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Commission organises a Round Table on practical measures for the changeover to the euro

MANY detailed aspects of the changeover to the euro, including the practical help consumers will need to adjust to the new currency, were due to be thoroughly examined at a Round Table organised in Brussels by the Commission in mid-May.

With an expected attendance of around 200 representatives of consumers groups, retailers, banks and financial services, vending machine operators, trade unions and professional associations as well as national administrations and the European Monetary Institute, the Round Table was planned to be an important aid to the Commission's thinking on the further actions needed to ensure a smooth transition to the euro.

Among the issues tabled for discussion were:

- banking services available in euros during the 1999-2002 transition period;
- the best time to introduce euro notes and coins (currently fixed at January 1 2002 at the latest);

- whether the euro and national coins should circulate together for the six months that has been set as a maximum;
- what legal measures are needed to ensure an adequate display of prices in euros and national denominations for consumers;
- information and communications requirements.

A full report on the Round Table will be published in the next edition of *InfEuro*.

Its discussions had been prepared by a workshop in Brussels in late March attended by more than 40 representatives of organisations of currency users and economic operators. This revealed both the common ground and the differences between such groups as the consumers and retailers over the practical measures needed to smooth the changeover.

(Continued on page 9)



The euro in for the long haul! Course set for Europe!

The 7th Europe Ocean Race sets sail from Cherbourg in France on 1 June and the winner will be declared on 25 June in Stockholm after a voyage taking in the cities of Rotterdam, Arendal, Kiel and Helsinki. This competition is taking place under the banner of the "The euro, a currency for Europe", accompanied by a communication and information campaign. According to the promoters, the Europe Race "reflects the concept of European construction. We have to work steadily towards our goal and pace ourselves, without haste and without attacking obstacles head-on; we need to maintain our course, overcome setbacks, avoid becoming becalmed, successfully completing each stage to reach the final haven. (...) The single currency is going through rough seas and there are more storms ahead. However, a fair wind is filling the euro's spinnaker and the course has been set for 1999"



Noordwijk: the final picture takes shape

MEETING in the Dutch town of Noordwijk during the first weekend in April, Finance Minister and central bank Governors fine-tuned the way Economic and Monetary Union will operate in three essential areas: the timing of its introduction, the stability and growth pact, and the European Monetary System, version 2.

Timing

The final decision by the Heads of State and Government on which countries will enter the euro-zone on January 1, 1999 will be taken in late April or early May 1998, at the end of a three-stage process. First of all, on the same day, the European Commission and the European Monetary Institute will produce their reports based on final 1997 government financing figures and on 1998 forecasts, in such a way that the provisions of the Treaty concerning the sustainable character of convergence are respected. After this the European Parliament will immediately receive the recommendations, based on which it will formulate its opinion within a period estimated at between four and six weeks, during which time national parliaments will have the opportunity to examine the recommendations in parallel. Finally, in late April or early May, the Ecofin Council will propose the list of the first participants to the Council of Heads of State and Government, which will immediately take its decision. On the same day, the Executive Board of the European Central Bank will be proposed for appointment.

The stability and growth pact

The stability and growth pact, the main lines of which were established at the Dublin summit, represents an essential precondition for the euro's credibility on financial markets. The participants at the informal summit at Noordwijk put the final touches to this document. The following decisions were taken:

- the provisions relating to the surveillance of Member States will be supplemented by an analysis of the economic evolution of the European Union as a whole;
- the degree of leeway permitted in decisions based on the entry criteria has been definitively established in such a way as to protect both the Commission's freedom of assessment and the Council's freedom of judgement as intended by the Treaty;

- the sanction for a country which runs up an excessive deficit (more than 3% of GDP) consists, in the first year, of its being required to deposit 0.2% of its gross domestic product (fixed portion), plus 0.1% of its GDP for every percentage point beyond 3% (variable portion) into a special Community budget account. If the excessive deficit continues for a second year, only the variable portion will have to be paid. In any event, deposits may never exceed 0.5% of GDP for any one year. If the deficit is not corrected after two years, the deposit will be transformed into a fine. Readers are reminded that a severe recession will constitute an exceptional circumstance, which will exonerate the state concerned from these sanctions;
- the "earnings" from the penalty payments, that is interest on the deposits and the fines, will be available to the "virtuous" countries of the euro zone, i.e. those which have not run up excessive deficits;
- in the case of the United Kingdom the timetable of the pact is adapted to take account of the timing difference between its budget year and the civil year.

EMS2

Without being a carbon copy of the first version of the European Monetary System, EMS2 represents the logical follow-on of an instrument which has proved its effectiveness. This should make it possible to create a monetary stability zone between those countries taking part in the euro from the outset and the "pre-ins" which will be joining them at a later date. Participation in EMS2 is not mandatory, but will obviously be recommended to all the "pre-ins".

As in the present mechanism, the fluctuation bands are +/- 15%, a level which is well in line with current market conditions. Should any currency fall outside these bands, intervention will be automatic, though the European Central Bank will be able to suspend these bands, should they pose a threat to price stability in the euro zone. The possibility of intervening also inside these bands is maintained.

"Pre-in" countries will also be free to operate with tighter links, if they so wish, depending on progress in the area of convergence, for example by officially setting tighter fluctuation bands. ■

Alexandre Lamfalussy, President of the European Monetary Institute

Member States progress towards convergence

Inf€ *The future European System of Central Banks will be crucial for the proper functioning of the new currency. What must the EMI still do to ensure that the ESCB will be fully operational at the beginning of 1999?*

Under the Treaty, the EMI has the task of preparing an operational ESCB for Stage Three. In this respect, the EMI has made major progress in the three years since its establishment. We are working hard to push matters ahead in several fields simultaneously. Deserving mention in this context are, in particular, the fields of monetary and exchange rate policy, statistics, payment systems, banknotes, accounting, information systems and legal issues. I do not want to go into all of the matters involved. What is vital, however, is that we have virtually finalised the conceptual preparations for the ESCB's future monetary policy. On the one hand, we have developed monetary policy strategies in readiness for selection by the ESCB and, on the other, the EMI Council has reached agreement on a set of monetary policy instruments, with open market operations at the core. Where exchange rate policy is concerned, last year saw the presentation, by the EMI, of the broad outline of EMS II. Further progress has moreover been made with the work on the TARGET system. And, finally, in December 1996, the general public was informed of the draft designs for the euro banknotes, which are currently being transformed into master printing plates. This year and next year the EMI will refine what has already been achieved and subject it to practical tests. It still faces a major task: in line with the provisions of Article 109 J of the EC Treaty, it will be required in the spring of 1998 as will the Commission to present a report on the extent to which the individual Member States fulfil the prerequisites for an entry into Stage Three of EMU.

Inf€ *What progress has been made in preparing the TARGET system? How does the EMI co-operate with the central banks in this field?*

The progress made in preparing the TARGET system was described in detail in the report *First progress report on the TARGET project* which the EMI published in August 1996. In that report, we also touched on various organisational features of the system, such as the provision of intraday credit, the pricing policy, the operating hours and so on. Testing will begin in the middle of this year, and continue until June 1998. The remaining time until December 1998 will be used for simulation exercises. You can thus see that the implementation of the TARGET system is taking concrete form. Co-operation with the central banks is extremely close, not only where the TARGET system is concerned, but also on all issues related to the preparation of the ESCB. To this end, Sub-Committees and Working Groups have been set up that meet at regular intervals.

Inf€ *EMS II, as a copy of the current EMS with its wide fluctuation bands, is aimed at stabilising the exchange rates of the "pre-ins". Is it really capable of ensuring exchange rate stability?*

EMS II will not be a simple copy of the current exchange rate mechanism. Attention must be drawn to the fact that EMS II will have three new elements: firstly, it will be based on central rates which will be fixed for all participating national currencies vis-à-vis the euro, so that there will not be a parity grid. Secondly, the ECB and all participating "pre-in" central banks will have the right to initiate procedures to review the central rates. And thirdly, the ECB will have the possibility of suspending intervention and financing operations in the event of their running counter to the goal of price stability. EMS II will have a wide standard fluctuation band similar to that of EMS I. However, all "pre-ins" will be free to seek closer exchange rate links with the ECB. I am sure that EMS II will contribute to a stable development of exchange rates between the euro and the currencies of the "pre-ins", provided that the latter pursue economic, monetary and fiscal policies that are geared to convergence on the euro area. In view of the progress in convergence made by the EU Member States over the past few years, I am convinced that the "pre-ins" will conduct such policies. In that respect, the situation today is clearly different from that at the time of the exchange rate crises in the EMS in 1992 and 1993.

Inf€ *The euro is to be introduced within less than two years. Do you, as the President of the EMI, believe that the deadline can be met? What key issues remain to be resolved? And what speaks in favour of the objective being achieved?*

Well, that is a whole series of major questions. I am still convinced that there is every chance of our entering Stage Three on the date envisaged, i.e. on 1 January 1999. As I have already mentioned, convergence in the EU Member States is proceeding well. Worth mentioning in this respect is, above all, the success in fighting inflation. The upward drift of prices has now ceased to be a problem in virtually every EU Member State. It is no secret that a number of countries are finding it difficult to meet the public finance criteria, but there is no lack of serious efforts to fulfil the requirements of the Treaty. Long-term interest rates are relatively low in almost all Member States, and the exchange rates of the currencies participating in the EMS exchange rate mechanism have remained stable. The most important forthcoming issue, in my view, is the selection of the participating countries next spring. I hope that the Heads of State or Government will agree with the EMI's findings. One of the things which, in my view, speaks in favour of the objective being achieved is the fact that the practical preparations for the euro on the part of both industry and the public sector are becoming more specific by the day. No one would go to such efforts unless they were convinced that the euro is coming. ■



Ferdinand Chaffart,
Chairman of
the Executive Committee of
the Generale Bank (Belgium)

*"The euro offers
great opportunities"*



Inf€ *What internal preparations has the Generale Bank made for the euro?*

Since the very beginning of the process to introduce the euro, the Generale Bank has adopted a pro-active approach to the project. Since 1994 the Generale Bank has been running a "euro unit" responsible for making and coordinating all the preparations within the bank for introducing the euro. No less than 35 working groups under its leadership have assessed the difficulties and the various stages involved in the changeover to the euro. Today, the Generale Bank is participating pro-actively in the formulation of the national plan for transition to the euro. As from 1999, it has committed itself to offering its clients, at no additional expense, the possibility of maintaining banking relationships in euros for all products and services via all of the available distribution channels.

Inf€ *Can you put a figure on the amount of investment required? How many years will it take to recover this investment?*

Naturally the Generale Bank will have to devote considerable resources to this effort in terms of communication with its clients, staff training and adapting computer systems. The introduction of the new single currency represents an estimated direct investment for the bank of around BEF 2.4 billion over the period from 1997 to 2002; of this, BEF 1.6 billion will be used to adapt the software, BEF 0.40 billion for purchasing hardware, BEF 0.15 billion for communication and staff training and BEF 0.30 billion for various other items. Although a significant part of our foreign exchange activities may come to an end with the advent of the euro, we remain optimistic because the strategy which we have set in place will bear fruit and more than compensate for the lack of earnings this may entail.

Inf€ *How will your bank offset the decline in trading room activity? Do you intend to develop new products? In what fields?*

Certainly the euro requires a serious act of faith on our part, but it presents real opportunities for the Generale Bank which we are determined to exploit to the full. Our strategy is to make the Generale Bank a European bank with Belgian roots: we are solidly

established in Belgium, as well as in the Netherlands, France and the Grand Duchy of Luxembourg, and to a lesser extent in Germany and the United Kingdom. We are the only Belgian bank with a network of 1,300 branches within a radius of 400 km of Brussels, that is to say in a circle which contains more than 70 million inhabitants and within which trade between Belgium and neighbouring countries is at its most intensive.

By removing the major obstacle of foreign exchange risk, the arrival of the euro will present us with a real opportunity to develop, together with our subsidiaries, euro products which can be used interchangeably in neighbouring countries and to offer our clients the possibility of working in other countries without changing their bank. Furthermore, the bank will develop products such as emerging market funds and put more emphasis on Central European currency markets such as the Czech Republic, Poland and Hungary, as well as South-East Asian countries, including Thailand, Malaysia, Singapore, Hong Kong, Taiwan and China.

Inf€ *What products and services will you be offering your clients on 1 January 1999 or perhaps even earlier?*

Although it is not planned to put euro notes and coins into circulation before 2002, as from 1999 each client will be able to carry out his transactions in Belgian francs, or elect to carry out operations in euros. During this transition phase, clients will also be able to ask for their accounts (current accounts and deposit accounts) to be managed in euros. Bank statements will indicate the amounts in Belgian francs and euros, with this amount being finally converted into the currency in which the account is denominated. Finally, the bank will redouble its efforts to keep its clients, both the general public and companies, fully informed. It will make specific efforts to meet the needs of SMEs and large enterprises for which it will organize no less than 60 roadshows on the theme of the euro. As you will see from all this, the Generale Bank has faith in the project and will use its position to contribute to the successful introduction of the euro. ■

DATE	VAL
10-01	1.315,99
09-01	518,30
08-01	174,13
322,00	-
TOTALDE : (BEF: 145,009 +)	

DATE	VAL	
10-01	3.192,66	
09-01	19,695	
518,30	-	
EGEL	08-01	6,617
322,00	-	
TOTALDE : (EUR 3.816,03 +)		

Dr. Bernd Stecher, Chief economist at Siemens

“Siemens has opted to introduce the euro as rapidly as possible”

Inf€ *What kind of structure has Siemens set up to prepare the company for the transition to the euro, the European single currency? Does the company intend to adapt its informatic system and how would it be implemented?*

Siemens has not only decided in favour of the euro but has also opted to introduce it as rapidly as possible. We aim to be in a position to conduct transactions with business partners in euros if they so wish by January 1, 1999. October 1, 1999 — for us the start of the fiscal year 2000 — has been established as the single transition date for disclosure and financial statements throughout the company. From that date onwards, the euro will be Siemens AG's standard currency.

In order to achieve this ambitious goal, the company set up an internal working party two years ago to address the issue of European monetary union. This working party examines technical and organisational aspects of adaptation procedures, questions of strategy and the need for external and internal communications, and prepares workable solutions. The widely varied adaptations necessary, which will affect virtually all company functions and organisational units, are highly work intensive. Numerous internal and external interfaces involved in the handling of transactions necessitate concrete solutions and a discriminating approach. Accounting and the adaptation of the information systems are key areas affected by the introduction of the euro.

Preparations within the company have reached a stage that would allow us to switch our business and accounting over to the euro at short notice. The same is true of our information systems. Modern software applications already support multiple currencies as a standard option. When this option is not available, programs need to be upgraded or state-of-the-art standard software installed.

Inf€ *Siemens is a multinational company. How do you intend to take the whole company, including all subsidiaries, into the euro system? Will your approach differ according to whether the subsidiary is located in a country inside or outside the euro zone?*

The transition date of October 1, 1999, applies for the whole of Siemens AG and its subsidiaries in the euro zone countries. Effective January 1, 1999, we will allow our customers and business partners in EMU states to specify

their preferred currency for the duration of the transitional phase, in other words we will also accept transactions in euros. The euro will also be introduced as the official company currency in international Siemens companies and subsidiaries outside the euro zone on October 1, 1999. In particular, this will have an effect on internal transactions within Siemens, as well as on price lists and standard company operating procedures.

Inf€ *How will treasury management in Siemens be changed by the move towards the euro?*

The implications for the treasury department are threefold. Our cash management systems can be rationalised because fewer currencies will need to be handled. Financial transactions are less exposed to foreign exchange rates, therefore reducing hedging costs. Securities are changed to the denomination “euro”, meaning that the obligations carry the notional value in euros and Siemens' stock will be transformed from a par value share to a no-par value share.

Inf€ *In your opinion what further actions are needed by national or European public authorities by 1999?*

National legislators and administrative authorities must make use of all means available to provide the right legislative framework for a “gentle” transition to the single European currency. The transition to the euro will be governed by the market's actual approach to introducing the euro. During the transitional phase between January 1, 1999, and December 31, 2001, no one should be obliged to use the euro; at the same time, no one should be prevented from using it. This assumes that legal provisions are in place which, during the transitional period, permit all legally relevant transactions both in euros and in national currencies. In our view, this applies especially to financial statements and accounting. Above all, this benefits small companies and businesses, because it allows them select what for them is the optimum time to make the transition.

Monetary union demands intensive interaction between all the forces committed to bringing us an important step closer to a united Europe. We hope that the relevant European institutions and participating countries will not only provide unbureaucratic transitional rulings, but also pursue an open and credible information strategy so as to get EMU off to an auspicious start. ■





Michel-Édouard Leclerc, co-chairman of the E. Leclerc Association of Distribution Centres “For the euro to succeed, consumers have to be involved”

At the end of last year, supermarkets belonging to E. Leclerc, one of France’s largest mass retailing groups, launched a vast euro awareness campaign gathering the reactions of their customers in their stores. Michel-Édouard Leclerc, co-chairman of the E. Leclerc Association of Distribution Centres, speaks about the repercussions of the operation and the group’s preparations for the euro.

Inf€ *What lessons did you learn from this euro campaign?*

The campaign reached an audience of 7 million people over a two week period and mobilized 10,000 members of staff. More than half of those questioned said that they had learned something about the euro and three-quarters wanted the campaign to be repeated. A similar proportion requested further information on the single currency. The obstacles are largely psychological. Consumers know that the new currency will cause a certain amount of disruption. They are ready to make an effort. However, they felt that nobody was highlighting its practical advantages. This is a real problem. The public debate amongst professionals and politicians is not close enough to consumers.

Inf€ *In practical terms, what would you recommend?*

For the changeover to succeed, consumers need to be more involved. There is an urgent need to communicate with the general public. The initial government plan postponed such communication to a later date. We have always believed that it should be done more quickly. The second important issue is to rapidly remove the doubts about the determination of political leaders. Why should citizens and consumers make an effort to learn about the euro if the politicians give the impression that they are not convinced? Finally, precise reasons should be given for making the required effort to adapt. For us, the message is clear. The euro is a saleable product provided that it is marketed in an attractive manner and its creators, that is to say the politicians, give the impression that they believe in it and set about selling the idea.

Inf€ *What did your customers think of the campaign?*

Reactions concerning the campaign itself were very positive. 75% said that Leclerc was doing a good job and 69% took the opportunity to discuss it within the family. We found that customers had not thought much about the practical aspects. Only 16% knew the date for launching the euro. They also mentioned the technical difficulties. Would the value of the euro be the same? How would elderly people manage? 42% admitted that they had not thought about these issues before the campaign. They were infor-

med about dual labelling during the campaign, and only a quarter of them found it complicated. What worried them was orders of magnitude. They are very different, and one person in four thought that the prices expressed in euros were lower than the prices in francs ! The cashiers found the operation very hard to cope with. They were in the front line and it was difficult for them to scan the goods whilst informing people about the euro.

Inf€ *And what about the euro itself, what were people’s reactions?*

Reactions were divided. 27% said they were enthusiastic supporters and 17% expressed hostility. Most people (77%) said they remained cautious. It was the elderly, farmers and workmen who were the most reticent and children the most enthusiastic. 70% of young people were not in the least worried. We also found that consumers in border zones experienced no particular problem. This survey enabled us to test people’s reactions and to break in the dual labelling system. It also provided us with the main guidelines for our training and communication plans.

Inf€ *What internal preparations are you making?*

We have had advisory units in place for a year and a half led by senior Leclerc staff, as well as representatives of the various job functions, accountants, heads of sections and cashiers to measure the impact of the euro on their jobs. Another working group was set up to adapt equipment, work organisation and information. Two other units are dealing with internal training and communication. We have listed all the fields of activity affected by the euro from checking invoices to displaying prices in the stores. It is important to ensure coherence throughout the processing chain. To think of all the details. Take cash floats for example, we shall need one float in francs and another in euros. The impact of the euro is already making itself felt in a number of decisions, such as changes in the tills and weighing machines. All of these elements are already being incorporated into specifications. The changeover to the euro may provide a real competitive advantage. However, success implies that there is a consensus throughout the sector. Nobody can go it alone. ■





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A helping hand to companies large and small

A DETAILED and wide-ranging checklist to help enterprises plan their changeover to the Euro has been produced by the Fédération des Experts Comptables Européens, the representative of more than 38 accountancy associations in 26 European countries.

In its introduction to the 53-page document, FEE stresses the urgent need for small and medium-sized enterprises (SMEs) to begin planning because *"in principle the situation for SMEs will not differ from larger companies as the same considerable changes need to be made to adapt for the euro"*.

Produced with the support of the European Commission, FEE's publication urges SMEs to start collecting information — particularly about the attitudes of their customers — and to identify areas which will require changes. Then they should timetable and budget the changeover, and implement the necessary changes.

"You will put your company at risk if you do nothing or delay preparation until the last minute as there will be no time to think the process through, to find proper advice and technical support and the cost involved as a result may be substantially higher. Moreover, you may put your company at a substantial competitive disadvantage", says the accountancy organisation.

FEE's checklist comes in five parts: management and strategic issues; executive summary; domestic companies (not using foreign currencies) in inner countries (members of the euro zone); companies in inner countries; companies in "pre-in" countries (not part of the first wave of EMU).

It provides a table of issues to help assess the importance of the euro to a company based on statements

requiring a yes/no answer, e.g. *"we make heavy use of European bank transactions"* and *"our IT system cannot handle extended numbers of price/currency items and decimals"*.

FEE suggests a possible strategic approach based on 10 steps:

- collect information on the impact of the changeover;
- establish a project team and introduce a rapid system of alert;
- prepare an analysis of the present situation and identify areas that will require changes;
- identify and "clean up" when necessary documentation affected by the changeover (e.g. cost files, register of contracts);
- find out what your customers and suppliers are doing;
- prepare an action plan including priorities and implementation;
- inform and train your staff;
- prepare a communications plan addressing customers, shareholders, public/press, employees, others;
- consider if the euro creates exchange exposures which do not exist at the moment;
- consider whether the changes should be combined with others to modify your company's overall strategy.

Checklist available from Fédération des Experts Comptables Européens, Rue de la Loi 83, B-1040 Bruxelles. Tel: (32-2) 231.05.55. Fax (32-2)231.11.12. E-mail: secretariat@fee.be

A Vademecum for French banks and lending institutions

The Bank of France and the French Association of Credit Institutions and Investment Companies (AFECEI) has published its main financial guidelines for the national changeover plans for the banking and financial markets together with the associated specifications. These documents, which include both the general principles for the changeover to the euro and details of the practical procedures for its implementation, provide a guide for French financial establishments.

These guidelines will enable establishments in the market to plan the investments required to prepare for entry into the monetary union. These documents, which also mention other decisions to be taken and complementary tasks to be carried out over the coming months, will be regularly updated.

In practice, the Paris financial market has decided:

- to change over all capital markets to the euro immediately upon introduction of monetary union on 1 January 1999 (currency markets, interest rate markets, money markets, bond markets, stock markets and forward, option and derivatives markets);
- to change over all interbank payment and settlement systems for large amounts to the euro as from 1 January 1999 (TBF —

access point to TARGET for France, SNP), securities settlement and delivery systems (Relit, RGV) and clearing houses belonging to the SBF group and Matif SA ;

- the operating principles for other payment systems during the transition period (1999-2001) prior to the introduction of euro notes and coins and the complete changeover to the euro for the general public. These principles will enable credit institutions on the Paris market to offer payment systems in euros and thereby cover the potential demand, mainly from companies.

The specifications are divided into three sections:

- 1) Capital markets: regulated markets, private contracts, securities operations, settlement and delivery, management of UCITS (undertakings for collective investment in transferable securities) and savings products;
- 2) Payment methods and systems: payment systems as a whole, settlement systems and conversion processes;
- 3) Accounting, reporting and tax matters: regulatory aspects of the banking sector for these specific fields.



For information

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F-75009 Paris
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Specifications available from:
SDTB
18 Rue La Fayette
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Tél.: (+33-1) 48.00.51.37

TOWARDS THE SINGLE CURRENCY

EVENTS / CONFERENCES

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EUROPE OCEAN RACE
23.05 TO 03.06 CHERBOURG
Exhibition: "From the Electrum to the Euro". Lecture, various events to mark the departure of the Europe Ocean Race, special theme: the euro.

 **NETHERLANDS**
3 to 05.06.97 — Rotterdam
Stop during the Europe Ocean Race
special theme: the euro

 **FINLAND**
18 to 22.06.97 — Helsinki
Stop during the Europe Ocean Race
special theme: the euro

Countdown for public administrations



EURO-COUNTDOWN

The introduction of the euro implies radical changes in many administrative organizations. In the great majority of European Union (EU) Member States, governments have already started the countdown to ensure that public administrations are ready on the planned date and that the changeover to the euro is carried out as smoothly as possible at all levels.

MOST EU Member States have set up specialised working groups, under the aegis of finance ministries, to co-ordinate the changeover of public administrations to the euro. In certain countries these efforts began on 31 May 1995 upon publication of the European Commission's Green Paper on Monetary Union. Other Member States started the process rolling shortly after the European Council meeting in Madrid (December 1995). The Commission is working in close collaboration with these coordinators, organizing regular exchanges of information and experiences on how work is progressing. Two special meetings took place in Brussels during 1996, two others have been held since the beginning of 1997 and more will follow over the coming months.

Four fields of action have been identified:

Organization : Since all levels of administration, including regional and local levels, are affected by the changeover to the euro, the primary concern of the national coordinators has been to gather all the information required to prepare public services for the change. This process of adaptation requires taking thousands of measures. This is why some countries have introduced or are examining the possibility of setting up a computerised monitoring system. In 1996 Member States worked mainly at national level, but their efforts seem to be extending progressively to the regional and local levels. Furthermore, in many Member States the private sector is asking governments to offer companies the option of undertaking their accounting and publishing their annual reports in euros as from 1 January 1999, as already envisaged in the Belgian transition plan.

Legislation : Governments have carried out or are in the process of carrying out an in-depth analysis of national legislation in order to identify texts containing monetary references which will have to be modified. Two scenarios are envisaged:

1. texts containing a reference to the national currency will be automatically adapted to the euro by means of a Community regulation which will soon be adopted

by the Council and which will come into force on January 1, 1999. This text will make the euro the only valid currency for the participating States. National currencies will only be sub-divisions of the euro.

2. Texts containing references to precise amounts (taxes, taxation thresholds, fines, costs and fees, etc.) will be examined individually. Member States will decide on a case by case basis whether to make a simple conversion of the national monetary value into euros at the exchange rate unanimously agreed by the Ministers of Finance on the first day of the monetary union (1 January 1999) or if a new amount should be set via the political process. There is a broad tendency in favour of the "exact conversion" option. However, conversions of very small rounded amounts in use in the public sector, such as entry tickets, transport tickets, etc., require special attention.

Information technologies : most administrations are computerised and often work with several generations of hardware and software. Adapting all of them frequently turns out to be a very complex task. Therefore, to avoid any last-minute overload, governments have provided for a long preparation period. One task that is seen as a priority is the development of special software for the public sector capable of calculating and displaying data in both euros and the national currency as from 1 January 1999. Another important area of work is processing archived data which, in some cases, should all be converted in a single operation, and in others retained in the national currency, even after 2002 because of national rules relating to archiving. On 20 March 1997 the Commission set up a working group on "EMU and government computing" to carry out work in this field, bringing together representatives from several Directorates-General, governments and information technology industries. (see article on page 9)

Information and communication: Although only some governments have yet launched a public information campaigns, virtually all of them have engaged in close dialogue with the professional banking and business worlds, as well as with organizations representing consumer interests. The majority of governments intend to publish practical manuals before monetary union comes into force explaining all of the necessary changes which will be brought about by Community legislation or complementary national regulations. Certain Member States have collaborated with the Commission to carry out joint communication programmes, whilst others are planning to set up similar partnerships. ■

Commission hosts encounter between public administrations and IT providers

THE urgent pressures on public administrations to prepare their information technology systems for the use of the euro were discussed at a joint workshop organised in on 20 March 1997 by DG II (Economic and Financial affairs) and DG III (Industry).

This was the first time that those responsible for IT systems in public administrations have been brought together with representatives of the software industry and systems houses to discuss strategies for achieving a trouble-free introduction of the euro. Among the problems to be dealt with are the old programming languages many administrations are using, such as COBOL, about which there is sometimes little surviving documentation.

The workshop heard two presentations from the government side — one from Belgium as an administration which intends to be ready to handle the euro in all dealings with the citizen from January 1, 1999, and one from Austria which is basing its plans on achieving a full changeover by the beginning of 2002. Representatives of IBM and Cap Gemini also offered presentations — the former on a possible methodology for planning the changeover and the latter on how the corporate sector was approaching the problem.

Two important messages from the industry side were that there was very little time left to change IT systems so that they can handle the euro from January 1, 1999, and that the industry needs clarity about

what the requirements of public administrations were likely to be.

The need for systems testing meant that new software and applications would have to be in place by the late spring of 1998, said industry representatives. Administrations were warned about potential shortages of human resources because of the parallel demands being placed on the industry by the so-called "millennium bug" — the threat which could halt many systems because they cannot accommodate the change of century date. However, one representative of a leading international company argued that sorting out the "millennium bug" and the introduction of the euro required different technical skills and that resources were not necessarily going to be in short supply.

Uncertainty about government intentions was criticised by the industry side as a factor which prevented companies organising themselves to provide the necessary services. It was also emphasised that once plans were adopted by public administrations, enormous complications would arise if they were then subjected to later changes.

Follow up action from the workshop is likely to focus on encouraging public administrations to make a rapid assessment of their applications needs to which industry could swiftly respond. ■

Round Table

(Continued from page 1)

The task identified for the Commission and Member States will be to strike a balance between the desire of operators to keep the costs of the changeover to a minimum and the need to protect consumers. Their representatives fear the possibility of unjustified price rises triggered by conversions from national denominations to the euro. They also want well planned and executed campaigns to help consumers to learn prices and values in the new currency.

The preparatory workshop pointed to the need for more ambitious information campaigns by public administrations and made several proposals for helping consumers to think in euros. There were also calls for in-depth research into the techniques which were likely to be the most successful in achieving this objective.

Consumers and retailers had differing views about how far the law should intervene to ensure dual price displays. Generally, retailers are prepared to accept a legal obligation to inform their customers about prices, but they believe that competition will largely take care of the problem and want to be free to choose from a variety of methods. For their part, consumers' organisations are not insisting that component prices (e.g. price per unit) currently displayed by

supermarkets should be in euros and national denominations, but they are firm in their demand that the final price should be in both.

At the March workshop, many participants argued that January 1 2002 could be a bad changeover date for the retailer because of the difficulty of organising staff training and other measures during the busy Christmas season. Discussion mostly focused on whether the date could be brought forward to October 2001 or put back to February 2002 which could raise problems for the scenario adopted by the European Council in Madrid in December 1995 and for the regulations on the legal status of the euro approved by the Council of Ministers. With vending machine operators as notable dissenters, there was general agreement that a shorter period would be preferable for the introduction of euro notes and coins than the six months envisaged by the scenario adopted in Madrid.

The needs of groups requiring special assistance, such as the visually impaired, have also been examined in advance of the Round Table. The European Blind Union (EBU) stressed the need for a clear distinction between euro and national denomination prices. The EBU believes that it would be helpful if a common format for presenting the two sets of prices was used throughout the economy. ■



NORWAY

07 to 10.06.97 — Arendal

Stop during the Europe Ocean Race
special theme: the euro



GERMANY

12 to 15.06.97 — Kiel

Stop during the Europe Ocean Race
special theme: the euro



SWEDEN

23 to 25.06.97 — Stockholm

Stop during the Europe Ocean Race
special theme: the euro

OTHER EVENTS



UNITED KINGDOM

June 25-26 1997 — Conference:

«Commercial and Strategic
Consequences of EMU for
Corporates.»

Venue: Le Meridien Hotel, London.

Organized by Euroforum

Tel.: (+44-171) 878 6886

Fax: (+44-171) 878 6887



FRANCE

30.05.97 — Aix-en-Provence

Forum organized by the IAE on the
implications for business enter-
prises of the transition to the euro



NETHERLANDS

22.05.97 — Twente

Congress "Euro Vision, antici-
pating the introduction of the
euro" organized by Educational
Foundation Stress (associated
with the University of Twente)

30.05.97 — Amsterdam

Congress "Legal aspects of the
euro"



EUROPE

July 1, 1997 — "Global 24"

Conference

A 24-hour global conference on
EMU at venues including Frankfurt,
London, Milan, Paris, New York and
Tokyo. Speakers include: Eddie
George, Governor of the Bank of
England, Philippe Maystadt,
Finance Minister of Belgium,
European Commissioner Yves-
Thibault de Silguy, Hans Tietmeyer,
President of the Bundesbank and
Jean-Claude Trichet, Governor of
the Bank of France.

For details:

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UNIVERSITY INFORMATION
/ JEAN MONNET INITIATIVE

20.05.97 London

Meeting of Jean Monnet professors in the United Kingdom

21.05.97 Brussels

Scientific Committee. Emile Noël symposium (room 5/33)

26.05.97 Athens

National meeting of. AJM/ECSA professors (Delegation)

28 to 31.05.97 Florence

European Research Institute. Research Council

29.05 to 01.06.97 Seattle

5th International ECSA/USA Conference.

ECSA/NET demonstration

03.06.97 Brussels

Research Groups, Jean Monnet Initiative Chairs /IGC and Euro

06.06.97 Brussels

ECSA-NET correspondents (room 5/33)

06 to 07.06.97 St. Petersburg

ECSA-Russia/Lecture "40 years after the Rome Treaties"

20.06.97 Brussels

ECSA/Presidents' Meeting (room 5)

23.06.97 Brussels

Emile Noël Scientific Committee

27.06.97 Paris

National Meeting of Jean Monnet professors (Paris I-Panthéon)

30.06 to 01.07.97 Brussels

European University Council for the Jean Monnet Initiative.

Selection round; Poland, Hungary, Czech Republic (room 5/33)

07.07.97 Brussels

Meeting of Jean Monnet Initiatives Chairs/History

09 to 10.07.97 Barcelona

National meeting of Jean Monnet professors

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Should you wish to list a conference, seminar or publication in *InfEuro*, please send all relevant information (at least two months before the event) to: M. MALVOIR, European Commission (Information, Communication, Culture and Audio-visual), 200 rue de la Loi, B-1049 Brussels, Belgium. Tel.: (+32-2) 295.37.87 Fax: (+32-2) 296.33.50

Creating legal security for the euro

THE euro will become a reality on 1 January 1999 and already operators can rely on a stable legal framework. This framework hinges on two regulations: the first is based on article 235 of the Treaty, with immediate effect in all Member States, and the second, based on article 109 L S4, which will come into force on 1 January 1999 in all countries in the euro zone. The first of these regulations deals mainly with the continuity of contracts and rounding rules for conversion. The second constitutes the future monetary law of Europe. The main points are listed below.

1 Ecu = 1 euro

The rate for converting Ecus into euros has been set at 1/1. This applies not only to public use of the Ecu, but also to all private contracts which make an explicit reference to the official Ecu basket of currencies.

Guaranteed continuity...

The replacement of national currencies by the euro on 1 January 1999 and the substitution of the Ecu by the euro will not constitute a fundamental break in the execution of a contract or any other legal instrument. The introduction of the euro will not justify the invocation of the principle of unpredictability which could result in the unilateral revocation of a contract. Indeed, the conditions required to invoke this principle will not be fulfilled. Firstly, there will be no radical change in the financial factors going beyond the contractual risk considered to be acceptable to the parties involved, and secondly, the event will not be unpredictable.

... as well as with third countries

The European Union is obviously not in a position to legislate for third countries. Nevertheless, strong affirmation of the principle of continuity in Member States increases the degree of certainty for contractors and jurisdictions in non-EU countries. The latter may base their decisions on references in contracts to the currency as being legal tender at the time of payment of the contract. This also ensures the continuity of contracts expressed in currencies which will be replaced by the euro for jurisdictions in third countries. In order to provide an additional legal guarantee, a working group in the United States is considering modifications which could be useful for financial contracts drawn up in the state of New York, which covers many contracts, particularly those involving swaps.

Very precise conversions

The use of conversion rates as from 1 January 1999 is provided for in the regulations in such a way as to ensure a very high degree of precision and to avoid any abuse in conversion operations.

It has already been stipulated that the rate of conversion into euros for each participating currency will be fixed. This rate will be adopted by the Council to six significant figures which may not be rounded or simplified when used to make a conversion.

There will be no conversion rates between national currencies.

Guaranteed equivalence

During the transition period between 1 January 1999 and the end of the year 2001 at the latest, there will be only one currency: the euro. National currencies will no longer be anything more than a non-decimal expression of this currency. Since euro notes and coins will not yet be in circulation, economic operators will continue to use national currencies during this period (e.g. euro-francs, euro-marks, and so on). This situation guarantees equivalence during the transition period. At the end of the six months following the transition period, at the latest on 30 June 2002, notes and coins in the national currency will no longer be legal tender. Member States are free to shorten this six-month period.

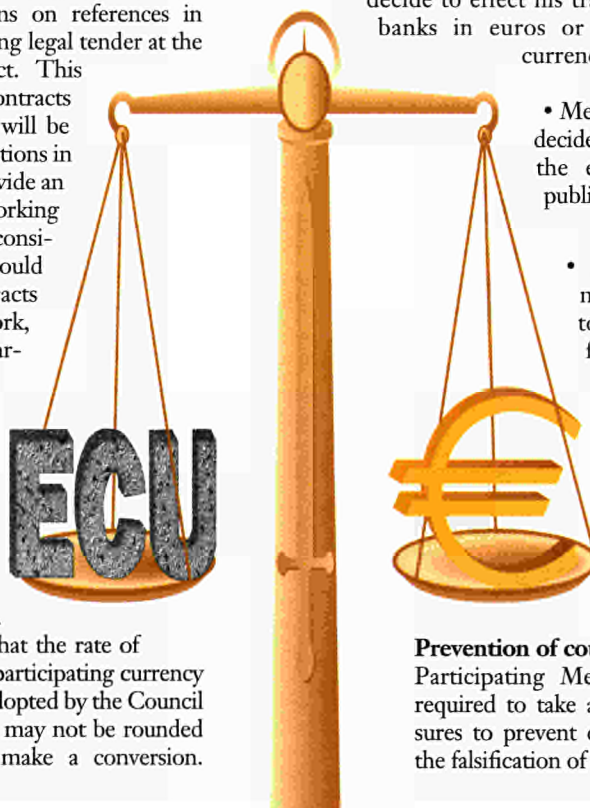
Free choice of euro or national currency

Use of the euro during the transition period will be governed by a fundamental principle adopted by the European Council at its meeting in Madrid in December 1995. "No obligation, no prohibition". This principle is valid for laws as well as for contracts. For new contracts, for example, the contracting parties may freely choose the desired denomination and they will refer to it in all associated documents (payments, invoices, etc.). Economic operators will only work in euros if they have accepted its use. In their dealings with national public administrations, they may not be forced to use the euro unless Community legislation expressly stipulates this.

Three exceptions

Use of the euro may however be imposed in three cases:

- in a single Member State, a debtor may decide to effect his transactions via the banks in euros or in the national currency,
- Member States may decide to re-denominate the existing stock of public debt,
- Member States may take measures to allow markets, for example stock markets, to change their unit of account.



Prevention of counterfeiting

Participating Member States are required to take all necessary measures to prevent counterfeiting and the falsification of notes and coins. ■

What Will Happen and When

Timing	Actions	Responsibility
By 30 June 1997	<ul style="list-style-type: none"> • legislation establishing the Euro as a currency in its own right • stability and growth pact • Exchange Rate Mechanism Mk II. • blueprint on future monetary policy instruments • design of Euro coins 	<ul style="list-style-type: none"> • Commission proposal for adoption by the Council • Commission proposal for adoption by the Council • EMI proposal for adoption by European Council • EMI* • Commission proposal for adoption by European Council
End of April, early May 1998	<ul style="list-style-type: none"> • decision on participating Member States 	<ul style="list-style-type: none"> • European Council**
During 1998	<ul style="list-style-type: none"> • creation of the ECB* and appointment of its executive board • start production of Euro banknotes and coins • adoption of necessary secondary legislation 	<ul style="list-style-type: none"> • Council (Member States participating in EMU only) • Council and Member States • Commission proposes, Council decides
January 1, 1999	<ul style="list-style-type: none"> • conversion rates are irrevocably fixed and various legislations come into force, notably on the legal status of the Euro • definition and execution of the single monetary policy in Euro • foreign exchange operations in Euro • new public debt issues in Euro 	<ul style="list-style-type: none"> • ESCB* • ESCB* • Member States, European Investment Bank, Commission
January 1, 1999 to January 1, 2002 (at the latest)	<ul style="list-style-type: none"> • changeover to the Euro by the banking and finance industry • assist the whole economy in an orderly changeover 	<ul style="list-style-type: none"> • Commission and Member States
January 1, 2002 (at the latest)	<ul style="list-style-type: none"> • start circulation of Euro banknotes • start circulation of Euro coins • complete changeover to the Euro of public administrations 	<ul style="list-style-type: none"> • ESCB* • Member States • Member States
July 1, 2002 at the latest	<ul style="list-style-type: none"> • cancel the legal tender status of national banknotes and coins 	<ul style="list-style-type: none"> • Member States, ESCB*

*ECB- European Central Bank — ESCB - European System of Central Banks — EMI -European Monetary Institute, precursor of the ECB.

** on a recommendation from the Council of Ministers on the basis of reports and recommendations from the Commission and the EMI.



The "euro" barge from Rotterdam to Strasbourg



The route		
	Stopovers	Date
NL	Rotterdam	02.06. - 04.06.
B	Antwerp	06.06. - 07.06.
G	Duisburg	11.06. - 12.06.
G	Düsseldorf	14.06.
G	Cologne	16.06. - 17.06.
G	Bonn	19.06. - 20.06.
G	Koblenz	22.06.
LUX	Réimech	25.06.
G	Mainz	28.06.
G	Frankfurt am Main	30.06. - 01.07.
G	Mannheim	03.07.
G	Heidelberg	05.07.
G	Stuttgart	09.07. - 10.07.
F	Strasbourg	15.07. - 17.07.

The European Commission and the European Parliament have decided to use the extraordinary channels of communication provided by the waterways which criss-cross Europe. The "euro" barge will travel from 2 June to 17 July on the Rhine, the Schelde, the Moselle, the Main and the Neckar with stopovers in five countries: the Netherlands, Belgium, Germany, Luxembourg and France. The barge is equipped with a conference room seating more than 500 people, information material on the euro and information stands. It houses a permanent exhibition on the theme "From electrum to the euro". It retraces the history of money since ancient times, through the Middle Ages up to the present day with the new electronic payment systems. Entry to the barge will be free of charge to the general public on each day of the stopover from 09.00 to 20.00 or 22.00.

About InfEuro

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