Glossary:European Monetary System (EMS)

Statistics Explained

The **European Monetary System** , abbreviated as **EMS** , was an exchange rate regime set up in 1979 (and which ended in 1999) to foster closer monetary policy co-operation between the central banks of the Member States of the European Economic Community (EEC). The objective of the EMS was to promote monetary stability in Europe.

The European Monetary System was built on the concept of stable but adjustable exchange rates defined according to the newly created European currency unit (ECU) – a currency basket based on a weighted average of EMS currencies. Within the EMS, currency fluctuations were controlled through the Exchange Rate Mechanism (ERM) .

The EMS was a radical new departure because exchange rates could only be changed by mutual agreement between participating Member States and the European Commission – an unprecedented pooling of monetary sovereignty. It was replaced by ERM II (exchange rate mechanism II) at the start of Stage Three of economic and monetary union (EMU) on 1 January 1999 when the single currency was launched.

Further information

- Economic and Financial Affairs DG

Related concepts

- Economic and monetary union (EMU)
- European currency unit (ECU)