Glossary:Exchange rate mechanism (ERM)

Statistics Explained

The European **Exchange rate mechanism** , abbreviated as **ERM** , was set up in order to stabilise exchange rates and help Europe to become an area of monetary stability before the introduction of the single currency, the euro .

After the euro's introduction on 1 January 1999, the original ERM was replaced by ERM II (Exchange rate mechanism II) at the start of Stage Three of economic and monetary union (EMU) . This began with the irrevocable and definitive fixing of exchange rates, the transfer of monetary competence to the European Central Bank (ECB) , and the introduction of the euro as the single currency. ERM II provides a framework for exchange rate policy co-operation between the Eurosystem (the central banking system of the euro area) and the European Union (EU) Member States that are preparing to adopt the euro.

Further information

- EUROPA - Summaries of EU legislation - Exchange rate mechanism (ERM II) between the euro and participating national currencies
- European Central Bank - The Eurosystem

Related concepts

- Convergence criteria

Statistical data

- Exchange rates and interest rates

Source

- OECD glossary of statistical terms