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Brussels, 20th January 1995

The interim report of the Independent Expert Group on practical questions raised by the introduction of the Ecu as a single currency

1. Vice-President Christophersen today received the interim report of the Independent Expert Group on practical questions raised by the introduction of the ECU as a single currency established by the Commission in May 1994. He thanked C. Maas and the members of the Group for the quality of the work already carried out. It represents a good basis for the future work which will be taken forward by his successor, Mr. de Silguy.
2. Bringing together a broad range of senior figures from the private sector, the mandate of the Group is to define, in an independent manner, a coherent approach for the changeover to a single currency which is acceptable to the major categories of currency users and is in accordance with the framework and calendar foreseen in the Maastricht Treaty.
3. A main conclusion of the interim report is that public authorities and the private sector should immediately start an on-going dialogue on the main technical aspects of notes and coins of the new single currency, and the timing of the physical introduction of these new monetary units. The point at which the European Central Bank will start using the new unit for monetary policy purpose should be made public as soon as possible.
4. Concerning the timetable for the introduction of the single currency, the Group expressed a preference for the rapid introduction of the currency in the smallest number of steps, i.e. the best approximation of a big bang after the necessary initial delay.
5. The first reflections of the group indicated a large degree of consensus on several aspects of the transition process to a single currency, as regards
 - the necessary continuity of contracts and legal obligations on moving to stage III;
 - the lack of need to maintain or re-create any form of an ECU basket on moving to stage III, even if all Member States do not immediately participate in the final stage of EMU.

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6. Vice-President Christophersen welcomed the decision of the Group to organise hearings in the near future with representatives from professional business organisation (banks, SMEs, retailers etc.) and with consumers. The hearings will help test the feasibility of technical options for the changeover process being considered by the Group, and to measure their economic and social acceptability.
7. In its future work, the Group will devote itself to developing an optimal scenario for practical changeover to a single currency, and recommend the preparatory measures which it considers indispensable to assure success. It could also contain suggestions from the private sector as regards organisational issues which would facilitate the practical introduction of the ECU.

Notes for Editors

The Treaty makes clear that, on the first day of stage 3 of EMU, responsibility for monetary policy will pass to the independent European Central Bank and irrevocably fixed conversion rates will be set between participating national currencies and the ECU. At that stage the ECU will no longer be a basket of Member States' currencies but will become a currency in its own right. However, the full introduction of ECU as the single currency does not need to take place on the first day of stage 3 of EMU.

In order to decide how the ECU will be introduced for the general public, the Group has identified two key questions:

1. When will the authorities be ready for the physical introduction of bank notes and coins denominated in ECU? This depends not only on the lead times for printing, minting etc., but also crucially on the necessary preparations to ensure public acceptance of the new currency.
2. When will the ECU replace national currencies in the wholesale financial markets? In practice this will to a large extent be dictated by decisions by the European Central Bank on when it will start using the ECU for monetary policy operations.

Depending on the answers to these questions, there are two main options for the introduction of the single currency. Under the first option, these two steps would take place at the same time. This would yield a scenario which very closely resembles a "big bang" after the necessary initial delay.

The second option involves the introduction of notes and coins denominated in ECU takes some time after the transformation of wholesale financial markets. This would create a transitional period during which banks and other financial institutions would still use national currencies for dealings with individual customers but ECUs for transactions on the financial markets. The report suggests a way of handling this period so as to minimise dual accounting for banks.

The next stage of the work of the Group is to launch a wide-ranging consultation exercise involving meetings with relevant groups (including consumer representatives, banks, small and medium sized enterprises, retailers etc.). This will enable the Group to gather views on which of these two lead options would command most support and on how to improve the process to minimise unavoidable costs and to ensure public support for the single currency. It should also raise awareness among those affected and therefore stimulate the necessary preparations in the private sector.



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Information EMU-Écu

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To : Giovanni RAVASIO via : **Hervé CARRE**

From : Marlène RUSESCU-VERMORKEN

**Subject : Report of the joint Press Conference of Vice-President
Christophersen and C. Maas in Brussels on 20 January 1995**

Vice-President Christophersen introduced the subject by stating that it was a great pleasure for him to present the interim report of the Maas Group on the preparation of the changeover to the single European currency.

The interim report was presented to the European Commission on 20 January 1995. It presents the practical problems linked to introducing the single currency for the different sectors of the economy i.e.

- industry, commerce and business
- the government and public sector
- the banking and financial sector
- individual consumers.

Vice-President Christophersen continued by saying that he had asked Cees Maas, who is well known and now managing director of the ING Bank, to chair the Group. He kindly accepted the invitation, as did a number of independent advisers. Vice-President Christophersen thanked Mr. Maas and the members of the Expert's Group for the work undertaken so far. The report is a preliminary one and the final report will be ready in the middle of 1995 in time for the meeting of the European Council in Cannes. The French Presidency stated in Strasbourg that the introduction of the single currency is a high priority for their Presidency.

There is a clear division of labour for the preparation of Stage III. The European Monetary Institute prepares the single monetary policy (methods, instruments...) and the banknotes (design, distribution). On the other hand, secondary legislation might be necessary (initiated by the Commission) and there will be a great need for informing the public at large. There has been good and friendly contact between the Expert Group and the E.M.I. and the latter had also participated in the work of the Group.

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Vice-President Christophersen is looking forward to the final report and he has briefed his successor on this, whose task it will be to implement the report.

Mr. Maas said it had been an honour for him to accept the chairmanship of the Group. One of the most important messages at this stage is that the introduction of the ecu is underway and that the private sector has to prepare for it. There should be more awareness in the business sector of the need to start preparing.

The changeover is a challenge of historical dimension that surpasses everything done so far in monetary history in the European Union, not to mention the whole world. Public authorities and the private sector should start an ongoing dialogue because the private sector should know the technical details of the coins and notes as soon as possible. Decisions have to be taken by the authorities in good time. The European Council and the Monetary Committee are working hard for these decisions to be taken.

The Group concluded that a Big Bang and the instantaneous introduction of the single currency during one day or a week-end is impossible. It is also impossible to remove all national currencies in one day or week-end and, indeed undesirable to do so; this would be too difficult for the public because it is a huge operation.

The group favours a rapid introduction of the single currency in the smallest possible steps. No gradual introduction should take place as dual accounting is very difficult. Credibility will be enhanced and confusion reduced if the single currency is introduced as soon as possible after the beginning of stage III.

The single currency should be as strong as the strongest national currency at the introduction. Only then can a smooth changeover take place.

Although the Group's formal mandate excludes the subject of how to handle the Maastricht criteria this nonetheless still affects the work of the Group. It is important not to tamper with the criteria in order to increase the credibility of the process towards EMU and the commitment of the private sector to prepare for Stage III.

In order to gain the support of the general public and the private sector for EMU, face to face meetings will be organised with different groups i.e.

- consumers
- relevant businesses
- relevant organisations.

A wide distribution of the interim report and a timely preparation is necessary for these meetings, which will take place during the French presidency.

Vice-President Christophersen added that, in the field of the Maastricht criteria, it has always been the view of the Commission that there can be no renegotiation of this part of the Treaty. The criteria should stand as they are. It would erode the whole EMU process if this were otherwise, and nothing should be added or subtracted. This viewpoint was confirmed in the Ecofin Council of last Monday. This is an extremely important message, also to the financial markets.

Questions from the journalists

John Palmer asked clarification on the final stage and the final implementation of the timetable. The Maastricht criteria would not be altered but according to Mr Palmer the criteria have to be sustainable. How is this sustainability to be judged? The Director of Buba said that the deficit should be below the level of 3 % of to GDP at the moment of the introduction of the single currency. So should these criteria not be spelled out more clearly?

Mr Maas replied that as far as timing is concerned he strongly believes that notes and coins shall be introduced as quickly as possible after the beginning of stage III during a period of not more than 6 months. This should be done as quickly as possible using also the political momentum and in order to avoid dual accounting. As soon as the ECB begins to operate monetary policy in ECU, clearing etc., will take place in ECU, so that internal accounting systems of banks will have to be redenominated into ECU. This already is a kind of big bang. The longer you wait, the greater the chance of the ECU being introduced automatically by the private sector. This is what the Group has called Stage IIIa.

Stage IIIb. will be the period of coexistence of national currencies and ECU. This should be as short as possible although long enough to allow people to become accustomed to the ECU. The market will solve this, but the period should not be longer than 6 months.

Vice-President Christophersen returned to the 3-4% deficit question. From an economic point of view deficits could be lower. However it would reopen the whole discussion if this percentage was explicitly changed now. The Maastricht criteria were negotiated in a period of high growth and long discussions took place on this percentage, with 3% representing a compromise. However, the decision to move to stage III will be subject to political assessment in the European Council, Vice-President Christophersen stated. Unless there is a sustainable situation there will be no beginning of Stage III.

Ph. Lemaître a posé une question relative au risque de mouvement de change désordonné et que faire pour éviter ce genre de distortion.

Mr Maas said that one should not expect any market distortions due to the change-over, provided that only those countries which really fulfill the criteria participate in Stage III. There should be a guarantee that the new currency is stronger than the existing currencies, so that people will want to get rid of their national currency. So, de facto one single currency will be exchangeable at a fixed price so that no reason will exist to speculate, provided the underlying decision is the right one.

A journalist asked what banks will do with the old currency

Mr Maas replied that these will be changed for new banknotes and coins and the old ones will be melted or destroyed.

Edward Rousel, Blomberg News, asked how the Group plans to win public support.

Mr Maas replied that this press conference is an example of how to win public support. Once the decisions are taken on all technical details of how to go to Stage III, it will be

On the other hand, we have to use the political momentum of the start of stage III so it is not possible to postpone too much without increasing uncertainty.

Mr. Maas answered a question from Yannick Laude, Info Matin, on the fact that the name of one hundredth of an ECU has not been decided to date and whether this could have inflationary consequences by saying that Ministers of Finance should decide on the name of the decimal. It is one of the technicalities to be decided as soon as possible, as is the name of the decimal.

However, Mr. Maas suggested that we need not be afraid of an inflationary effect because the public is used to rounding if they go abroad. Calculating VAT has also made it necessary to work with rounding. In practice, it is not too complicated and bar codes will help to solve this.

Vice-President Christophersen added that a mandate had been given to the Mint Directors to study the question of coins, and their final report was expected in February.

Vice-President Christophersen wished Mr. Maas and his Group luck with their future work for the final report.