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COMMUNICATION FROM THE COMMISSION

**UPDATE ON THE PRACTICAL ASPECTS OF THE INTRODUCTION OF
THE EURO**

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Introduction and Executive Summary

Preparations for the introduction of the euro are underway in all sectors. The Commission Communication on "Practical Aspects of the Introduction of the Euro" of October 1997¹, provided information on these ongoing preparations at national and European level by both the private and the public sectors, and identified issues where decisions remained to be taken and further work had to be done. The aim of this Communication is to provide an update on developments since October, and to indicate future actions which are planned by the Commission². The Communication will also serve as a basis for discussions at the Round Table organised for 26 February 1998.

Since the publication of the October 1997 Communication, much has been achieved. In particular:

- Eleven Member States have so far published a national changeover plan (Belgium, Ireland, Italy, Luxembourg, the Netherlands, Austria, Finland, France, Portugal, Spain), or in the case of one (Germany) a comprehensive draft transition law. The Commission has produced an overview of these preparations in the form of a Working Paper on "Preparations for the Changeover of Public Administrations to the Euro."³
- The Commission has adopted a Communication on an "Information Strategy for the Euro".⁴
- The Commission has adopted a Communication on "The Impact of the Changeover to the Euro on Community Policies, Institutions and Legislation."⁵
- The five expert working groups, created as a follow-up to the Round Table of May 1997, have concluded their work on banking charges for conversion to the euro, technical and cost aspects of dual display, adjusting to prices and values in euro, small enterprises and the euro, and the role of education in the introduction of the euro.⁶
- The European Council in Luxembourg in December 1997, on the basis of the conclusions of the Council of 17 November 1997, confirmed 1 January 2002 as the date for the introduction of euro notes and coins in all participating Member States.⁷
- A Council Resolution⁸ has been adopted on the technical specifications of euro coins.

¹ COM(97) 491 Final, 01.10.97, Euro Paper No. 8.

² This Communication does not cover the work carried out by the European Monetary Institute on practical aspects of the introduction of the euro

³ SEC(97) 2384 Final, 16.12.97, Euro Paper No. 12.

⁴ COM(98) 39, 28.01.98

⁵ COM(97) 560 Final, 05.11.97, Euro Paper No. 9.

⁶ These reports will be published as Euro Papers.

⁷ This date is referred to in the Communication as "€ day". The period from the beginning of 1999 to the end of 2001 is referred to as the "transitional period".

⁸ Council Resolution 5145/98, 19.01.98

The Commission will continue to promote and facilitate these preparations by:

- providing an update of the information on the preparations of national public administrations;
- working with Member States on communication actions aimed in particular at the general public (including consumers and disadvantaged groups), small and medium enterprises, local administrations, civil servants, and third countries.
- where necessary, providing further clarity on the interpretation of the euro regulations, and in particular on the question of rounding;
- facilitating progress in the field of information technology and the euro by promoting the sharing of practical experience and professional best practice via the publication of case studies and scenarios.

Following the finalisation of the reports of the five expert working groups, the Commission has drawn the following preliminary conclusions on what further actions might be taken in each of the areas concerned:

- on the question of banking charges for conversion to the euro, the Commission intends to make a Recommendation on a "standard of good practice" to be implemented by banks. In addition, the Recommendation would cover the exchange of banknotes and coins held by consumers without a bank account. The standard would be advisory rather than binding, representing an appropriate balance between rule-making and market forces. One way of implementing the Recommendation could be by codes of conduct agreed among professionals. If the above principles, in particular the legal equivalence between the euro and the national currency units are not applied, the Commission would, if necessary, clarify the position through legislation. Such legal equivalence should be translated into identical fees being charged for the same type of operations denominated in national currency units and in euro;
- given the need for flexibility on the question of dual display, which the expert report demonstrates, the Commission does not believe that imposing mandatory dual display by regulation at the European level would be an appropriate way of ensuring the provision of dual displays which respond to the needs of consumers, and of minimising the costs of the transition to the euro. Nevertheless, it intends to make a Recommendation on a "standard of good practice" to ensure that where dual displays do occur, they provide clarity and certainty to citizens. Regulation on these good practices would be proposed if this provision were seen to be ineffective. It is also important that Member States should clarify as soon as possible their intentions in the field of dual display, bearing in mind the conclusions of the report;
- the Commission intends, by means of a Recommendation, to propose that, complementary to the preceding points, consumer groups and professional

organisations engage in negotiations and, where appropriate, pursue voluntary agreements on good practice in the field of price display, payment practices, and minimum standards of information provision, and on means for monitoring that they are fairly applied; and that Member States, if necessary, support the operation of these voluntary agreements on the basis of monitoring by local observatories. Regulation would be proposed if these provisions were seen to be ineffective;

- in the field of education, the Commission intends to create a working group of national education experts to study further the role which education systems should play with regard to the introduction of the euro and to promote an exchange of information on actions already underway in this field. The Commission may issue recommendations in this field;
- the Commission invites all businesses, through their representatives, to negotiate at the appropriate level, with the aim of agreeing on principles which would help small businesses with their changeover to the euro. It calls on small firms to intensify their preparations, and urges professionals and institutions in contact with small businesses to keep up their awareness-raising and information efforts. To facilitate their preparations, the Commission will continue to make available to small businesses, in particular through the Euro Info Centres network, practical preparatory tools tailored to their needs.

Before reaching its final conclusions on the content and form of any measures, the Commission will take into account the views expressed at the Round Table of 26 February 1998.

Part 1 Progress to date

1.1 National Administrations

1.1.1 National Changeover Plans

1 The practical preparations of national administrations in the Member States for the introduction of the euro are advancing at a rapid pace. In line with the commitment made in the Communication "Practical Aspects of the Introduction of the Euro"⁹, the Commission has produced a Working Paper on "Preparations for the Changeover of Public Administrations to the Euro"¹⁰. The main aim of this working paper is to provide comparable interim country-by-country information on the current state of national changeover plans. The most important results of this overview, which was assembled in close co-operation with national administrations, are:

- Eleven Member States have so far published a national changeover plan (Belgium, Ireland, Italy, Luxembourg, the Netherlands, Austria, Finland, France, Portugal, Spain¹¹), or in the case of one (Germany), a comprehensive draft transition law.
- Most Member States intend to give companies, and in many cases individuals, the option at least partially to communicate and to execute financial flows with public administrations either in the national currency unit or in the euro unit from January 1999 onwards.
- Given the particular characteristics of national administrative systems and the varying difficulties involved in the practical implementation of these so-called "euro-options", the nature and extent of these options varies from one Member State to the other. They cover areas such as company accounting and reporting, the founding of companies with their capital in the euro unit or the redenomination of an existing company's capital into the euro unit, or tax and social security declarations and payments.
- Member States expecting to participate in 1999 generally intend to continue to operate *internally* (i.e. budgets and internal accounting) in the national currency until the end of the transitional period in December 2001. There is a trend, however, towards the parallel publication in the euro unit of major government data at least towards the end of the transitional period, to promote familiarisation with the single currency in the public sector.
- To the extent that allowing these euro-options from 1999 requires legal changes to come into force on 1 January 1999, these will have to be adopted quickly in order to give legal certainty to the private sector and to the public-at-large.

The Commission will provide an update of the information on national administrations in the spring of 1998.

⁹ COM(97) 491 Final, 01.10.97, Euro Paper No. 8.

¹⁰ SEC(97) 2384 Final, 16.12.97, Euro Paper No. 12.

¹¹ The Spanish national changeover plan was published after the publication of the Commission Working Paper.

1:1.2 Redenomination of public debt

2 The Monetary Committee has established an ad-hoc working group¹² to exchange views and information on the technical challenges posed by redenomination of debt at the start of stage three of EMU, and the implementation of new market conventions for the euro-denominated financial markets. The main findings of the group so far are that:

- all Member States intend to redenominate tradable central government debt, either immediately at the beginning of stage three, or at the moment of their entry into EMU, if that is at a later date;
- there are differing views on whether debt with a shorter maturity, such as treasury bills, should be redenominated, given that such debt will mature shortly after 01.01.99;
- the majority of Member States intend to adopt new harmonised market conventions for all new debt issued in euro, as proposed in the Joint Statement of market organisations¹³. The application of the new euro conventions to redenominated debt ("reconventioning") is subject to ongoing discussion;
- the Member States are unanimous in their choice of the "bottom-up" method for redenominating bonds. Most Member States intend to base the redenomination on individual holdings so as to reduce errors from rounding, as suggested by the Commission Communication on "The Impact of the Introduction of the Euro on Capital Markets"¹⁴;
- Member States intend to implement some form of national legislation to facilitate redenomination;
- the only divergence in the Member States' approach to redenomination is over the precise format to be used to express the nominal value of redenominated bonds. Three methods are currently being put forward: bonds expressed in whole euro, in euro plus cent (i.e. decimals), or in cent only.

The chairman has released the findings of the working group to the relevant market associations. The group will continue on its work.

1.2 Communication

3 On 28 January 1998, the Commission adopted a Communication on "An Information Strategy for the Euro"¹⁵. Communication campaigns are now entering a crucial phase. The period between 2 May 1998, when the euro-zone countries are decided, and the start of monetary union on 1 January 1999, will require active campaigns since these two events will foster a strong demand for information. A special effort will also be needed in 2001, in order to allow everyone to be ready for the completion of the changeover on 1 January 2002, when euro banknotes and coins are introduced.

¹² The working group is chaired by Mr Brouhns, Director General, Ministry of Finance, Belgium

¹³ Joint Statement on Market Conventions for the Euro, 16 July 1997. ACI, CEDEL, EBF, EFFAS, EMF, EUROCLEAR, IPAA, IPMA, ISDA, ISMA.

¹⁴ COM (97) 337, based on the work of the consultative group chaired by Alberto Giovannini (LTCM). Euro Paper No. 3.

¹⁵ COM(98) 39, 28.01.98

4 The main priority for the forthcoming period is to develop communication actions towards the general public, small and medium sized enterprises, local administrations, civil servants (in Member States and in the European Institutions) and third countries. Such populations as the elderly, handicapped, and vulnerable persons, will be subject to particular attention and specific actions (see 2.3 and 2.5).

5 All media will need to be used to provide information on the euro. As the communication campaign should now be reaching the general public, however, a special focus will be put on TV and radio, through which a mass campaign can more easily be carried out, and on information provided at local level to reach citizens more directly and personally.

6 Member States play the essential role in this communication strategy towards their own populations. Several Member States have already set up and launched wide-ranging campaigns aimed at the general public. They are doing this in close partnership with the European Commission and the European Parliament based on tripartite memoranda of understanding implemented through co-financing agreements which cover the strategic financing and organisation of the information campaigns. Non-governmental organisations and associations, the financial sector and enterprises are also essential contributors because they can provide information especially adapted to their public.

As for the Commission, its action is organised around the following axes:

- making available to Member States and others needing to communicate on the euro a considerable variety of information instruments;
- stimulating and encouraging communication actions by Member States and by non-governmental organisations;
- ensuring coherence in the information and messages being given on the euro across the Union;
- organising and supporting transitional communication initiatives. Purely national projects will be examined and funded at the national level;
- organising information activities in third countries.

1.3 Commission and other EU Institutions;

7 As announced in the October 1997 Communication on Practical Aspects of the Introduction of the Euro, the Commission has produced a Communication on "The Impact of the Changeover to the Euro on Community Policies, Institutions and Legislation"¹⁶. This communication provides a comprehensive assessment of the impact of the changeover to the euro at Community level, and the resulting effect on Member States. It covers in particular the following areas:

- the practical consequences for Community policies;
- the euro-compatibility of Community legislation;
- the impact in the technical and operational sphere (information technology, administrative changes, information and training of staff, etc.)

¹⁶ COM(97) 560 Final, 05.11.97, Euro Paper No. 9.

8 In addition, the Communication also provides an overview of all work (legislation and other) which will need to be carried out before and after the start of Stage 3. Some of these preparations will involve other Community institutions, for example whenever specific legislation needs to be enacted. Furthermore, this legislation initiated at Community level will produce direct or indirect impacts at Member State level. In this respect, a major aim of the Communication is to assist both Member States and the Community institutions in the finalisation of their respective internal preparations. The main conclusions to be drawn are as follows:

- as Community financial operations are mostly ECU-based, the changeover to the euro will for the most part take place on 01.01.99 i.e. without a transitional period;
- consequently, most of the Community's changeover effort will be concentrated before 01.01.99;
- certain specific tasks will have to be undertaken to ensure that the changeover is smooth. However the amount of specific changeover legislation required will be extremely limited, and the operational changeover is not expected to cause any disruptions provided on-going preparations continue as scheduled;
- the management of the Community budget will be considerably simplified, both on the revenue and expenditure side: for example, the exchange risk borne by the Community budget will be substantially reduced, and currency management will be facilitated;
- certain policy areas will also be considerably simplified. The agrimonetary regime probably constitutes the most prominent example.

1.4 Notes and Coins

1.4.1 Date of introduction

9 The European Council in Luxembourg in December 1997, on the basis of the conclusions of the Council of 17 November 1997, confirmed 1 January 2002 as the date for the introduction of euro notes and coins in all Member States participating in the first wave of monetary union. The advantages of this date include the fact that it is consistent with the Madrid changeover scenario; it coincides with the end of the transition period as laid down in the euro regulation; the date of introduction of notes and coins and the legal changeover thus coincide with the closing of the financial year in the majority of Member States. This will avoid both the need to draw up additional balance sheets and financial statements, and the additional burden for companies and public administrations of managing two currencies during one fiscal year. Finally, it is a clear and easy date for citizens.

10 Since it is a busy period for retailers (winter sales and inventories), early preparation will be necessary. The certainty which this decision provides will allow those preparations to intensify. The introduction of notes and coins will also be facilitated by defining the organisation of Phase C, the period of dual circulation of notes and coins, well in advance.

1.4.2 Period of dual circulation

11 The draft Regulation on the introduction of the euro¹⁷ establishes the maximum length of phase C at 6 months. It was agreed at the Madrid European Council in 1995, that to take into account differing national situations, this period might be shortened by national law.¹⁸ Since 1995, a broad consensus has emerged that a short phase C would facilitate the changeover, helping to reduce the burden on retailers, and avoiding confusion for consumers. Most Member States have indeed indicated that they will have a period of dual circulation substantially shorter than 6 months. First rounds of discussions on the optimal length and general organisation of Phase C, with the aim of minimising cost and inconvenience, have taken place in all countries except Denmark. These discussions have involved, in addition to the EMI and the Commission, central banks, finance ministries, the Mints, and representative organisations of consumers, retailers and the commercial banks. Logistical aspects being examined relate in particular to:

- storage of euro banknotes and coins between 1999 and 2001;
- wholesale delivery of euro banknotes and coins to the commercial banks;
- conversion of automated teller machines (ATMs) and cash dispensers;
- distribution to retailers.

Given the consensus that exists on shortening the period of dual circulation, it may also be opportune to discuss possible co-ordination of the timing of the withdrawal of national notes and coins in the Member States. This issue will be raised at the Round Table of 26 February 1998.

In parallel with the possible shortening of the period of dual circulation, there will be a need to reinforce the preparation of the general population in the transition period. Special attention will have to be paid to groups with particular needs, such as the blind and the visually impaired.

1.4.3 Euro coins: technical characteristics and design¹⁹

12 The denominations and technical specifications of the euro coins have now been agreed. On 19 January 1998 the Council adopted a Resolution²⁰ confirming the agreement on the Council common position adopted on 20 November 1997. This substantially reflects the Commission proposal of 29 May 1997 for a Council Regulation on denominations and technical specifications of the future euro coins, and follows completion of the decision-making procedure. The formal adoption of the Regulation will take place after the decision on the participating Member States.

13 As regards the design of the coins, the Council on 17 November 1997 agreed on the final design of the common face. As announced in June 1997, when the winning series of the European competition was selected by the European Council, some minor

¹⁷ Published as an annex to a Resolution of the Council, Official Journal No. C 236, 02.08.97.

¹⁸ This provision is confirmed in Article 15 of the Draft Regulation on the Introduction of the euro.

¹⁹ The technical preparation of the euro banknotes is the responsibility of the EMI. Designs for the notes were finalised in July 1997.

²⁰ Council Resolution 5145/98, 19.01.98

modifications have been made to the design to comply with production requirements and to ensure that the map of Europe is correctly represented.

14 Six countries (France, Germany, Austria, Ireland, Italy and Belgium) have so far made public the design of the national face of their euro coins. Most other countries (with the stated exception of Denmark) intend to finalise the selection and to make public the design of the national face either before, or immediately after, the announcement of participating Member States in May 1998. Production can therefore start immediately after the May decision.

1.5 Clarification of the Legal Framework

15 Since the legal framework for the euro has been laid down, questions have arisen on the interpretation of the euro regulations in specific cases. The Commission services have provided answers to many of these questions in a Euro Paper.²¹ They will of course continue to study the legal questions raised in the course of the introduction of the euro and will, if appropriate, publish a further version of the Euro Paper. Clarification has been requested in two areas in particular: the extent to which it will be obligatory to use the fixed conversion rates, and the provisions on rounding.

1.5.1 Use of the fixed conversion rates

16 The mandatory use of the conversion rates is confirmed in Article 3 of the draft Council Regulation on the introduction of the euro which provides that "*The euro shall be substituted for the currency of each participating Member State at the conversion rate*", and by the Regulation on certain provisions relating to the introduction of the euro.²² Among the provisions of the latter regulation, Article 4(2) states that "*the conversion rates shall not be rounded or truncated when making conversions*" and Article 4(3) which states "*the conversion rates shall be used for conversions either way between the euro unit and the national currency units. Inverse rates derived from the conversion rates shall not be used*". Recital 10 provides some clarification stating that "*whereas these conversion rates should be used for any conversion between the euro and the national currency units or between national currency units*".

17 The use of the conversion rates between the euro and a participating national currency unit is mandatory whenever a substitution or conversion takes place, i.e. when the same amount is expressed in two different units. In concrete terms, in the case of dual price displays, this means that the indication of a price both in the national currency unit and the euro unit has to be done in strict accordance with the conversion rates, as it is the same amount which is expressed in two different units. The same would apply to other similar dual indications of currency amounts, such as in bank or salary statements.

²¹ Euro Paper No. 10: The Legal Framework for the Use of the Euro. Questions and Answers on the Euro Regulations. December 1997

²² Council Regulation (EC) No. 1103/97, Official Journal No. L 162, 19.06.97.

1.5.2 Provisions on Rounding

18 The legal framework of the euro includes some basic rules on the use of the conversion rates and on rounding which are to be adhered to in all instances²³. These rounding rules are an integral part of the monetary law of the euro area, and greatly limit the possibility of rounding inaccuracies and enhance transparency. The Commission has identified several areas, where further clarification seems to be useful²⁴.

19 **Conversions and reconversions of monetary amounts** (e.g. from Belgian francs into euros and back again into Belgian francs): in such cases, a situation may arise in which the initial and the reconverted euro amount differ, even if the conversion rates and the rounding rules have been properly applied. Two points should be stressed. First, payment systems will in most cases deal with the conversion/ reconversion problem. Citizens and enterprises should therefore be made aware that in general they should leave conversions to the banking sector. This means that bank customers should, wherever possible, write payment orders in the unit in which the monetary obligation is expressed. Some financial institutions have already encouraged their clients to do so.

20 Secondly, Member States might want to consider whether it would be appropriate to define by law under what conditions a debt is discharged in these cases. National legislation could provide, for example, that a debt is discharged in the case of a double conversion if the conversion and rounding rules are adhered to as specified in the legal framework. In that case, the limited rounding differences from conversions back and forth would have to be accepted by the contracting parties.

21 **Conversions between national currency units:** For conversions between national currency units, the regulation prescribes an algorithm (triangulation method) via the euro unit. One conceivable alternative method for such conversions is to calculate implicit bilateral conversion rates between different national currency units which are derived from the euro conversion rates. The use of such rates would be compatible with the legal framework to the extent that they produce the same results as the algorithm. Simulations with different conversion rates, however, suggest that it is practically excluded to find implicit bilateral rates which always produce the same result as the algorithm. It is therefore advisable, to avoid legal risk, that the triangulation method should be employed.

22 The euro regulations on the other hand do not stand in the way of the publication of indicative bilateral rates for information purposes, e.g. to make it easier for bank clients to make "approximate" conversions on their own. Nevertheless, it should be made clear that these rates are indicative and that the application of these rates does not necessarily lead to the correct counter-value of an amount expressed in a national currency unit when converted into another national currency unit.

²³ Articles 4 and 5 of Council Regulation (EC) No. 1103/97, OJ L.162, 19.06.97

²⁴ The Commission will make a more comprehensive presentation on rounding in the near future. Useful information is also included in Euro Paper No. 11, "Preparing Financial Information Systems for the euro", January 1997

23 **Conversion of sums:** It is likely that the sum of a series of converted amounts differs from the result which one obtains by converting the total of the original amounts. The differences will in general be limited as the rounding differences for the individual amounts will vary randomly upwards and downwards and thus tend to cancel out. In some cases, however, these rounding differences may systematically accumulate, e.g. for a series of amounts of the same size. The appropriate solution, however, depends on individual circumstances and a general recommendation in favour of one or the other method is not considered appropriate²⁵.

24 In the retail business, this rounding issue will arise whenever a retailer, who displays prices in the euro unit and in the national currency unit wants to give his clients the possibility of making payments in either unit. A possible solution, which the Commission recommends, is to determine a lead price in which individual items will be summed. This sum will be the amount to be paid. If payment is made in the other denomination, it is this sum which would be converted. This solution would also apply, for example, to invoices.

1.6 Information systems: Preparations within the IT industry and of their Users

25 On 2 October 1997, the Commission met with representatives of the IT industry, their users and professional advisors. The aim of this and subsequent meetings was to explore how best to address both the year 2000 problem and the requirement to make systems "euro-ready". Two main conclusions have been reached:

- first, a call was made to establish a "knowledge resource" on the IT implications of the euro. This would offer added value to the considerable volume of information already available and which will be provided by the many other sources serving the public domain. The Commission services are undertaking an extensive consultation process to specify more clearly the requirements for such a knowledge resource. This has involved the IT supply industry, large user enterprises, representatives of smaller users, and intermediaries having missions concerned with communicating EMU information to a wide variety of constituencies. This process has confirmed that such a resource should build on the already established Commission Web site dedicated to the euro and IT issues²⁶. This is continuously updated, has links to national changeover plans, surveys on states of "euro-readiness" and sources of technical advice, in particular the document "Preparing Financial Information Systems for the Euro"²⁷, and reports covering the consultation meetings themselves.

²⁵ As far as bonds and shares are concerned, this type of rounding problem has already been tackled thoroughly by many companies and associations, by the Commission and by some national legislators. "The impact of the introduction of the euro on capital markets", Euro Papers, No. 3, July 1997

²⁶ <http://www.ispo.cec.be/y2keuro>. (This has replaced <http://www.cordis.lu/esprit/src/wdiseuro.htm>).

²⁷ This document is also available as Euro Paper No. 11. December 1997

- secondly, those consulted have stressed the value of sharing practical experience and professional best practice via the publication of case studies and scenarios. Emphasis has also been placed on the fact that this "best practice" information must address the business and strategic motivations for making the move towards euro implementation, as it is not simply an IT issue. These must be the main factors influencing the specific IT strategy adopted which, in turn, must define when applications are to be changed, how such changes can best be effected and the cost. Further work will centre on obtaining and sharing this experience and good practice.

26 In November 1997 the Commission services put forward detailed proposals for the placement of the €-symbol on computer keyboards. These proposals are intended to ensure a prominent position of the symbol. Details of the proposal can be obtained from the Commission Web site mentioned above. International recognition of the "Euro symbol" for typographic use has been assured by registering it (October 1997) with the International Organisation for Standardisation (ISO 10036 Glyph ID. 8059). The registration of the Euro symbol information exchange codes for use between computer systems is also progressing (in ISO 10646 as 20AC and for the Internet World Wide Web as "€"). Investigation is taking place to determine whether or not an automatically optically readable (OCR-B) form is required.

Part 2 Expert Working Groups

27 The Round Table on practical aspects of the changeover to the euro, organised by the Commission in May 1997²⁸, highlighted a number of issues on which further study was considered necessary before decisions or action could be taken by the relevant national or European authorities. Five expert consultative groups were created to study these issues, and all have since concluded their work. Each group consisted of experts from the relevant field, acting in an individual capacity, rather than as representatives of their organisations. Their conclusions, which are summarised below, do not reflect the views of the Commission, nor is the Commission committed to these conclusions. Rather they aim to serve as an input to the reflections of the Commission and national authorities on these questions. A preliminary Commission view on the conclusions, and on whether follow up is necessary, is also given below. Before reaching its final conclusions on the content and form of any measures, the Commission will take account of the views expressed at the Round Table of 26 February 1998.

2.1. Banking charges for conversion to the euro²⁹

²⁸ "Round Table on Practical Aspects of the Changeover to the Euro" 15 May 1997, Summary and Conclusions, Euro Paper No. 5.

²⁹ Report of the Expert Group on Banking Charges for Conversion to the Euro, XV/115/97, 20.11.97; Euro Paper No. 14.

28 The mandate of this expert group was to consider whether banks are entitled to charge for conversion to the euro, whether they intend to do so, whether any new rules are necessary at EU level, and how to ensure the transparency of any conversion charges. The Group considered the issues arising from its terms of reference across the EU as a whole, while recognising the importance of subsidiarity. It focused solely on “additional” charges by banks for conversion i.e. those charges over and above any charges for the services themselves. The main conclusions are as follows:

29 The euro Regulations (under Article 235 and Article 109l(4) of the Treaty) do not explicitly authorise conversion charges, and they do not explicitly prohibit them. However, other legal principles in the Regulations and in national legislation would restrict banks’ ability to charge: for example, charges would not be permitted for the conversion of incoming payments, and for the conversion of accounts at the end of the transitional period. Similarly, charging a higher fee for a service denominated in euro than for the same service denominated in the national currency unit, would undermine the legal equivalence between the euro and the national currency unit. The Commission considers that such practices would be unlawful. These conclusions are based on the input of the Commission services associated with the Group.

30 Subject to the legal position, the most important influence on whether banks charge *in practice* will be competitive pressure. The information collected by the Group suggests that:

- banks do not in general intend to charge for the conversion of incoming or outgoing payments in the national or the euro denomination, or for the conversion of accounts from the national to the euro denomination, either during or at the end of the transitional period;
- most banks do intend to charge for the exchange of euro area national banknotes during the transitional period;
- the position for the exchange of national into euro banknotes and coin in Phase C is less clear. But some banks have already decided not to charge their customers for the exchange of banknotes and coin in “household” amounts.

31 The willingness of many banks not to charge for the exchange of national into euro banknotes and coin during the final period is likely to be influenced by the extent to which national central banks and governments in participating Member States provide support, in particular with the predicted massive increase in handling and transportation, particularly of coins.

32 To encourage “good practice”, the Group considers that the Commission should recommend *a standard of “good practice”* for banks on conversion without charge. The standard would be advisory rather than binding, except in cases where charging is already illegal. For completeness, the standard should include the elements which are legally required as well as those which are not:

- the conversion without charge of accounts from the national to the euro denomination during and at the end of the transitional period;
- the conversion without charge of payments from the national denomination to the euro denomination and vice versa during and at the end of the transitional period;

- the exchange without charge to customers (i.e. account holders) of "household" amounts of banknotes and coin from the national denomination to the euro denomination during Phase C;
- quantification by banks in a transparent manner of "household" amounts by volume and frequency.

33 The standard of "good practice" should not include conversion of accounts from the euro denomination to the national denomination, as this is not necessary for the introduction of the euro. Nor should it include the exchange of euro area national banknotes without charge, as this is not directly connected to the introduction of the euro as legal tender.

34 The proposal for the standard of "good practice" was agreed by all members of the Group. If the standard is not widely followed, however, consumer representatives want to keep open the possibility of new EU legislation, while banks are opposed to new EU legislation.

35 Where banks meet the standard of "good practice", the Group recommends that they should publicise this so as to reassure consumers. One way of doing so would be by displaying a "conversion symbol". The scheme for a "conversion symbol" should be worked out at national level, if and when appropriate, rather than at EU level.

36 Where banks are entitled to charge for conversion, and decide to do so, it is important that any charges are transparent. The conversion rates should be used in all conversions, and any charges should be shown separately. The conditions for achieving transparency should be included in the standard of "good practice", and implemented by 1 January 1999 at the latest, and earlier if technically feasible.

37 The Group recommends that indicative bilateral conversion rates should be published, and that banks should provide timely information to their customers about any conversion charges.

The Commission's preliminary view

38 The Commission's preliminary view is to accept the report's conclusions and to make a Recommendation as outlined in the report, on the grounds that this would represent an appropriate balance between rule-making and market forces. In addition the Recommendation would also cover the exchange of banknotes and coins held by consumers without a bank account. One way of implementing the Recommendation could be by codes of conduct agreed among professionals. If the above principles, and in particular the legal equivalence between the euro and the national currency units are not applied, the Commission would, if necessary, clarify the position through legislation. Such legal equivalence should in particular be translated into identical fees being charged for the same type of operations denominated in national currency units and in euro.

2.2. Technical and Cost Aspects of Dual Display³⁰

39 The mandate of this expert group was to examine the technical and cost aspects of dual display for the main forms of pricing systems used in the retail sector and by service providers; for other benchmark financial values, e.g. bank statements, insurance policies, and other documentation of the public sector and public utilities. It also aimed to identify examples of current plans to provide dual displays, even in the absence of a legal obligation to do so, and to analyse the circumstances in which dual displays can facilitate the transition to the euro. The main conclusions of the report are as follows:

40 Dual displays will play a key role in facilitating the switchover to the euro for consumers, retailers and providers of services. Dual displays can assist consumers in adapting to new prices and value structures expressed in the euro, and in monitoring price changes. In doing so they can help to provide reassurance to consumers on the fairness of the changeover process. Familiarity with and confidence in the euro are also essential to prevent some consumers from temporarily postponing transactions around €-day (1 January 2002), and to maintain the speed of transactions at checkouts – key concerns from a retail point of view. In addition, dual displays can also help to familiarise employees with the euro, thus aiding them in the execution of their tasks and the prevention of errors.

41 Dual displays, however, represent just one of many communication instruments necessary for educating citizens and employees. The communications strategy of an enterprise should not be limited to dual displays, but should encompass a whole range of communication instruments. Staff training will be a critical element for companies which deal with the final consumer. Furthermore, ensuring consumer familiarity with the euro is not the responsibility of these economic sectors alone. The information campaigns of national authorities will play a major role, as will education systems.

42 Given the diversity of pricing systems currently in use, the many factors which influence the technical aspects of dual displays, and the specific needs of certain activities (small shops, travel agents, petrol retailers, mail order and distance sales), the group considers that it is imperative that there be flexibility in the approach to dual displays. Flexibility will facilitate the development of dual displays which best meet the needs of consumers. It will also allow retailers to develop dual display in a format that best fits the technical characteristics of their existing equipment. It will thus help to keep the costs of dual display to a minimum, costs which in part would be passed on to consumers in the form of higher prices.

43 Imposing dual display requirements that necessitate expensive modifications to existing equipment, or the purchase of new equipment, solely for the purpose of dual display, should be avoided. This is particularly the case where existing equipment could function in euros after €-day. In such cases, other means must be found to ensure that consumers receive the necessary information on prices.

³⁰ Report of the Expert Group on the Technical and Cost Aspects of Dual Display, II/734/97, 18.12.97. Euro Paper No. 13.

44 Limiting dual display to the final price to be paid by consumers (i.e. not of unit and promotional prices), to the totals on till receipts and bills, and to balances on financial statements, will also minimise the need for hardware and software changes, and hence help to keep costs down. It would also help to ensure that dual displays are clear and understandable, and that consumers are not overloaded with excessive amounts of figures.

45 Consistent with this need to minimise costs, the group urges retailers, where possible, to take into account the dual display issue in all existing and planned investment projects. A great deal of equipment in the retail sector is due to be replaced in any event before 2002, either as a result of technological upgrading, or in order to cope with other challenges such as the year 2000.

46 The group heard evidence that many retailers, utility companies, banks and insurance companies throughout the EU are planning to provide dual displays of prices and financial information even in the absence of an obligation to do so. These developments reflect the commercial benefits that dual display can bring, and the important role of competition in encouraging the provision of high quality information to consumers and clients. Nevertheless, it is essential that both Community and national authorities clarify the regulatory framework for dual display without delay. Companies urgently require such clarity if they are to finalise their changeover plans and to make the necessary investments. Confusion and/or delay on this matter will impose unnecessary additional costs on private operators.

47 On the question of when dual displays should be introduced, the group considers that a single rule would be inappropriate. It would, for example, be desirable to have dual displays on banks statements and insurance contracts as of January 1999, and of other benchmark indicators, such as bills from utility companies, from early in the transitional phase (1999-2001). A progressive introduction of dual displays could also take place in the retail sector, especially in the months approaching €-day. Timing, however, will depend on the pace at which clients and customers wish to make the changeover, on the nature of the retail outlet, and the types of product being sold. After €-day, attention should be paid to the risk that dual display for too long in this period may actually slow down the switchover of consumers to the euro by enabling them to continue to rely on national currency values.

48 With a view to providing clarity and certainty to citizens, the group suggests that certain basic practices could be followed whenever there are dual displays:

- first, the fixed conversion rates should be used when calculating the counter-values in dual displays;
- secondly, a dual display should not place an obligation on the retailer to accept payments in euros during the transitional period as this would *de facto* breach the "no obligation - no prohibition principle". Retailers should therefore indicate clearly whether they are prepared to accept payment in euros during the transitional period;
- thirdly, there should be a clear distinction between the lead unit in which the price is set and amounts to be paid are to be calculated, and the counter-value which is displayed for information purposes only;

- fourthly, dual display may benefit from common formats or design. Given that rigid requirements would again risk imposing excessive costs, voluntary agreements on common formats or design should be encouraged.

The Commission's preliminary view

49 The Commission's preliminary view is to accept the conclusions of the report. Given the need for flexibility which it demonstrates the Commission believes that imposing mandatory dual display by regulation at the European level would not be an appropriate way of ensuring the provision of dual displays which respond to the needs of consumers, and of minimising the costs of the transition to the euro. Nevertheless, the Commission intends to make a Recommendation on a "standard of good practice" endorsing the four proposals of the report for providing clarity and certainty to citizens. Regulation on these good practices would be proposed if this provision were seen to be ineffective. Bearing in mind the conclusions of the report, Member States should also clarify as soon as possible their intentions in the field of dual display.

2.3. Adjusting to prices and values in euro³¹

50 The starting point for the group's work³² was to note the central role that will be played by employees in the retail trade in the understanding of prices, scales of value and the acceptance of the euro. The consumer is in direct, almost daily contact with the retailer, and by definition the relationship is monetary in nature. The retail outlet is the place where purchasing power and the operation and acceptability of means of payment are confirmed.

51 The group found that it is in the public interest to ensure, in mutually satisfactory conditions, that both retail employees and their customers understand the mechanics of the euro. In order to do so, they require:

- continuous training and information;
- opportunities to learn progressively about the euro throughout the transitional period from 1999 to 2002.

52 During the transitional period retailers, like many enterprises, will receive requests to work in euros. The public interest requires this to be done in satisfactory conditions. Various approaches were mentioned:

- first, retail employees will need training and information so that they can deal with these requests;
- second, information in which consumers can participate (including practice in using the euro and the dual display of prices and values) is essential in order to reassure them and so that they do not turn against retail employees because of their mistrust of the euro and the changeover risks surrounding its introduction;

³¹ The report will be published as a Euro Paper.

³² The group was able to benefit from the work of the Euro Group of the Consumer Committee.

- in addition, a number of preconditions which depend on other sectors (chiefly banks and administrations), must be met before these first two approaches can be implemented effectively.

53 The preconditions: in order to promote understanding of the euro by increasing its use from 1999, the group considers it essential that:

- banks and operators of payment systems provide everyone who so wishes with the means necessary to carry out euro transactions (cheques, credit transfer forms, credit cards, electronic payment facilities and the corresponding payment terminals, and enough euro notes and coins during the period in which the euro circulates alongside national currencies), at no additional cost compared to the same type of instrument denominated in national currency units;
- national administrations authorise retailers to enter euro amounts in their accounts and to make their tax or social security returns in euros, and enable businesses and consumers to pay their taxes in euros.

54 Training and information activities: in order to make it easier to learn about the euro and to increase confidence in it, the national and Community authorities should, as part of the general information and training policy, support activities of more particular interest to professionals and consumers:

- consumers' associations, federations of commercial firms and approved training organisations could run joint training activities which might consist of: selective information drives and practice in using the euro, training sessions on managing the household budget, practical exercises in converting prices;
- specific activities should be carried out for the benefit of those consumers who are liable to find it more difficult to adapt to the new currency (the blind and visually handicapped, elderly people, the most disadvantaged groups in society, persons who are illiterate, etc.). This requires the design and use of appropriate and locally available tools and methods. Training could therefore be provided for persons in direct contact with the most vulnerable sections of the population, who have won their confidence and can act as information providers ("mediators"). The identification and training of such persons should start at the end of 1998. In this connection, the role of the small retailer will be important because of the close contacts with these sections of the public;
- consumers have welcomed the proposals of professionals to become involved in a gradual process of informing and training the consumer: distributing general information documents, explaining the conversion rules used, providing standard conversion instruments, advertising their readiness to accept payments in euros, when the consumer wishes to make them, indicating the euro equivalent of the total price payable on till-receipts.

55 The dual display of prices and values:

- the group considers that from 1999 on, the dual display of prices and values is an essential element in promoting understanding of the new prices and scales of value. However, it agrees that a general and systematic obligation to display both prices for every product is not appropriate.

- Retail employees could be assisted in the learning process by solutions such as the dual display of prices of convenience goods, by showing the final price to be paid on the till-receipt, and by providing other means of information and of comparing prices (converters, price tables, interactive terminals, etc.). Some consumers think that regulation, even though flexible, remains essential before and after the introduction of notes and coins. Others would make the adoption of regulation dependent on whether or not voluntary arrangements, negotiated and monitored, were effective.
- In any event, the group proposes that as early as 1999 professional and consumer organisations together start to negotiate the rules which will be applicable. Rules would relate to price display methods, payment practices, and the minimum information to be given. Those who decide to apply these rules should be able to display a European label demonstrating their commitment. An independent unit should be able to monitor whether these rules were being observed and whether they were effective.
- The group feels that "local observatories to monitor the changeover to the euro" could be created for this purpose. One of their roles would be to record the general difficulties experienced by the various occupational sectors and by consumers, to observe the application of the conversion rate and pricing practices and to help with the resolution of non-fraudulent disputes before they go to court.

The Commission's preliminary views

56 The Commission agrees with the group's general approach. It would like the use of the euro begin in 1999 in the most favourable conditions of transparency and costs. Since it prefers a voluntary approach by professional organisations to a regulatory approach throughout the transitional period, the Commission therefore intends, by means of a recommendation, to:

- contribute to the conclusion of negotiations between professional organisations and consumer groups, before the end of 1998, on the rules to which professional organisations would voluntarily adhere;
- encourage the Member States to ensure that these rules are implemented and, if necessary, their application identified by an appropriate label and, their observance and effectiveness monitored by local observatories, whose form and operating methods will have to be defined. Regulation would be proposed if these provisions were seen to be ineffective.

57 In addition, the Commission, in co-operation with the national authorities, wishes to continue the pilot schemes under way or about to be launched with sections of the public who are likely to experience most difficulties: the blind and visually handicapped, the elderly and the most disadvantaged sections of the population.

2.4 Small and medium sized enterprises and the euro³³

³³ The report will be published as a Euro Paper.

58 The mandate of this group was to identify the specific difficulties of small enterprises in their internal preparations for changing over to the euro. The group examined the situation in the sectors most confronted by adjustment problems because they consist predominantly of small firms heavily dependent on, or partly integrated into, other enterprises, whether in terms of computerisation or logistics, or commercially. Particular examples are the retail trade, travel agencies and service stations.

59 While recalling the advantages of the euro for all European firms, the working group identified two particularly serious constraints for small businesses. The most important concerns the lack of resources, both human and financial, available to small firms. The second constraint identified by the working group relates to the lack of information targeted on small firms.

60 The working group examined the risk that on the one hand small businesses will find themselves forced to use the euro in their relations with other enterprises, and on the other hand forced to continue to use the national currency with consumers. To deal with these demands, close co-operation will be needed between large enterprises and small enterprises to ensure that the latter are adequately prepared.

61 As a result, the working group feels that it is necessary for small businesses to start now to consider the implications for their activities of the changeover to the euro, though this does not imply that it is in all of their interests to rush into the changeover. It will be up to each firm to examine the attitudes of its customers and the other enterprises with which it works as regards the changeover to the euro. On that basis, the management of the firm will decide on the most appropriate time to switch to the euro.

62 Information was considered essential for small businesses, and the working group noted that most management of small firms lacked information. It therefore considers that targeted information activities should be devised specifically for small firms. These activities should take account of the difficulty such firms have in accessing traditional sources of information, but also of the very practical nature of the questions asked by their management.

63 The group stresses the need for all professionals and institutions in contact with the business world (banks, accountants, chambers of commerce, trade associations, tax administrations, business advisers and Euro Info Centres) to take action to facilitate the transition for small businesses. Their role should be both to make appropriate information tools available to small businesses and to respond to their specific requests concerning the changeover.

64 The expert group is therefore of the opinion that:

- firms should give a period of notice before issuing invoices in euros in order to allow their customers, particularly where these are small businesses, time to prepare themselves properly. Where a small firm requests its supplier to continue showing prices in national currency alongside prices in euros on invoices, the supplier should accept;

- national authorities and trade associations should encourage large and small enterprises to engage in negotiations to achieve agreement on the respect of the two principles mentioned above;
- small businesses should give immediate thought to the consequences that the introduction of the euro will have for them, and should draw up a timetable of measures to be taken. In particular they should ensure that they will have sufficient resources for modifying their information technology and accounting systems by building up reserves for funding the necessary investments;
- specific information and preparation activities should be organised for small businesses, and particularly small retailers, in order to cater for their special needs.

The Commission's preliminary view

65 The Commission accepts the findings of the expert group on small businesses and the euro. It invites all businesses, through their representatives, to negotiate at the appropriate level to agree on principles which would help small businesses to make the changeover to the euro. It calls on small firms to start thinking immediately about the consequences which the changeover to the euro will have on their business, and urges professionals and institutions in contact with small businesses to keep up their awareness-raising and information efforts.

66 To assist small businesses with their preparations, the Commission will continue to make available to them, in particular through the Euro Info Centres network, practical preparatory tools tailored to their needs.

2.5. The role of education in the introduction of the euro³⁴

67 The mandate of this group was to look into the role that the education system, and more specifically schools, could play in informing young people and the public at large about the euro, and what kind of action could be taken in this area at Community level.

68 The expert group notes that through information on the euro, key facts on Europe will for the first time have to be taught in every school throughout the European Union. The information campaign on the euro cannot ignore the importance of the education system, given the practical repercussions which the arrival of the single currency will have in daily life. The information disseminated will not be short-term in nature since the euro will in future be part of those subjects which deal with money, such as economics, or in which money is used for practical examples, such as mathematics.

69 The education system will in fact be one of the most fruitful areas of the information campaign in terms of the impact on the general public. The target group (young people of school age) is highly receptive and exerts a definite multiplier effect within the family circle; these young people are Europe's working population of tomorrow. The teaching materials and methods developed for teachers will offer the

³⁴ The report will be published as a Euro Paper.

advantage of being to a large extent usable by other categories of intermediaries (special teachers, training instructors, etc.) who are in contact with young people outside the traditional school system, in particular through networks bringing together social workers and representatives of the national education systems.

70 The specific nature of the message to be disseminated in schools needs to be emphasised. It must not be handled like an advertising message and/or just another piece of technocratic information, but as teaching material to be presented as part of the educational process. The classroom is a special forum where teachers can throw open discussions in which answers can be given to the questions and uncertainties of pupils and, through them, their parents. Teaching on the euro should enable pupils and, by means of a knock-on effects, their families to become familiar with new scales of values. If this information is to bear fruit, education officials, teachers and other school staff must be closely involved, and the Member States must ensure that they receive the appropriate initial and continuing training.

71 In line with the timetable, four different phases can be identified for the information effort: the period up to May 1998, the period from May 1998 until December 1999, the period from January 2000 to December 2001, and the period from January 2002 onwards. The best option would appear to be to build up the effort gradually; however, the group is convinced that teachers should be provided with basic information before May 1998. For information on the euro to be effective, it must be integrated into existing courses. Existing schoolbooks will have to be adapted as soon as possible.

72 The group concludes that teaching about the euro in schools provides a great opportunity for enabling the notion of European citizenship to become firmly established.

73 The group considers that the European Union, and more specifically the Commission, can contribute to this information drive, in line with the principle of subsidiarity which governs its actions in this area, by supporting and supplementing work by the Member States. To this end, the group recommends that the Commission:

- bring together during the first half of 1998 national education officials and euro co-ordinators from the Member States in order to make them aware of the importance of providing information about the euro in schools, to facilitate through this forum the exchange of experience and the dissemination of good practice already adopted in different Member States, and more effectively to take specific national circumstances into account;
- formulate recommendations to the Member States, where appropriate, in support of the above measure; and organise a round table on the theme of "the euro and education", bringing together young people, teachers, organisations active in this field, and representatives of Ministries of Education;
- ensure that Member States raise awareness in their education systems in general, and among teachers in particular, and provide them with adequate basic information by May 1998 (the brochures for the general public and existing Internet sites already developed by the different national authorities may be used for the purpose);

- involve the other Community institutions, and in particular the European Parliament, in its initiatives;
- use to best effect the instruments placed at its disposal in the context of its role in the field of education, training and youth, i.e. encourage programme managers, and in particular the committees which assist it in the decision-making process, to support projects with a euro dimension, and use the network that has been established for each programme in order to disseminate information about the euro;
- have information material prepared which can readily be used for educational purposes by the national authorities or teachers and which could be loaded onto the Europa server in particular. This would provide teachers in the different countries with reference material whose reliability would be guaranteed by the Community "label"; the group stresses that such information should be neutral and objective;
- in another area related to co-ordination, the group suggests that hypertext links be created between all the Member States' existing institutional euro sites and between the European Community's and the Member States' euro sites. Such links, which already exist in part, would greatly expand the amount of information available to individuals and offer them a wider, "European" view of the arrival of the euro. The networks of schools which have been linked up to the Internet at the Community's instigation, such as those created during Netd@ys, should also be used.

The Commission's preliminary view

74 The Commission endorses the findings of the expert group and hopes that they will be put into practice. It is aware of the fact that action needs to be taken as a matter of urgency in the sphere of education. It intends, in particular, in the near future, to convene a meeting of national education officials and euro co-ordinators from each Member State in order to facilitate a fruitful exchange of information on action already taken in different Member States, and to discuss what would be the best steps to be taken at Community level and also at national level, taking fully into account specific national circumstances. The Commission may issue recommendations in this field.

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