



HM TREASURY



Euro preparations

What you need to know

Which countries have joined the euro?

- The euro is the currency of thirteen Member States of the European Union. On 1 January 2002, Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain introduced euro notes and coins, replacing the former national cash forms such as the French Franc and the German Mark. The euro is now the only legal currency in these countries.
- Ten new countries joined the European Union on 1 May 2004. They are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia. Under the terms of their accession, these countries are expected to adopt the euro. Slovenia joined the euro on 1 January 2007.

UK Government policy on the euro

- The UK Government policy is to join the euro if Government, Parliament, and the people, in a referendum, all agreed that it would be the right thing to do.
- Since 1997, the UK Government has been making plans for joining the euro, so that we would be ready to join if Government, Parliament and the people all agreed it would benefit the UK.
- This leaflet explains, in broad outline, how the UK would make the change from sterling (£) to euro (€) in the event of a decision to join.
- Businesses and other organisations may find it helpful to read the third outline National Changeover Plan so that they can consider the issues in good time. A summary of the main timings is shown in this leaflet.

Information on Government policy on UK membership of the euro and a copy of the third outline National Changeover Plan can be found at: www.hm-treasury.gov.uk

Planning for a possible changeover

How would joining the euro affect my organisation or business?

The Government has put together a checklist to help organisations and businesses think through the issues. Many organisations and businesses do not need to take any significant actions before a possible future Government decision to recommend joining the euro, but thinking through the issues, taking any appropriate actions and reviews as part of the normal business processes could reduce costs in the event of a future changeover.

Planning

Who in the organisation would be responsible for a changeover? What management structures would be needed?

CHECKLIST

IT systems

- Organisations should consider if their standard or bespoke IT systems could operate in, or could easily be updated to operate in, euro. The planning and resources to accommodate the euro should be quantified.

Finance and accounting

- Organisations that use electronic payment systems should consider when these payments would be converted to euro. Organisations should also consider when their internal accounting procedures should be changed from sterling to euro.

Supply chain

- Organisations should consider the potential impact on their supply chain. When would suppliers invoice in euro? When would customers accept invoices in euro?

Marketing and pricing

- Organisations should think about how they would show prices in both sterling and euro during the dual display period.

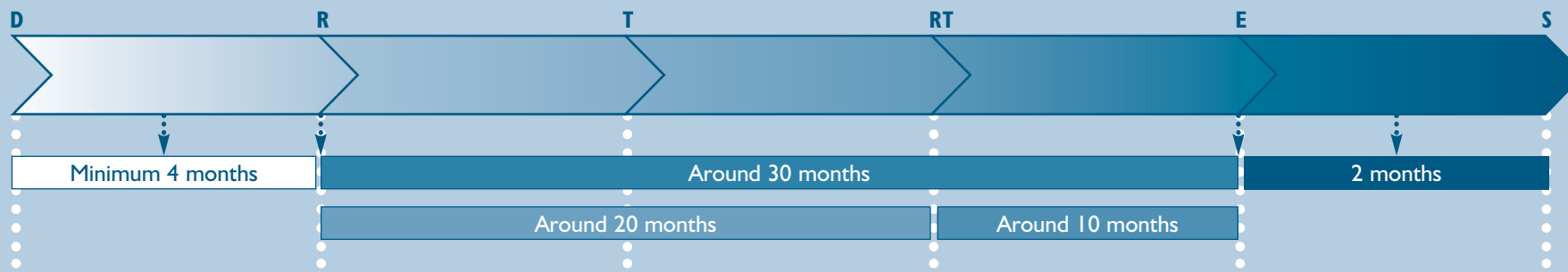
Cash

- Organisations that handle cash should think about when euro cash would become available, and how they would obtain and store euro cash.

Staff training

- Organisations would need to train staff to understand how the changeover would be managed, and to explain this to customers.

Outline Changeover Timetable



D - Decision

If the Government decided that it would be in the UK's national economic interest to join the euro, there would be a vote in Parliament and then a referendum would be called.

R - Referendum

The people would vote on whether the UK should join the euro.

T - UK joins

The exchange rate between sterling and euro would be fixed. The exact date of joining, and the exchange rate between sterling and euro would be agreed with European partners.

Even though the UK would have joined the euro at this stage, there would be few changes to everyday transactions for most businesses and citizens.

The official, fixed six significant figure conversion rate would have to be used when converting sterling to euro, or vice versa.

RT - Retail Transition

Banks would start offering full euro services to customers. From this point, banks would begin converting accounts from sterling to euro. Account holders could make and receive payments in either sterling or euro. Transactions would be clearly displayed in bank statements.

Businesses and other organisations would need to begin converting internal accounts and systems to euro, and ready themselves for the introduction of euro cash on E day.

E - E day

UK euro notes and coins would be introduced. Euro cash would become legal tender in the UK. The UK Government's preferred date for E day is 6 April in the relevant year.

Both sterling and euro cash could be used for two months after E day. However, the Government would expect euro cash to become the main currency after a few weeks, as happened in the euro area.

Non-cash transactions would be in euro only from E day.

S - Sterling stops

Sterling notes and coins would have been withdrawn from circulation. After this point euro would be the only legal tender.

Any remaining sterling could still be exchanged for euro in banks. Sterling would not be accepted as payment for goods or services.

Sterling cheques dated before E day would be valid for six months from the date of issue.

The UK would only join the euro

if Government, Parliament and the people,

in a referendum, all agreed that

it would be the right thing to do.

If the UK decided to join the euro,

then the change would happen in stages.

Dual display of prices

Dual display of prices would start at least four months before E day.

Price information would be provided in both sterling and euro to help customers learn the relative prices of goods and services in euro. Some organisations would be able to display prices in sterling and euro next to each other on a price ticket or receipt. Other ways to help customers could include a conversion table for customers to look up the euro equivalent of a sterling amount, or using a special calculator programmed with the official, fixed conversion rate.

Dual display would continue until at least the end of the dual circulation period.

Protecting consumers

Codes of conduct

During a UK changeover from sterling to euro, businesses and other organisations would be invited to sign up to a set of principles that would ensure that consumers were treated fairly. Codes of conduct would set out in detail what would be expected of an organisation during a changeover to ensure that citizens were fairly treated in different sectors.

Businesses and organisations who signed up to a code of conduct would be able to display a 'euro confidence' logo with a telephone number to contact if citizens had an enquiry or a complaint. The number could be the national euro helpline number, or other suitable helpline number.

There would be industry and sector-specific codes, but all would share the same core principles:

- If a price was shown in sterling and in euro, then the two figures should be equivalent in value, and it should be clear which amount was which. It would have to be clear how a customer could pay.
- Prices would have to be converted using the official, fixed conversion rate, and 'rounded' to the nearest cent following the official rules.
- If both currencies were accepted, customers paying in sterling and in euro would have to be treated equally (although there could be a clearly displayed charge for accepting euro cash before E day).
- Clear and relevant information would have to be provided to help customers.
- From at least four months before E day, and for at least two months after E day, customers should have access to information to help them compare prices in sterling and in euro.
- Some people might need extra help in understanding the euro. All organisations would have to take their needs into account.
- Staff who deal with customers would have to be well trained, and able to give straightforward and relevant information about how their organisation was dealing with the euro.
- If an organisation displayed a logo to show that they followed a consumer code of practice, they would have to include a telephone number in case of questions or complaints.

Existing legislation to protect consumers would apply during a euro changeover, and the Government would work closely with consumer bodies and voluntary sector organisations to uphold consumer rights.

Euro compatibility

Businesses should include euro preparation issues as part of their normal business planning and risk management. Euro compatibility should be built into investment decisions where this represents value for money. Key areas include:

- IT systems
- Business processes
- Cash registers and point-of-sale equipment
- Credit/debit card machines
- Software and hardware for printing labels and price tickets
- Planning for print runs that contain price information
- Franchise agreements

Further information

National Changeover Plan

The third outline National Changeover Plan, published June 2003, contains the latest detail about how different parts of the UK economy would manage a changeover.

Consumer Protection Framework

The Framework sets out proposals for protecting consumers in the event of a changeover.

Euro compatibility: a guide for managers

The second edition of Euro compatibility: a guide for managers, published January 2004, contains information on the changes that may need to be made to systems to make them euro compatible. The guide is designed for those who manage, develop or procure IT systems, or replace existing systems or services.

These documents, along with information for businesses working with the euro now, are available at www.euro.gov.uk, or by writing to:

Euro Preparations Unit,
HM Treasury,
1 Horse Guards Road,
London SW1A 2HQ