

# Inf€uro

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## In this issue

### News from the Commission

Changeover to the Euro: the Commission is getting organized 2

The € is born, long live the €uro 2

### Interview

José Maria Gil-Robles,  
President of  
the European Parliament:  
"The euro will be one of the  
world's most stable currencies". 3

### Technical preparation for the Euro

What Euro coins will be issued? 4

Round Table on  
the practical aspects  
of introducing the Euro 5

### Enterprises and the Euro

Commissioner  
Yves-Thibault de Silguy,  
*The Euro – a key to your  
company's future success* 6

### In the field

Events and conferences 8

The Commission's information  
campaign emphasizes partnerships 8

Groupeuro: professionals to keep  
you informed! 9

### Banks and markets

EMI: The single monetary policy  
is now at the fine-tuning stage 10

Publications 10

### Calendar

What will happen and when 11

### Inf€uro puts the spotlights on...

The stability and growth pact 12

## Commissioner answers questions companies are asking about the euro

## COMPANIES PREPARATIONS FOR THE EURO ACQUIRE MOMENTUM

Growing numbers of European companies are at last beginning to launch their preparations for the changeover to the Euro, encouraged by the strong momentum established by last December's European Council meeting in Dublin.

In the Commission's view, the Dublin agreements on the Stability and Growth Pact, the legal status of the Euro and relations between the "ins and pre-ins" have been seen by many companies as convincing evidence that the Euro will be launched from January 1, 1999.

In this edition of *Inf€uro*, Yves-Thibault de Silguy, the European Commissioner for Economic, Financial and Monetary Affairs, answers ten of the questions most frequently asked by company managers about the Euro including "how should a company begin to think about the changeover?", "will companies be forced to use the Euro from January 1 1999?" and "what should a company do if

it is convinced that its country will not be in the Euro zone from January 1, 1999?"

He urges companies to make a careful assessment of the strategic opportunities presented by Economic and Monetary Union. "I remember from my own experience in a large company that it is easier to be totally immersed in today's problems at the expense of tomorrow's opportunities", he says.

Executives are advised not to lose sight of the real advantages of the Euro including lower interest rates (and, therefore, higher investment and employment), easier exploitation of the single market, simplified financial management and the elimination of foreign exchange costs.

The Commission will shortly be publishing its own advice to companies, to explain how they could approach the changeover. ■

## 40 years on ... the countdown begins



The year that has just begun is replete with symbols: the Community is about to turn a page in its history by celebrating the fortieth anniversary of the Treaty of Rome. It will also open a new chapter by preparing the launch of its own currency, because 1997 is the year in which our Member States qualify for the Euro.

A decisive step on the path towards Economic and Monetary Union was taken in Dublin last December by the Heads of State and Government. The European Council accepted the Commission's proposals for the creation of a "stability and growth pact" which would provide a lasting guarantee of the healthy management of public finances in Europe, and therefore of obtaining low interest rates conducive to investment, growth and employment. It also adopted the framework for future relations

between those Member States that join the Euro zone from the outset and those that do not, with the aim of ensuring monetary stability in the transition period during which the borders of the Euro zone do not fully correspond with those of the Union. Finally, it approved the legal status of the Euro, which will guarantee economic operators continuity of contracts and provide them with the clarity they require for effectively preparing for the transition to the European currency.

The preparatory work for the introduction of the Euro is therefore now completed. The countdown has begun: the Euro will be created in less than 500 working days. We have to prepare actively for it.

Jacques Santer  
President of the European Commission





## Changeover to the Euro: the Commission is getting organized

This is not a case of the cobbler having the poorest shoes!  
The European Commission is actively preparing for D-Day.

The Euro countdown has begun. As the driving force behind European integration, the Commission's duty is to do everything in its power to facilitate this transition. In addition to implementing the decisions taken in Dublin and its task of providing information, the Commission is at work in three complementary areas: organizing its own services, adapting Community legislation to the Euro, and introducing other initiatives which are vital to the changeover.

**Internal preparation.** This is simplified by the already almost universal use of the Ecu in the Community budget. Computer processing will require only ad hoc changes to software that already uses several currencies. Administrative operations will require rather more radical change in those cases where only a single national currency is used. This is the case, for instance, for officials' salaries. These internal changes will be accompanied by an information campaign and staff training.

**Adaptation of Community legislation.** The European Council in Dublin defined a legal framework for the use of the Euro which prevents its launch from affecting existing legislation. In practice, the Commission is verifying the degree to which the new mechanisms might nevertheless affect legal provisions in order to allow any required corrective measures to be rapidly introduced. With 1,600 Community legal texts referring to the Ecu or national currencies this is a major task.

**Complementary legislation?** Simply adapting existing texts will perhaps not be enough to ensure that Community law is fully in step with the introduction of the Euro. For this reason, experts are examining the possible adoption of new legal provisions, as well as the need for other actions.

For example, the Commission is considering the need for and feasibility of possible Community legislation against counterfeiting Euro notes and coins.

The transition period, that is to say the period between 1 January 1999 and the time when the Euro is in general use for all operations (1 January 2002 at the latest), will also require the implementation of temporary measures.

There is a parallel debate on operations in the public sector, the timetable for which remains to be defined, if necessary, through a Community Regulation. The national authorities do however retain a measure of independence. It will sometimes be necessary to amend legislation in force to allow economic agents who so desire to work simultaneously in both Euros and the national currencies.

Moreover, Community law may have to be extended, for example, in the field of accounting or to respond to certain specific demands from SMEs or consumers.

Finally, we must take into account the countries that will not participate in the first wave of the Euro which are naturally affected by Community policies and the financial transfers they generate. EMS2 will not entirely eliminate the foreign exchange risk for non-participating Member States. The Common Agricultural Policy (CAP), for example, will be affected because its mechanisms are intended to compensate for exchange rate fluctuations.

**Ongoing dialogue.** From the discussion phase through to the implementation of new measures, all the Commission's efforts demonstrate a desire for total transparency and a concern for simplicity and effectiveness. The intention is not to unnecessarily complicate the life of operators and users, but to help them to best deal with the changeover to the Euro. This is why they are being systematically involved in the consultation process and in drafting texts. With this in mind, the Commission has set up an inter-departmental group of all the departments concerned under the authority of the Director-General of DG II in order to ensure the coherence of its actions. ■

### The € is born, long live the Euro

As part of the communication campaign, the Commission worked on the creation of a symbol that meets three simple criteria: a highly recognizable symbol for Europe; a graphic symbol easily executed by hand; and finally a pleasing aesthetic design.

Thirty or so drafts were drawn up internally. From these, around ten were subjected to a qualitative assessment by the general public conducted by a specialized organization. Two candidates emerged from the survey well ahead of the rest. These were used to guide the President of the Commission, Jacques Santer, and Mr de Silguy in their final selection.

This is how the € symbol was born, with an epsilon harking back to the cradle of European civilisation and the first letter of Europe, crossed by two parallel lines to indicate the stability of the Euro.

Many of the world's major currencies have a symbol, such as the \$ for the dollar, the ¥ for the yen and the £ for the pound sterling. The future European currency, the euro, should have one of its own.

As with all monetary symbols, familiarity comes with use. Neither the American \$ nor the Japanese ¥ symbols have ever been officially registered.

The € appeared on the same day that the European Monetary Institute unveiled the designs for the Euro banknotes. These two concrete symbols point to the progress already made in preparation for Monetary Union, to be followed next June by the design for the coins.





## José María Gil-Robles, President of the European Parliament

### *"The Euro will be one of the world's most stable currencies"*

*In your opinion, what should be the role of the European Parliament vis-à-vis the Euro?*

The European Parliament has always supported the introduction of Economic and Monetary Union (EMU) in Europe. Nevertheless, it has also pointed out certain shortcomings in the Maastricht Treaty. This is why the way you phrase your question "what should be the role of the European Parliament vis-à-vis the Euro?", seems to me particularly appropriate. The question "what is its current role?" is quite another. First of all I shall explain the current role of the European Parliament and then move on to what it should be.

According to the Maastricht Treaty, the European Monetary Institute (EMI) and the body that will succeed it, the future European Central Bank (ECB), are required to report to the Parliament once a year on their activities. The ECB must present its annual report and the Parliament has the power to call a debate on the subject.

Within the context of EMU, the Parliament is also vested with another right, which is without doubt more important: the right to consultation before appointing a new president or members of the board of directors of the EMI/ECB. The European Parliament, or more specifically the monetary sub-committee, is taking these powers very seriously and has already exercised it at the interview with Baron Lamfalussy, the current president of the EMI. At that time a whole range of elaborate criteria were drawn up for assessing the candidate's professional capabilities and the personal qualities.

However, the present situation is not ideal. The right of the Parliament to be kept informed is relatively limited, perhaps too limited. This is why I would now like to explain what the role of the European Parliament should be.

The Parliament is requesting greater participation in the legislative process set up to introduce Economic and Monetary Union, as well as in the application of the common monetary policy of the future central bank. It would also like to see constructive dialogue on monetary issues. This greater transparency which we would like to achieve also extends to information on the policy and objectives of the ECB.

Although independence is vital for the ECB, the lack of democratic accountability within the system is less than satisfactory. It would have been desirable to enshrine in the Treaties the duty to provide information to the sole Community institution legitimised by a democratic process. A measure of transparent dialogue in the field of monetary policy does not imply any restriction either on the independence of the central bank, or on the stability of the currency. On the other hand, the ECB will adopt monetary decisions which will have repercussions on all economic operators. For this reason democratic responsibility is a legitimate objective.

*What will be the main advantages of the Euro?*

It is only within the framework of the Euro and the stability it will offer that European citizens will be able to fully benefit from the single market. Having different currencies implies a degree of risk of movements in exchange rates, which substantially alter the balance of any contract between two European companies. At the same time, such changes in exchange rates have an impact on the relative wealth of citizens and their purchasing power. The Euro will therefore provide protection against such risks.

In addition, for the first time, it will be possible to easily compare the prices of goods and services in different countries. The Euro will therefore stimulate competition, which will be beneficial for both consumers and enterprises. It will also facilitate trade within the single market and the costs of foreign exchange and currency risk hedging will instantaneously disappear. Such costs are far from negligible. This will directly affect every citizen who travels within the European Union.

Building on this solid economic foundation, the Euro will stimulate investment and therefore employment. Only the countries that strictly fulfil all of the criteria set out in the Treaty and are based on a healthy economic and budgetary situation will enter into EMU. The first and main objective of the ECB is to guarantee monetary stability and price stability throughout Europe.

The ECB has been given the necessary means to achieve this objective. The independence of the ECB was based on the German model in order to gain the confidence of the market. However, the more confidence the market places in a currency, the lower the risk premium which pushes up interest rates. An ECB which enjoys the confidence of the market could therefore offer relatively low interest rates, which would mean cheaper loans for business – clearly a favourable situation for investment and employment.

*Public opinion is often critical of the Euro. What message would you like to give to Europeans who are worried about the issue?*

As members of the European Parliament, we are well aware of public opinion concerning the Euro. It is highly likely that the political and psychological preconditions for introducing monetary union are almost more delicate than the economic ones. The Parliament has a key role to play here. As representatives of European citizens, we must take into account their concerns and above all attempt to provide them with better information in order to dissipate the causes of their concern.

Citizens are mainly worried about whether the Euro will be a stable currency. They fear a change in the value of their savings and the purchasing power of their salaries, pensions, etc. There is no reason for any such fear. I do not doubt for an instant that the Euro will be one of the strongest currencies in the world, not only because the countries preparing to enter into monetary union benefit from a stable economic situation and conform with the very strict criteria of the Maastricht Treaty, but also because scrupulous respect for these criteria will be guaranteed when countries participate in monetary union. Furthermore, the fact that the Euro will be in circulation over a much larger area than just one nation will reinforce its stability.

*As a citizen of Europe, are you impatient to use the Euro, and why?*

It is true that I look forward to the introduction of the Euro calmly and full of hope. The most important thing is that a large number of countries fulfil the criteria which have been set and participate in monetary union. I am convinced that the Euro is going to meet all expectations and that it will be one of the most stable currencies in the world. The sooner it comes into use, the better we shall be able to weather storms and avoid speculation. This is why the decision to start in 1998 should not be delayed. ■



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, Tel: (+32-2) 295.37.87.

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



## What Euro coins will be issued?

ON 1 January 2002 at the latest, notes and coins denominated in Euros will be in circulation in all countries taking part in Euro. The date may seem a long way off but production cannot begin until 1998 when the list of participating countries is known. Production will then require several years. No less than 12 billion notes and 70 billion coins will have to be replaced.

The face value of the notes will be 5, 10, 20, 50, 100, 200 and 500 Euros. The denominations of the coins will be 1, 2, 5, 10, 20 and 50 centimes and 1 and 2 Euros.

The Euro banknotes were officially presented to the European Council in Dublin last December by the European Monetary Institute (EMI). The same should happen for the coins at the European Council in Amsterdam next June. Discussions within the Masters of the Mints working group continues on technical issues such as weight, colour, shape and composition. The group has consulted representatives of consumers and the visually impaired three times over recent months in order to define the best characteristics for easy visual and tactile identification of the various coins.

The ministers of economics and finance from the Fifteen reported on progress at the end of January. They asked the Masters of the Mints to provide more details on certain questions such as the nickel content, the use of heptagonal coins in automatic machines, necessary safety guarantees, engraving of the coins and the precious metal value of collectors' items.

A two-stage competition for the design of the coins was launched in the spring of 1996. All Member States took part in this operation except Denmark which has exercised its option not to take part in Euro. At the end of the first national stage which came to an end on 28 February last, the Member States sent the pre-selected moulds and photographs to a European jury, the composition of which was officially announced by the Commission at the end of January. This jury met on 13 March 1997 to identify the nine best proposals, three for each of the selected themes: figures in the construction of Europe, ages and styles and Union ideals.

How is it possible to get European citizens to take an interest in their future currency? By getting them to help choose it! Between 17 March and 30 April, the Commission is launching a huge opinion poll throughout the European Union on the different pre-selected series.

In parallel, the Commission will informally consult the European Parliament and organize hearings of different types of users.

A recommendation based on the results of these efforts will be made to the ministers during the month of May. The dossier will then be submitted to the Heads of State and Government for a final decision during the European Council meeting on 16 and 17 June 1997. ■

### Composition of the European jury

Germany	Ulrich Klein	Expert in coins and numismatics
Austria	Franz Bauer	Editor of the monetary section of the "Wirtschaftswoche" magazine
Belgium	Herman van der Wee	Professor of economic and social history at the Katholieke Universiteit Leuven
Spain	María Ruiz Trapero	Catedrática de Numismática y Epigrafía
Finland	Tuula Arkio	Director of the Museum of Modern Art
France	Jean-Marie Callu	Académie des Inscriptions et Belles lettres
Greece	Eleonora Petrakis	Painter
Ireland	Mairead Dunlevy	Curator of the National Museum of Ireland
Italy	Silvana Balbi de Caro	Expert in art history Director of the National Office for Artistic Supervision in Rome
Luxembourg	Raymond Weiller	Head of the "Medallions" office at the Museum of History and Art
Netherlands	Wim Crouwel	Expert in industrial design
Portugal	Carlos Baptista da Silva	Director of the Gulbenkian Foundation Member of the International Medallion Federation
United Kingdom	Nick Butler	Chairman of BIB Design Consultants
Sweden	Gunnar Jansson	Professor of psychology. Expert in visual perception theory



# Round Table on the practical aspects of introducing the Euro

THE guidelines for the final changeover to the Euro (introduction of notes and coins and withdrawal of national currencies) were defined during the meeting of the European Council in Madrid, but many practical details remain to be resolved. In 1996, the Commission carried out a wide-ranging consultation with the associations representing groups of everyday users, in particular consumers, shopkeepers, business enterprises and public authorities. The outcome of this consultation will be discussed further in preparatory workshops during the first quarter of this year, which will in turn form the basis of the work of the Round Table due to take place on 15 May, to which will be invited some 250 people representing both the public and private sectors. Several key issues will be debated on this occasion.

## How will the Euro notes and coins be introduced?

During the transition phase, which will begin on 1 January 1999 and end at the latest on 31 December 2001, the Euro will be introduced as the bank currency (i.e. the currency for non-cash transactions) but notes and coins will not yet be available. During this period the public authorities, financial institutions and businesses in the participating countries will be able to use the Euro in their various transactions. Consumers will continue to use mainly national currencies although they will be able to use products and services in Euros. On 1 January 2002 at the latest, Euro notes and coins will be introduced. The practical aspects of using the Euro as a currency of account and the introduction of notes and coins will be discussed at the Round Table.

## What will be the implications for retailers of the introduction of Euro notes and coins?

Shopkeepers have to know how long they will be required to accept national notes and coins. If a customer pays in the national currency, will he receive change in Euros? The date for supplying shops with notes and coins has also to be determined, as well as the implications for computer processing and traders' equipment (cash registers).

## When and how will other forms of payment be carried out in Euros?

Once the Euro notes and coins have been introduced, will users still be able to write cheques or make transfers in the national currency? The specific case of cheques which do not mention the reference currency has not yet been resolved. Finally, although it is certain that credit cards and payment cards will operate in Euros, the best timing for the changeover remains to be decided.

## Can conversion costs be charged during the transition period and during the final phase?

During the transition period, the co-existence of national currencies and the Euro will lead to frequent conversions. Can financial intermediaries bill their clients for the costs involved? This depends on whether the transaction results in a real economic cost. The costs of such conversions will differ depending on whether physical notes and coins are involved or not.

## Is 1 January a good choice of date for the introduction of Euro notes and coins? (Stage C of the transition scenario)

Some economic operators consider that this date is important from a psychological point of view and that it will facilitate the transition because, in several countries, it coincides with the beginning of the tax year. Other groups,

especially in the retail trade, would prefer a date further from the peak periods of Christmas and the new year which would make it easier to distribute the notes and coins and allow firms more time to train their staff.

## How long will Stage C last?

The replacement of national notes and coins is a major logistical challenge. For this reason the conclusions of the Madrid Council stipulated a maximum period of six months. In its May 1995 Green Paper on the practical arrangements for the introduction of the Euro, the Commission expressed a preference for a shorter period for Stage C (a few weeks). Banking, retail and consumer representatives also backed this point of view in order to reduce the difficulties and the risk of confusion. In addition, a shorter period would reduce the costs of transition. On the other hand, manufacturers of coin-operated machines asked for a longer period.

## What is the best way to get citizens to think in terms of Euro prices?

Assimilation of prices in Euros represents a major challenge for citizens who may suspect hidden price rises. It is therefore essential that there be the greatest possible transparency. There are also other issues such as people's ability to judge the relative value of an article priced in Euros and the most effective means of training the general public. The smooth operation of this training process implies an equal sharing of responsibilities between the public authorities and the private sector.

## What will be the costs and benefits of dual price labelling?

Consumers and retailers have different opinions here. It is vitally important to encourage dialogue on the feasibility and advantages of dual labelling and, as far as possible, to test the formula on a representative panel. Without losing sight of the danger of information overload, the potential need for dual labelling on each article should also be examined. It is also important to calculate the impact of this solution on hardware and software, and the resulting costs. How long such a dual labelling period should last remains to be defined.

## Which groups should receive special assistance?

Special attention needs to be paid to those citizens who will find it most difficult to adapt to the changeover to the Euro. Special communication efforts will be required for specific groups like the visually impaired and the elderly.

## What training is required for staff in contact with the general public?

People in contact with the public should be capable of clearly explaining conversion calculations and other implications to their customers. Companies will have to organize special staff training programmes. The timing of such programmes and the technical resources required remain to be defined. ■

## Explaining the Euro to our Partners

The task of disseminating information about the Euro goes well beyond the borders of the European Union. The European Commission has therefore decided to organize high-level road shows on other continents in order to inform the major financial markets outside Europe of the ins and outs of the Euro. One road show will visit the United States and Canada in April and May, followed by Japan and other Asian countries during the subsequent months. Parallel road shows will visit Switzerland and the other EFTA countries as well as those Central European countries which are candidates to join the Union. By way of example, the following two road shows are already organized.

### East Coast of the United States and Canada. Early May 1997

Cities: Washington, New York, Hartford (Connecticut), Boston (Massachusetts), Ottawa and Toronto.

### Central and Western United States End of May 1997

Cities: Los Angeles, San Francisco, Denver, Minneapolis, Chicago, Milwaukee, Fort Wayne.

## Commissioner de Silguy's Euro Tour

### United States

27 to 30 April; towns visited: Washington D.C. and New York.

### Switzerland

26 and 27 June.

### Asia

Bangkok: 19 and 20 September  
Hong Kong: 21 to 23 September  
Japan: 24 to 27 September

## IMF Seminar on Monetary Union

On 17 and 18 March 1997, the International Monetary Fund will be holding a conference in Washington D.C. on the general theme of "EMU and the International Monetary System". Speakers will focus on the introduction of the Euro, its impact on international financial markets and relations with third countries.





Commissioner  
Yves Thibault de Silguy  
answers ten  
of the questions  
most companies are asking

## ***The Euro: a key to your company's future success***

*There are less than 500 business days left before the Euro becomes Europe's single currency. Are you satisfied that companies are preparing themselves well enough in advance for the changeover?*

I think the situation is very mixed but I am not over-anxious. It is our impression at the Commission that, with the exception of a few multinationals, companies have been slow to examine the implications of the Euro for their businesses and to plan the changes that are needed. But it is also our impression that many more are now beginning to act, convinced by the commitment to the Euro evident in the agreements at last December's European Council in Dublin on the Pact for Growth and Stability, the legal status of the Euro and the relations between the "ins and pre-ins".

*How should a company begin to think about the changeover?*

First decide that the changeover is a major management project whose outcome will profoundly influence the company's future prospects of success. Second, make sure that it is a priority for executives because important policy issues will be involved. I remember from my experience in a large company that it is easy to be totally immersed in today's problems at the expense of tomorrow's opportunities. Thirdly, make sure that the potential impact of the Euro on all aspects of the business is studied in some depth.

Finally, a company should never lose sight of the real advantages of the Euro including lower interest rates (and, therefore, higher investment and employment), easier exploitation of the single market, simplified financial management and the elimination of foreign exchange transaction costs.

*Will companies be forced to use the Euro from January 1, 1999?*

The guiding principle will be "no compulsion no prohibition" which means that no one can be forced to use the Euro, but neither can they be prevented from using it if all, I repeat all, parties to an agreement want to. However, companies would be affected if stock markets switch to the Euro during the transition and they would also have to adjust to the use of the Euro in corporate debt markets.

The Euro regulation proposed by the Commission will require banks to make conversions between the Euro and national denominations, thus enabling companies to transact in either without concern for a creditor's preferred denomination. This could be very useful for SMEs.

*What are the options facing companies?*

Either to wait for the arrival of Euro notes and coins on January 1, 2002 at the latest and make a once and for all changeover then, or to use the Euro for some operations during the 1999-2002 transition period. Managers should do a careful analysis of the benefits and costs of making an early move, because they will vary from company to company depending in which sectors they operate and the extent of their cross-border activities.

*What sort of things might persuade a company to make an early move?*

There are many possible factors: there will be no exchange risk in the monetary union and companies may find it more efficient to work in the Euro. They



might also see the advantages of simplifying their internal accounting and cash reporting by using only the Euro. Many companies active on the capital markets will be attracted by new Euro financial instruments and products whose appearance will be stimulated by the depth and liquidity of Euro markets. Also shareholders and investors may put a premium on companies using the Euro, because it delivers a competitive advantage in the market place. And for simple practical reasons, companies may find it necessary to phase in their changeover so as to avoid bottlenecks and shortages of key personnel.

#### *What could be the reasons for delaying?*

Remembering that Euro notes and coins may not be in circulation until January 1, 2002 at the latest, retailing companies and others whose business is based on cash transactions will not see much purpose in changing over before then. The same may be true for SMEs mainly operating in their domestic markets.

Also some companies may be deterred by the costs of dual systems during the transition period. I am not saying that dual accounting will be required, but converters and switches will have to be built into electronic systems. Theirs will be a short life and they could be thought relatively costly by some managements.

#### *In preparing for the changeover, are there any particular examples companies should follow?*

Not really, but we know of many that are broadly following the extremely useful recommendations in the report issued by the Association for Monetary Union in Europe (see *InfEuro* No 1). This means setting up a task force comprising managers from all of the key functions in the company — treasury and finance, accounting, marketing, personnel and training, communications, legal and information technology — to assess the implications of the changeover. This task force could devise the changeover strategy which should then be piloted by a steering committee of senior managers.

The Commission will shortly be publishing a brochure with its own advice to companies.

Other useful guides already available include one produced by l'Institut de l'Euro and the *User Guide to the Euro* by Graham Bishop, José Pérez and Sammy Van Tuyll recently published by Federal Trust.

All of these publications carry the same message: every company should analyse the strategic implications of the Euro for its market and business objectives and remember that the Euro also presents new opportunities to its competitors.

#### *What should a company do if it is convinced that its country will not be in the Euro zone from January 1 1999?*

Do everything that I have so far recommended in this interview. Because in the first place its judgement may be wrong and the country could be in the Euro zone from the beginning. And if it is not in at the beginning, there is a very good chance that it will be in shortly afterwards because every Member State is trying very hard to meet the convergence criteria as soon as possible. And if Denmark and the United Kingdom exercise their opt-outs and are not early users of the Euro, many of their companies will still have to prepare to transact a great deal of their trade in a new "foreign" currency.

#### *Won't public administrations have a big influence?*

Yes they will. To some extent the private sector needs public administrations to decide clearly how they will handle the changeover before companies can finalise their own plans. Questions which have not yet been resolved include whether companies will be allowed to present their balance sheets and pay their taxes in Euro during the 1999-2002 period.

Work has begun in most national capitals, usually by a task force with responsibility for coordinating the actions of the various ministries and departments. The Commission has created a network of these "Euro task force" officials which is examining how the changeover work is being organised in the Member States, how legislation is being amended, the adaptation of computer systems and communication with the general public.

At the same time, the Commission has now started work on its own internal preparations for the changeover.

#### *I have been reading a lot recently about the "Year 2000 problem" and its probable impact on information technology systems, could this complicate the changeover to the Euro?*

It could if companies forget that the Euro arrives 12 months before the millennium change and leave their planning and preparations too late. On the one hand they have to review their software to make sure that it can handle the dates of the new millennium, on the other they have to make sure that their systems are adapted to use the Euro. We can see that demand is already growing for software programmers and those companies that want to be early users of the Euro need to ensure now that they will have the technical and financial resources available to make it possible. ■

### User guide to the Euro

This book was written by a team of specialists under the direction of Graham Bishop (Salomon Brothers International), José Pérez (Banco Bilbao Vizcaya) and Sammy van Tuyll (DG II — European Commission). It is divided into four main sections. The first deals with the monetary environment, and situates the underlying elements of Economic and Monetary Union, the factors which led to its creation and the major stages leading up to its introduction. The second section details the technical aspects (legal aspects, continuity of contracts, payment systems, accounting, computer programmes, etc.). The third section, one of the most interesting, is comprised of eight case studies ranging from a multinational to a Finnish supermarket, as well as covering consumers. The final section explains how the changeover will be managed based on the experience of the Netherlands, amongst others.

#### *User guide to the Euro*

Graham Bishop, José Pérez,  
Sammy van Tuyll

Publisher: Federal Trust (1996)

Distributor: Sweet & Maxwell



## TOWARDS THE SINGLE CURRENCY

### EVENTS/CONFERENCES

#### CONFERENCES

##### BELGIUM

**April 17-18 — Conference:**  
"EMU: The Implications for Public Affairs Practices".

Venue: The Faculty Club, Leuven. Organized by the European Centre for Public Affairs.  
Tel.: (+32-2) 375 68.60

**April 30 — Conference:**  
"The Introduction of the Euro".

Venue: Dorint Hotel, Brussels. Organized by the Institute for International Research.  
Tel.: (+32-2) 762.06.14  
Fax: (+32-2) 762.67.02.

**March 21 — Preparatory meeting** organized in Brussels by the Commission for the Round Table on the practical aspects of the changeover to the Euro.

**May 15 — Round Table** on the practical aspects of the changeover to the Euro organized in Brussels by the Commission.

##### UNITED KINGDOM

**June 25-26 — Conference:** "Commercial and Strategic Consequences of EMU for Corporates".

Venue: Le Méridien Hotel, London. Organized by Euroforum  
Tel.: (+44-171) 878 6886.  
Fax: (+44-171) 878 6887.

##### GERMANY

**April 14-16 — Conference:**  
"Konkrete Vorbereitung auf den Euro".

Venue: Arabella Grand Hotel, Frankfurt-am-Main. Organized by Euroforum  
Tel.: (+31-40) 2974944.

##### NETHERLANDS

**2-3 April 1997 — Amsterdam, "The Constitutional Revolution due to EMU and Enlargement".** International Conference organized at the University of Amsterdam by the Hogendorp Centre for European Constitutional Studies and the Duitsland Instituut.

Information:  
W.T. Eijssbouts, Hogendorp Centre, Spuistraat 134, NL-1012 VB Amsterdam.  
E-mail: Tom.Eijssbouts@let.uva.nl

##### EUROPE

**1 July 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:

Tel.: (+49-69) 97.12.360.  
Fax: (+49-69) 17.44.55

## The Commission's Information Campaign Emphasizes Partnerships



INFORMATION campaigns for the Euro have now been launched by the Commission in partnerships with five Member States as part of a rolling communications strategy in support of Economic and Monetary Union.

In the next few weeks, another four Member States (Austria, Ireland, Portugal, Finland) are expected to agree Memoranda of Understanding with the Commission similar to those signed last year with Germany, France, Belgium, Italy and Spain. These agreements are the basis for joint information campaigns whose costs are equally shared between the European Union and the Member State concerned. Information activities in each country are being closely coordinated with others launched separately by the Commission and the European Parliament. Altogether ECU 12 million was allocated for common actions with Member States out of the ECU 22 million the Commission spent in 1996, the first full year of the Euro campaign.

The importance of Member States assuming primary responsibility for information is very much in line with the decentralised strategy the Commission recommended nearly two years ago in its Green Paper on the introduction of the Euro. Given the importance of national cultures and sensibilities, the Commission decided it would be mistaken to try to run the dominant information campaign from Brussels.

Establishing partnerships with Member States was only a part of the Commission's information initiatives last year. It developed a wide variety of information tools, both written and audiovisual, financially supported a large number of conferences and seminars around the EU and partnered a variety of actions by "relay" organisations able to transmit information far more widely and effectively than the Commission could by itself.

The campaign's first priority has been to stimulate banks, other financial intermediaries and large, medium and small companies into beginning their preparations for using the Euro. At the same time, it has also sought to inform the wider public of the benefits of EMU. This objective is steadily assuming greater

importance and will be served during the course of this year by new actions targeted specifically on young people and consumers.

The Commission has partnered a very wide variety of organisations in 1996, ranging from employers' organisations such as CEOE in Spain and Confindustria in Italy to DIHT, the organisation of German Chambers of Commerce. Social partners have also figured prominently, such as trade unions and consumer organisations as well as professional bodies such as the Federation des Experts Comptables. Information activities mounted by local and regional administrations and organisation have also been supported. The Commission has also given technical assistance for the production of information materials by banks and commercial organisations.

The Commission's own initiatives include a Round Table at the beginning of 1996 on creating information campaigns for the Euro and a second Round Table to be held this May to discuss practical aspects of the changeover. Participants will include a wide range of currency users ranging from consumers organisations to retailers and public administrations.

Useful communications tools created by the Commission in the past 12 months include:

- GroupEuro – a 180-strong team of people able to speak knowledgeably on the Euro to conferences, seminars and other gatherings. Its members are equipped with written and audiovisual tools;
- *InfEuro* – 70,000 copies of this newsletter's first edition were distributed to priority audiences, while this second edition will go to 200,000 recipients;
- "Euro dossiers" have been created with the Parliament for distribution to the media;
- a graphic identity has been created for the Euro with the symbol €;
- a "Euro site" on the Internet (<http://Euro.eu.int>);
- a question and answer data base available in electronic and paper forms;
- a travelling exhibition on the Euro;
- polls giving both quantitative and qualitative measures of opinion ■



# Groupeuro: professionals to keep you informed!

**G**ROUPEURO, created by the European Commission in the autumn of 1996, is comprised of 180 specialists from all of the countries in the European Union. Its goal is both simple and ambitious: to inform everyone in civil and economic life about the procedure for introducing the Euro, and to reply not only to theoretical questions, but above all to practical questions concerning its introduction.

The speakers are not European officials, but they speak at the invitation of the Commission. They are all specialists from financial institutions, major business enterprises, the academic world and the media. They have been given special training and receive regular updates on the most recent events in the "Euro" dossier. Each one of them also has high-quality audio-visual equipment. They are ready to reply to your calls. Some 120 conferences have taken place since GroupEuro was created last September. The pace is hotting up: today requests are flowing in at a rate of 30 to 50 a week. Any institution, professional company or association can invite a member of GroupEuro to a seminar or conference which it is organizing. The speakers are not there solely to present the Euro and the probable consequences of its use; their presence also provides participants with an opportunity to discuss how to make practical preparations and to adapt the operational organization of their companies.

## Whom to contact

A network of this complexity can only operate effectively if it is rigorously managed. This task was entrusted to the European Commission's information services (Directorate General X). They select the most appropriate speaker for the specialist subject according to the requirements of the organizer, the language, the venue for the event and the availability of GroupEuro members. ■

All requests should be addressed to:  
**Mr Jacques Vantomme, Head of Unit X/C/5**  
**European Commission**  
**200 Rue de la Loi, 1049 Brussels**  
**Fax: (+32-2) 296.02.27**  
**E-mail: groupEuro@dg10.cec.be**

Examples of events where GroupEuro members will speak:

### 14/4/1997

Theme: The impact of the single currency on investment if the United Kingdom joins or remains outside EMU, impact on payment systems, imports/exports, interest rates, loans, etc.

Organizer: Exeter University Centre for European Legal Studies (Exeter, England).

Contact: Mrs Lammy Betten/Mr Nick Grief.  
 Fax: (+44-13) 92.26.33.81

### 19-20/4/97

Theme: The introduction of the Euro and its impact on the metallurgical sector and associated industries; the consequences for wholesalers and retailers.

Organizer: Zentralverband Hartwarehaandel e.V., Düsseldorf (Wernigerode, Germany)

Contact: Frau Brigitte Schmidt/ Herr Gerd Scharping :  
 Fax: (+49-211) 470.50.39

### 29/4/1997

Theme: Small enterprises and the introduction of the single currency.

Organizer: Euro-Info Centre Provence-Alpes-Côte d'Azur (Marseille, France).

Contact: Martine Liogier-Coudoux,  
 Fax: (+33-4) 91.39.33.60



## SEMINARS BY EURO INFO CENTRES

**GERMANY**  
 8/4/97: Seminar on the Euro  
 EIC Mannheim  
 Tel.: (+49-621) 17009227  
 Fax: (+49-621) 1709219

Avril 97: Seminar on the Euro  
 EIC Leipzig  
 Tel.: (+49-341) 1267325  
 Fax: (+49-341) 1267425

17/4/97: Seminar on the Euro  
 Mülheim/Ruhr  
 Tel.: (+49-208) 3000421  
 Fax: (+49-208) 3000429

21/4/97: Seminar on the Euro  
 EIC Cologne  
 Tel.: (+49-221) 2057273.274  
 Fax: (+49-221) 2057212.262

## BELGIUM

26/3/97: "Changes in enterprise-bank relationships"  
 Venue: Halle Town Hall  
 Council Chamber  
 18h00-20h00

14/4/97: "Enterprise-government relationships"  
 Venue: De Met, Vilvoorde  
 18h00-20h00

Further information from:  
 EIC Brussels Airport  
 Tel.: (+32-2) 751.90.56  
 Fax: (+32-2) 751.78.11

## FINLAND

Topic: "The Euro and business enterprises"

16/4/97: EIC Turku  
 Tel.: (+358-2) 2510051  
 Fax: (+358-2) 2130667

23/4/97: EIC Lahiti  
 Tel.: (+358-3) 8114208  
 Fax: (+358-3) 7511524

16/4/97: EIC Helsinki  
 Tel.: (+358-9) 1992  
 Fax: (+358-204) 695535

## FRANCE

8/4/97: Symposium on the Euro  
 EIC Strasbourg  
 Tel.: (+33-3) 88.76.42.24  
 Fax: (+33-3) 88.76.42.00

## Series of technical meetings on the Euro

"Why and how to start  
to prepare now for the Euro"

"The practical consequences  
for your company of switching  
to the Euro".

6/3/97 Lyon  
 7/3/97 Villeurbanne  
 10/3/97 Tarare  
 11/3/97 Limonest  
 12/3/97 Corbas  
 13/3/97 Chassieu  
 14/3/97 Brignais

Further information from:  
 EIC Lyon Rhône-Alpes  
 Tel.: (+33-4) 72.40.57.46  
 Fax: (+33-4) 78.37.94.00



**PUBLICATIONS**

*Progress on convergence in the European Union in 1996* (com (96) 560 final)  
November 1996  
Information:  
European Commission, 200 rue de la Loi  
B-1049 Brussels

*Progress towards convergence*  
November 1996, ISBN 92-9166-011-6,  
142 pages.  
Information: European Monetary  
Institute, Postfach 102031,  
D - 60020 Frankfurt am Main.

*Europe's Global Currency*  
*Implications for business leaders and*  
*economic policymakers*  
Conference proceedings  
Information: The Philip Morris Institute  
for Public Policy Research,  
6 rue des Patriotes, B - 1000 Brussels,  
Tel.: (+32-2)-732.11.56,  
Fax: (+32-2)-732.13.07,  
E-mail 100436.1253@compuserve.com

*España frente a la Unión Económica*  
*y Monetaria*  
directed and coordinated by Juan R.  
CUADRADO ROURA (Jean Monnet Chair  
of University of Alcalá, Spain)  
and Tomás MANCHA NAVARRO  
A collection of contributions during  
a two-day seminar on EMU held  
in December 1995 at the University  
of Alcalá.  
ISBN 84-470-0786-3, 1996, 464 pp  
Information: Universidad de Alcalá,  
Antiguo Colegio de Minimos,  
Plaza de la Victoria 2,  
ES - 28802 Alcalá de Henares (Madrid),  
Tel.: (+34-91) 885 42 49,  
Fax: (+34-91) 885 42 49

*The Single Monetary Policy in stage three*  
*Specification of the operational*  
*framework*  
Information: European Monetary  
Institute, 1997. Postfach 10 20 31,  
D-60020 Frankfurt am Main.

*Annual Economic Report 1997*  
(com (97) 27 final) February 1997  
Information: European Commission,  
200 rue de la Loi - B-1049 Brussels

Should you wish to list a conference, seminar or  
publication in *InfEuro*, please send all rele-  
vant information (at least two months before  
the event) to Michel VISART, *InfEuro* Editor, Bvd.  
Lemonnier 14, bte. 6, B-1000 Brussels;  
Fax: (+32-2) 511.66.85.

## ***EMI: the single monetary policy now at the fine-tuning stage***

The European Monetary Institute's work on preparing the single monetary policy is proceeding on schedule. The project is gradually becoming a reality.

The design phase for all of the main fields concerned is now complete. The national central banks and the European Monetary Institute (EMI) are currently working on defining the chosen options down to the last detail, fine-tuning them and testing them in good time. Most of this work concerns the regulatory, organizational and logistical framework for the future European System of Central Banks (ESCB) which will be set up after the Council, composed of the Heads of State and Government, which is due to take place at the beginning of 1998 in order to specify which countries fulfil the conditions for entering the Euro. The ESCB will be comprised of national central banks and the European Central Bank.

### **The purpose of the ESCB.**

The ESCB's primary objective is to maintain price stability and to formulate a monetary policy strategy for this purpose. The EMI has examined several strategies and selected two of them: the first is based on intermediate monetary targets and the second directly on inflation. In some countries the strategy employed borrows elements from both options. In addition, the economic and financial variables used as indicators by the central banks are generally similar in both cases. For the EMI it is not necessary at this stage to make recommendations on which strategy should be selected. In any case, whichever strategy is chosen, several key elements must be included, i.e. a quantified definition of the final objective for price stability, a public communication policy, the possibility of using a broad range of risk assessment indicators, detailed information on monetary aggregates in the Euro zone and forecasting tools.

### **Implementation of the single monetary policy.**

The ESCB should rely on monetary policy instruments and procedures that establish its operational framework. This framework must satisfy several requirements: to allow control of the operational target (short-term interest rates), to provide effective signals on monetary policy intentions, to allow refinancing needs to be met, to absorb surplus liquidity and to influence the structural position of the banking sector in relation to the ESCB. The framework must also help to control monetary aggregates, provide information on market trends and promote the proper functioning of the payment system.

### **Instruments.**

The ESCB will have at its disposal four types of open market operation: the main types of refinancing operations (weekly repurchase or loan operations with a one or two week maturity to ensure the regular allocation of liquidities), longer-term refinancing operations (monthly repurchase or loan operations to allocate a limited portion of the global refinancing volume on a monthly basis with a maturity of three months), fine

tuning operations appropriate to the circumstances and structural operations intended to have a lasting effect on the liquidity of the banking sector *vis-à-vis* the ESCB. In addition, the ESCB will have two permanent facilities (marginal loans and deposits) enabling it to control interest rates on a day-to-day basis. Interest rates resulting from these operations will provide an indication of the general thrust of monetary policy for all market operators. Finally, we should mention the system of mandatory reserves, currently under study by the EMI, one of the uses of which would be to stabilise money market rates.

### **Counterparties.**

It is important to guarantee the coherence of monetary policy and a level competitive playing field. The EMI has defined common eligibility criteria to be used by counterparties in their dealings with the ESCB. An appropriate legal instrument will be needed in order to define the uniform conditions under which a broad range of counterparties will participate in open market operations and in permanent facilities. A limited range of counterparties only will be used for fine tuning operations.

### **Intervention on foreign exchange markets.**

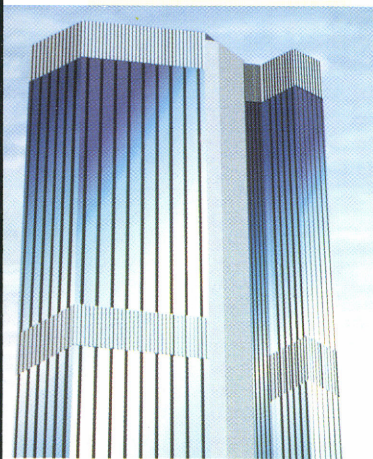
Within the new mechanism governing exchange rates between countries in the Euro area and other European Union countries, the ESCB will be able to resort to exchange rate intervention using reserves transferred by the national central banks to the European Central Bank (ECB) in order to ensure that the exchange rate mechanism fluctuation bands are respected

### **Support mechanisms.**

The smooth operation of the single monetary policy depends on the effectiveness of the support mechanism to be set up. First of all, the ECB will have to collect the required statistical information. This will be based mainly on existing national statistics but harmonisation will nevertheless be required. Secondly, an inter-bank funds transfer system, to be set up by the EMI and the national central banks, will process cross-border payments in Euros. This system, known as TARGET, will provide a real time link between national wholesale settlement systems. Such systems have to be set up by each national central bank with a reasonable degree of harmonisation in order to avoid obstacles to the operation of the single monetary policy.

### **European Monetary Institute** *The single monetary policy*

Definition of the operational framework  
January 1997.





## What Will Happen and When

Timing	Actions	Responsibility
By 30 June 1997	<ul style="list-style-type: none"> <li>• legislation establishing the Euro as a currency in its own right</li> <li>• stability and growth pact</li> <li>• Exchange Rate Mechanism Mk II.</li> <li>• blueprint on future monetary policy instruments</li> <li>• design of Euro coins</li> </ul>	<ul style="list-style-type: none"> <li>• Commission proposal for adoption by the Council</li> <li>• Commission proposal for adoption by the Council</li> <li>• EMI proposal for adoption by European Council</li> <li>• EMI*</li> <li>• Commission proposal for adoption by European Council</li> </ul>
As soon as possible in 1998	<ul style="list-style-type: none"> <li>• decision on participating Member States</li> </ul>	<ul style="list-style-type: none"> <li>• European Council**</li> </ul>
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>	<ul style="list-style-type: none"> <li>• Council (Member States participating in EMU only)</li> <li>• Council and Member States</li> <li>• Commission proposes, Council decides</li> </ul>
January 1, 1999	<ul style="list-style-type: none"> <li>• conversion rates are irrevocably fixed and various legislations come into force, notably on the legal status of the Euro</li> <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>	<ul style="list-style-type: none"> <li>• ESCB*</li> <li>• ESCB*</li> <li>• Member States, European Investment Bank, Commission</li> </ul>
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 in an orderly changeover</li> </ul>	<ul style="list-style-type: none"> <li>• Commission and Member States</li> </ul>
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 to the Euro of public administrations</li> </ul>	<ul style="list-style-type: none"> <li>• ESCB*</li> <li>• Member States</li> <li>• Member States</li> </ul>
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>	<ul style="list-style-type: none"> <li>• Member States, ESCB*</li> </ul>

\*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.





## *InfEuro* puts the spotlight on ... **The Stability and Growth Pact**

### *What is this Pact?*

In many ways it is the key to the success of Economic and Monetary Union. Adopted by the European Council in Dublin last December, the Pact clarifies and speeds up the procedures in Articles 103 and 104 of the Treaty on European Union. Its purpose is to prevent excessive budget deficits in the Euro zone.

### *Why is that so important?*

Because the Euro must stand on a foundation of sound and stable government finances. Stability will guarantee lower interest rates which, in turn, foster investment and job creation. The Pact commits members of the Euro zone to aim for balanced budgets, or even budget surpluses. They will then have enough room in their budgets to handle cyclical declines in economic activity.

### *When will a deficit be considered "excessive"?*

When it exceeds 3% of a country's gross domestic product.

### *How will the Pact prevent excessive deficits?*

Firstly it will prevent them from occurring. It has established very clear surveillance procedures which will make it difficult for any country to run an excessive deficit. Every country will have to prepare multi-annual stability programmes setting out budgetary objectives. These will be endorsed by the Council of Economic and Finance Ministers (ECOFIN) and made public. Implementation of the programmes will be continuously monitored by the Commission and the Council which can recommend policy adjustments if they are not being adhered to. The Pact also provides for sanctions which will deter any country tempted to depart from its stability programme.

### *What happens when a deficit looks likely to breach the limit in country x, or is actually doing so?*

When it thinks that an excessive deficit exists, the Commission will prepare a report and send it to the Economic and Financial Committee — representing national central banks and finance ministries. If the Council believes that there is indeed an excessive deficit, it will recommend country X to take the necessary measures within four months. Normally, ECOFIN

will expect the deficit to be corrected within twelve months of its occurrence.

The following scenario could be envisaged in the unlikely circumstances that a country failed to act: excessive deficit is registered in 1999; it is notified as excessive at the end of February 2000; Council adopts policy recommendations in April; country X has 8 months in which to adopt the necessary measures, secure the approval of its Parliament and implement them; if they are not implemented or are insufficient, the Member State must make a non-interest bearing deposit with the Community ten months after the notification, in December 2000. If the deficit remained excessive, the deposit would become a fine two years later, in December 2002.

### *Are there any circumstances in which a deficit above 3% might be tolerated?*

If country X had suffered a very sharp economic downturn causing an annual fall in real GDP of at least 2%, then the deficit will be considered exceptional and not trigger any action. As a rule, a fall of less than 0.75% would not be considered exceptional, while a loss of 0.75%-2% would be subject to the judgement of the Council. Also, a highly unusual event outside country X's control — for example, a national catastrophe — which has a major impact on its financial position could also justify an excessive deficit.

### *What would be the extent of the possible sanctions?*

The fixed part of the deposit or fine would be 0.2% of GDP, to which would be added a sum based on the margin by which the 3% reference value had been exceeded. But a limit on the total annual amount of deposits has been set at 0.5% of GDP. This would be sufficient to encourage compliance without damaging a country's solvency.

### *Is the Pact basically a mechanism for applying sanctions?*

No. It is an instrument of prevention and dissuasion. Sanctions would be used when necessary, but they are the last resort at the end of a process designed to give every encouragement to Member States to fulfil their commitments to their partners. ■

## About *InfEuro*

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