

# Inf€uro

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## Preparations for the European Council in Dublin gather pace

### Economics and Finance Ministers are close to agreement on three key issues for EMU

During their informal meeting in Dublin at the end of September, European Union Economics and Finance Ministers and Central Bankers made progress towards assuring a stable and lasting Economic and Monetary Union.

They reached a general consensus on the main elements of a stability pact which should secure the lowest possible interest rates for the euro by ensuring that EMU members maintain budgetary discipline. As well as discussing in some detail issues connected to the legal status of the euro, they also agreed the architecture of a new version of the Exchange Rate Mechanism (ERM) to govern relations between the euro and other currencies of the European Union.

In the wake of this meeting, the Commission adopted draft proposals on each of the three areas on October 16 which are now being discussed by the Council of Ministers. At their meeting in Brussels on 11 November, Ecofin Ministers were fully agreed on the Commission's proposals on the legal status of the euro after the final drafting issues were resolved.

Agreement was also reached on the means of strengthening economic convergence and multi-lateral surveillance, both within "euro zone" and between participating countries and those which do not participated in monetary union from the start.

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## From the European Commissioner for Economic, Financial and Monetary Affairs

I am pleased to present this first edition of *Inf€uro*, the European Commission's newsletter for those who need to follow closely the changeover to the euro. Its production is an important part of the development of the European Commission's communications strategy for EMU. While we hope that it will have the widest possible readership, it is particularly intended to meet the information needs of those who must begin thinking, preparing and acting now to assure a smooth transition to the euro from January 1 1999. Here I am thinking of public administrations, both at national and local level, in the Member States, banks and financial services companies and large companies operating across borders.

Our hope is to keep readers abreast of technical and legislative developments on EMU, both at the European Union level and also at the level of Member States. But we also want to give a picture of what is going on within public administrations, banks and companies so that we can all learn from best practices and develop common responses to common problems.

This means that we want a flow of information back from our readers and that we are ready to publish contributions which we think others will find instructive. Where we can, we shall also respond to your questions about this historic and exciting change which lies ahead of us.

Yves-Thibault de Silguy



# Preparations for the European Council in Dublin gather pace



*Economics and Finance Ministers satisfied with their day of achievement in Dublin on September 21.*

PI...

Finally, on the **stability pact** Ministers gave a detailed examination at issues which had not been considered in Dublin such as the sanctions to be imposed on a Member State running an excessive budget deficit. There was general agreement that fines, paid into the European Union's budget, should lead to a reduction in the contributions to that budget by the other Member States.

One last point which remained really unresolved was the definition of the "exceptional and temporary circumstances" in which a budget deficit higher than 3% of gross domestic product might be considered excessive. Member States consider the Commission's proposals to be a good working basis. This issue will be debated again at the Council's next meeting on 2 December with objective of agreement by the European Council on all three elements of the EMU dossier at the meeting in Dublin on 13 and 14 December. This will maintain the political momentum launched by the European Council meeting in Madrid in December last year which was then confirmed in Verona in April (informal Ecofin), in Florence in June (European Council) and in Dublin in September.

The aim of the stability pact is to prevent EMU participants from running lax budgetary policies. While it provides for sanctions against offenders, these should never be applied because of the powerful disincentive against running excessive deficits that have been built into the pact through the implementation of reinforced stability programmes. The main points of agreement between Ministers are:

- EMU members' fiscal policies should aim at broad balance. Deficits should not exceed 3% of GDP, except in "exceptional and temporary circumstances";
- each EMU member will submit a stability programme to the Council and the Commission which will include medium-term objectives and be regularly updated. This will set fiscal objectives and indicate the evolution of public debt as a proportion of GDP. It will set out the main assumptions about expected eco-

conomic developments, describe the budgetary measures being taken to achieve the budgetary objectives and commit each government to taking additional measures to prevent slippage from these targets;

- stability programmes must be endorsed by the Council which, if it so decides, may indicate ways in which the programme should be strengthened if a Member State registers a deficit above 3% and fails to act on Council recommendations to correct the slippage within the subsequent calendar year, it will face sanctions in the form of an interest free deposit which must be lodged with the EU. This would be converted into a fine if no action is eventually taken within two years.

The **new version of the ERM** will be designed to avoid instability between the euro and the currencies of Member States not participating in EMU from 1 January 1999 - frequently known as the "Pre-ins". A "hub and spokes" arrangement with the euro at its centre, the new system will seek to be flexible while encouraging the "Pre-ins" to maintain convergence policies which will enable them to qualify for EMU as soon as possible.

Fluctuations between ERM currencies and the euro must be kept inside a relatively wide margin similar to the current arrangement, which allows variations of 15% up or down. Countries may be able to choose to negotiate narrower bands as their economic performances converge. The European Central Bank will defend the system with unlimited intervention in foreign exchange markets, although it has the possibility of suspending operations where price stability is threatened.

Finally, the Commission's texts on the legal status of the euro defines it as the currency of the participating Member States from 1 January 1999. The texts establish the absolute continuity of contracts over the transition to the euro, whether denominated in national currencies or in the basket ECU, and confirm that the ECU basket will disappear on 1 January 1999 to be replaced by the euro at a rate of 1:1. They also set out the future "monetary law" for the euro zone countries, notably in relation to the legal tender of banknotes and their method of issue. Finally the draft legal regulations lay down the general rules on rounding which must be applied to conversions into euros and vice-versa.

These provisions are extremely important to the capital markets, to lawyers and those leading the preparations for EMU in banks and companies. All these groups have already strongly welcomed the proposals. ■

# "An Irreversible Progress"

**Yves-Thibault de Silguy,**

Commissioner for Economic, Financial and Monetary Affairs

*How important was the Dublin meeting of Ecofin in securing the changeover to the single currency beginning on January 1 1999.*

It was very important in confirming my belief that progress to EMU is now irreversible. The Commission has just finalised its proposal for a stability pact which will give the euro maximum credibility in the markets and pave the way for low interest rates. We have settled the essential aspects of a reshaped Exchange Rate Mechanism (ERM) and we confirmed the enormous progress made this year on the legal status of the euro. This was particularly satisfying because the issues involved in the euro's legal status are complicated and controversial, but we managed to win not only agreement on a legal text but also praise for our work.

*Why is the stability pact so important?*

It gives full expression to the Treaty procedures designed to maintain the strength and credibility of the euro. Although a lot of attention has been given to the system deterrence effect of sanctions against a Member State whose fiscal policies are not sufficiently disciplined, the procedures should prevent such a situation arising.

The pact should give investors confidence that the euro is underpinned by policies and procedures which guarantee durable sound management of public finances.

Similarly, the revised ERM will promote monetary stability and sound economic policies among the "Pre-ins".

*What do you mean?*

It will encourage the "Pre-ins" to take the necessary measures to qualify for the euro as soon as possible. Exchange rate stability between their currencies and the euro will be largely assured by the new convergence programmes they will be implementing whose main purpose will be to enable them to qualify for membership of the EMU.

*How will these programmes promote currency stability?*

By assuring the markets that the government of the country in question is determined to achieve price stability and to eliminate excessive budget deficits and public debt. These remove the economic causes of monetary insta-

bility. Such guarantees of discipline are important to the markets.

*Will the new ERM remove the risks of competitive devaluations?*

Very largely, because sound policies for both the euro and the non-participating currencies will be energetically encouraged by the Commission, the Council and the European Central Bank (ECB). In any case, it is never in a country's interests to devalue because of the loss of overall purchasing power.

We shall have a flexible system which is also disciplined. The new ERM will be clearly multi-lateral, totally transparent for all Member States and with all of the institutions - the ECB, the Council and the Commission - involved in realignment procedures and entry to join the system.

I am confident that the Single Market will be sheltered from any serious threat of currency instability thanks to the revised ERM and the strong political will of the "Pre-ins" to pursue policies which will enable them to join the euro zone as soon as possible. Moreover, the Article 109m of the Treaty says clearly that their

exchange rate policies are a matter of "common interest".

*What remains to be done before all these preparations can be endorsed by the European Council in Dublin?*

On 16 October the Commission adopted proposals to send the Council governing the stability pact and the legal status of the euro. It also adopted a communication on relations between the "Ins" and the "Pre-ins".

*So the legal status of the euro will soon be settled?*

The draft regulations adopted by the Commission in October will confirm that from January 1 1999 the euro will be Europe's single currency. National currencies will simply be residual expressions of the euro. The continuity of contracts over the transition from national currencies to the euro will be assured. The conversion rate between the ecu basket and the euro will be fixed at 1:1. The text will also determine general rules for rounding conversions between national currency units and the euro and vice versa. ■



Yves-Thibault de Silguy



Commissioner Yves-Thibault de Silguy and his chef de cabinet, Xavier Larnaudie-Eiffel at a Groupeuro briefing session.

## Introducing "Groupeuro" Speaking of EMU

The European Commission's ability to respond to the growing volume of requests for public presentations on EMU will soon be strengthened by the launch of "Groupeuro".

Drawing on a team of more than 130 men and women from all Member States. Since October the Groupeuro has been supplying qualified speakers who are well briefed on all main aspects of EMU. They will be available to speak at conferences, seminars and workshops and to address specialised audiences in the banking sector or chambers of commerce and elsewhere, as well as citizens' groups anxious to know more about the euro.

Groupeuro members will give an account of the development of Economic and Monetary Union, explain its advantages, the timetable and the scenario for the full transition to the euro by January 1 2002. They will also deal with its impact on specific sectors such as banking, financial markets, large companies SMEs and consumers.

Two briefing workshops in Brussels have already been organised by the Commission. Speakers are widely drawn from the banking sector, professional associations and chambers of commerce, national and European public administrations, universities and other centres of further education. All have agreed to be available to participate in at least 10 events a year.

For the moment, their work is being coordinated by DG X of the European Commission, but an external team is expected to be in place by the beginning of 1997 to manage Groupeuro on behalf of the Commission. ■

## Commission creating expert teams for SMEs

### Guides and checklists for adopting the euro to follow

Ensuring that small and medium sized enterprises make a smooth and successful adjustment to the euro is one of the most difficult tasks that lie ahead. In an attempt to encourage a deeper understanding of the changeover strategies needed for SMEs, the European Commission plans to sponsor the creation of a small number of teams of experts to help individual companies to plan their preparations.

The teams are likely to include management, accountancy and computer technology experts. They will produce an individual changeover plan for participating companies which identifies the necessary changes in their organisations and practices and recommends a timetable for introducing them.

This "hands on" approach is intended to benefit and stimulate many more than a handful of

SMEs. Once the main issues involved in the changeover and lines of possible action have been identified, the Commission, Member States and the SMEs' own organisations will

have the material for producing guides and checklists to help all companies.

In addition, these in-depth studies of the impact of the changeover on individual companies will help to pinpoint the technical and legal decisions which SMEs will need from public administrations. These are

likely to cover such areas as tax legislation, dual display of prices in the euro and in national currencies and the rules on "rounding" when translating from the old currency into the euro.

These studies should also yield a more detailed understanding of SMEs' information needs for use in developing targeted communications programmes at national and European level. ■

## Information Priorities

Publication of *Infeuro* is part of the European Commission's information campaign in support of the European Union's transition to the single currency. This is one of three priority actions in the field of information, the others being "Citizens First" (citizens' rights conferred by the single market) and "Let's Build Europe Together" (the European construction task on the eve of the new millennium).

## Growing tide of information initiatives

### Two projects plan total of 9 million leaflets

More than 50 awareness-raising and information projects on the euro have been given financial support from the Commission since the spring of this year. The growth of spontaneous initiatives around the EU is now so strong that the total is likely to reach 100 by the end of the year.

The project proposals have come from a wide range of organisations including European federations of business and professional organisations, individual companies, chambers of commerce and banking organisations.

Conferences, seminars and workshops are at the heart of many project proposals reaching the Commission from the Member States. Others include communications instruments such as newsletters, CD-Roms and participations in exhibitions. These are all an effective means of reaching so-called "multipliers" who can pass on information to large numbers of people and organisations.

Generally, the Commission may provide a subsidy of up to 50% for projects whose purpose is non profit-making and up to 25% for those seeking a profit. In deciding whether to support a project, the Commission takes into account the size of the public at which it is aimed, the extent to which it is decentralised from Brussels, the "multiplier" networks involved and whether it reaches organisations and networks which have not yet been exposed to the euro information campaign.

An important conference initiative has been organised by the **Kangaroo Group** - a group of Members of the European Parliament whose focus is developing the single market - with the Fondation Europe et Société. Supported by both the Parliament and the Commission, the purpose of the conference was to examine the impact of the euro on financial policy, business and society. Meeting in Berlin over two days at the end of September, speakers included Karl Von Wogau, chairman of the Parliament's committee on economic and monetary affairs, Commissioner for economic and financial affairs, Yves-Thibault de Silguy and Ruairi Quinn, Ireland's Finance Minister and President of the Economics and Financial Affairs Council.

Two significant editorial projects aiming to publish a combined total of 9 million explanatory guides to the euro have also been given Commission backing. **UEAPME (European Association of Craft, Small and Medium-Sized Enterprises)** plans 500,000 copies of a guide for SMEs which will be distributed in all Member States together with a questionnaire on information needs. UEAPME will also distribute 300,000 copies of a brochure for SMEs prepared by l'Institut de l'euro.

France's **Edouard Leclerc** retailing and distribution group aims to help the consumer to understand the single currency by offering its customers the opportunity to experience new money during their normal use of Leclerc supermarkets.

Leclerc will also be circulating 8 million copies of a leaflet in its 510 shopping centres. This will explain the use of money, the scenario for the changeover to the euro and reply to the main questions people are asking about the effects on their daily lives.

**Spain's Confederación Española de Organizaciones Empresariales and the Irish Business and Employers Confederation (IBEC)** are being supported in a project to raise the level of awareness of the euro in companies and to help them to prepare for the

changeover. The IBEC plan envisages targeted briefings for up to 6,000 companies, an action kit including brochures, videos and CD-Roms, a newsletter, a Help Line and regular surveys of opinion and practices within companies. Similar initiatives are being prepared by many Chambers of Commerce. ■

Generally, the Commission may provide a subsidy of up to 50% for projects whose purpose is non profit-making.

## If you need information

If you have questions or wish to inform the Commission of any particular problems you are encountering as an individual or a company or bank in preparing for the changeover, you can address them to the communications task force in DG II (Directorate General for Economic and Financial Affairs): Peter Bekx 32. (0) 2. 296.04.43.

Information on the Commission's communications plan "Euro: one currency for Europe" can be obtained from D.G. X (Information, Communication, Culture and Audio-Visual Media), J. P. Malivoir 32. (0) 2. 295.37.87.

The Commission's address is: 200 Rue de la Loi, B-1049 Brussels, Belgium. Tel: 32. (0)2. 295.11.11.



## Advice to Companies

Association for the Monetary Union of Europe says:  
"Early preparations promise future gains"

Companies need not wait until decisions are taken on which countries will participate in Economic and Monetary Union before launching their preparations. Those that start early will be more likely to seize the commercial opportunities presented by the changeover to the single currency.

This is the main message of the report "European Union: Managing the Changeover to the Single Currency"\* prepared by the Association for the Monetary Union of Europe (AMUE) in collaboration with 68 member companies and experts from the European Commission. Founded in 1987 and based in Paris, companies and banks active in the Association's globally employ more than 7 million people.

A survey of AMUE's members in September 1995 revealed that about two thirds were planning to start switching to the *euro* well before the introduction of the new notes and coins on January 1 2002.

The report says that a number of companies have already begun their preparations because "they want to benefit from the advantages of conducting all or some transactions in *euro* as soon as possible". The opportunities open to companies are:

- a reduction in the costs of adjusting information systems, administrative operations and of meeting legal requirements
- to take advantage of the changeover to improve and simplify financial functions
- to seize the commercial advantages arising from the single currency through increased competition and price visibility in the single market.

AMUE says that EMU will directly create market opportunities for software providers, information technology experts, legal advisors, organisation consultants, accountants and machine vendors.

Urging the launch of communications campaigns by companies, AMUE says that their timing depends on the type of business. Those dealing with consumers should probably start

early by informing personnel and consumers of the decisions which are being made. "Companies could actually seize this opportunity to increase their market share", says the report.

AMUE says it is vital to obtain "the full understanding and commitment of the entire staff" so that they properly implement the necessary internal changes and are able to explain them to customers. "This will require appropriate communication and training", says the report, which adds that communications must deal with the possible fears among staff of the impact of the changes on working organisation and practices.

Two thirds were planning to start switching to the *euro* well before the introduction of the new notes and coins on January 1 2002.

The leading communications role already being taken by banks is highlighted in the report. Many have already issued brochures on the changeover to their corporate customers and are competing to communicate their views on EMU. AMUE says that savings banks and credit cooperatives are positioning themselves as advocates of "the man in the street" while private banks are generally

seen as focusing on the business community and fund managers.

The report repeatedly emphasises the vital role of public administrations in the changeover. In particular, it says that they must ensure that there are no technical, legislative or fiscal obstacles which could hinder the use of the *euro* during the transitional period starting on 1 January 1999.

Coordination between countries is also important during the process of adjusting legal and administrative regulations. "This question has to be solved throughout Europe at the same time otherwise the difficulties would be increased for the private sector as competitive distortions could arise", says AMUE. Lack of preparation by fiscal authorities could be a particular stumbling block, says the report, because major bottlenecks could be created for businesses which plan to use the *euro* from 1 January 1999 if they cannot pay taxes and social security contributions in the new currency. ■

\*"European Union:  
Managing the Changeover  
to the Single Currency."  
Association for the  
Monetary Union of Europe,  
26 Rue de la Pépinière,  
75008 Paris, France.  
Tel: 33 (1) 45.22.33.84  
Fax: 33 (1) 45.22.33.77

# How to Manage the Changeover

## A five stage approach

### Stage One

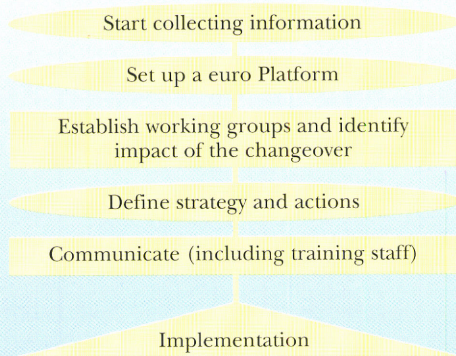
#### Start Collecting Information

Companies should set up an "EMU watch" to keep abreast of new developments and their implications.

### Stage Two

#### Create a single currency platform

##### MANAGEMENT OF THE SINGLE CURRENCY PROJECT



The role of the *euro* platform should be:

- to begin the changeover process within a company
- to coordinate the work of internal task forces
- to ensure the commitment of employees through effective internal communications.

A *euro* steering committee should bring together representatives of all business departments: finance, administration, legal, marketing etc. Each department should then set up its own working group. Information systems staff should be involved in the steering committee and in departmental working groups.

### Stage Three

#### Identify areas of the business that will need to adjust to the changeover

On the assumption that they will switch to the euro in 2002, businesses should identify the operational impact on all functions in the company. Computer programmes, references to national currencies in documents, price lists, legal questions and adjustment of cash management facilities are among the many things that will have to be addressed.

### Stage Four

#### Define a changeover strategy with a timetable and a budget

At this stage, the feasibility and advantages of switching specific areas of the business into the euro before 2002 should be examined. Commercial opportunities should be identified as well as the possibilities of reducing operating costs and rationalising operations.

Staff will have to be informed and trained and companies will have to communicate with all of their stakeholders.

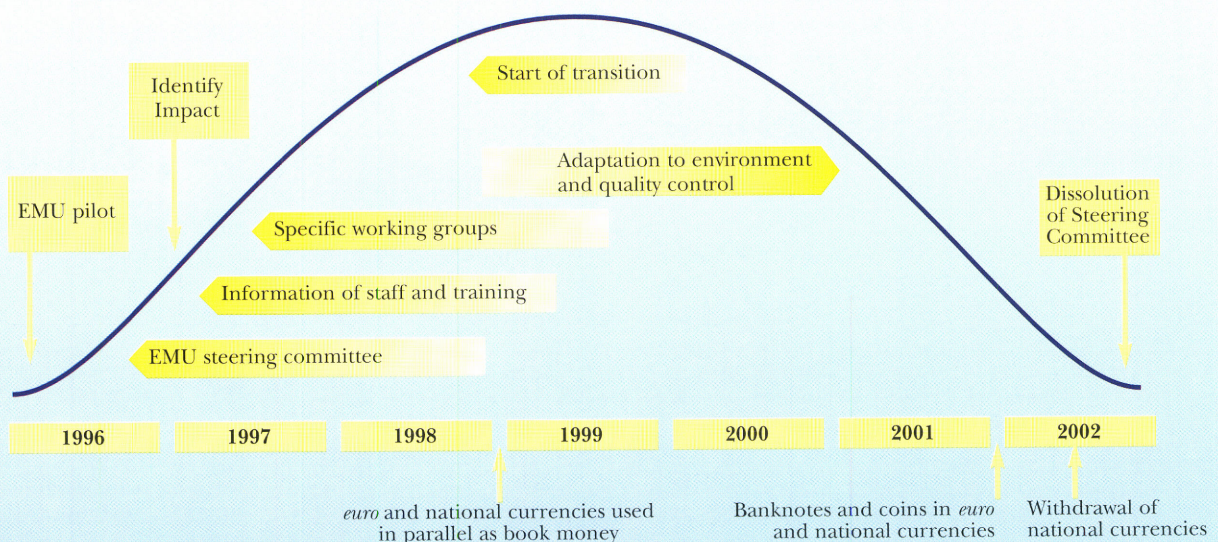
### Stage Five

#### Implement changes

Working groups within the units of the business will have to be created to carry out the changes. This will also apply within support functions such as human resources and information systems.

New applications and organisational changes should be tested for their compatibility with the euro. ■

#### SCHEDULE OF EMU PROJECT



## Events and Publications

### October



17 & 18, Belgium,

Brussels:

#### "Is Your Company Prepared for a Single Currency?"

Conference organised in English by IBC.

Information: Ruth Hogg, IBC Legal Studies and Services, Gilmoora House, 57-61 Mortimer Street, London W1N 8JX.

Tel: (44) 171-637 4383

Fax: (44) 171-631 3214.



25, UK, London:

#### "National Perspectives: Domestic consequences of the EMU".

Conference organised by the University Association for Contemporary European Studies.

Information: Susan Jones, UACES

Secretariat,

King's College London, Strand, London WC2R 2LS.

Tel and Fax:

(44) 171-240-0206



31, Germany, Hamburg:

#### "Deutschland und die Europäische Währungsunion."

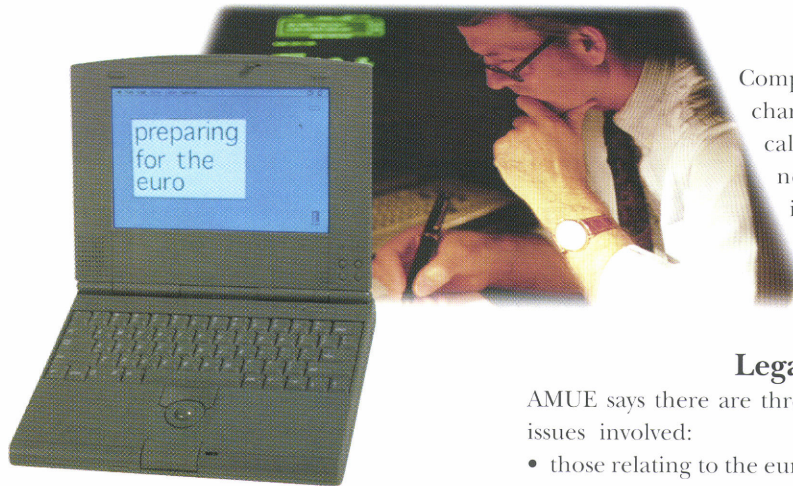
Conference organised in German by the Service für Banken und Industrie on the timetable and implications of monetary union for Germany.

Information: SFB, Wiesenau 1, 60323 Frankfurt am Main.

Tel: (49) 69-97 14 16-19

Fax: (49) 69-17 44 55.

## Issues Companies Must Think About



Companies stress that the changeover should be fiscally neutral for businesses and that the impact must be identical in the participating Member States.

### Legal

AMUE says there are three categories of legal issues involved:

- those relating to the euro itself, its definition, its issue and use
- those concerned with display of prices for retail sales, company law and accounting
- those touching on the legal continuity of contracts.

### Commercial aspects and marketing

Companies should think about:

- markets becoming larger and deeper once currency barriers are removed, - this could mean very significant opportunities for SMEs
- opportunities for new products and services
- invoicing - when to start invoicing in euro?
- dual pricing - to facilitate the general public's acceptance of the euro and to protect consumers. However, a number of logistical and technical questions are involved in such matters as timing (when to start) the extent (cash registers as well as price displays?) and the length of the transition period when the euro will be operating with the national currency (is six months too long a burden for currency users?).

### The impact on information systems

AMUE urges businesses to prepare the necessary changes to information systems well in advance so that they can be incorporated during regular systems maintenance in the next few years. Specific information technology issues include:

- can an individual company's IT suppliers operate on a European scale?
- can the company's IT system accommodate new activities?
- does the company's system allow the use of several languages?

The AMUE says that companies could secure gains in their external competitiveness as a result of the thorough review of their IT systems which will be needed to prepare for EMU. ■

### Financial management

The advantages of EMU - reduction in foreign exchange exposure and transactions costs, a reduction in the numbers of bank accounts and of the financial "float", a simplification of cash operations and savings in operating costs (e.g. conversion costs and cross border payments) - should encourage businesses to review their entire treasury operations including foreign exchange and interest rate risk management.

But several uncertainties remain, including the risks inherent in the euro as a new currency with no track record, the costs of products and services in the euro capital market and liquidity risks as new products become available in euro. Furthermore a degree of uncertainty can be expected until exchange rates are irrevocably fixed.

Issues to be addressed by companies include: in which currencies and with what maturities should new debt be issued before January 1 1999? In which currency should new equity be issued? What will be the impact on share prices?

### Accounting and fiscal matters

AMUE recommends flexible accountancy systems which would permit the inclusion of the euro, and the possibility of switching from the euro to national currency and back. It urges national fiscal administrations to accept fiscal declarations in both the national currency and the euro during the transition period between January 1 1999 and January 1 2002.

AMUE says that businesses believe that a refusal to do so would be incompatible with the Madrid scenario which specifies that during this period the euro and national currencies should be perfect substitutes for each other.



## French report says large companies' preparations are well behind those of the banks

Confused and uncertain, they have hardly begun to plan for the euro

Indications that very few large companies appear to have begun planning their changeover to the single currency during the 1999-2002 transition period have emerged from a new study of major French companies.

Carried out by the Conseil national du crédit at the request of the Ministry of Finance, the study\* highlights the degree of uncertainty, even confusion in many large companies about when to begin using the euro and for which operations. It also emphasises how important it is for companies to have early decisions from public administrations on such matters as when accounts can be submitted in euro and taxes and social contributions paid in the single currency.

The findings have been drawn from a questionnaire followed by extensive interviews with 20 large French industrial, retailing and service companies. The report says that knowledge of the implications of the single currency is frequently superficial and that many companies are waiting for more precise information from the public authorities and to see what their main competitors are doing.

Those that have started to work on the problem are still mostly in a reflective phase, although some have set up working groups to begin more serious analysis. The report says this work "hardly ever" includes "planning or strategic decisions" and is in marked contrast to the banking sector "whose preparation is a great deal more advanced".

Precisely when a company will switch to the single currency depends on a number of factors. Those issuing bills to the general public such as Electricité de France and France Télécom are inclined to wait until the introduction of the euro notes and coins from January 1 2002.

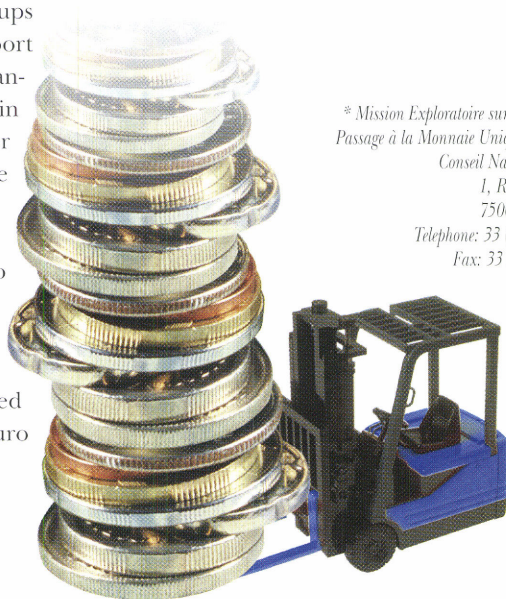
Big retailers and distributors also want to wait until 2002 because their businesses are based on cash transactions with the general public. They also want everyone in the sector to change at the same time so as to avoid creating confusion among consumers.

Knowledge of the implications of the single currency is frequently superficial and many companies are waiting for more precise information from public authorities and to see what their main competitors are doing.

There is much less of a common view among large manufacturing companies where opinions vary according to organisation, products, volume of inter-group transactions and whether they are quoted on a stock exchange. However, within these organisations, company treasurers are strongly in favour of a full use of the euro from January 1 1999.

This is when financial markets will switch to the single currency, effectively requiring companies to move to the euro for public debt financing and placements at the same time. However, if the shares of publicly quoted companies are to be listed in euro companies, are asking whether this means

that their consolidated accounts should also be expressed in the single currency from the beginning. A majority does not want to be required to keep double accounts in the euro and the national currency during the 1999-2002 transition period.



\* Mission Exploratoire sur les Modalités de Passage à la Monnaie Unique, Juillet 1996.

Conseil National du Crédit,  
1, Rue de la Villière,  
75001 Paris, France.

Telephone: 33 (1) 42.92.27.10.  
Fax: 33 (1) 42.92.27.52

## Events and Publications

### November

7, Austria, Vienna:

"Concrete problems facing SMEs."

Organised by the European Information Centre. Information: Christian Mandl, EIC AT-602, Vienna.

Tel: (43) 1-711 352 405  
Fax: (43) 1-711 352 914

17-22, France, Marly-Le-Roi:

(région parisienne):  
"Où en est l'Union économique et monétaire?"

Training seminar for young professionals organised in French by the Centre International de Formation Européenne (CIFE). Information: CIFE, 10 avenue des Fleurs, F-06000 Nice.

Tel: (33) 92.15.21.21  
Fax: (33) 93.37.18.00

21-22, Belgium, Charleroi:

"L'argent, monnaie d'échanges entre la société et ses aînés dans l'Europe d'aujourd'hui et de demain".

Conference organised by Inter-University European Institute on Social Welfare. In French. Information: IEIAS, 179, rue de Débarcadère, B-6001 Marcinelle.

Tel: 32 (0) 71.44.72.67  
Fax: 32 (0) 71.47.11.04

25, Germany, Bonn:

"Euro und Aussenwirtschaft."

Seminar organised in German by the European Information Centre. Information: Ellen Oesterreich, EIC DE 103 DIHT, Bonn.

Tel: (49) 228-104 621  
Fax: (49) 228-104 158.

## Events and Publications

### December



2, Spain, Bilbao:

Conference on the euro in the French-Spanish region of Bayonne.

Information: Enrique Velasco-Ruiz de Olalla  
EIC ES-202, Bilbao.

Tel: (34) 44104 503

Fax: (34) 44446 324.



18, France, Rouen:

"Le passage à la Monnaie Unique."

Conference organised by the European Information Centre in France, and given by M. Andriessen.

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### Publications

"The Prospects for EMU by 1999"

EU Policy Paper Series, published by the University of Manchester. Information: Shahnaz Holder, EPRU, Department of Government, University of Manchester, M13 9PL, UK.

"La Monnaie Unique: Pourquoi? Quand? Comment?"

by Jean-Michel Floc'hlay. Eudysée Editions, BP 29, F-77401 Lagny-sur-Marne, 49FF.

# Finance Ministries guiding preparations in public administrations

## Focus on examining laws and identifying necessary policies and actions

Member States' public administrations began reviewing their preparations for the changeover to the single currency at a meeting with the European Commission on October 23.

The talks, which followed a similar meeting in June between the Commission and representatives from the national capitals, established that nearly all Member States had set up a "euro group" within their finance ministries to coordinate the preparations across government departments and dependent agencies. Initially, these groups have been drawing up lists of laws to be changed (e.g. because they refer to the national currency) and of administrative policies and actions that will need to be undertaken.

Already, however, notable examples have emerged of initiatives designed to organise the work ahead, to adapt legislation and computer systems and to develop communication strategies for helping citizens to make a successful changeover.

Theo Waigel, Finance Minister in Germany, set up a working group on EMU inside his ministry in October 1995 whose membership includes representatives of all other ministries as well as of four Länder. Part of their task is to channel information to the other Länder about the discussions and decisions of the working group, while the Länder are responsible for informing local authorities in their regions.

An interministerial computerised tracking system is being installed which will enable a close monitoring of the legislative, technical and other measures needing to be undertaken.

In Belgium, the government has recently endorsed a far-reaching plan allowing companies and individuals to pay taxes in euro from January 1 1999.

In France, an interministerial committee, chaired by a senior official from the Ministry of Finance, has been coordinating the work of ministries and other parts of the administration to

identify actions which need to be taken and to fix a timetable for the work programme.

The Trésoriers-Payeurs-Généraux have been given the task of coordinating the preparations of local administrations. Finally, the government has created a "euro observatory" to help the development and implementation of communications plans through a careful monitoring of the evolution of public opinion.

In all EMU participant countries, existing electronic information systems will need to be adapted to the euro. In Belgium, the administration has already begun practical tests so as to be able to change software well before the changeover.

The Netherlands has decided that all newly-purchased computer equipment and software must be compatible with an eventual transition to the euro. Officials have calculated that new software capable of handling the single currency will cost less than making adjustments later.

Notable examples have emerged of initiatives designed to organise the work ahead, to adapt legislation and computer systems and to develop communication strategies for helping citizens to make a successful changeover.

In Austria, the Ministry of Finance has taken charge of identifying the legal texts that will have to be altered. It is considering altering those referring to the "schilling" in general by a single instrument, while those containing precise numbers would be altered once a policy has been established on "rounding".

Governments are giving an increasing priority to communications. The Netherlands have created a "national forum" which brings together representatives of the main socio-economic groups and professions.

Similar forums for establishing a dialogue between administrations and professional and social groups

have also been created in Germany, France, Ireland, Finland and Luxembourg. An "EMU contact group" between government and business has been set up in Denmark.

Finally, a communications plan for reaching multiple audiences has been adopted in Germany, to be closely followed by Belgium, the Netherlands, France and Spain. Other countries are also considering initiatives on this front. ■

# What Will Happen and When

TIMING	ACTIONS	RESPONSIBILITY
By 31 December 1996	<ul style="list-style-type: none"> <li>• legislation establishing the euro as a currency in its own right</li> <li>• stability pact</li> <li>• future relations between the "Ins" and the "Pre-Ins"</li> <li>• specification of the regulations, organisation and logistics which will enable the ECB/ESCB to perform their tasks</li> </ul>	<p>European Commission proposes, Council adopts</p> <p>Commission proposes, Council adopts</p> <p>Commission, European Monetary Institute, Council (EMI),</p>
As soon as possible in 1998	<ul style="list-style-type: none"> <li>• decision on participating Member States</li> </ul>	European Council**
During 1998	<ul style="list-style-type: none"> <li>• creation of the ECB* and appointment of its executive board</li> <li>• start production of euro banknotes and coins</li> <li>• adoption of necessary secondary legislation</li> </ul>	<p>Council (only Member States participating in EMU)</p> <p>Council and Member States</p> <p>Commission proposes, Council decides</p>
January 1 1999	<ul style="list-style-type: none"> <li>• conversion rates are irrevocably fixed</li> <li>• various legislation comes into force, notably on the legal status of the euro</li> </ul>	
	<ul style="list-style-type: none"> <li>• definition and execution of the single monetary policy in euro</li> <li>• foreign exchange operations in euro</li> <li>• new public debt issues in euro</li> </ul>	<p>ESCB*</p> <p>ESCB*</p> <p>Member States, European Investment Bank*, Commission</p>
January 1 1999 to January 1 2002 (at the latest)	<ul style="list-style-type: none"> <li>• changeover to the euro by the banking and finance industry</li> <li>• assist the whole economy to ensure an orderly changeover</li> </ul>	Commission and Member States
January 1 2002 (at the latest)	<ul style="list-style-type: none"> <li>• start circulation of euro banknotes</li> <li>• start circulation of euro coins</li> <li>• complete changeover of public administrations</li> </ul>	<p>ESCB</p> <p>Member States</p> <p>Member States</p>
July 1 2002 (at the latest)	<ul style="list-style-type: none"> <li>• cancel the legal tender status of national banknotes and coins</li> </ul>	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 recommendation from the Commission and the EMI





## What the treaty says about...

# Relations between the "Ins" \* and the "Pre-ins" \*

(Article 109K)

### What happens to those countries that do not qualify for EMU in early 1998?

While all the present Member States of the European Union may join EMU, those that do not meet the conditions for moving to the single currency on January 1 1999 will enjoy a transitional derogation which will be reviewed every two years, or more frequently if the Member States concerned so request. When they eventually join EMU it will be on the same conditions and according to the same procedure as the initial participants.

### Will they have any role in running EMU?

"Pre-ins" will not be involved in adopting the conversion rates at which currencies will be irrevocably fixed, they will not participate in the definition of monetary policy and nor can they elect the members of the Executive Board of the European Central Bank (ECB). However, their ministers will be in the Economic and Finance Ministers Council (Ecofin) setting economic policy guidelines. Their representatives will participate in the Economic and Finance Committee to be created under the Treaty and their central banks will remain members of the European System of Central Banks (ESCB) through their representation on the General Council of the ECB.

\* "Ins": those countries participating in EMU from the beginning.  
"Pre-Ins": non-participants at the beginning.

### Will it be the same for Denmark and the UK?

Virtually, however the situation of the United Kingdom and Denmark will not be systematically reviewed like those of countries with a derogation, but they can request a review of any decision not to participate in the euro.

**Non-participants will retain the same rights and have the same obligations as regards the implementation of economic policies as countries participating in the euro.**

If they stay outside the single currency, Denmark and the UK will be able to pursue independent domestic and external monetary policies, although they will be required to regard their monetary policies as a matter of common interest. They will not participate in the ECB's conduct of monetary policy, although they will be indirectly involved through their participation in the ESCB.

### How will stability between the euro and non-participating currencies be ensured?

The Ecofin Council decided at its informal meeting in Verona in April 1996 that the "Ins" and the "Pre-ins" will be linked by an exchange rate mechanism derived from the current European Monetary System but improved where possible. There was also a broad consensus among ministers that participation in the revised exchange rate mechanism should be voluntary but that it will remain, as today, a requirement for entry into EMU. ■

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