



COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION

PRACTICAL ASPECTS OF THE INTRODUCTION OF THE EURO

EXECUTIVE SUMMARY

Following the decision of the Madrid European Council¹ on the scenario for the introduction of the euro, the Commission has undertaken a number of initiatives, both in the legislative and practical field, in order to step up preparations in the private sector and within public administrations.

On the legislative side, the legal framework for the introduction of the euro has now been established with the adoption by the Council in June 1997 of the Regulation on certain provisions relating to the introduction of the euro², and the political agreement by the Council in July 1997 on the draft Regulation on the introduction of the euro³.

On the practical side, several initiatives have been launched by the Commission, the European Monetary Institute (EMI)⁴, the Member States and various professional associations.

This Communication has two aims:

- to provide information on the ongoing practical preparations at national and European level both by the public and the private sector;
- to identify the issues where decisions are still to be taken, to define the desired level of harmonisation and whether the issues should be treated at the European level or be left to the national level.

All economic sectors have started to prepare for the changeover to the euro, although at different levels. Practical preparations, both in the private and public sector, need to proceed in a timely manner in order to respect the calendar established by the European Council in Madrid.

For that purpose it is essential that:

- **Member States present their transition plans before end 1997 including statements on accounting, reporting and tax declarations in euro;**
- **public issuers announce their intention on redenomination of existing debt and on conventions applicable to the new debt before end 1997;**
- **Member States concerned finalize the selection of the design of the national faces of the euro coins with the agreed common features, before end 1997;**

¹ European Council - Madrid 15-16 December 1995 Presidency Conclusions SI (95) 1000

² Council Regulation (EC) No. 1103/97 O.J. L 162, 19.6.1997. Similar provisions on continuity of contracts were adopted in the United States by New York and Illinois.

³ Resolution of the European Council of 7 July 1997 97/C 236/04 O.J. C 236 02.08.1997

⁴ This Communication does not cover the work by the European Monetary Institute on practical aspects of the introduction of the euro.

- **Member States launch their national communication campaigns without further delay;**
- **information about positions taken by the competent authorities in regard to the tax consequences of the introduction of the euro are made known before end 1997 and circulated as widely as possible;**
- **a formal proposal is presented by the Commission before end 1997 on the date of introduction of notes and coins and a decision is taken by the Council immediately thereafter;**
- **other practical issues such as dual display and conversion charges, should be further studied in order to clarify whether or not a common approach is necessary across the participating Member States, whether such common approach should be enforced by legislation at the national or European level, or could be left to market forces, or to voluntary agreements or codes of practice, duly monitored. The Commission intends to complete the study of these issues before end 1997, to make public the results and, in case Community legislation is needed, to submit a proposal to the Council.**

REVIEW OF ONGOING PREPARATION

1. Public Administrations

1.1 Commission and other European Institutions

In January 1997 the Commission decided to establish an Interservice Group (ISG) on the changeover to the euro, in which all Commission services are represented. The ISG was assigned two main tasks:

- to ensure that all EC legislation is euro-compatible;
- to organize the technical and operational changeover of the Commission services (e.g. information technology, administrative changes, staff information and training).

Most of the assessment work has now been completed and in July 1997 the ISG presented a first report to the Commission with the preliminary conclusions of the work carried out. It appears that the amount of specific changeover legislation will in general be relatively limited, and moreover confined to a few specific areas (internal market, customs and indirect taxation, agrimonetary legislation,...).

The ISG is currently preparing a Commission communication to Parliament and Council to be presented in November 1997, which will provide an assessment of the impact of the changeover on Community policies and include a detailed description of work to be carried out, either legislative or other. The Commission will notably propose guidelines regarding the conversion of references (amounts, ceilings, thresholds,...) expressed in ECUs, which are subsequently translated into national currencies. In order to ensure a consistent

interpretation of Community legislation, the Communication will also include clarification notes relating to certain parts of Community legislation.

In addition, the Commission has established contacts with other Community institutions and organs (Council, Parliament, Court of Justice, Court of Auditors, ESC and Committee of the Regions) and has created a small network at inter-institutional level with a view to exchanging information and sharing experiences on practical preparation for the changeover to the euro. The first meeting of this group took place on 26 September 1997.

1.2 National Public Administration

Following the Madrid European Council, the Commission created an informal network for the benefit of national co-ordinators responsible for the transition of public administrations to the euro. The network's goal is: to establish direct personal contact between national officials facing the same tasks during the changeover effort, to rapidly exchange plans, practical experiences and solutions to problems at a European level, and to foster bilateral work between neighbouring countries or between administrations with similar characteristics.

Subjects discussed address the internal changeover of administrations and the various aspects regarding the relations between, on the one hand, the private sector and citizens, and on the other hand administrations during the transition period. These aspects include in particular the currency to be used for the presentation of accounts and tax declarations, and for tax payments.

Five meetings have been held so far one of which was dedicated to "EMU and government informatics", bringing together national Information Technology (IT) coordinators with a number of IT systems and software companies. From the start, all Member States participated.

Seven Member States (Belgium, Ireland, Italy, Luxembourg, the Netherlands, Austria and Finland) have issued transition plans or comprehensive statements of intent, characterised by a full "euro-option" for companies during the three-years transition phase. A full "euro-option" can be defined as a set of national laws and decrees allowing companies a voluntary changeover notably to accounting, reporting, tax declarations and tax payments in euro for the calendar year 1999 and onwards. As a rule, currently drafted national regulation in these Member States stipulates that, once companies have exercised such an option for the euro, they cannot revert to accounting, reporting, tax declarations and tax payments in the national currency unit during the transition phase. Some of these Member States will also make certain "euro-options" available to the citizen-at-large (e.g. tax declarations and payments).

In France, a detailed report has been presented to the "Comité National de l'Euro" presided by the Finance Minister. This report specifies the "euro options" from 1999 onwards described above, presently with the exception of tax declarations in euro. Final government decisions are expected during the coming months.

Germany has adopted on 24 September in the federal Council of Ministers a draft transition law. All "euro-options" are included, with the exception of tax declarations in euro. A final

decision on tax declarations might be taken during the first half of October. A consensus between the federation and the Länder is required, as the Länder execute federal tax laws.

Greece has established a Task Force in order to establish the legislative and organisational changeover requirements.

Portugal has created an interdepartmental "Euro Commission" and is in the process of establishing the legislative requirements for a changeover of public administration. It intends to issue a transition plan until the end of the year.

Spain has issued a detailed legislative analysis and a work plan for the transition and intends to permit company accounting and reporting in the euro for 1999 and onwards. Government decisions on whether to allow the other "euro-options" described above are expected during the coming months.

Sweden established an interdepartmental task force a year ago and has published reports about extensive work on legislative analysis and on organisational requirements for a changeover.

The United Kingdom has established an "EMU Team" and has recently started a structured dialogue with the private sector and socio-professional groups in order to prepare for various contingencies related to EMU.

Denmark has declared that it will not participate in the euro-zone.

All national administrations preparing for participation in the euro-zone from 1999 have stated that they will, regardless of possible "euro-options" offered to the private sector during the transition phase, retain the national currency units internally (e.g. budget and government accounting), with only some adjustments as made necessary by the issuance of new tradeable national debt and - where this is planned - by the redenomination of existing debt into the euro from 1999 onward.

In the light of the "euro-options" discussed above, it is obvious that any legislative change at the national level intended to take effect at the beginning of 1999 will have to be introduced into the national parliamentary decision-taking process not long after the beginning of 1998.

Moreover, the governmental as well as the private sector informatics (IT) specialists state with considerable emphasis that all political and legislative decisions that have a bearing on IT operations in 1999 must be conclusively known during the first quarter of 1998, at the very latest, to allow a timely transposition into software changes and subsequent software testing.

It is therefore important that all Member States present their transition plans before end 1997.

2. Information Systems

2.1. Preparation within the IT industry

The introduction of the euro requires the adaptation of a great number of information systems. This adaptation must be achieved over broadly the same timeframe as that required for enterprises to deal with the widely publicised date change problem (the inability of many computer systems to function correctly with dates later than 31 December 1999 due to the use of only two digits to indicate the year). Although the two issues share a number of common technical characteristics there is also a fundamental difference: the date change is essentially an IT problem with a business impact while the introduction of the euro must be treated as a business issue (i.e. an opportunity to reexamine the "way to do business" with an associated IT impact). For all those with a heavy dependence on computer systems, the dual challenge of the introduction of euro and the date change represents a task of considerable magnitude: one requiring the application of skilled and scarce resources, meticulous planning together with the involvement and active support of top management.

In order to raise public awareness and to stimulate IT users and suppliers to plan and implement the changeover the Commission is organizing on 2 October a euro IT Forum. It is expected that this forum will be followed by initiatives organised by the IT industry and professional and business associations with the purpose of identifying areas where joint action may be beneficial in addition to discussing common technical issues.

Enterprises must put in hand an examination of their current computer systems so as to identify the necessary changes, taking account of the requirements placed by national legislation and trading partners. Implementation plans will, in particular, need to reflect the substantial time that must be allocated to validate the operational effectiveness of such changes.

The two Council Regulations⁵ on the legal framework for the introduction of the euro have provided certainty on a number of issues. The final specifications needed to allow IT suppliers to progress in their preparation depend mainly on the national changeover plans which should provide an answer to questions relating to the keeping of accounts in euro and the acceptability of tax declarations in euro.

2.2 Euro code and Symbol: "EUR" and €

The International Standards Organisation (ISO) adopted the currency code "EUR" for the euro on 21 April 1997 with immediate effect. The three letter code is intended for use in any application of trade and commerce and banking, which is based on uniform internationally agreed presentation of currencies.

As a symbol exists for the world's major currencies, the Commission has designed such a symbol for the euro. It is already being widely used by the Commission and by national public administrations, central banks and the private sector.

⁵ cf. footnotes 2 and 3

The European Monetary Institute on 15 July 1997 acknowledged the need for a distinctive codified symbol for the single currency and announced its support to the logo.

The Commission has issued a Communication⁶ on 23 July to make public and to promote the use of the symbol. The Commission is now undertaking all the necessary steps for the registration of the euro symbol and the associated informatic exchange codes with the ISO with a view to enabling the consistent use of the symbol in computer systems.

3. Accounting and fiscal aspects

3.1. Fiscal treatment of costs and investments related to the changeover to the euro

Business sectors have approached both the Commission and Member States on a number of occasions about the tax consequences of the introduction of the euro and have requested special legislation to deal with a number of concerns (e.g. full deductibility of input VAT (in the case of banking services) incurred on costs associated with the introduction of the euro, tax deferral of investment and restructuring costs with regard to the introduction of the euro as well as for the profits resulting from the disappearance of exchange risks. These issues are currently being examined by an ad-hoc group of tax and customs experts chaired by the Commission. The role of this group is to provide a forum for the tax and customs authorities of Member States to exchange information on the way they intend to deal with these questions and assess to what extent they intend to pursue a common approach so that all concerned will be aware of the situation throughout the Community.

With regard to VAT the general view to date is that a formal amendment to Community VAT legislation would be neither appropriate nor justified since this would fundamentally deviate from basic VAT principles.

As to income and corporation tax, the relevant legislation comes within the competence of Member States (without prejudice to Community legislation) as does any adaptation of these rules that may prove desirable. It is not expected that any significant distortions will result from decisions taken by Member States in this area.

Information about positions taken by the competent authorities in regard to the tax consequences of the introduction of the euro should be made known before end 1997 and circulated as widely as possible.

3.2 Accounting and reporting aspects

The Commission, after examining the accounting issues, in consultation with experts from the Member States, concluded that the introduction of the euro can be treated within the existing framework of European accounting legislation.

The document "Accounting for the introduction of the euro"⁷ provides detailed guidance on dealing with the introduction of the euro in financial statements. The main recommendations of this document are:

⁶ "The use of the Euro symbol" COM (97) 418

⁷ DG XV report on "Accounting for the introduction of the euro" Euro Papers N° 2 July 1997

- Exchange differences that are realized as a result of the introduction of the euro should be accounted for in the profit and loss account of the financial period comprising 31 December 1998;
- Similarly, realized exchange differences arising on foreign exchange contracts should be recognized in the profit and loss account immediately, unless the contract hedges a future transaction and this does not violate the prudence principle;
- Translation differences arising under the year end/net investment method of consolidation should not be recognized in the profit and loss account before the period in which the foreign operation is either sold or liquidated;
- Costs of the changeover to the euro should be accounted for under the existing rules. Provisions for costs of changing over to the euro can only be set up under Article 20(1) of the Fourth Directive (78/330/EEC) when a relationship with a third party exists;
- For accounting purposes the comparative figures should be translated at the fixed conversion rate to the euro.

In order to proceed with their preparation for the changeover, companies need to know when it will be possible to use the euro in accounting and taxation reporting. A lack of information on this issue will delay preparations and will put companies at a competitive disadvantage.

The introduction of the euro has not created a need for additional Community legislation, nor for amendments to existing Directives or for further harmonization of standards. Member States can use existing accounting practices which are allowed under current Accounting Directives to accommodate the changeover to the euro. Information on reporting should be provided by the national authorities as part of their changeover plans before end 1997.

4. Practical aspects of main concern for currency users

The Round Table on practical aspects of the changeover to the euro organised by the Commission in May 1997 brought together representatives of commerce, consumers, banking and public administration. The discussion highlighted a number of issues on which further study is necessary before decisions or action can be taken by the relevant national or European authorities⁸.

In order to examine more closely those issues the Commission decided to study, with the help of several expert consultative groups the following main areas:

- **conversion charges** (e.g. charges for scriptural conversions during the transitional period; conversions associated with the final redenomination to the euro, substitution of national notes and coins for the euro, ensuring transparency of conversion charges);

⁸ "Round Table on practical aspects of the changeover to the euro" 15 May 1997
Summary and conclusions ref. II/301/97 11 June 1997

- **dual display** (e.g. technical aspects of adapting existing display systems and introducing new systems; hardware and software implications; costs of adapting/adopting dual display systems; impact of different systems on consumer awareness and protection);
- **consumers adjustment to prices and values in euro** (e.g. assessment of difficulties which citizens have in adjusting to new price structures; methods and techniques for facilitating adjustment and protecting their interest). This group focuses on two main aspects: practical problems for consumers, blind and old people, and sociological and psychological aspects of the change-over to the euro.
- **the role of education and training** (e.g. the role of each level of the education system in passing on information to the whole school community, including parents; which mechanism can best be employed)
- **small and medium size enterprises** (particular problems faced in the switchover process).

The results of the works carried out by the expert groups will be available by the end of 1997 and will be submitted to a further Round Table planned for March 1998, to allow a common approach to be agreed and made public at the latest in May 1998.

It is therefore necessary to clarify whether or not a common approach is necessary across the participating Member States, whether such common approach should be enforced by legislation at the national or European level, or whether it can be left to market forces, or to voluntary agreements or codes of practice duly monitored.

4.1 Date of introduction of notes and coins

The Madrid scenario and the euro Regulation⁹ indicate that the date for introducing notes and coins should be a single date across all the participating Member States. A recommendation to introduce notes and coins on the same date in all Member States has also been made by the European Monetary Institute and by the banking sector for practical reasons (risk of counterfeiting, distortion of competition, practical problems resulting from migration of notes and coins).

Some sectors consider the date of 1 January 2002 as an unsuitable date given the intense retail activity due to inventory requirements and the starting sales period at this time of the year. However, this date presents the important advantage of coinciding with the fiscal and accounting year. Two alternative dates were put forward at the Round Table: October 2001 and February 2002. A date in February 2002 has the advantage of being a quiet business time but it presents some difficulties regarding the Madrid scenario (1 January 2002 at the latest) and the draft Regulation¹⁰. October 2001 presents fewer legal difficulties but could put into risk the preparation of the end of the year high retail activity. Both alternative dates (October and February) raise the question of whether the end of the transitional period should be moved to coincide with the date of introduction of notes and coins or should be left on 1 January 2002 in order to match with tax and accounting years.

⁹ cf footnote 3
¹⁰ cf. footnote 3

The Commission organized a hearing on 22 September 1997 of all currency user groups on the date of introduction of notes and coins in order to gather information on the legal, technical and practical implications of the various dates which have been put forward at the Round Table (i.e. October 2001, January 2002 and February 2002).

It appears that:

- both legal and practical considerations suggest that the date of introduction of notes and coins should be the same across all participating Member States.
- a rapid decision is required by all economic actors in order to allow preparations to proceed.

In the light of the results of this hearing and after consulting the EMI, the Commission will submit a formal proposal on this issue before end 1997. A decision should be taken by the Council immediately thereafter .

4.2 Dual Display

There is a general consensus on the fact that a certain form of dual indication in euro and in national denominations of revenues, values and prices is necessary to facilitate the understanding and the acceptance as well as a certain confidence in the new currency. Opinions differ however on the forms of this dual display, its extent, its time frame and on the need for a legislation.

While many consumers organisations ask for the dual display to be mandatory, others would prefer voluntary measures completed by the institutionalisation of a follow up of the changeover from 1998 onwards. All of them insist on the necessary training and information campaign as well as the possibility to use book and electronic money from 1999 to practice the euro.

Retail associations and enterprises, on the other hand, stress that there should be no prescriptive legislation as this would lead, in the end, to higher costs which would be passed on the consumers. Rather, market forces and competition pressure should be sufficient to ensure that consumers are well informed and are protected against price increases. This could be reinforced by voluntary agreement or codes of practices which might be encouraged by the authorities.

Given the different structures and potentialities existing within the commerce and retail sector and among the Member States, it seems difficult to put in place legislation which would apply fairly and without creating distortions in competition.

On the other hand common legislation would ensure equal protection to consumers and comparable costs for the sectors concerned across the participating Member States.

The Commission intends to clarify before end 1997 whether or not a common approach on dual display is necessary across the participating Member States, whether such a common approach should be enforced by legislation at the national or European level, or whether it can be left to market forces, or to voluntary agreements or codes of practice duly monitored.

4.3 Conversion charges

Neither the 109L(4) nor the 235 euro Regulations explicitly addresses the question of conversion charges¹¹. They do not explicitly authorize conversion charges and they do not explicitly prohibit them.

This issue covers several different categories of conversions:

- conversion of payments during the transitional period,
- voluntary conversion of book money during the transitional period,
- mandatory conversion of book money at the end of the transitional period,
- exchange of national banknotes and coins into other national banknotes and coins,
- substitution of national banknotes and coins for euro banknotes and coins.

The Commission is working to establish how credit institutions are proposing to approach the question of charging for all these types of conversions and to what extent these provisions meet the expectations of enterprises and consumers.

The Commission intends to clarify before end 1997 whether or not a common approach on conversion charges is necessary across the participating Member States, whether such a common approach should be enforced by legislation at the national or European level or, whether it can be left to market forces, or to voluntary agreements or codes of practice duly monitored.

4.4 Education and training

Education and training will be essential for the achievement of a smooth changeover to the euro.

The Commission is working to identify how each level of education systems could pass on information regarding the single currency and what information mechanism could best be employed. The Commission also intends to identify how co-ordination at Community level on this subject could allow to share best practices. The Commission is examining how its cooperation policy on the education field could support action undertaken by Member States regarding partnership initiatives for the information for the general public.

The Commission plans to issue a Communication, before end 1997, on the role of education in the changeover process identifying the work to be undertaken within the education and training systems.

4.5 Consumers adjustment to prices and values in euro

The work done by the consumers Euro working group and experts on sociological and psychological aspects, shows that further work is necessary to ensure that social groups are able to understand and accept the new system of values and to recognise notes and coins.

¹¹ cf. footnote 3. Article 8(3) states that "notwithstanding the provisions of paragraph 1, any amount denominated either in the euro unit or in the national currency unit of a given participating Member State and payable within that Member State by crediting an account of the creditor, can be paid by the debtor either in the euro unit or in that national currency unit. The amount shall be credited to the account of the creditor in the denomination of his account, with any conversion being effected at the conversion rates".

The findings of these working or experts groups will be discussed at a Forum organised, in Luxembourg, on the 1st and 2nd December 1997, by the Commission together with the Luxembourg Presidency and in collaboration with the European Parliament.

5. Communication activities

In the Green Paper ¹² on the practical arrangements for the introduction of the euro, the Commission stressed the importance of a communication strategy aimed at winning popular support and encouraging technical preparation.

Since 1996 the Commission has launched a broad communication programme thanks to the budget for "Priority Information Activities" put at its disposal on the initiative of the European Parliament.

The main priorities until now have been to mobilise key currency users to begin technical preparations and to inform the general public and promote acceptance of the single currency.

In 1996/1997 Commission activities have been addressed mainly to specific professional target groups and those sectors which could act as information multipliers. A series of road shows have been organised in major world financial centres, in particular in the US and in Asia.

In addition, several actions addressed to the general public have also been undertaken such as, the creation of an Internet web-site on the euro which has been operational since the summer and has proved successful (more than 500.000 connexions a month). The Commission also produces a newsletter (Inf Euro) in 11 languages as well as numerous information brochures and has launched a new series of technical documents called "Euro Papers"¹³.

In 1997, the budget granted by the European Parliament is used by the Commission to co-finance communication partnerships with the Member States (three conventions signed and seven others applied for but unsigned for a total of ECU 18 million) and a wide spread of public and private initiatives (over 200 projects for about ECU 8 million). Although significant, this budget appears not to be sufficient to respond to the demands expressed by Member States and by social and economic groups.

The Commission communication activities will continue in the coming years by raising awareness in the business sector and by providing information to the general public focussing on specific target audiences (training activities for consumers, blind people and social associations).

Member States activities during the period from May 1998 to January 1999, should be addressed to the general public in order to explain what changes will occur from 1 January 1999 onwards.

¹² "Green Paper on the practical arrangements for the introduction of the single currency"
31 May 1995 COM (95) 333

¹³ The first three "Euro Papers" address the following issues:
"External aspects of economic and monetary union" Euro Papers N° 1 July 1997
"Accounting for the introduction of the euro" Euro Papers N° 2 July 1997
"The impact of the introduction of the euro on capital markets" Euro Papers N° 3 July 1997
The next one will be a compendium of the key legal texts.

Member States play the central role in the communication strategy directed to their citizens. It is therefore necessary that concerned Member States launch their national communication campaigns without further delay.

6. Euro coins

In accordance with the provisions of the Treaty (Art. 105a (2)), the Commission adopted on 29 May 1997 a proposal for a Council Regulation on denominations and technical specifications of the future euro coins¹⁴.

On 7 July 1997 the Council reached a common position.

Although the formal adoption of the Regulation will only be possible when the participating Member States are known, the remaining stages of the decision-making procedure (co-operation with the European Parliament in accordance with article 189c, and consultation of the EMI) are now proceeding.

This procedure will take into account the final findings of the Scientific Committee for Toxicity and Ecotoxicity of Chemical Compounds. Although the work of the Committee is not yet completed, it has stated in its preliminary report that: "the very limited information suggest that very few cases of dermatitis may be caused by the release of nickel from present day coins so it is unlikely that new coins with a similar release rate would cause a greater risk".

A final agreement is necessary as soon as possible to allow technical preparations to proceed.

Other matters related to the issue of coins are being studied, including: the quantities of coins to be produced by the national mints, the distribution of profits related to issuance of coins, the handling of used coins, and the issue of commemorative coins.

Decisions should be taken by the Ministers on the coming months.

As regards the design of the coins, the Council, in June 1996, indicated its wish to have one common face and one face with a national design. Accordingly a competition was organised at the European level for the design of the common face of the euro coins and, in June 1997, the European Council decided on and made public the winning series. The design will be further refined in order to allow industrial production.

In response to public concerns about the risk of confusion and difficulties in public acceptance resulting from the presence of a national face, the Council at its meeting of 7 July 1997 asked the Commission to study and make suggestions on the possibilities for a further harmonisation of the national faces.

However, further harmonization would be very difficult to achieve given that some Member States have already made public the design of the national face.

¹⁴ Proposal for a Council Regulation on denominations and technical specifications of euro coins COM (97) 247 final

Nevertheless, Member States have agreed that the national face will show the twelve stars of the European emblem with the national symbol in the middle.

This common feature on the national face should help to facilitate recognition of euro coins. A single national symbol for the 8 coins would further facilitate recognition.

In order to respect the timetable for the introduction of banknotes and coins, it is important that Member States concerned finalise the selection of the design of the national faces with the common features described above, before end 1997.

7. Financial markets

The consultative group established by the Commission to study the impact of the introduction of the euro on capital markets contributed to moving forward the internal discussions between financial markets associations and to building up consensual positions. The Communication¹⁵ produced by the Commission, reflecting the conclusions of the group, identifies recommendations on the following main issues:

- **harmonised market rules and conventions** for the bond markets in euro. The report recommends harmonisation and puts forward concrete proposals for market rules and conventions (day counts, coupon frequency, business days and settlement dates) which are compatible with those suggested by the EMI for the money markets.
- **redenomination of existing debt.** In addition to recommending redenomination of existing debt, the report indicates the method which should be preferred (i.e. a bottom-up approach with rounding to the nearest cent). A consensus on a single method across all Member States would be desirable but, if that is not possible, a very limited number of different methods should be used to avoid confusion in the markets and to reduce costs.
- **continuity of price sources.** The price source sponsors are called on to announce quickly their plans on continuation or replacement of prices. Work is already undertaken in particular by market associations and by the EMI.
- **equity markets.** The European Stock Exchanges have announced their intention to pursue a Big Bang approach and to switch all trading and quotation to the euro from 1 January 1999¹⁶. As far as redenomination of shares is concerned, a consensus appears among market practitioners that a move to Non Par Value shares would greatly facilitate the procedure for companies and investors. The NPV solution would, however, require the adoption of national legislation in most Member States.

The Commission report has been followed by a joint statement¹⁷ of the European banking and financial sector on common standards for the euro bond markets, money markets and foreign exchange markets. These standards are in line with the recommendations in the Commission's report and the proposals made by the EMI for the money markets.

¹⁵ "The impact of the introduction of the euro on capital markets" COM (97/337). This Communication is based on the work of the consultative group chaired by Alberto Giovannini (LTCM).

¹⁶ By contrast to continental stock exchanges, the London Stock Exchange operates a multi-currency trading platform and has therefore the ability to offer listing and trading in more than one currency. The London Stock Exchange is able to trade and quote in euro from 1 January 1999.

¹⁷ Joint statement on market conventions for the euro. 16 July 1997. ACI, CEDEL, EBF, EFFAS, EMF, EUROCLEAR, IPAA, IPMA, ISDA, ISMA.

The conventions proposed have been welcomed and supported by the Commission and by the Council of the EMI.

In addition, the Commission has continued to support the work of the EMI on TARGET and in particular to ensure that settlement finality will be available for payment and for securities transactions. The Commission is working with providers of retail payment systems to ensure that they are ready for the changeover.

It is now up to public and private issuers to indicate their intention to follow these recommendations by introducing the new conventions in new bond issues in euro, and by announcing before end 1997 their decisions on redenomination of existing debt.

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