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Roxana-Elena LAZĂR[1]

Abstract

The European Central has a main role in European Union, conducting the monetary policy af Member States. Its activity is linked to the Maastricht Treaty and to the establishment of Economic and Monetary Union. The entire activity of the ECB is placed under the principle of political independence, but its independence must be understood in the context of the concept of legal liability. Annually, the European Central Bank publishes a report containing information on economic developments and monetary policy in the European Union, the annual accounts, activities and operations of the ECB, financial stability, practical decisions about how the ECB is meeting its objectives and functions. These are true mirrors of how the principles are implemented in practice.

Keywords: *European Central Bank, principles, banknotes, euro, currency*

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Foreword

European Central Bank's activity is linked to the Maastricht Treaty and to the establishment of Economic and Monetary Union. The establishment of the single European currency and, of course, of the European Central Bank's are linked to the political will and economic law. Germany's Central Bank – Bundestag, which enjoy the confidence both at European and international level, is the model for European Central Bank.

The baseline for European Central Bank's creation is the June 1, 1998. The next seven months were designed to carry out preparatory measures to replace the national currencies of E.U. Member States to European single currency and, also, to develop a concrete monetary policy.

1st June 1998 marks the beginning of the European System of Central Banks, a comprehensive idea, designating European Central Bank and also all the other central banks of the EU Member States.

Starting from the fact that the main task of any central bank is to develop its own monetary policy, naturally, the European Central Bank took over the main task of each of the central banks of the Member States of the Euro region; there were many discussion in terms of monetary and fiscal sovereignty to states that have abandoned their monetary policy in favor of European monetary policy, led by the European Central Bank. All these because a central bank is generally macroeconomic policymakers institution in each economy (Kaltenthaler, (2006), : 4); extrapolating, the European Central Bank creates macroeconomic policy for euro-area Member States. Consequently, the European Central Bank has a strong word to say in terms of growth rate, inflation rate and unemployment.

Undoubtedly, the discussion would have been more about the form, if the Euro and the goals would be achieved and would it have proved to be a real counterweight to the U.S. dollar. Actual failure and the present economic crisis question the success of the single monetary policy conducted by the ECB.

1. Legislation

The Treaty establishing the European Economic Community is governing the European System of Central Banks and the European Central Bank. Art. 8 of the Treaty establishing the European Economic Community regulates both the European System of Central Banks and the European Central Bank. Treaty is detailing the ECB's role, objectives,

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while the organization and the operation of the two institutions was highlighted by the Statute. We make a terminological clarification, underlying the difference between the European System of Central Banks and ECB. Thus, the European System of Central Banks comprises the ECB and national central banks. The ECB and the national central banks of the states that have adopted the euro comprise the Eurosystem. Assuming that all E.U. Member States adopt the single currency, the European System of Central Banks and the Eurosystem will be identical concepts (Haan, Eijjfinger, (2005), : 10).

2. Principles

The entire activity of the ECB is placed under the principle of political independence. This means that in exercising its powers ECB shall not be subject to any instructions from any of the EU institutions times of national governments, their parliaments or groups of interest.

From the article 127 of the Maastricht Treaty results the explicit principle of decentralization and allocation of supervisory powers for credit institutions only for national central bank. By exception, acting unanimously, European Council, after consulting the European Parliament and the European Central Bank, may confer prudential supervision of credit institutions and other financial institutions to ECB.

The ECB's independence must be understood in the context of the concept of legal liability. The ECB's independence is important in terms of economic performance, while the ECB responsibility must be integrated into the concept of European democracy.

Articles 2 and 3 of the Statute of the European System of Central Banks and the European Central Bank ECB defines its goals and mission, functions ECB (primary and consultative).

The primary objective of ECB is price stability, respecting the common economic polices (open market economy in which competition is being promoted, free and efficient allocation of resources).

Joined to price stability, the ECB focuses on a policy to keep inflation in the euro area member states below 2% over the medium term. This objective is important for maintaining price stability and financial stability of the euro area Member States. Datas from the period 1999-2008 indicate a position of the euro area Member States in terms of inflation to an average 1%, with differences in terms of these states, so some of them are in the top (inflation reaching levels between 1% and 2%, Ireland,

Spain, Greece, Portugal) and are below the European average (Germany– 0,99% and Austria – 0,52%). (Haan, Berger, (2010), ; 13).

The financial stability is, also, measured by a number of indicators, monitoring risks and vulnerabilities pursuing financial system, especially the banking system. Are important also other macroeconomic sectors, basically describing the operating environment of financial institutions. These indicators include: income structure, cost structure, the effectiveness, profitability and capital adequacy level.

Although it is difficult operation defining "financial stability" (Agresti, Baudino, Poloni, (2008), : 12), from the view of the ECB, we emphasize on financial stability of the financial system, which is a prerequisite (consists of financial market, its infrastructure and financial intermediaries on the market), under which it is able to withstand shocks and financial imbalances, and consequently, to lower the risk of disruptions in financial intermediation system and the profitable allocation of savings.

The many financial systems that make up the European financial system is likely to customize financial system in the E.U.

3. European Central Bank's activity through the activity reports

Annually, the European Central Bank publishes a report containing information on economic developments and monetary policy in the European Union, the annual accounts, activities and operations of the ECB, financial stability, practical decisions about how the ECB is meeting its objectives and functions.

The information provided by these reports are an important milestone for observing relevant economic developments in the EU, in terms of inflation and price developments.

Analysis the reports published by the ECB in recent years shows a clear evolution of the ECB. These reports are important from the perspective of economic innovations: activation securities market programs; launch bond purchase programs, support operations lending, increasing the availability of collateral, reducing the reserve ratio to 1%.These financial innovations were imperative in the context of lack of liquidity faced by banking institutions, and the impact on the supply of credit to households and companies exercised by financial market tensions. These are some of the measures - solutions to solve fiscal sustainability problems facing Greece, Ireland, Italy, Portugal and Spain.

These measures have proved their efficiency in terms of economic growth in the EU 1.8% in the year 2010 and 1.3% for 2011 (European Central Bank Report, (2011).

Operations performed by the ECB are: monetary policy operations (open market operations, main refinancing operations, longer-term refinancing operations, fine-tuning operations, standing facilities and reserve requirements), foreign operations and transactions with other central banks, investment activities of foreign reserves and own funds.

The main functions of the ECB wishes main tasks of any central bank>

a. Community definition and implementation of monetary policy. ECB creates monetary policy makers euro area Member States from January 1999. ECB's monetary policy is based on the increased credibility of the ECB. In defining the monetary policy of the ECB, the Governing Council has the exclusive right to authorize the issue of euro banknotes, issued their belonging to the ECB and the national central banks of the euro area.

Annually, the number of euro banknotes is growing. Thus, if in 2010, 14.2 billion banknotes were in circulation; in 2011 their number had risen to 14.9 billion banknotes.

Table 3. The annual quantitative growth rate of euro banknotes in 2011

Type of Euro banknotes	*Annualy growth rithm, 2011*
Banknote of 5 euro	3%
Banknote of 10 euro	3%
Banknote of 20 euro	3%
Banknote of 50 euro	8,9%
Banknote of 100 euro	6,4%
Banknote of 500 euro	4,1%

Source: *ECB Report for 2011,* available at http://www.ecb.europa.eu/pub/pdf/annrep/ar2011ro.pdf (accesed on 14.09.2012), p. 102.

Of all euro banknotes, the most commonly used, so the euro is often found in issues 50 Euro. About a quarter of all euro banknotes outside the euro area can be found in European countries or in its close proximity, used primarily as a store of value. Means greater protection of euro banknotes taken explains a relatively small number of counterfeit

euro banknotes. In the top counterfeits remain the 20 and 50 Euros. In total, in 2011, found 606,000 counterfeit euro banknotes.

b. management of foreign exchange operations;

c. holding official foreign reserves of the Member States;

d. facilities for payment systems.

We find ECB's advisory functions whenever we talk about Community legislation aimed at competence, but also where the view is asked what issues concern, in the form of answers to questions from Community institutions or by the authorities national. Finally, ECB shall give advice on draft EU legislation, and opinions on draft national legislation in the sphere of competence.

Conclusions

European Central Bank is an independent european istitution, which apply, in practice, the guiding principles, as they are set out in legislation. Its importance is underlined by european common currency and by the strong monetary policy.

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