint text. If one of the two institutions fails to approve the proposed act, it shall be deemed not to have been adopted.*

6. *Where the Conciliation Committee does not approve a joint text, the proposed act shall be deemed not to have been adopted unless the Council, acting by a qualified majority within six weeks of expiry of the period granted to the Conciliation Committee, confirms the common position to which it agreed before the conciliation procedure was initiated, possibly with amendments proposed by the European Parliament. In this case, the act in question shall be finally adopted unless the European Parliament, within six weeks of the date of confirmation by the Council, rejects the text by an absolute majority of its component members, in which case the proposed act shall be deemed not to have been adopted.*

7. *The periods of three months and six weeks referred to in this Article may be extended by a maximum of one month and two weeks respectively by common accord of the European Parliament and the Council. The period of three months referred to in paragraph 2 shall be automatically extended by two months where paragraph 2(c) applies.*

8. *The scope of the procedure under this Article may be widened, in accordance with the procedure provided for in Article N(2) of the Treaty on European Union, on the basis of a report to be submitted to the Council by the Commission by 1996 at the latest.*

#### *ARTICLE 189 c*

*Where reference is made in this Treaty to this Article for the adoption of an act, the following procedure shall apply:*

(a) *The Council, acting by a qualified majority on a proposal from the Commission and after obtaining the opinion of the European Parliament, shall adopt a common position.*

(b) *The Council's common position shall be communicated to the European Parliament. The Council and the Commission shall inform the European Parliament fully of the reasons which led the Council to adopt its common position and also of the Commission's position.*

*If, within three months of such communication, the European Parliament approves this common position or has not taken a decision within that period, the Council shall definitively adopt the act in question in accordance with the common position.*

(c) *The European Parliament may, within the period of three months referred to in sub-paragraph (b), by an absolute majority of its component members, propose amendments to the Council's common position. The European Parliament may also, by the same majority, reject the Council's common position. The result of the proceedings shall be transmitted to the Council and the Commission.*

*If the European Parliament has rejected the Council's common position, unanimity shall be required for the Council to act on a second reading.*

(d) *The Commission shall, within a period of one month, re-examine the proposal on the basis of which the Council adopted its common position, by taking into account the amendments proposed by the European Parliament.*

*The Commission shall forward to the Council, at the same time as its re-examined proposal, the amendments of the European Parliament which it has not accepted, and shall express its opinion on them. The Council may adopt these amendments unanimously.*

(e) *The Council, acting by a qualified majority, shall adopt the proposal as re-examined by the Commission.*

*Unanimity shall be required for the Council to amend the proposal as re-examined by the Commission.*

- (f) *In the cases referred to in sub-paragraphs (c), (d) and (e), the Council shall be required to act within a period of three months. If no decision is taken within this period, the Commission proposal shall be deemed not to have been adopted.*
- (g) *The periods referred to in sub-paragraphs (b) and (f) may be extended by a maximum of one month by common accord between the Council and the European Parliament.'*

**(62)** Article 190 shall be replaced by the following:

*'ARTICLE 190*

*Regulations, directives and decisions adopted jointly by the European Parliament and the Council, and such acts adopted by the Council or the Commission, shall state the reasons on which they are based and shall refer to any proposals or opinions which were required to be obtained pursuant to this Treaty.'*

**(63)** Article 191 shall be replaced by the following:

*'ARTICLE 191*

*1. Regulations, directives and decisions adopted in accordance with the procedure referred to in Article 189b shall be signed by the President of the European Parliament and by the President of the Council and published in the 'Official Journal of the Community'. They shall enter into force on the date specified in them or, in the absence thereof, on the twentieth day following that of their publication.*

*2. Regulations of the Council and of the Commission, as well as directives of those institutions which are addressed to all Member States, shall be published in the 'Official Journal of the Community'. They shall enter into force on the date specified in them or, in the absence thereof, on the twentieth day following that of their publication.*

*3. Other directives, and decisions, shall be notified to those to whom they are addressed and shall take effect upon such notification.'*

**(64)** Article 194 shall be replaced by the following:

*'ARTICLE 194*

*The number of members of the Economic and Social Committee shall be as follows: Belgium 12; Denmark 9; Germany 24; Greece 12; Spain 21; France 24; Ireland 9; Italy 24; Luxembourg 6; Netherlands 12; Portugal 12; United Kingdom 24.*

*The members of the Committee shall be appointed by the Council, acting unanimously, for four years. Their appointments shall be renewable.*

*The members of the Committee may not be bound by any mandatory instructions. They shall be completely independent in the performance of their duties, in the general interest of the Community.*

*The Council, acting by a qualified majority, shall determine the allowances of members of the Committee.'*

(65) Article 196 shall be replaced by the following:

*‘ARTICLE 196*

*The Committee shall elect its chairman and officers from among its members for a term of two years.*

*It shall adopt its rules of procedure.*

*The Committee shall be convened by its chairman at the request of the Council or of the Commission. It may also meet on its own initiative.’*

(66) Article 198 shall be replaced by the following:

*‘ARTICLE 198*

*The Committee must be consulted by the Council or by the Commission where this Treaty so provides. The Committee may be consulted by these institutions in all cases in which they consider it appropriate. It may issue an opinion on its own initiative in cases in which it considers such action appropriate.*

*The Council or the Commission shall, if it considers it necessary, set the Committee, for the submission of its opinion, a time limit which may not be less than one month from the date on which the chairman receives notification to this effect. Upon expiry of the time limit, the absence of an opinion shall not prevent further action.*

*The opinion of the Committee and that of the specialized section, together with a record of the proceedings, shall be forwarded to the Council and to the Commission.’*

(67) The following Chapter shall be inserted:

*‘CHAPTER 4*

*THE COMMITTEE OF THE REGIONS*

*ARTICLE 198 a*

*A Committee consisting of representatives of regional and local bodies, hereinafter referred to as ‘the Committee of the Regions’, is hereby established with advisory status.*

*The number of members of the Committee of the Regions shall be as follows:*

*Belgium 12; Denmark 9; Germany 24; Greece 12; Spain 21; France 24; Ireland 9; Italy 24; Luxembourg 6; Netherlands 12; Portugal 12; United Kingdom 24.*

*The members of the Committee and an equal number of alternate members shall be appointed for four years by the Council acting unanimously on proposals from the respective Member States. Their term of office shall be renewable.*

*The members of the Committee may not be bound by any mandatory instructions. They shall be completely independent in the performance of their duties, in the general interest of the Community.*

*ARTICLE 198 b*

*The Committee of the Regions shall elect its chairman and officers from among its members for a term of two years.*

*It shall adopt its rules of procedure and shall submit them for approval to the Council, acting unanimously.*

*The Committee shall be convened by its chairman at the request of the Council or of the Commission. It may also meet on its own initiative.*

*ARTICLE 198 c*

*The Committee of the Regions shall be consulted by the Council or by the Commission where this Treaty so provides and in all other cases in which one of these two institutions considers it appropriate.*

*The Council or the Commission shall, if it considers it necessary, set the Committee, for the submission of its opinion, a time-limit which may not be less than one month from the date on which the chairman receives notification to this effect. Upon expiry of the time-limit, the absence of an opinion shall not prevent further action.*

*Where the Economic and Social Committee is consulted pursuant to Article 198, the Committee of the Regions shall be informed by the Council or the Commission of the request for an opinion. Where it considers that specific regional interests are involved, the Committee of the Regions may issue an opinion on the matter.*

*It may issue an opinion on its own initiative in cases in which it considers such action appropriate.*

*The opinion of the Committee, together with a record of the proceedings, shall be forwarded to the Council and to the Commission.'*

**(68)** The following chapter shall be inserted:

*'CHAPTER 5*

*EUROPEAN INVESTMENT BANK*

*ARTICLE 198 d*

*The European Investment Bank shall have legal personality.*

*The members of the European Investment Bank shall be the Member States.*

*The Statute of the European Investment Bank is laid down in a Protocol annexed to this Treaty.*

*ARTICLE 198 e*

*The task of the European Investment Bank shall be to contribute, by having recourse to the capital market and utilizing its own resources, to the balanced and steady development of the common market in the interest of the Community. For this purpose the Bank shall, operating on a non-profit-making basis, grant loans and give guarantees which facilitate the financing of the following projects in all sectors of the economy:*

- (a) projects for developing less-developed regions;*
- (b) projects for modernizing or developing undertakings or for developing fresh activities called for by the progressive establishment of the common market, where these projects are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States;*
- (c) projects of common interest to several Member States which are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States.*

*In carrying out its task, the Bank shall facilitate the financing of investment programmes in conjunction with assistance from the structural Funds and other Community financial instruments.'*

(69) Article 199 shall be replaced by the following:

*‘ARTICLE 199*

*All items of revenue and expenditure of the Community, including those relating to the European Social Fund, shall be included in estimates to be drawn up for each financial year and shall be shown in the budget.*

*Administrative expenditure occasioned for the institutions by the provisions of the Treaty on European Union relating to common foreign and security policy and to co-operation in the fields of justice and home affairs shall be charged to the budget. The operational expenditure occasioned by the implementation of the said provisions may, under the conditions referred to therein, be charged to the budget.*

*The revenue and expenditure shown in the budget shall be in balance.’*

(70) Article 200 shall be repealed.

(71) Article 201 shall be replaced by the following:

*‘ARTICLE 201*

*Without prejudice to other revenue, the budget shall be financed wholly from own resources.*

*The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament, shall lay down provisions relating to the system of own resources of the Community, which it shall recommend to the Member States for adoption in accordance with their respective constitutional requirements.’*

(72) The following Article shall be inserted:

*‘ARTICLE 201 a*

*With a view to maintaining budgetary discipline, the Commission shall not make any proposal for a Community act, or alter its proposals, or adopt any implementing measure which is likely to have appreciable implications for the budget without providing the assurance that that proposal or that measure is capable of being financed within the limit of the Community’s own resources arising under provisions laid down by the Council pursuant to Article 201.’*

(73) Article 205 shall be replaced by the following:

*‘ARTICLE 205*

*The Commission shall implement the budget, in accordance with the provisions of the regulations made pursuant to Article 209, on its own responsibility and within the limits of the appropriations, having regard to the principles of sound financial management.*

*The regulations shall lay down detailed rules for each institution concerning its part in effecting its own expenditure.*

*Within the budget, the Commission may, subject to the limits and conditions laid down in the regulations made pursuant to Article 209, transfer appropriations from one chapter to another or from one sub-division to another.’*

(74) Article 206 shall be replaced by the following:

*‘ARTICLE 206*

*1. The European Parliament, acting on a recommendation from the Council which shall act by a qualified majority, shall give a discharge to the Commission in respect of the implementation of the budget. To this end, the Council and the European Parliament in turn shall examine the accounts and the financial statement referred to in Article 205a, the annual report by the Court of Auditors together with the replies of the institutions under audit to the observations of the Court of Auditors and any relevant special reports by the Court of Auditors.*

*2. Before giving a discharge to the Commission, or for any other purpose in connection with the exercise of its powers over the implementation of the budget, the European Parliament may ask to hear the Commission give evidence with regard to the execution of expenditure or the operation of financial control systems. The Commission shall submit any necessary information to the European Parliament at the latter’s request.*

*3. The Commission shall take all appropriate steps to act on the observations in the decisions giving discharge and on other observations by the European Parliament relating to the execution of expenditure, as well as on comments accompanying the recommendations on discharge adopted by the Council.*

*At the request of the European Parliament or the Council, the Commission shall report on the measures taken in the light of these observations and comments and in particular on the instructions given to the departments which are responsible for the implementation of the budget. These reports shall also be forwarded to the Court of Auditors.’*

(75) Articles 206a and 206b shall be repealed.

(76) Article 209 shall be replaced by the following:

*‘ARTICLE 209*

*The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament and obtaining the opinion of the Court of Auditors, shall:*

- (a) make Financial Regulations specifying in particular the procedure to be adopted for establishing and implementing the budget and for presenting and auditing accounts;*
- (b) determine the methods and procedure whereby the budget revenue provided under the arrangements relating to the Community’s own resources shall be made available to the Commission, and determine the measures to be applied, if need be, to meet cash requirements;*
- (c) lay down rules concerning the responsibility of financial controllers, authorizing officers and accounting officers, and concerning appropriate arrangements for inspection.’*

(77) The following Article shall be inserted:

*‘ARTICLE 209 a*

*Member States shall take the same measures to counter fraud affecting the financial interests of the Community as they take to counter fraud affecting their own financial interests.*

*Without prejudice to other provisions of this Treaty, Member States shall co-ordinate their action aimed at protecting the financial interests of the Community against fraud. To this end they shall organize, with the help of the Commission, close and regular co-operation between the competent departments of their administrations.’*

(78) Article 215 shall be replaced by the following:

*‘ARTICLE 215*

*The contractual liability of the Community shall be governed by the law applicable to the contract in question.*

*In the case of non-contractual liability, the Community shall, in accordance with the general principles common to the laws of the Member States, make good any damage caused by its institutions or by its servants in the performance of their duties.*

*The preceding paragraph shall apply under the same conditions to damage caused by the ECB or by its servants in the performance of their duties.*

*The personal liability of its servants towards the Community shall be governed by the provisions laid down in their Staff Regulations or in the Conditions of Employment applicable to them.’*

(79) Article 227 shall be amended as follows:

(a) paragraph 2 shall be replaced by the following:

*‘2. With regard to the French overseas departments, the general and particular provisions of this Treaty relating to:*

- the free movement of goods;*
- agriculture, save for Article 40(4);*
- the liberalization of services;*
- the rules on competition;*
- the protective measures provided for in Articles 109h, 109i and 226;*
- the institutions,*

*shall apply as soon as this Treaty enters into force.*

*The conditions under which the other provisions of this Treaty are to apply shall be determined, within two years of the entry into force of this Treaty, by decisions of the Council acting unanimously on a proposal from the Commission.*

*The institutions of the Community will, within the framework of the procedures provided for in this Treaty, in particular Article 226, take care that the economic and social development of these areas is made possible.’*

(b) in paragraph 5, subparagraph (a) shall be replaced by the following:

*‘(a) this Treaty shall not apply to the Faeroe Islands.’*

**(80)** Article 228 shall be replaced by the following:

*'ARTICLE 228*

*1. Where this Treaty provides for the conclusion of agreements between the Community and one or more States or international organizations, the Commission shall make recommendations to the Council, which shall authorize the Commission to open the necessary negotiations. The Commission shall conduct these negotiations in consultation with special committees appointed by the Council to assist it in this task and within the framework of such directives as the Council may issue to it.*

*In exercising the powers conferred upon it by this paragraph, the Council shall act by a qualified majority, except in the cases provided for in the second sentence of paragraph 2, for which it shall act unanimously.*

*2. Subject to the powers vested in the Commission in this field, the agreements shall be concluded by the Council, acting by a qualified majority on a proposal from the Commission. The Council shall act unanimously when the agreement covers a field for which unanimity is required for the adoption of internal rules, and for the agreements referred to in Article 238.*

*3. The Council shall conclude agreements after consulting the European Parliament, except for the agreements referred to in Article 113(3), including cases where the agreement covers a field for which the procedure referred to in Article 189b or that referred to in Article 189c is required for the adoption of internal rules. The European Parliament shall deliver its opinion within a time limit which the Council may lay down according to the urgency of the matter. In the absence of an opinion within that time limit, the Council may act.*

*By way of derogation from the previous sub-paragraph, agreements referred to in Article 238, other agreements establishing a specific institutional framework by organizing co-operation procedures, agreements having important budgetary implications for the Community and agreements entailing amendment of an act adopted under the procedure referred to in Article 189b shall be concluded after the assent of the European Parliament has been obtained.*

*The Council and the European Parliament may, in an urgent situation, agree upon a time limit for the assent.*

*4. When concluding an agreement, the Council may, by way of derogation from paragraph 2, authorize the Commission to approve modifications on behalf of the Community where the agreement provides for them to be adopted by a simplified procedure or by a body set up by the agreement; it may attach specific conditions to such authorization.*

*5. When the Council envisages concluding an agreement which calls for amendments to this Treaty, the amendments must first be adopted in accordance with the procedure laid down in Article N of the Treaty on European Union.*

*6. The Council, the Commission or a Member State may obtain the opinion of the Court of Justice as to whether an agreement envisaged is compatible with the provisions of this Treaty. Where the opinion of the Court of Justice is adverse, the agreement may enter into force only in accordance with Article N of the Treaty on European Union.*

*7. Agreements concluded under the conditions set out in this Article shall be binding on the institutions of the Community and on Member States.'*

**(81)** The following Article shall be inserted:

*‘ARTICLE 228 a*

*Where it is provided, in a common position or in a joint action adopted according to the provisions of the Treaty on European Union relating to the common foreign and security policy, for an action by the Community to interrupt or to reduce, in part or completely, economic relations with one or more third countries, the Council shall take the necessary urgent measures. The Council shall act by a qualified majority on a proposal from the Commission.’*

**(82)** Article 231 shall be replaced by the following:

*‘ARTICLE 231*

*The Community shall establish close cooperation with the Organization for Economic Cooperation and Development, the details of which shall be determined by common accord.’*

**(83)** Articles 236 and 237 shall be repealed.

**(84)** Article 238 shall be replaced by the following:

*‘ARTICLE 238*

*The Community may conclude with one or more States or international organizations agreements establishing an association involving reciprocal rights and obligations, common action and special procedures.’*

#### **F - In Annex III:**

**(85)** The title shall be replaced by the following:

*‘List of invisible transactions referred to in Article 73h of this Treaty’.*

#### **G - In the Protocol on the Statute of the European Investment Bank:**

**(86)** The reference to Articles 129 and 130 shall be replaced by a reference to Articles 198d and 198e.