HM Treasury

Lessons from the Changeover in the Euro Area:

a Summary of Reports by Private Sector Organisations in the UK

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Foreword

As I said in my Mansion House speech in June 2002, our decision on the euro is of immense, historic importance to the long-term future of our economy and our country as a whole. In 1997 we set out the case in principle for the single currency, and said that the determining factor underpinning any Government decision on membership is the national economic interest, and whether the economic case is clear and unambiguous.

As part of our commitment to prepare and decide, the Government is continuing work on EMU preparations – in partnership with business – to ensure that the UK has a genuine option to join the euro if that is what Government, Parliament and the people, in a referendum, decide.

I am grateful to the private sector for providing the information for this very useful report which summarises the experiences and lessons learned by the private sector in the euro area as businesses prepared to deal with the euro as their national currency. It also provides practical information on issues for businesses in the UK with the aim of providing them with greater understanding of the issues that might impact upon them during a currency changeover. I consider it to be a very helpful contribution to the euro preparations work underway by HM Treasury and I should like to thank the contributors to the report for sharing their experiences with us.

Gordon Brown
Chancellor of the Exchequer

Contents

This report summarises how the private sector within the euro area has handled the transition to EMU, identifies some of the key challenges faced by individual business sectors and considers how these lessons could assist the UK's planning in the event of UK entry. It has been produced from a series of individual private sector reports to reflect the views of the business community and with the aim of providing greater understanding of the practical issues impacting upon business during a currency changeover. It has been prepared at the request of the Chancellor's Standing Committee on Euro Preparations.

1 Executive Summary

The start of Economic and Monetary Union (EMU) and the introduction of euro notes and coins in the twelve euro area countries has provided the UK with a unique opportunity to learn from the experiences of the entrants. The Government is committed to ensuring that the UK has a genuine option to join the euro, if that is what Government, Parliament and the people, in a referendum, decide. Preparations, including the publication of two outline National Changeover Plans, have ensured that the UK retains the option to make a decision to join a successful single currency.

As the Chancellor said in his October 1997 statement, the five economic tests will define whether a clear and unambiguous case can be made. The Government has said that it will complete an assessment of the five tests within two years of the start of this Parliament. The Government will then make a decision on UK membership of EMU. If the Government recommends UK entry, it will be put to a vote in Parliament and then to a referendum of the British people. Government, Parliament and the people must all agree.

As part of this learning process, the Chancellor's Standing Committee on Euro Preparations agreed that a report on private sector learning from the changeover in the euro area be prepared.

The Terms of Reference were:

- To produce a comprehensive report for the Chancellor's Standing Committee on Euro Preparations on how the private sector has handled the transition phase within the euro area;
- To identify if there have been any particular challenges faced by individual business sectors; and
- To understand how these lessons could assist the UK in planning for possible UK entry.

This report has been compiled from information provided by the private sector. It summarises their findings and provides a practical insight into the challenges faced by the business community, including the private sector interdependencies and the operational links between public administrations and business. It also brings out lessons for the UK.

1.1 Evidence from the Euro Area

This section covers the approach taken by euro area governments and the preparations made by businesses operating in the euro area from the introduction of the euro in electronic (non-paper) form on 1 January 1999 to the completion of the cash changeover by the end of February 2002.

Government approach
Whilst there were a number of common elements and some European Union Regulations, each euro area country adopted an approach appropriate for its citizens, businesses and public and private sector infrastructure. Success was achieved through active cooperation between the public and private sectors driven by a strong, pragmatic and flexible government lead. In all cases the emphasis was on consulting widely across the public, private and voluntary sectors.

The European Commission played an influential role in securing communication between euro area countries, in tracking sectoral preparations and in preparing examples of good practice preparations across the euro area, primarily because of the number of participants involved.

Agreed “trigger” dates assisted businesses in euro area countries with their planning, for example, the locking of exchange rates/entry and the launch of euro notes and coin.

Business preparations
Businesses that had strong support from board level sponsors, underpinned by comprehensive planning, programme and logistics management, completed their euro conversions in a timelier and more cost-effective manner. In some companies, senior management did not engage until the full complexity and impacts were understood. This often caused project delay and increased cost.

Businesses in the euro area had a three-year period in which to choose to convert their accounting at a time convenient for their business. Whilst the vast majority achieved this, many left it until the last minute and a very few businesses were still trading in legacy currency (non-cash transactions) in March 2002.

Changeover strategies adopted by businesses were often determined by the relationship between the customer and the supplier. Those firms with ties to non-domestic markets made the changeover earliest. Businesses adapted to the euro first in areas such as invoicing and internal accounting; payroll issues were left to the end. Industry agreements and codes of practice helped to facilitate the process and those businesses which adopted a pragmatic approach appear to have reduced both the cost and complexity of the changes.

The cash changeover and the customer interface made conversion and changeover more complex for retailers and banks than for many other businesses. The period around the cash changeover (E-Day) was one of high trading activity and banks and other businesses had to prepare for the completion of the changeover as well as the introduction of euro cash. The fact that E-Day was on a public holiday was beneficial as it allowed businesses greater time to make the necessary final conversions at a time of reduced trading activity.

It was important to consider employee, health and safety issues early in the planning process and to ensure that adequate staffing, training and contingency plans were in place. Effective staff training was a key element of a successful changeover. The changeover was smoothest where there were well-established communication channels between government, public and private sectors and unions.

IT preparation needed to be carefully planned to avoid a shortage of supply of technical experts at critical times. This particularly affected smaller businesses who generally did not have "in house" capability. Businesses could take advantage of making systems "euro ready" when updating computer systems or solving other IT problems.

Some suppliers failed to present timely plans for the creation and delivery of "euro capability" in their systems. Even where suppliers stated that they were able to meet the requirements, this did not always turn out to be the case. Close monitoring of suppliers' specifications, plans and progress and thorough testing of modifications was essential.

Transition period

The original assumption of euro being used by wholesale markets from 1 January 1999 and taken up by the majority of businesses/consumers towards the end of transition/at the introduction of notes and coin on 1 January 2002 worked well. The experience in euro area countries was that, as well as individuals, the majority of SMEs and a number of major multinationals left the changeover until the last quarter in the transition period. As a consequence businesses made little use of the euro products and services developed by the banks in advance of the introduction of the euro on 1 January 1999. These early preparations required a significant amount of effort and expenditure by the financial sector "ahead of need".

Many businesses in the euro area, including members of the financial services sector, felt that a three-year transition period was too long. This was partly due to the fact that the majority of the retail payment infrastructure was in place from the beginning of the period (which would not be the case if the UK joins). In addition, the length of the transition and the interruption caused by the need for Millennium Bug IT changes meant that preparation lost momentum between the arrival of the euro on 1 January 1999 and the launch of euro cash on 1 January 2002. For the financial services sector this was partly because they had started their euro preparations in 1996/1997 (before they had certainty of their country's participation in EMU) so that they could provide full service functionality for the start of the transition.

One of the most complex tasks in the changeover was associated with third party systems. On-time delivery of IT software, planning/testing between parties and communication were key.

Within financial services, only Austria and Ireland adopted a “big bang” account conversion approach (which was successful). The scale of any changes required for the UK would be comparable to France and Germany, where the “no compulsion, no prohibition” requirement (ie, non cash transactions could be made in either national currency or euro with the agreement of the parties involved) was interpreted flexibly allowing banks, insurers and utilities to reduce the risks associated with “big bang” and to accelerate the conversion. Regardless of the level of risk, some banks believed that the size of the account conversion would have made it impossible to undertake a “big bang” approach in any case. The phased approach also allowed businesses to plan the change to the euro to coincide with their financial year-ends.

Cash changeover

The 1 January 2002 launch of euro cash was highly successful. Euro notes and coin quickly entered circulation through banks, ATMs and retailers and national currencies were withdrawn more quickly than anticipated. The dual currency circulation period of no more than two months was sufficient to allow for the distribution of the new notes and coin and return of national currency. Whilst banks and retailers have questioned whether the costs would have been lower if the cash changeover had occurred at a time when cash transactions were lower, the trade-offs associated with a rapid changeover needed to be considered.

Retailers had mixed attitudes to the frontloading of euro cash, mainly determined by the size of the business, the adequacy of secure storage space to hold the additional notes and coin and the cost of insurance cover. Smaller businesses tended to defer delivery and where banks were open on E-Day this was a popular time for collection. It was also difficult to accurately estimate the amount of additional cash required and large numbers of unused packs of euro notes and coin were returned. Those retailers who had carefully calculated the amount of cash they would need benefited.

Most consumers did not consider the euro until shortly before the introduction of euro notes and coin and when the new currency was introduced they did not behave as expected. Many chose to convert their legacy currency into euro at banks rather than spend it in shops. They withdrew larger amounts of cash than normal from ATMs during the first few days and in many cases these requests resulted in the dispensing of larger value notes which exacerbated the cash exchange challenges for retailers. Consumers had been expected to make greater use of credit/charge cards in the first few weeks but in most euro area countries usage was lower than usual.

Retailers' cash floats needed to be 5-10 times larger than usual so that they could give change only in euro from 1 January 2002 onwards. Some retailers were caught out by having to act as "exchange bureaux" by customers who wanted to convert high value notes into smaller denominations. Cash levels at banks were also 5-10 times higher than normal.

The speed with which euro notes and coin were adopted across the euro area was far greater than anticipated and the large volumes of national currency returned in the first few weeks surprised cash in transit companies, retailers and banks alike. In some cases the sub-contracting of coin sorting and incorrect packaging of coin returned by retailers caused cash flow issues for business and accounting issues for banks and cash in transit operators.

Communication
Euro area country governments, European bodies, trade associations, central banks and commercial banks all played significant roles within the communication process. This included the provision of funds (mainly from public bodies), training and information material, and a wide range of delivery channels. Both citizens and business preferred a practical approach to the changeover process rather than complex macro-economic arguments about the pros and cons of monetary union.

1.2 Lessons for the UK

This section considers the lessons the UK might wish to include in its euro planning if, a decision to join EMU is made by Government, Parliament and the people, in a referendum. It includes the policy issues that would need to be addressed and the practical steps which business itself would need to take.

Policy
A government-led and coordinated, consultative approach with public/private sector cooperation minimises the amount of legislation that would be needed to achieve a smooth changeover. The private sector considers that a detailed National Changeover Plan, available following a positive referendum but in advance of transition, managed by the Government, would be essential to delivering an effective changeover. The plan should allow for decisive management of the public/private sector interdependencies, flexibility, consultation, cross-functional working, dispute resolution and include all key stakeholder groups.

In the private sector's view, late adoption of the euro by most businesses and virtually all individuals in the euro area confirms that, for a UK changeover in the foreseeable future, a managed transition would be a practical solution, allowing provision of full euro retail services at a point after locking but before E-Day.

A detailed migration timetable showing how a managed transition would operate and decisions on the conversion rules and key financial matters, such as taxation allowances and codes, investment thresholds and trigger points, would help business prepare in a cost-effective and timely manner. The duration of a changeover should take into account the particular challenges faced by individual sectors, some of whom may be facing substantial regulatory change or have complex and critical IT infrastructure. This applies to financial services in particular (above all, to insurance) where effective management of systemic risk would be a critical issue.

Any decision on the timing of E-Day should take account of the concerns of both public and private sectors and aim to reduce inconvenience to citizens and operational difficulties and costs to the public and private sectors. Sufficient “quiet” or non-trading days should be made available to allow for a smooth electronic and cash changeover, such as the use of a Bank/Public Holiday(s) linked to a weekend and TARGET closure. As euro notes and coin would already be available, clear rules of procedure on the treatment of euro cash in the UK during a transition period (before euro notes and coin became legal tender) would be required so as to minimise the potential for confusion and misunderstandings between businesses and citizens.

The period of dual circulation should be no longer than two months as an extended period could lead to consumer confusion and higher costs. Starter packs should be introduced to help citizens familiarise themselves with the new currency and speed the introduction of low denomination notes and coin into the economy. They should be packed so that they require the receiver to open them to view the contents and to discourage hoarding. Consideration should be given to how retailers and consumers would be encouraged to take up starter packs and whether notes should be included to alleviate pressure on retailer and bank stocks of smaller denomination notes.

The withdrawal of national currency should be carefully managed with adequate training, guidance and the provision of “return coin” containers made available to retailers. Particular attention should be paid to how national currency would be returned from retailers via cash in transit companies, banks and the Post Office as well as employee safety implications. Consideration should be given to undertaking a de-hoarding campaign.

Employees who were well informed as a result of government information campaigns would need less training. The availability of euro notes and coin could further help in this process. Consideration should be given to the provision of support for vulnerable groups and smaller enterprises.

Business

Non-competitive cooperation between businesses and the development of industry codes of good practice should be encouraged. This should extend to the public sector where there are close links or interdependencies with the private sector and with whom citizens have contact, such as revenue and social welfare areas.

Within euro area countries the scale of financial services, both in terms of number of customer relationships and complexity and variety of product and service ranges, appears to be significantly lower than in the UK. For example:

- Insurers in the euro area do not appear to have the multiplicity of systems prevalent in the UK:
  - A typical large UK insurer has several hundred systems compared with a few dozen held by a similar business in the euro area; and
  - They do not sell the same range of products and those that are sold are often significantly less complex.
- In the commercial banking and savings sector there is a similar scale challenge. For example, approximate comparative figures for the UK, Germany and Ireland are:

	UK	**Germany**	**Ireland**
Bank branches*	15,370	95,021	1,100
ATMs	28,900	46,200	1,400
Accounts	154,100,000	83,100,000	10,900,000
Credit cards	44,800,000	16,400,000	1,100,000

Source: ECB Blue Book

*Includes 2,630 savings banks in Germany compared with 70 savings banks in the UK and 8 in Ireland.

This would mean that some parts of the UK's financial services industry would need longer to complete the changeover process than the time taken by their euro area counterparts. For example, for parts of the UK insurance industry, the relative complexity of product offerings and the multiplicity of IT systems means that for large insurers there would be difficulty in completing the changeover within the timetable envisaged in the outline National Changeover Plan, other than at considerable cost. The problem would be compounded if the period between mass changeover (RT) and the introduction of euro notes and coins (E-Day) was too short. In addition, problems would also arise if companies delayed investment in the requirements for changeover until it was certain that the UK would enter EMU (ie after a positive referendum result). The period of such certainty would be likely to be much shorter than it was for companies in the euro area. It would be helpful to business if government were to provide detailed guidance on the changeover requirements well in advance of a referendum decision.

A commitment to timely "euro readiness" by all members of the euro payments infrastructure (including banks, insurers and direct access BACS users) would be central to an effective UK changeover and the smooth running of the economy. The member that takes the longest time to prepare governs the time by which capability across the clearings system would be achieved. Those businesses involved would need to ensure that adequate plans were in place well in advance of any transition.

The frontloading of both large and small retailers should be strongly encouraged. Consideration should be given to encouraging this process.

It is important that all businesses should have a target date for completion of a changeover three months in advance of an E-Day to allow for additional checks and contingencies.

UK businesses should address supplier contracts early and ensure that they take account of any euro-related mandatory requirements. Euro capability should be built in to all new IT and infrastructure-related planning.

Financial service providers, IT suppliers and retailers should consider how possible changes to consumer behaviour could impact on the services they provide, for example, ATMs and point of sale terminals, and put plans in place to minimise this impact, particularly at or around E-Day. This should include adequate communications plans in conjunction with any government initiatives.

Whilst many SMEs are keen to retain flexibility on the timing of any changes needed, research by banks shows that they would prefer a detailed changeover plan that shows what they must have achieved by when, rather than total freedom with no guidance. Government and business, particularly the financial services sector, should work together to achieve this.

A number of banks provide euro-based services in the UK today in support of wholesale financial activities, businesses and individuals conducting business in euro. Financial institutions and the payments networks would need to monitor carefully these activities and the capacity needed to support them, should the UK decide to enter.

2 Background to the Report

The Government's policy on membership of the single currency is unchanged. It remains as set out by the Chancellor of the Exchequer in October 1997, and restated by the Prime Minister in February 1999. In principle, the Government is in favour of UK membership of EMU; in practice, the economic conditions must be right. The determining factor underpinning any Government decision on membership of the single currency is the national economic interest and whether the economic case for joining is clear and unambiguous. If it is, there is no constitutional bar to joining.

As the Chancellor said in his October 1997 statement, the five economic tests will define whether a clear and unambiguous case can be made. The Government has said that it will complete an assessment of the five tests within two years of the start of this Parliament. Once the assessment has been completed, a recommendation will be made to Cabinet. The Government will then make a decision on UK membership of EMU. If the Government recommends UK entry, it will be put to a vote in Parliament and then to a referendum of the British people. Government, Parliament and the people must all agree.

The Government is committed to ensuring that the UK has a genuine option to join the euro, if that is what Government, Parliament and the people, in a referendum, decide. Preparations, including the publication of two outline National Changeover Plans, have ensured that the UK retains the option to make a decision to join a successful single currency.

The speed with which the UK could move from any positive referendum result to formally joining the single currency would depend on a number of factors. The European Commission and the European Central Bank would need to report to the Council on whether the UK economy had achieved a high degree of sustainable convergence with the euro area. These reports would form the basis of a decision on whether or not the UK met the necessary conditions to join. The Council would also need to take other decisions necessary to enable the UK to proceed to membership. Further legislation would also be needed to ensure that the statutes of the Bank of England met the requirements of the EC Treaty.

The start of EMU and the introduction of euro notes and coin within twelve euro area countries provides the UK with a unique opportunity to learn from the experiences of the euro area entrants. As part of this learning process, Standing Committee agreed that a report on private sector learning from the euro area be prepared.

The Terms of Reference were:

- To produce a comprehensive report for the Chancellor's Standing Committee on Euro Preparations on how the private sector has handled the transition phase within the euro area;
- To identify if there have been any particular challenges faced by individual business sectors; and
- To understand how these lessons could assist the UK in planning for possible UK entry.

Whilst recent interest has primarily concentrated on the introduction of euro notes and coin and the cash changeover, the road to EMU started in the mid 1990s. This report encompasses the learnings from the introduction of the euro on 1 January 1999 to the withdrawal of national currencies by the end of February 2002.

This report is consistent with the Government's policy to "prepare and decide" and is also consistent with the planning framework laid out in the outline National Changeover Plans.

3 Planning Approach

This section deals with the planning approach taken by business in the euro area and identifies the criteria necessary for a successful changeover.

The overall regulatory framework for EMU was established through a number of European Treaties and European Commission Regulations, with the key objective that citizens and organisations conducting financial business were not unreasonably constrained or disrupted, ie they were free to transact in either their legacy currencies or in the euro (or indeed both). This was firmly established in the principle of “no compulsion, no prohibition”.

There was no single approach adopted by euro area countries and their public, private or voluntary sectors, although clear and decisive leadership was a key component in achieving the desired outcome. In some countries, such as the Netherlands, preparations for the euro were deliberately approached on a non-competitive basis.

From both public and private sector perspectives the essential criteria for a successful changeover were:

- Strong executive sponsorship from Government and senior management in business/other organisations;
- Consistent internal business and operational commitment to deliver the changes necessary. The optimum arrangement was found to be a “dual control” framework where the programme was centrally managed, but each business/operational unit carried equal responsibility for delivery;
- Where possible, the programme should not be distracted by inclusion with other initiatives;
- Detailed planning and project management using accepted standards and methods and the creation of audit trails;
- Clear resource allocation and commitment;
- Robust risk management; and
- Effective and timely communication.

Many larger businesses, and financial institutions in particular, decided that it was necessary to integrate their EMU programme into their overall strategies. For smaller businesses this was less necessary and they were able to adapt their processes towards the end of transition, most commonly during 2001. Research by banks amongst SMEs showed that whilst they were keen to retain flexibility they preferred strong guidance from their bank and accountant.

Businesses that took a pragmatic approach to conversion of data, treatment of rounding differences and communications with customers and other third parties, were able to reduce cost and complexity. Cost benefit analysis was sometimes used to determine if functionality beyond minimum compliance was sensible.

4 Changeover Approach

This section provides information on the approaches taken by businesses in the euro area from the introduction of the euro in non-cash format on 1 January 1999, through the transition period to the introduction of euro notes and coin on 1 January 2002 and the withdrawal of legacy currencies by 28 February 2002 at the latest. It includes the experience of banks and retailers during the dual currency period and the importance of supplier management.

The centrally-coordinated and consultative approach adopted, for example, by France, Netherlands, Belgium and Ireland relied on industry cooperation with minimal legislation and appears to have been highly successful. Where there was poor coordination and cooperation businesses experienced difficulties with regard to the timing and clarity of decisions leading to inconsistent delivery to the consumer and increased cost to business.

The French approach:

- The French Changeover Board was chaired by the Finance Minister or his full time appointee;
- Its members represented the Government, key sectors of the economy and consumer organisations;
- Working groups within the relevant industry body developed the details for each industry sector; and
- When working groups found a problem it was referred upwards for speedy resolution.

For many businesses the approach adopted depended upon the relationship between that business and its customers and suppliers. For the retail sector, the cash changeover was a key component while for the banking sector the major emphasis was on the information technology challenges involved with changing from using legacy currencies to using euro on paper, and in electronic format, and later cash.

Business in most euro area countries felt that the certainty of the timings to completion of EMU was helpful but that a three-year transition period was too long. Work to meet the IT issues for Millennium Bug interrupted preparations in the euro area but the subsequent shorter timescale helped to drive completion by business thereafter. For example, a major French business said “The short time period post Y2000 concentrated our minds so we ignored non-essential functionality and just got on with the job.” Nevertheless, accountancy firms found that many smaller businesses underestimated how long it would take to prepare and found that there was a correlation between early preparation and minimisation of risk.

The changeover can be considered in three stages:

Stage 1 1 January 1999 – the introduction of the euro in non-cash form and the start of dual currency financial activity;

Stage 2 1 January 1999 – 31 December 2001, the Transition Period – non-cash business was conducted in either euro or legacy currency, cash business was undertaken in legacy currencies; and

Stage 3 1 January 2002 onwards – euro cash was launched, non-cash business was in euro only and legacy notes and coin were withdrawn.

4.1 Stage 1

On 1 January 1999, the euro became the national currency of eleven countries and the national currencies became sub-denominations of the euro. Except where customers specifically sought business in legacy currencies, the wholesale and securities markets changed to euro. From 1 January 1999:

- Government stock was re-denominated in euro and most other bonds and securities changed soon after;
- The wholesale markets conducted business in euro except where customers still wished to use legacy currencies; and
- Two EU-wide payment networks (TARGET and EURO1) were established to handle real-time and same day payments in euro.

During the preceding two/three years banks had prepared to offer euro services. Key retail financial areas were:

- As a minimum, banks were required to allow both euro and legacy currency transactions against accounts. Most decided to enable customers to receive and make payments in both denominations and provided statements in the denomination of the account with some dual information, such as the opening/closing balance. Their systems and processes had to be ready to support this. In the event, the vast majority of customers did not make use of euro services until late in the transition; and
- Domestic payments networks were required to handle payments in euro and legacy currencies. Some of the euro area clearings systems were able to handle euro at the start, but had capacity constraints. Fortunately, volumes were low and this gave time for the establishment of higher capacity systems. Some clearings systems handled mixed denominations; others operated separate parallel systems.

4.2 Stage 2

Whilst most banking facilities were available from the start of transition, the first part of stage 2 was spent extending the areas where both euro and legacy currency activity could occur, for example, use of credit/charge cards. This period was also used to convert support areas, such as finance, human resources, payroll and their supporting systems.

In June 2000 Greece was deemed to have met the necessary conditions for joining EMU and joined on 1 January 2001. Greece had always been intent on joining and most major businesses had begun planning well before mid-2000. The scale of activity in Greece was considerably less than, for example, would be the case in the UK and one year was sufficient for them to plan for the launch of euro cash.

In spite of significant communication programmes, banks found that citizens and businesses were slow to convert from their national currencies to euro. The European Commission and banks in most countries decided to encourage customers to convert to euro accounts from July 2001 onwards, with most changing between September and November 2001. Banks could advise and convert a customer's accounts unless that customer specifically required them not to be converted until a later date. The great majority of customers accepted this approach, although volumes converted at the end of 2001 still ran into hundreds of thousands for major institutions. The need for the banks to stagger conversion of customer accounts so as to manage the risks was the driver. Ireland adopted a "big bang" conversion of bank accounts. The majority view was that, where substantial databases existed, such an approach was too risky.

For example, one Dutch bank staggered its account conversion as follows:

Date		**Account type conversion**	**Number converted**
May 2001	:	Staff account pilot conversion	300,000
September 2001	:	Small business customers	750,000
November 2001	:	Large and global business customers	55,000
15 October – 15 November 2001	:	Personal customers	11,000,000
28 December 2001	:	Remaining accounts	150,000

This staggered approach enabled the bank to reduce risk by "final proving" of its conversion using just a portion of the accounts it serviced. It also linked with customers' own planning needs, for example, the accounts of large business customers being converted closer to the end of transition.

Similarly, in most euro area countries (particularly France and Belgium) insurers phased the changes internally from mid 2001 onwards. However, customers were not always aware of the changes as, with annual renewal the norm, there was limited communication between the insurer and the customer.

Within the euro area, demand for euro financial services products during transition was very limited. For example, new insurance products were confined to Italy and Finland. In Italy new unit-linked products were introduced; these appeared to be denominated in euro although the underlying product was denominated in lire until the end of transition. In Finland unit-linked SICAVs (investment bonds) were redenominated as euro at the start of transition and sold well. Banks found very little appetite for euro products and services at that stage.

In the general insurance sector, many insurers adopted a phased approach to conversion where payroll and general ledger switched early followed by commercial business and finally individual business. A similar pattern was followed for life and pensions business.

4.3 Stage 3

Euro area countries sought a coordinated approach across the euro area to the communication and training associated with the introduction of euro notes and coin and at their request, the European Central Bank established a Partnership Programme.

The regulatory framework allowed frontloading of notes and coin to commercial banks and retailers from September 2001, although a number of countries did not start to distribute notes and coin to retailers until November 2001. In most euro area countries the government or its central bank managed the distribution and included commercial banks, retailers, cash in transit operators, terminal and ATM suppliers. Euro cash was not in general circulation anywhere before 1 January 2002, although euro coin “starter kits” were made available to citizens from mid-December 2001 onwards.

Coin and low denomination notes largely circulate in a closed loop between retailers and consumers and sub-frontloading was the main means of putting these low denominations into circulation. This meant making coin (and in most cases notes) available to retailers before E-Day without any implications for their bank balance until 2 January 2002, at the earliest. In some countries, retailers were debited in stages in January rather than on 2 January 2002. In these cases, banks passed on to retailers some of the advantages they had by being debited progressively by the European Central Bank. Collateral costs were not always taken into consideration early enough by banks and retailers and this added some delays.

Most commercial banks started to assess euro cash requirements for themselves and their customers early in 2001. A common approach by banks was to use logistical tools to quantify the cash requirements, security and storage capacity of bank branches and the premises of business customers requiring sub-frontloading. It was also necessary to review each delivery point from the aspects of health and safety for employees and ease of delivery. The new coin was generally delivered to bank branches on pallets and branch staff frequently had to redistribute the notes and coin in secure areas within the branch until it could be used. The volume and weight of coin involved caused some difficulties.

Many banks found that retailers, both large and small, were difficult to engage early in the process and as a direct consequence the accuracy of the sub-frontloading process varied considerably. In their own planning, retailers, particularly SMEs, used a variety of tools, including pilots, bank assessments and PC applications to calculate the amount needed. Check lists were also popular. Many shops found that they needed lower stocks than expected and excess retailer starter kits were returned in January 2002.

Retailers had a key role in the exchange of national currency for euro and recognised their self-interest in helping to quicken the process. Some small retailers initially found it easier to give change in legacy currency when it was tendered but most retailers took legacy currency or euro at all tills and gave change in euro only. Another approach was to establish a process to remove legacy currency from circulation within a store before it reached the till. For example, some retailers exchanged legacy currency for euro-denominated vouchers for use only in the shop or changed it to euro as customers entered the store. The latter carried a security risk as cash was often stockpiled in a single, accessible location. The principle of giving change in euro was not a legal requirement although many people believed it was.

Cash changeover – the Dutch approach:

- Established the National Forum for the Introduction of the Euro (NFE) under the aegis of the Ministry of Finance;
- Adopted a flexible framework: to ensure a common approach this could only be changed by NFE;
- The government funded delivery and collection of notes and coin and incentivised ordering;
- Responsibility for the cash distribution launch was contracted to the national central bank;
- Call centre management and operation, packaging, logistics and distribution were sub-contracted;
- Coin was ordered via a special call centre and distributed using the postal service;
- Changeover was limited to a 27 day period;
- Citizens aged six and over each received a voucher for a euro starter kit;
- 40% of ATMs were loaded with €5 notes; and
- There was a strong communications programme with the message: “Pay exact amounts and in euro”.

ATMs were also important distribution vehicles for low value notes and in a number of countries banks agreed to load low denomination notes for the first few weeks. During the first few days of the changeover the public withdrew money from ATMs at unusual times, in greater volume and value and visited bank branches more than usual. To help further, in Ireland the government also made sure that benefit payments paid out in early January 2002 contained a disproportionately high number of small notes.

Bank branches were overcrowded in the first week of the changeover but many people saw the occasion as a social event and were patient. Citizens found handling two currencies in the same wallet frustrating and the majority of branch transactions were legacy currency/euro exchanges. Bank customers did not pay legacy currency into their accounts and withdraw euro from ATMs. Some customers went into bank branches with legacy currency, exchanged them for euro and then paid the euro back in to their account. Cash levels in branches were between five and ten times higher than average levels and in smaller branches storage was a major issue.

The rate of take-up of the euro and the return of legacy currency cash were much faster than expected. Retailers were caught out in two main areas: consumers using them as quasi bureaux de change by tendering large denomination notes for relatively small value purchases, and an abnormally low use of cards, except for electronic purses. Some retailers lowered the thresholds below which they accepted cards in order to make it easier for customers to pay with cards, but this had little impact. Italy appears to be the only country where there is strong evidence that customers paid more with cards. The tendency to use cards less was contrary to what consumers themselves had expected and public information campaigns had encouraged.

Nevertheless, on the whole, the public did what was asked: paid with the right amount, avoided mixed currency payments, obtained euro from ATMs or their bank and de-hoarded legacy currency. Many high value notes and hoards of coins were exchanged at, or deposited with, banks and post offices. (However, retailers had started to notice more high value denomination legacy currency notes being spent from early 2001, and in particular from autumn onwards.)

The introduction of euro notes and coin and the withdrawal of twelve legacy currencies was a massive logistical exercise involving the movement of billions of notes and coin. The withdrawal was in many ways more difficult to manage because it took place over a shorter period of time and was harder to plan: there was no way of knowing how much cash would be handed in to banks or retailers or how quickly. The only problematic issues in an otherwise largely smooth exercise appear to have occurred with the withdrawal of the legacy currency.

The unusual choice of consumers to purchase goods and services using cash rather than credit or debit cards resulted in cash in transit operators becoming inundated with legacy currency and euro. During the first few weeks of the cash changeover late cash collection and slower than usual cash counting caused severe bottlenecks in cash centres. Retailers frequently experienced delays in being credited for cash on hand, both legacy and euro, and in some cases this led to cash flow difficulties.

The difficulties were increased by retailers mixing coinage in both value and currency type (legacy and euro) and returning it to cash centres in poorly labelled and inappropriate receptacles, such as plastic carrier bags which tore on lifting. Euro area central banks tackled the issues with varying degrees of enthusiasm. In Spain the central bank gave value against receipt and accepted deferred counting and the use of transparent fixed value coin containers greatly assisted in the counting and re-circulation of coin.

The availability of insurance for both cash in transit and cash at retail stores does not seem to have been a major issue although businesses did face additional costs during the sub-frontloading period. Many cash in transit operators purchased additional policies to cover the changeover period and in France, at least one insurer automatically increased cover for cash on the premises during the dual circulation period.

4.4 Supplier Management

Most businesses found that supplier management, particularly in respect of IT, required close management attention. For example, some suppliers failed to present timely plans for the creation and delivery of “euro capability” in their systems. Even where suppliers stated that they were able to meet a business’ requirements, this did not always turn out to be the case. Close monitoring of suppliers’ specifications, plans and progress and thorough testing of modifications, as well as contingency planning to cover the event that a third party system failed to meet “euro needs”, was essential.

In many cases, business users were unfamiliar with their third-party systems and were unable to confirm the technical aspects of the changes needed. Some suppliers themselves were unfamiliar with areas of their older systems and more time and attention was needed to ensure that the modifications met the requirements. Shortage of IT suppliers, especially towards the end of the transition period, caused problems for SMEs in particular.

From a financial sector viewpoint, particularly insurers, it was essential to ensure the readiness of brokers and intermediaries. The insurance sector is generally heavily dependent on third party suppliers for point of sale and quotations systems, broker and intermediary systems and general ledgers. Some companies categorised their intermediaries in order to determine the amount of help and advice they needed to deliver a successful changeover. UK insurers have begun discussions with a limited number of key suppliers following their euro area experiences.

A number of businesses, particularly SMEs, found that prices for capital goods required for conversion to the euro rose or that increases were masked by changes to tariffs or rental agreements. For example, debit card charges rose when a euro-based tariff was introduced and some retailers were paying higher sums for payment terminal rental.

4.5 Dual Circulation Period

Businesses agree that the highly successful cash changeover of two months was sufficient. They also believe that it has confirmed that the original period of six months would have been too long and potentially caused difficulties for both citizens and businesses. The even shorter dual circulation periods adopted by the Netherlands, France and Ireland suggest that, subject to further detailed analysis, it could be reduced still further.

5 Intra Private Sector Dependencies

This section considers the importance of effective intra private sector relationships and the dependency of business on the preparations of the banking sector and the readiness of the payments systems.

Active, pragmatic cooperation between private sector organisations was essential to reduce cost and confusion and to help achieve a smooth transition from legacy currency to euro. Much of the facilitation was undertaken through National Changeover Boards and was on a voluntary basis. In euro area countries finance ministries also played an active role, often working alongside banks, accountancy firms, business organisations and trade bodies. Seminars, consultative forums, and targeted literature were designed to address practical issues and aid understanding. The availability of both wholesale and retail financial services from the start of the transition removed one of the key dependencies for business, a position which might well not apply in the case of later entrants.

From 1 January 1999 most wholesale financial services business previously conducted in legacy currencies was transacted in euro and euro related dependencies of other parts of the private sector were satisfied from that date. Legacy currencies were only transacted where organisations specifically requested it.

In Ireland a substantial proportion of interest payments and dividends are made in cheque form and to a much larger number of account holders that in other euro area countries where most transfers are electronic. Ireland experienced capacity constraints when a major take-over generated a high volume of euro payments. In Spain, dividends were only paid in euro once the capital of a company had been redenominated and where possible towards the end of the transition period so as to avoid confusing shareholders.

Retail banking services were also available from 1 January 1999, so that organisations and citizens in the euro area could conduct business in both national currency and euro. The minimum regulatory requirement was to enable account holders to receive payments in either national currency or euro. Most financial institutions, however, decided to provide full services from the outset. Both business and personal customer take-up was very low until the second half of 2001 and it was some time (up to 30 months) before the resilience of the banks' systems was fully proved. Key components of these services were:

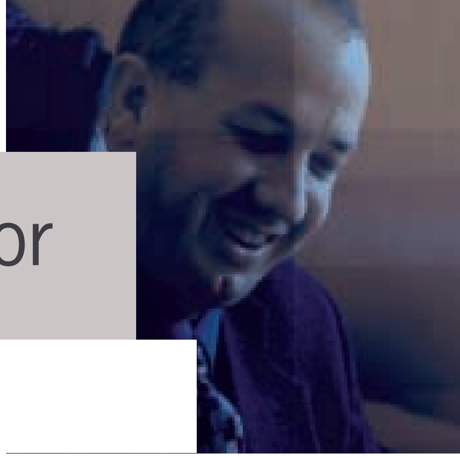
- Account, deposit and loan facilities – where a customer's main account changed to euro, the account number remained the same; and
- Cheques, credit transfers, electronic credits and debits and cross-border payments.

The availability of full financial services functionality from the start of transition allowed other organisations to convert their payrolls and the high volume debit collection systems at a time convenient to them. However, despite this facility, few businesses used the services until the last year of the transition period.

Other areas where agreement was needed included:

- Businesses and utilities with large volume billing requirements needed to agree with the banks when “paying in” slips, etc. would be changed from legacy currency to euro or allowed for payment in either denomination;
- Principles had to be agreed on the treatment of rounding differences, a particular issue where a number of values were totalled and the equivalent of the total did not agree exactly with the sum of the equivalents of the individual items;
- Where banks had automated links between their systems and those of their customers, for example, cash management systems, it was essential that modifications to accommodate the euro were coordinated, timely and fully tested; and
- Bank customers depended upon being properly informed about the changeover and receiving new statements after the conversion of accounts to euro.

A key dependency for retailers and other outlets receiving and issuing cash was that notes and coin were available to them in due time and quantity. Similarly the return of legacy currency had to be managed. The major players in the distribution were the central banks, cash in transit operators and retail banks. (Details of the cash changeover are covered in Section 4, Changeover Approach).



6 Private–Public Sector Interdependencies

This section considers the interdependencies between the public and private sectors and highlights the need for close cooperation between them and early decisions on government policy.

Cooperation between private and public sector organisations was essential for the achievement of a smooth transition from national currency to euro. This seemed to work best where changeover boards were established and where active consultation took place. The “Polder Model”[1] used by the Dutch was felt to be helpful by business who found that participation in the preparation of guidelines and the development of common approaches delivered practical results. The inclusion of cross-sectoral guidelines within the national changeover plans also assisted in the delivery of the changes.

Banks were able to provide full financial services in support of the public sector from the start of the transition period. The main activities involved were the collection of tax and duties and the ability to report in either legacy currency or euro. Welfare payments remained in legacy currency until the end of transition.

The experience of the euro area entrants was that close working with government revenue departments was necessary to ensure a smooth transition and avoid confusion by business and citizens. Early decisions in areas such as the treatment of statutory limits and thresholds, tax codes and tax tables were also needed. In the euro area, the end of the fiscal year coincided with E-Day (Ireland changed their fiscal year from April to December to achieve this) and this greatly simplified the number and complexity of issues for the revenue departments, employers (by way of payroll and taxation and other services) and citizens.

A flexible approach by some public sector bodies assisted private businesses in managing their changeover. For example, in Finland the central tax administration allowed businesses to send their returns in markka or euro during the whole of the transition. In France, the practice of calculating VAT payments as a percentage of an accumulated total held in the general ledger rather than by individual value added taxable amounts and VAT elements avoided the rounding issues associated with converting individual legacy currency amounts.

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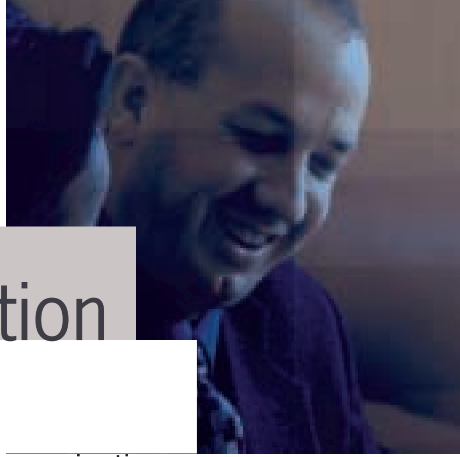
[1] The “Polder Model” is based upon continuous consultation and cooperation between social partners – the government, employers’ associations and trade unions – in order to find solutions to labour market problems. The process is reviewed on an annual basis by the government, unions and employers.

However, where changes to rules or procedures were made late or were unclear there were difficulties. Some sectors felt that the late announcement of a number of government decisions caused operational difficulties and increased costs as a result of changeover work having to be repeated. For example, in Spain there were issues with interpretation of the income tax rules and in Ireland, stamp duty on cheques was changed late in the transition and caused some confusion over when the new duty should be applied. Whilst Ireland's decision to change the tax year-end date and the late availability of tax tables impeded the conversion of payrolls, overall the alignment of the tax year with end of transition simplified the conversion process for citizens and the private and public sectors.



7 Communication

This section considers the importance of effective internal and external communication at the following levels:

- Business to business;
- Business to citizen, including dual price display; and
- Employer to employee.

7.1 Industry/Cross Sectoral Guidelines

These were often included in the national changeover plans although some countries and sectors had additional individual codes of conduct. For example, the French, Dutch, Belgian, Italian and Irish insurance industry bodies published non-mandatory guidelines and recommendations for their members intended to provide common approaches and standards. Banks in Ireland amended their Code of Practice. The common theme was adoption of a flexible, pragmatic approach.

7.2 Customer Information and Support

A wide range of public and private sector organisations provided information, training and support, both financial and "in kind", to businesses and citizens. Key players included the European Commission, European Central Bank (ECB), national central banks, commercial banks, businesses and trade associations. Other professional organisations, such as accountants, provided services to their clients.

The general approach used by banks was:

- Key customers were dealt with on a one-to-one basis;
- Larger corporate customers were invited to seminars;
- Personal customers were informed through bulletins and fliers inserted in account statements;
- The use of branch "EMU champions" was very effective and information sites in branches were very popular;
- Posters in branches and advertising were used, although it was found that the national government managed campaigns were sufficient to provide customers with information; and
- At critical times, especially during the cash changeover, normal helpdesk arrangements provided general support to customers, with more complex EMU related queries being passed to a special EMU helpdesk.

Businesses chose a variety of approaches to communicate with their customers. Euro area banks advised that the provision of practical information on a regular basis assisted in maintaining good customer relations. Banks believed this was an important part of a successful changeover and that they also benefited from a friendly and supportive public attitude. In the insurance sector, except in Belgium and France, customers were generally unaware of the changes, as insurers did not communicate with them other than at annual renewal. Retailers provided practical information to their customers primarily through the dual pricing of goods and services, although some made euro converters and other guides available.

Most SMEs sought advice from their bank or accountant. Many accountancy firms appointed teams to support their clients through the transition, with seminars and training events proving to be the most popular vehicles. Issues raised most regularly were the time need to prepare for E-Day, currency conversion, software and IT infrastructure. Within the small business retail sector the main issues involved dealing with the dual currency period, decimal pricing (where rounding rules could produce significant price increases/decreases), price labeling and book keeping. Accountants found that synchronizing the provision of information with the critical points in a business' annual life cycle was an effective means of engaging this audience.

Most businesses relied upon the government to produce information in languages other than the participating Member State's official language(s). A common business view was that education of the general public, vulnerable groups and SMEs was the responsibility of government, with customers using banks and retailers to familiarise themselves with the new notes and coin. In countries where private sector organisations ran communication campaigns targeted at the general public, these were designed to provide reassurance to customers rather than to give basic education and were timed to link in with those of the government. For example, the insurance associations in France, the Netherlands and Belgium ran a communication programme that linked with the government-led campaign and the French insurers association agreed communication strategies with the French equivalent of the Consumers' Association.

Belgium's ten "golden rules":

- Buy a euro starter kit;
- Withdraw euro notes from an ATM from 1 January 2002 or get them from a bank or post office from 2 January 2002;
- Pay in euro from 1 January 2002;
- You have until 28 February 2002 to spend your last Belgian francs;
- Pay with a payment card when possible;
- Try to pay with the right amount;
- Avoid mixed payments;
- Don't take large amounts to the shops. You have until 30 June 2002 to take them to the bank or post office;
- After that the National Bank will take them; and
- Don't change your francs to euro with someone who approaches you in the street or comes to the door.

Communication and training carried out early in the transition period were generally regarded as less useful. It was most effective in the period immediately prior to E-Day and in the first few weeks of the cash changeover. Accessible information, such as the use of cartoon based education, was very successful in delivering messages to the general public. The ECB's timely information campaign on the security features of the new euro notes to help distinguish the genuine from the counterfeit was also very useful.

7.2.1 Dual Display of Prices

Dual display of prices was provided to consumers, most notably at the point of sale, particularly by the retail sector. In other sectors, such as insurance where products often had an annual payment cycle, the total premium payable was dual displayed on renewal notices. Insurers advise that in their sector consumers who found it confusing largely ignored dual display.

Austria, Greece and Portugal made dual price display compulsory but the terms and conditions to be applied varied considerably. Portugal required reverse dual price display, ie the euro price had to be shown first. Austria required the opposite: schilling prices had to be on the left (or above the euro price) and the size of both prices had to be identical. This made it virtually impossible for businesses with a single European catalogue to adopt a single approach across the euro area and increased costs and confusion.

No country included a mention of vulnerable groups in their code. Nor were they mentioned in the European Agreement. Within the euro area there appears to have been a consensus that government had the major responsibility for providing information for these groups.

Businesses within the retail sector found it difficult to judge the “ideal” time to move to euro-friendly prices. Some retailers took the view that transparency was paramount in maintaining consumer confidence. They converted their prices exactly and maintained “unfriendly” euro prices for the duration of the dual circulation period. Others, particularly in France, moved to euro-friendly prices when they moved to reverse dual price display.

Many French retailers adopted “reversible” prices, ie prices that do not throw up rounding differences when converted in either direction. It was important to bear in mind when setting new prices that when consumers checked prices they worked from the euro to the legacy currency price prior to E-Day, but converted the other way after E-Day.

There was a widespread perception that prices increased as a consequence of conversion to the euro (as was perceived in the UK as a result of decimalisation). Many businesses increased prices annually, for example, general insurance premiums or public transport fares. Business believed that if consumer confidence was to be maintained it was important to ensure that such price changes were signalled well in advance and that any change was not ascribed to the switch to the euro. Some businesses decided not to undertake their normal annual price review. For example, in Finland members of the Bus and Coach Association deferred their normal price rises for twelve months. Consumers’ associations in a number of euro area countries monitored prices and where significant rises were found the business was “named and shamed”. The publicity associated with such behaviour was very unwelcome and as a consequence most large business maintained price stability.

Eurostat (the European statistical office) identified that the euro changeover effect on the month-on-month increase in euro area inflation between December 2001 and January 2002 was likely to fall into the range 0.0% and 0.16%. Overall euro area inflation rose from 2.0% in December 2001 to 2.7% in January 2002. The European Commission considers that the increase in inflation can largely be explained by seasonal factors.

7.3 Staff communication and training

A euro area entity quoted by the British Bankers’ Association said *“Staff cannot explain what the euro means to customers without understanding it themselves.”*

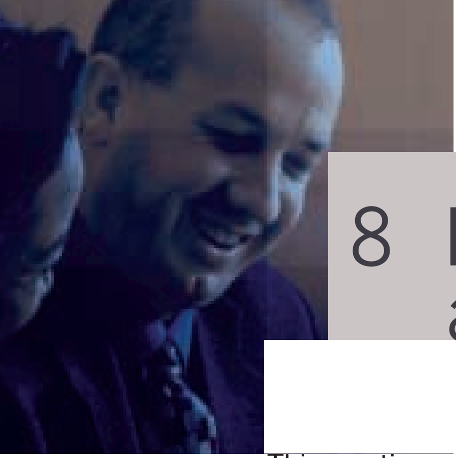
A significant amount of training was required by all organisations which interface directly with the public on a regular basis – commercial banks, retailers, health and welfare bodies, revenue departments and so on, both in the customer-facing and support roles. Training given too early in the transition period was often wasted and had to be repeated. The use of cartoons in training material and regular newsletters was an effective means of involving staff and gaining their attention.

Extra training was given to customer-facing staff, particularly those handling the new currency. This included changes to operational processes, familiarity with the security aspects of the notes and the ability to handle multiple currencies during the dual cash period. Whilst the ECB (through its "Partnership Programme") and the central banks provided extensive material and training to assist in the recognition of the security features, indications are that training in handling two currencies at once could have been more extensive and would have been beneficial.

Many larger organisations worked on the principle that each business or operational unit was ultimately responsible for delivery of euro capability in its area and that included staff awareness. Methods for assisting staff in their understanding included:

- A series of videos, explanatory manuals and PC-based information;
- Regular bulletins with "leaders" written by the Chief Executives;
- The appointment of euro champions;
- Issuance of revised operating procedures and circulars; and
- Practical workshops where employees could test their understanding.

Some multinational businesses commissioned external PR agencies to design, produce and sometimes deliver their euro messages. This included professionally produced videos, poster and documentation for use by their staff and sometimes their intermediaries.



8 Employee, Health and Safety Issues

This section covers issues which need to be considered from an employee perspective, including health and safety concerns, working hours and special payments.

Staffing agreements needed to be established very early on in the transition. This included the number of staff required at any one time and the need for any temporary staff, whether internal or external to the normal workforce. In some countries these agreements were achieved with workers councils and under national regulations. Where there were industrial relations issues, these seemed to relate to the perceived inequality of treatment between different groups of workers, or to the requirement of substantial amounts of unpaid overtime.

The key to a successful conclusion appears to be to start discussions early and many of the agreements regarding the end of transition/cash changeover period were concluded in mid 2001 although some were concluded much earlier. For example, in June 1998 the German metalworking industry signed a framework agreement on the procedure for changing salaries to euro. The detailed arrangements were then negotiated at company level, with works councils. In Finland an employer agreement with trade unions ensured that the existing wage contract system would remain in place once Finland joined EMU.

There was also a need for the interests of employees to be identified in the development of national changeover plans, and this was relatively easily accommodated where national systems of social dialogue exist. In Ireland the banking union sought meetings not only with the principal employers, but also with the national central bank, government, euro changeover groups, police and the Irish Confederation of Trade Unions.

8.1 Safety issues

Particular attention was paid to the shipment and storage of currency, the volume of which was much larger than normal. In Belgium the banking employers' association began discussions with unions in April 2001. Action needed to be taken in disposing of the legacy currency and in France this was dealt with by agreeing that French franc notes would be invalidated immediately on exchange.

Unions representing cash in transit security workers concentrated on the need for additional security for transport of euro and the need for extra staff was identified. In the Netherlands, for example, over 1,300 additional temporary staff were recruited and trained to support the regular cash in transit drivers.

8.2 Training and responsibility

Many agreements insisted that all staff likely to handle euro notes and coin receive adequate and appropriate training. Well-prepared businesses began their training during summer 2001 (or even earlier) although the practice adopted by Irish banks and building societies of having refresher sessions shortly before the first working day was regarded as valuable and good practice. Some employers operated a dual till approach, with euro and legacy currency being kept separately, as it reduced stress on cashiers and till errors. However, others felt that this had simply postponed the moment of changeover.

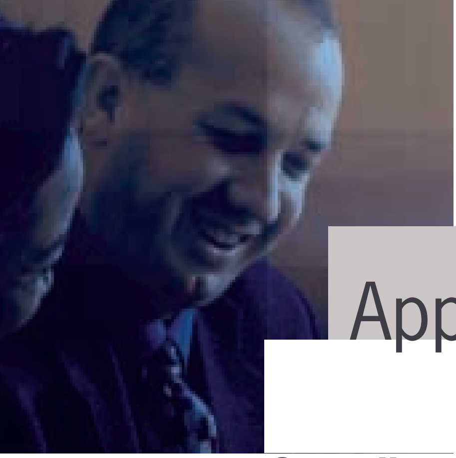
In a number of cases employers suspended the normal rules on staff responsibility for cash errors. It was thought that if cashiers felt themselves personally liable for any errors in this period, they would be much slower and that this would increase customer irritation, thus increasing the stress levels. The agreement with the French Banking Association withheld punishment for mistakes (other than deliberate fraud) and also dealt with issues that might come about as a result of measures aimed at combating money laundering.

8.3 Additional working hours

Many unions and works councils considered it essential to ensure that plans for hours of work, flexible working arrangements, working on public holidays and call-out arrangements were dealt with in detail. For example, one German banking agreement covered the period from 17 December 2001 to 28 February 2002. The arrangements were applied to specific departments and included:

- Extended working hours;
- Additional hours working for part time workers;
- Time off in lieu as well as additional payment;
- Conditions for working on Sundays and public holidays, such as provision of euro to business customers, and ATM loading; and
- Call-out arrangements.

It was also very important to ensure that staff not initially considered to be affected by the cash changeover, such as those in catering and facilities management, were included when agreeing additional working hours and special terms and conditions. These staff had helped to deliver a smooth transition by providing essential support services. Other key considerations included the need for adequate public transport during the public holiday period.



Appendix 1

Contributors

The report has been produced with the input and assistance of official representatives of the following organisations:

- Association of British Insurers
- Association of Payment and Clearing Services
- Bank of England
- British Bankers' Association
- British Chambers of Commerce
- British Retail Consortium
- The CBI
- Financial Services Authority
- Institute of Chartered Accountants in England and Wales
- Trades Union Congress

Whilst not providing specific data, the representatives of the Bank of England and Financial Services Authority participated in meetings and commented on the financial sector papers. The Bank of England produced a separate report on their findings from discussions with national central banks and commercial banks in May 2002 as part of their "Practical issues arising from the euro" series.

Appendix 2

Membership of the Chancellor's Standing Committee on Euro Preparations

- Chancellor of the Exchequer
- Financial Secretary to the Treasury
- Secretary of State, Department of Trade and Industry
- Parliamentary Under Secretary of State for Competition, Consumers and Markets, Department of Trade and Industry
- Secretary of State for Scotland
- Secretary of State for Northern Ireland
- Secretary of State for Wales
- Chairman, Financial Services Authority
- Governor of the Bank of England
- Head of the Home Civil Service
- President of the British Bankers' Association
- President of the CBI
- President of the British Chambers of Commerce
- Chairman of the British Retail Consortium
- General Secretary of the Trades Union Congress
- Chair of the Cross Party Group on Euro Preparations

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