

Euro Preparations Managed Transition Plan

Draft for informal consultation

January 2005



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HM Treasury contacts

For more information on euro preparations visit the Treasury's euro website at:
www.euro.gov.uk

or contact

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

E-mail: changeover.plan@hm-treasury.gov.uk

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NOTE ON THE STATUS AND PURPOSE OF THIS DRAFT MANAGED TRANSITION PLAN

Britain's policy on membership of the single currency was set out by the Chancellor in October 1997, and restated by the Prime Minister in February 1999. In principle, the Government is in favour of UK membership; in practice, the economic conditions must be right. The determining factor is the national economic interest and whether, on the basis of an assessment of five economic tests, the economic case for joining is clear and unambiguous. Since 1997 the UK Government has been making plans for a changeover to the euro should Government, Parliament, and the people, in a referendum, all agreed it would benefit the UK.

The UK's preferred phased approach or "Managed Transition" to any possible future UK changeover to the euro was published in the *third outline National Changeover Plan* on 9 June 2003. The document contained a Managed Transition Plan, setting out what euro services would be available in the event of a UK changeover, when they would be available, and who would provide them. Since then the Treasury has undertaken informal consultation on the proposed plan. Through workshops, bilateral meetings and the submission of written contributions, representatives of the private, public and voluntary sectors have helped develop this enhanced working draft version of the plan.

This working draft contains more detail, and its scope has been expanded to cover more sectors of the economy compared to the previous version. It is intended to provide a basis for informal discussion and further development with stakeholders. The Euro Preparations Unit invites comments on this working draft from all interested parties by 25 March 2005. Comments are invited on all aspects of it, including the identification of issues not addressed in the draft. Comments should be addressed to:

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

E-mail: changeover.plan@hm-treasury.gov.uk

BACKGROUND AND INTRODUCTION

Government policy on membership of the single currency

The Government's policy on membership of the single currency remains as set out by the Chancellor in his October 1997 statement to the House of Commons, and restated by the Prime Minister in February 1999. In principle, the Government is in favour of UK membership of Economic and Monetary Union (EMU); in practice, the economic conditions must be right. The UK would be ready to make a smooth changeover should Government, Parliament, and the people, in a referendum, decide to join EMU.

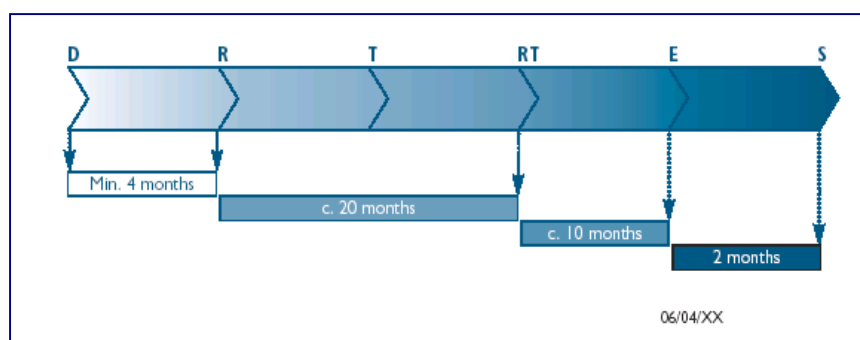
An assessment of the five economic tests was published in June 2003. This concluded that, "since 1997, the UK has made real progress towards meeting the five economic tests. But, on balance, though the potential benefits of increased investment, trade, a boost to financial services, growth and jobs are clear, we cannot at this point in time conclude that there is sustainable and durable convergence or sufficient flexibility to cope with any potential difficulties within the euro area."

The Chancellor's 9 June 2003 statement to the House of Commons on UK membership of the European single currency set out a reform agenda of concrete and practical steps to address the policy requirements identified by the assessment. A report on progress was presented in Budget 2004. While the Government did not propose a euro assessment be initiated at the time of Budget 2004, the Treasury will again review progress at Budget time next year.

As part of the policy of "prepare and decide", the Government is committed to ensuring that the UK retains a genuine option to join the single currency if that is what the Government, Parliament and the people, in a referendum, decide. The Euro Preparations Unit in the Treasury (EPU) works with stakeholders from across the economy to ensure that euro preparations are at an appropriate level.

Lessons from the euro area and the complexity of the UK economy suggest that a phased approach would deliver the best changeover for the UK. The Government's preference, therefore, is for a 'Managed Transition', where euro services would be introduced in stages. Details of this were included in the *third outline National Changeover Plan* published on 9 June 2003.

Chart 1: Outline changeover timetable



Key abbreviations

D : Decision	The Government's decision to join EMU membership
R : Referendum	UK electorate vote on joining EMU.
T : Transition	Time of entry and start of transition. UK joins EMU. The euro-sterling exchange rate would be irrevocably fixed.
RT: Retail Transition	Beginning of Retail Transition. Euro denominated retail financial services would start to be available from this point.
E : E day	Euro cash becomes legal tender. UK euro notes and coins would be introduced. All non-cash transactions would be denominated in euro.
S : End of dual	Sterling ceases to be legal tender. End of two-month dual circulation period.

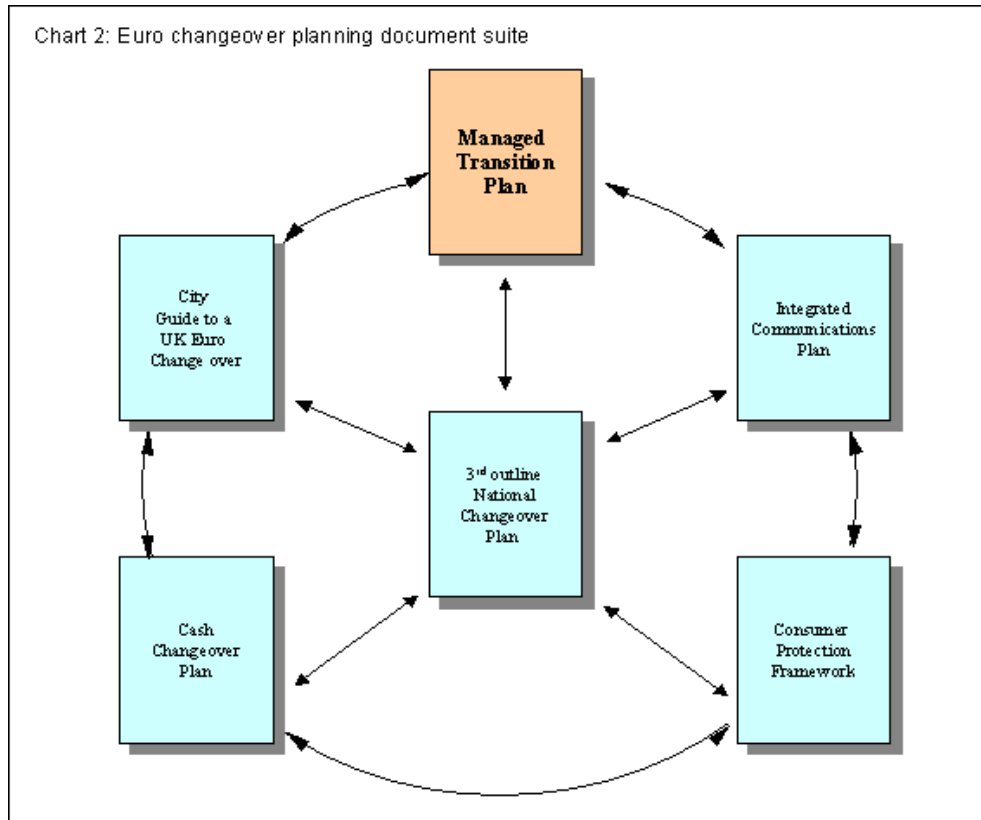
**MANAGED TRANSITION PLAN:
Implementing a UK changeover: who would do what, when**

The *third outline National Changeover Plan* contains a draft Managed Transition Plan. This sets out information for all sectors of the economy on what euro denominated services would be available in the event of a UK euro changeover, when they would be available, and who would provide them. Its purpose is to give planners within organisations and businesses a framework for planning each stage of a migration from sterling to euro. It is designed for organisations across the economy to follow a clear progression, and identifies areas for action during each stage of the outline timetable.

Since June 2003 there has been consultation on this plan. Through workshops, bilateral meetings and the submission of written contributions, representatives of the public, private and voluntary sectors have helped develop this enhanced working draft version of the plan.

COMPANION DOCUMENTS

In line with the *third outline National Changeover Plan*, the Treasury is developing a series of complementary documents which will form an overall framework for a possible UK euro changeover. As a result the Managed Transition Plan does not provide detailed information on plans for communication, consumer protection, a cash changeover or a wholesale financial market changeover in any possible future changeover. This information is provided through other planning documents, details of which are given below.



Integrated Communication Plan

Whilst the Managed Transition Plan touches on some communication issues, the Euro Preparations Unit is working with stakeholders to produce a separate, detailed communication plan that sets out how key organisations and sectors would communicate with citizens and consumers in the event of a changeover. The communication plan is at an earlier stage of development than the Managed Transition Plan. The communication plan will follow the stages of a migration from sterling to euro given in the *third outline National Changeover Plan* and will integrate with the actions listed in the Managed Transition Plan. It will also include high level details of the central communication that would be delivered by a Government Euro Changeover Secretariat during a transition.

Consumer Protection Framework

Consumer protection is at the heart of UK Government's changeover planning. A draft Consumer Protection Framework has been developed for initial consultation. It considers how existing consumer protection mechanisms would protect consumers in the event of a UK euro changeover and what additional mechanisms might be required.

Cash Changeover Plan

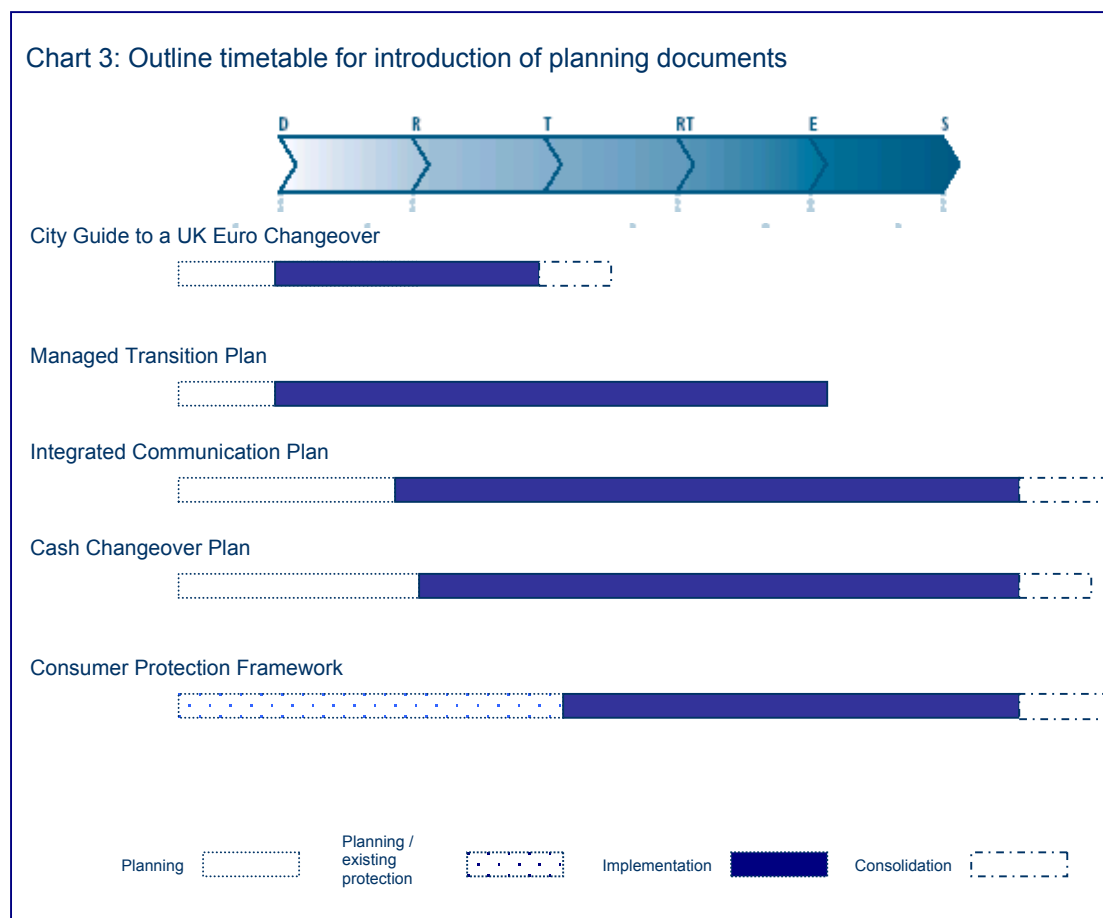
As described in the *third outline National Changeover Plan*, after a positive referendum decision to join EMU, the Government would establish a Cash Changeover Working Group to manage a cash changeover. This would include representatives of those organisations involved in cash production, storage and distribution. This group would produce a cash changeover plan within six months of a referendum.

City Guide to a UK Euro Changeover

It is beyond the scope of the Managed Transition Plan to give details of how a changeover of the sterling wholesale financial markets would be implemented. The Bank of England coordinates euro preparations in sterling wholesale financial markets through the City Euro Group, a representative body of City market associations and financial institutions. In order to help market practitioners prepare for a changeover in sterling wholesale financial markets, the Bank of England has published a 'City Guide to a UK Euro Changeover'. The City Guide sets out how, in the event of UK entry, the changeover would be expected to be handled, and is kept up to date on the Bank of England website¹.

¹ See www.bankofengland.co.uk.

The outline timetable of when these documents would be introduced is set out in Chart 3 below.



STRUCTURE OF MANAGED TRANSITION PLAN

The Managed Transition Plan summarises the actions required in a UK euro changeover. The plan is broken down into sections, corresponding to the stages of the outline timetable, Chart 1. Each section begins by setting out the core messages that would apply to all sectors and organisations at that stage of transition. Below these core messages the proposed detailed actions are arranged within broad sectoral categories, namely;

1. Central Government Departments;
2. Local Government;
3. Financial Services;
4. Non-financial services;
5. Business advisers/support services; and
6. Voluntary sector.

Many actions within the Managed Transition Plan are dependent on other organisations and sectors completing or coordinated their actions. Whilst the exact details of the interdependencies are not given, where significant interdependencies are known “linked” organisations are listed against the actions.

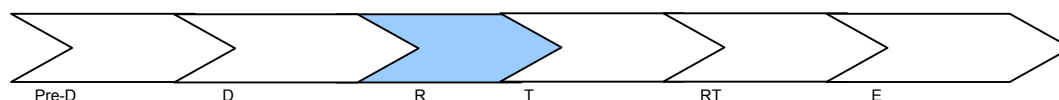
The plan includes a further column that indicates outputs such as publications and highlights significant impacts on consumers and the business community, for example changes in payment facilities and services.

Navigation within the Managed Transition Plan

To ease use of the Managed Transition Plan the sections are colour-coded as follows:

Period	Colour Code
Pre-D	Yellow
D to R	Orange
R to T	Blue
T to RT	Turquoise
RT to E	Green

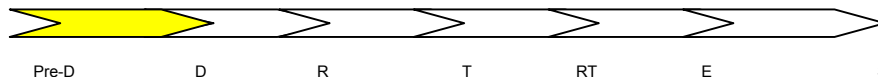
The section within each stage can also be identified by the outline changeover timetable bar at the top of the page. The section bar that corresponds to the contents of a particular page is shaded. For example, this bar can be found at the top of the pages for period R-T of the outline changeover timetable.



Acknowledgements

This working draft of the Managed Transition Plan has been prepared in conjunction with a broad range of stakeholders from the public, private and voluntary sectors, coordinated under the umbrella of the Managed Transition Advisory Group. HM Treasury and the British Bankers' Association jointly chair this group. HM Treasury would like to thank the contributors for their support in the development of this planning document.

Managed Transition Plan



MANAGED TRANSITION PLAN BEFORE A GOVERNMENT DECISION TO JOIN EMU

(Pre-D)²:

Core Messages

- All organisations should be aware of the *third outline National Changeover Plan* (oNCP3) and should ensure that they can meet the overall timetable and the time periods of the managed transition;
- All organisations should build euro preparations into their normal business planning and risk management processes;
- Large organisations should consider the strategic impact of the changeover on their business;
- All organisations should consider euro compatibility when replacing or upgrading equipment, systems and processes, where it represents value for money;
- In general terms, euro compatibility is a measure of the ability of equipment, systems, policies and processes to accommodate the euro. Key areas are:
 - IT systems;
 - Business processes;
 - Accounting and Payroll systems;
 - Pricing equipment;
 - Cash registers;
 - Point-of-sale equipment; and
 - Planning for print runs for documents containing price information.
- Consumer-facing organisations should familiarise themselves with the principles for consumer codes of practice³, and the Consumer Protection Framework⁴. Where appropriate, they should incorporate sectoral codes of conduct into their euro planning.

² **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.

³ Published in oNCP3. See www.euro.gov.uk

⁴ The Consumer Protection Framework is currently out for informal consultation. Copies of the document are available from changeover.plan@hm-treasury.gov.uk and comment on the CPF would be welcomed.



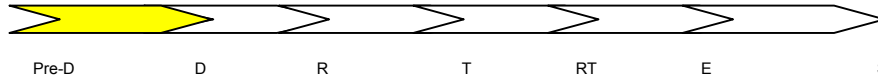
Pre-D D R T RT E S

PRE-D: CENTRAL GOVERNMENT

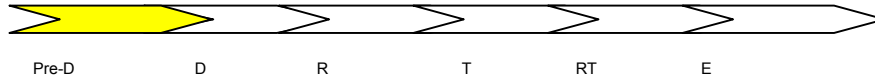
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
<p>Central Government Departments</p>	<p>To complete the planning phase of euro preparations,⁵ departments should complete the following actions:</p> <p>1.1 Produce a single, living planning document, or a collation of existing documents in a coherent and clear way to ensure that there are no gaps or inconsistencies;</p> <p>1.2 Complete OGC Gateway™ review of planning;</p> <p>1.3 Implement Gateway™ recommendations where appropriate, and keep under review;</p> <p>1.4 Decision taken by the department's Management Board that the plan is comprehensive and covers all business areas likely to be affected by euro;</p> <p>1.5 Develop a robust next phase to follow on immediately from the planning phase;</p> <p>1.6 Include responsibility for euro preparations in Agencies and Non-Departmental Public Bodies (NDPBs) in planning;</p> <p>1.7 Identify resources required for a potential changeover and necessary reprioritisation. Ensure no dependency on additional central funding;</p> <p>1.8 Confirm plans are entirely consistent with oNCP3. In particular, Departments should ensure compliance with the public sector consumer code of conduct, deliver the MTP and assist in the central communications effort;</p> <p>1.9 Incorporate euro compatibility and the impact of the euro into the department's approval and implementation cycle for all new projects, systems, system upgrades and policies; and</p> <p>1.10 Put in place a completed risk register, that includes the department's top ten risks, mitigating actions and senior owners.</p>	<p>Other Government Departments</p> <p>Local authorities</p> <p>Private sector</p> <p>Voluntary sector</p> <p>Consumers</p>	<p>Public sector consumer code of conduct</p> <p>Departmental planning</p> <p>Local Authorities: Euro Preparation Guidance</p>

⁵ Useful documents include:

- HM Treasury reports on euro preparations are available at www.euro.gov.uk
- 'Tax and the euro', to be produced by the Inland Revenue and HM Customs and Excise Departments by R. Note that in Budget 2004 the Chancellor announced the intention to form HM Revenue and Customs (HMRC), a single integrated tax department incorporating the Inland Revenue and HM Customs and Excise from April 2005. The Bill to create HMRC was introduced to Parliament on Tuesday 23 November 2004.

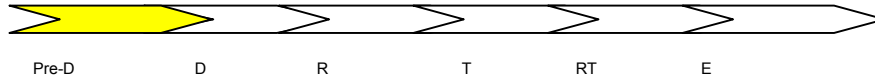


PRE-D: CENTRAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Central Government Departments (Contd.)	<p>When the planning phase is complete, in the next phase departments should:</p> <p>1.11 Conduct comprehensive and regular reviews of the implementation of euro compatibility in new and upgraded systems and new policies and business processes across department;</p> <p>1.12 Conduct regular updates and checks on planning in Agencies and NDPBs for which a department has policy responsibility;</p> <p>1.13 Conduct regular reviews and updates of plans in the light of changes in the machinery of Government or new or upgraded systems or new policies or business processes, including reviews by Programme Boards and, where appropriate, Management Boards;</p> <p>1.14 Engage with local authorities, regional Government, Regional Development Agencies (RDAs) and Government Offices, to ensure that the public sector presents a consistent approach during any changeover;</p> <p>1.15 Engage with external stakeholders to ensure that plans continue to meet their needs as their planning develops or their roles change;</p> <p>1.16 Engage across a department with appropriate parts of the wider economy to ensure the Government's messages about euro preparations are considered as part of routine business planning and risk management;</p> <p>1.17 Regularly review planning to ensure a department can deliver services under the Managed Transition Plan, support the Integrated Communications Plan, and comply with its requirements under the public sector consumer code of conduct;</p> <p>1.18 Engage with the Euro Preparations Unit in the Treasury (EPU) to ensure a consistent approach across the public sector and that all relevant guidance is issued; and</p> <p>1.19 Actively manage risks, keeping the risk register up to date and implementing mitigating actions. In particular, the cross-cutting risks identified by HMT's working groups should have senior owners allocated within departments and mitigating actions should be implemented and monitored.</p>	<p>Should be aware of interdependencies with services offered by other organisations</p>	



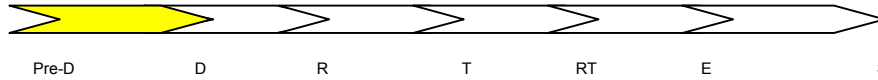
PRE-D: CENTRAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Inland Revenue (Direct taxation)	<p>1.20 Continue to consult with employers, payroll industry and representative bodies on the demand for a transitional payroll service. It is currently proposed that employers could convert their systems, including payroll, to euro at any time between RT and E Day in line with their business needs. However, for payroll they must continue to be able to handle sterling inputs (e.g. PAYE codes) from IR and produce sterling outputs for their employees (payslips), IR, other payrollers (e.g. P45s) and other payroll stakeholders for all tax years ending before 6 April E day.</p> <p>1.21 Discuss transitional services propositions with wholesale market participants;</p> <p>1.22 Consult with City Euro Group on changes to legislation required;</p> <p>1.23 Commence drafting of 'Tax and the Euro', detailing IR and HMCE services in a changeover.</p>	<p>Private sector stakeholders</p> <p>Payroll</p> <p>Accountancy companies</p> <p>Financial services sectors</p> <p>Wholesale financial market institutions</p>	

PRE-D: LOCAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Pathfinder local authorities	<p>2.1 Secure board/senior management commitment to strategy and Action Plan, resourcing and delivery;</p> <p>2.2 Identify a board-level (or equivalent) euro programme sponsor with responsibility for delivery;</p> <p>2.3 Identify resources required at each stage in a euro changeover, especially any resources needed at D;</p> <p>2.4 Engage with key external stakeholders involved in euro preparations, including central and local Government, trade associations and other key intermediaries such as banks, insurers, accountants, business support/IT, payroll service providers and other external suppliers;</p> <p>2.5 Check for critical interdependencies, and where appropriate agree solutions to managing and mitigating risks identified;</p>	<p>Department for Work and Pensions (DWP)</p> <p>Office of the Deputy Prime Minister (ODPM)</p> <p>IR</p> <p>HMCE</p> <p>Other Local Authorities</p> <p>Local Government Association (LGA)</p> <p>Banks</p> <p>Insurers</p> <p>Accountants</p> <p>Trade associations</p> <p>Business support</p> <p>IT/ payroll service providers</p>	Pathfinder Plans



PRE-D: LOCAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Pathfinder local authorities (Contd.)	<p>2.6 Familiarise all relevant stakeholders in the organisation with the most recent changeover planning documents through communication messages using available media. Consider special awareness workshops and meetings.</p> <p>2.7 Prepare a tailored euro changeover strategy and Action Plan for the organisation which:</p> <ul style="list-style-type: none"> (a) sets out who in the organisation would need to do what, when, in order for the strategy and Action Plan to be implemented; and (b) considers the impact of a UK changeover on: <ul style="list-style-type: none"> — current business plans and existing change programmes, including those that could have to be postponed or stopped; — current products and services (including the implications for pricing, marketing and the supply chain); — IT systems; — internal financial systems (for example, accounting, payroll, invoicing and purchasing); — internal and external communications; — staff training needs. 		
Other local authorities	<p>2.8 Be familiar with Local Authority guidance;⁶</p> <p>2.9 Where appropriate, draw upon completed 'pathfinder' plans, as examples of best practice.</p>	DWP ODPM Retail banking Voluntary sector	Pathfinder Plans

⁶ Local Authority Guidance produced by HM Treasury. See www.euro.gov.uk/localgov.asp.

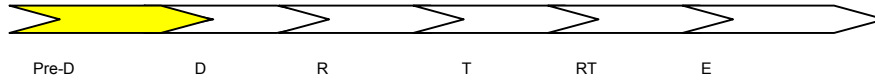


PRE D: FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Wholesale financial market institutions ⁷	3.1 Plan the changeover in wholesale markets, using the City Guide to a UK euro changeover. ⁸	Other wholesale financial market institutions	
Banks, Building Societies and Insurers	<p>3.2 Secure board/senior management commitment to strategy and Action Plan, resourcing and delivery;</p> <p>3.3 Identify a board-level (or equivalent) 'euro programme sponsor' with responsibility for delivery;</p> <p>3.4 Identify resources required at each stage in a euro changeover, especially any resources needed at D;</p> <p>3.5 Engage with key external stakeholders involved in euro preparations, including central and local Government, trade associations and other key intermediaries such as banks, insurers, accountants, business support/IT and payroll service providers;⁹</p> <p>3.6 Check for critical interdependencies, and where appropriate agree solutions to managing and mitigating risks identified;</p> <p>3.7 Familiarise all relevant stakeholders in the organisation with the most recent changeover planning documents; if appropriate hold awareness workshops and meetings, and communicate messages using available media;</p> <p>3.8 Prepare a euro changeover strategy and action plan for the organisation which:</p> <p style="margin-left: 20px;">(a) sets out who in the organisation would need to do what, when, in order for the strategy and Action Plan to be implemented; and</p>	<p>Central Government</p> <p>Local Government</p> <p>Trade associations</p> <p>Banks</p> <p>Insurers</p> <p>Accountants</p> <p>Business Support</p> <p>IT and payroll service providers</p> <p>External consultants</p>	<p>Banking Industry consumer code of conduct</p> <p>Insurance Industry consumer code of conduct</p> <p>FSA Statement of Principles</p>

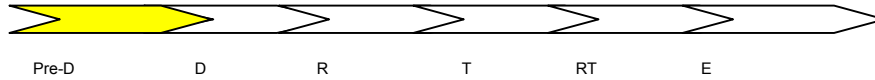
⁷ The wholesale markets include the money, foreign exchange, bond, equity, derivatives and commodities markets

⁸ See 'City Guide to a UK Euro Changeover', published by the Bank of England. See www.bankofengland.co.uk.

⁹ See 'UK Insurance Industry Outline Euro Guidance', produced by the Association of British Insurers. To order see www.abi.org.uk



PRE D: FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Banks, Building Societies and Insurers (Contd.)	<p>(b) considers the impact of a UK changeover on:</p> <ul style="list-style-type: none"> — current business plans and existing change programmes, including those that might need to be postponed or stopped; — current products and services, (including the implications for pricing, marketing and the supply chain); — IT systems; — internal financial systems (for example, accounting, payroll, invoicing, purchasing); — internal and external communications; — staff training needs. <p>Organisations well advanced in their euro preparations should aim to have the following in place:</p> <p>3.9 Confirmation at Board level that the organisation would be able to meet the outline national changeover timetable published in oNCP3, including consideration of T, RT and E;</p> <p>3.10 Detailed mobilisation plans across the organisation's business areas, including staff resource requirements in the period D—R;</p> <p>3.11 Detailed conversion plans across the organisation's business areas, including strategy for issues and risks mitigation and programme resourcing, ensuring no gaps or inconsistencies;</p> <p>3.12 Euro compatibility built into risk management across all business areas;</p> <p>3.13 Detailed customer and service propositions;</p> <p>3.14 Regular reviews of all plans, ideally to board level; and</p> <p>3.15 Key interdependencies identified and built into planning.</p>	Central Government Local Government Trade associations Banks Insurers Accountants Business Support IT and payroll service providers External consultants	Banking Industry consumer code of conduct Insurance Industry consumer code of conduct FSA Statement of Principles

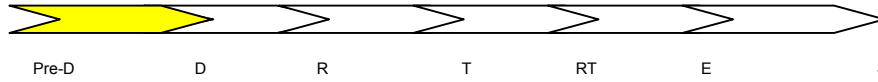


PRE D: FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Retailers	<p>In developing their plans, key issues for retailers to consider include:</p> <p>4.1 The outline timetable published in oNCP3, in particular, when they would need to commence the conversion of their internal systems;¹⁰ and</p> <p>4.2 Pricing issues, including the impact of the changeover on “psychological” price points and the timing and method of dual pricing. The Government proposes a dual pricing period of at least 4 months before, and 2 months after E day.</p>	<p>Retail banks</p> <p>Insurers</p>	
Franchise sector	<p>4.3 Build euro compatibility into franchise agreements, in particular establishing between franchiser and franchisee ownership and cost allocation of necessary actions in a changeover.</p>	<p>British Franchise Association</p> <p>Legal profession</p> <p>Banks</p>	<p>Euro compatible franchise agreements</p>

PRE D: BUSINESS ADVISERS/SUPPORT SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
<p>Trade Associations</p> <p>Professional Bodies</p> <p>Business Support organisations</p>	<p>5.1 Be familiar with headline issues for business and the latest planning documents, in order to advise customers and members where appropriate.¹¹</p> <p>5.2 Produce trade plans and guidance.</p>	<p>Overlapping organisations, for example banks, regulators</p>	

¹⁰ oNCP3. See www.euro.gov.uk/changeover.asp. See also ‘Euro compatibility: a guide for managers’, produced by HM Treasury. See www.euro.gov.uk/prep_reports.asp

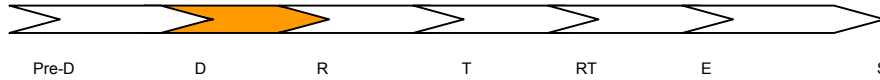
¹¹ See ‘Euro Fitness Guide: Steps that UK business can and should take now to ensure that they are ready for all eventualities’, produced by British Chambers of Commerce. For further information see www.chamberonline.co.uk.



PRE-D: VOLUNTARY SECTOR			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
National Council of Voluntary Organisations (NCVO)	6.1 Produce guidance for voluntary sector.	Central Government Local Government Private sector	'Ready for Change? The Voluntary Sector and the euro', ¹²
All	6.2 Become familiar with NCVO document 'Ready for Change? The Voluntary Sector and the euro'. ¹³	NCVO	None

¹² See www.ncvo-vol.org.uk.

¹³ 'Ready for Change? The Voluntary Sector and the euro', produced by NCVO. See www.ncvo-vol.org.uk



MANAGED TRANSITION PLAN

AFTER A GOVERNMENT DECISION TO JOIN EMU AND BEFORE A REFERENDUM

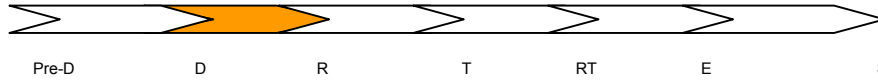
(D to R)¹⁴

Core Messages:

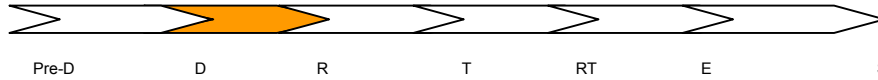
- Wholesale financial market institutions should begin implementing their preparations at D;
- Organisations that have prepared a euro changeover strategy and action plan pre-D, such as central government departments, pathfinder local authorities and banks, should begin implementation;
- If no preparations work has been undertaken:
 - Obtain copies of the most recent Government changeover planning documents and, where relevant, those of key suppliers (for example banks) and trade or professional associations;
 - Obtain copies, where relevant, of sectoral codes of conducts;
 - Large organisations should prepare a tailored euro changeover strategy and Action Plan by R;
 - Small and medium-sized organisations should:
 - ensure they can meet the changeover timetable;
 - start to prepare tailored action plans and consider the strategic impact of the changeover on their business.

¹⁴ D- Decision If the Government decided that it would be in the UK's national economic interest to join the euro then 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.

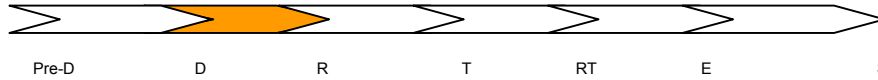


D to R: CENTRAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
All Central Government Departments	1.1 Implement departmental plans (see relevant pre-D Central Government action points 1.1 to 1.19), including preparations for legislative changes;	Other Government departments, agencies and NDPBs Banks IT contractors Payroll providers Suppliers	None. Business as usual.
Inland Revenue (Direct taxation)	1.2 See Pre-D, Central Government action point 1.20; 1.3 Start preparations for services to be offered during a transition period; 1.4 Start preparations for delivery of certain services with long lead times; 1.5 Finalise appropriate consultation (e.g. with City Euro Group, accountancy bodies) on how conversion will be treated for tax purposes, based on principle that effects will be tax neutral.	Financial services Private sector Voluntary sector Payroll industry Software industry Valuation Office Agency Accountants	Early consultation to allow payroll industry and software providers time for development, adequate testing and piloting of changes in new software; Discussion if required with pension and fund management companies, company registrars, banks/building societies, venture capital firms and companies paying dividends on accounting/return rules; Updated euro web pages for consumers and businesses.



D to R: CENTRAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
HM Customs and Excise (Indirect taxation)	1.6 Start preparations for services to be offered during a transition period: — VAT; — Excise services; — trade statistics; — international trade services.	Financial services Businesses	Some targeted communication with businesses e.g. wholesale organisations planning to convert to euro from T.

D to R: LOCAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Pathfinder local authorities	2.1 Implement changeover plans (see pre-D Local Government action points 2.3 to 2.7);	DWP ODPM IR HMCE Other Local Authorities Local Government Association (LGA) Banks Insurers Accountants Trade associations Business support IT/payroll service providers Other suppliers	



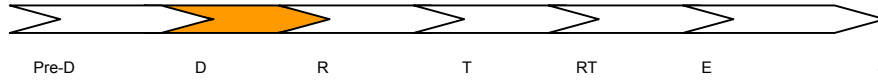
D to R: LOCAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Other local authorities	2.2 Conduct Pre-D Local Government action points 2.3 to 2.7, as listed above as actions for Pathfinder Local Authorities pre-D.	DWP ODPM IR HMCE Other Local Authorities Local Government Association (LGA) Banks Insurers Accountants Trade associations Business support IT/payroll service providers	
All local authorities	2.3 Conduct discussions on Superannuation Scheme and Teachers' Pension Agency with contacts, with a view to rationalizing euro changeover; (to be confirmed - add Fire Brigades, Police salaries here) 2.4 Discuss with the suppliers of managed services their plans to provide uninterrupted services.	Teachers' Pension Agency Trade Unions DWP Suppliers of managed services	Agreement to standard changeover date for Superannuation Scheme No impact. Business as usual.



Pre-D D R T RT E S

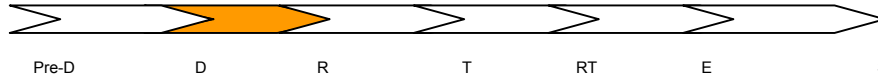
D TO R: FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Wholesale financial market institutions	3.1 (Co-ordination by the Bank of England). Start implementing preparations for the wholesale financial market changeover and the operation of the wholesale/retail interface (to be ready by T), using the City Guide. ¹⁵	Bank of England Financial Services Authority IR HMCE	
Bank of England	3.2 Start implementing preparations for the Bank to become a member of the Eurosystem from T.	European Central Bank Wholesale financial market institutions	
Financial Services Authority	3.3 Produce and publish statement of principles; 3.4 Prepare consultation paper(s).	Wholesale and retail financial services companies/ participants Bank of England HM Treasury (for any regulatory changes required to amend FSA rules) Financial Services Ombudsman	Outputs: Statement of principles and consultation document(s) Impact on financial services sector: Industry would have detail of how euro changeover would be regulated by FSA
Banks/Building Societies	3.5 Mobilise the design and build process for: — future conversion of business and personal bank accounts; — retail banking infrastructure systems; — retail banking product and customer systems. — If not yet undertaken: 3.6 Prepare a euro changeover strategy and Action Plan (see suggested steps detailed in Pre-D Financial Services action points 3.2 to 3.8);	Wholesale financial market institutions Financial Services Authority Central Government Local Government Trade associations Insurers Accountants Business Support IT and payroll service providers External consultants	None. Business as usual

¹⁵ See 'City Guide to a UK Euro Changeover', published by the Bank of England. See www.bankofengland.co.uk.
January 2005



D TO R: FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Insurers	<p>3.7 Mobilise the design and build process for conversion of policies from sterling to euro.</p> <p>If not yet undertaken:</p> <p>3.8 Prepare a euro changeover strategy and Action Plan (see suggested steps detailed in Pre-D Financial Services action points 3.2 to 3.8).</p>	<p>Wholesale financial market operators</p> <p>Financial Services Authority</p> <p>Central Government</p> <p>Local Government</p> <p>Trade associations</p> <p>Banks</p> <p>Accountants</p> <p>Business Support</p> <p>IT and payroll service providers</p> <p>External consultants</p> <p>Business Support</p> <p>IT and payroll service providers</p> <p>External consultants</p>	<p>None.</p> <p>Business as usual</p>

D TO R: NON-FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Utilities	<p>4.1 Ensure that a euro changeover strategy and Action Plan are ready. Build consequences of sectoral codes of conduct into changeover planning;</p> <p>4.2 Start preparations for the conversion/replacement of prepayment meters and cards where appropriate;</p> <p>4.3 Pilot euro enquiry facilities for customers;</p>	<p>Other members of the sector</p>	<p>None.</p> <p>Business as usual. Extra communications may be required.</p> <p>Euro Enquiry facilities pilot.</p>

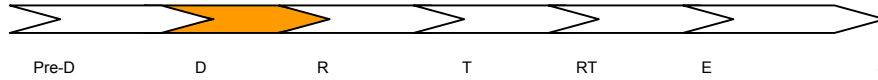


D TO R: NON-FINANCIAL SERVICES

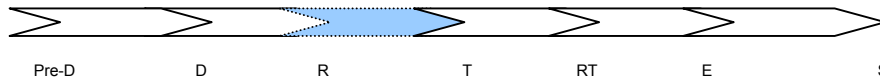
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
SMEs Small retailers	<p>4.4 Become familiar with guidance produced by trade associations/professional bodies;</p> <p>4.5 Become familiar with the most recent changeover planning documents;</p> <p>4.6 Consider how, following a positive referendum result, they would engage with key external stakeholders involved in euro preparations, including banks, insurers, accountants, business support, IT/payroll service providers, and utility companies;</p> <p>4.7 Confirm who within the business will lead on preparations and identify resources required at each stage in a euro changeover;</p> <p>4.8 Begin to identify critical interdependencies, in preparation for agreeing solutions to managing and mitigating risks identified;</p> <p>4.9 Seek advice on sectoral best practice from trade federations.</p>	<p>Trade associations</p> <p>Professional bodies</p> <p>Banks</p> <p>Insurers</p> <p>Accountants</p> <p>Business support</p> <p>IT and payroll service providers</p> <p>Utilities</p>	None. Business as usual

D TO R: BUSINESS ADVISERS/SUPPORT SERVICES

Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
All	<p>5.1 If not already done so, produce trade plans and guidance;</p> <p>5.2 Conduct action points NFS-DR4 to 9, for own internal changeover.</p>	Members	Members will be able to build sectoral best practice into their planning



D TO R: VOLUNTARY SECTOR			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
All	<p>6.1 Become familiar with the most recent changeover planning documents;</p> <p>6.2 Seek advice on best practice from NCVO/infrastructure organisations;</p> <p>6.3 Engage with key external stakeholders involved in euro preparations including banks, insurers, accountants, business support, IT/payroll service providers, and utility companies;</p> <p>6.4 Check for critical interdependencies, especially with those which provide funding eg central government, local government and other large donors, and where appropriate agree solutions to managing and mitigating any risks;</p> <p>6.5 Start to develop strategy and Action Plans, initially by:</p> <ul style="list-style-type: none"> — identifying a board-level (or equivalent) 'euro programme sponsor' with responsibility for delivery; — identifying likely impact on revenue streams, if any; — identifying likely impact on services/client or beneficiary groups, including where other services could have to be postponed or stopped; — identifying resources required at each stage in a euro changeover; — identifying who in the organisation would need to do what, when, in order for the strategy and Action Plan to be implemented. <p>6.6 Larger voluntary sector organisations should also:</p> <ul style="list-style-type: none"> — Consider the impact of a UK changeover on: — IT systems; — internal financial systems (for example, accounting, payroll, invoicing, purchasing); — staff training needs; — marketing and sales strategy. 	<p>NCVO</p> <p>Charity Commission</p> <p>Banks</p> <p>Insurers</p> <p>Accountants</p> <p>Business support</p> <p>IT/payroll service providers</p> <p>Utilities</p> <p>Central Government departments</p> <p>Local Authorities</p> <p>Business/corporate donors</p> <p>External training suppliers</p>	<p>None.</p> <p>Business as usual</p>



MANAGED TRANSITION PLAN

BETWEEN A REFERENDUM AND THE DATE OF UK JOINING

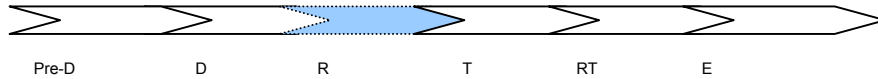
(R to T)¹⁶

Core Messages

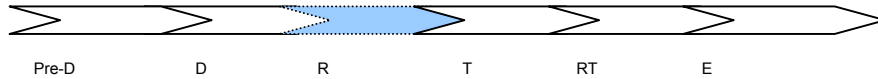
- Wholesale financial market institutions should complete the implementation of their preparations by T.
- If no preparations work has yet been undertaken, organisations should prepare a euro changeover strategy and Action Plan (see suggested steps earlier). The following should be in progress:
 - Organisations should review, implement or continue to implement euro changeover strategy and Action Plan;
 - Organisations should also develop business-to-business communication plans;
 - By T all businesses should have considered the strategic implications of the changeover on their business. In particular the impact of a fixed exchange rate on areas of the business such as markets and customer base.
 - Businesses should factor into their wider changeover planning the resource commitment that will be required to make associated changes to marketing and pricing strategies around T;
 - Organisations that issue annual bills or bills covering lengthy periods should finalise the processes/arrangements involved; and
 - Organisations, including local government, should familiarize themselves with the services that the Inland Revenue and HM Customs and Excise will be offering throughout, before deciding the timing of their take-up of these services.

¹⁶ **R- Referendum.** The people would vote on whether the UK should join the euro.

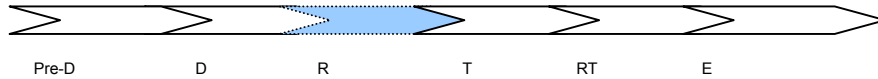
T- UK joins. The exchange rate between sterling and euro would be fixed. The exact date of joining, and the exchange rate between sterling and euro would be agreed with European partners. Even though the UK would have joined the euro at this stage, there would be few changes to everyday transactions 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.



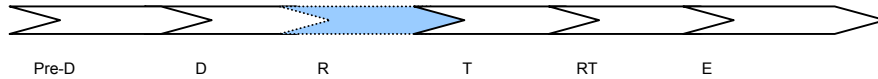
R TO T: CENTRAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
All	<p>1.1 Commence introduction of legislation/legislative changes required by T;</p> <p>1.2 Identify existing euro-defined limits that are converted into sterling. Once official exchange rate is known, determine methodology for converting these limits back to euro.</p>	<p>Parliament</p> <p>European Partners</p> <p>Other Government Departments, agencies and NDPBs</p> <p>Local Government</p>	<p>Greater certainty on legal effects of changeover</p>
Inland Revenue and HM Customs and Excise	<p>1.3 Start the full changeover programme in readiness for agreed transitional services and E day;</p> <p>1.4 Publish (soon after R) full list of transitional services, including propositions on euro payroll. See Pre-D Central Government action point 1.20;</p> <p>1.5 Undertake discussion with other representative bodies on other changeover proposals;</p> <p>1.6 Establish customer enquiry facilities.</p>	<p>Accountants</p> <p>Banks</p> <p>Bank of England</p> <p>Payroll</p> <p>Businesses</p> <p>Software providers</p>	<p>'Tax and the euro', detailing IR and HMCE services during a changeover will be released</p> <p>IR and HMCE will share plans and requirements with businesses to allow lead-time for development/ updating of business systems.</p>
HM Treasury	<p>1.7 Publish practical guidance on public accounting issues for a changeover.</p>	<p>Chartered Institute of Public Finance and Accountancy</p>	<p>Communication for central Government departments, local authorities and the National Health Service.</p>



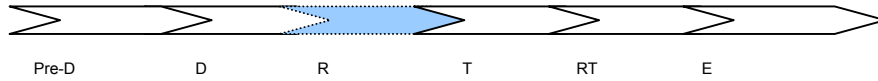
R TO T: LOCAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Local Authorities	<p>2.1 Begin consideration of schools' textbooks replacement programme, including libraries' reference books requirements, in liaison with DfES;</p> <p>2.2 Identify all fees and charges (for example planning, parking, market, cultural services, leisure, library, schools, children services, elderly services, meals, refreshments, room hire, licences, pest control, etc);</p> <p>2.3 Consult with DWP on policy on changeover issues for Housing Benefit systems;</p> <p>2.4 Conduct risk/implications analysis for:</p> <ul style="list-style-type: none"> — Creditors; — Housing benefits payments; — Council tax; — National Non Domestic Rates; — Debtors; and — Miscellaneous billing systems. <p>2.5 Devise billing strategy and determine date for systems changeover;</p> <p>2.6 Conduct risk/implications analysis for scriptural payments received from other parties, including the effect on receipting / accounting systems and procedures (including internet payments). Fix 'go-live' euro acceptance date;</p> <p>2.7 Conduct detailed discussions changeover preparations on salaries, Local Authority Superannuation Scheme and Teachers Pension Agency. Agree dates for euro payment of salaries, pensions, and contribution transfers from payroll system.</p>	<p>DfES</p> <p>DWP</p> <p>IR</p> <p>HMCE</p>	



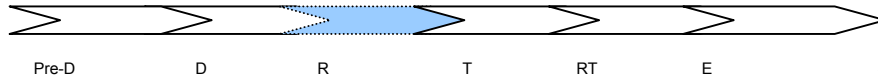
R TO T: FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Bank of England Wholesale financial market institutions	3.1 Complete preparations for the Bank to become a member of Eurosystem from T; 3.2 Complete implementation of preparations for wholesale financial market changeover (at T), and the operation of the wholesale/retail interface (from T), including appropriate testing before T.	European Central Bank Financial Services Authority IR HMCE Other wholesale financial market institutions	Communication between Bank and wholesale market participants
Financial Services Authority	3.3 Respond to consultation and produce final text; 3.4 Supervision approach finalized; 3.5 Develop industry training programme.	HM Treasury Retail and wholesale financial services sector	Legislative changes to Financial Services and Markets Act 2000 and any accompanying secondary legislation Financial services sector will have clear understanding of supervisory approach to be adopted in wholesale and retail sectors.
Banks, Building Societies and other account holding institutions/ mortgage providers	3.6 Complete preparations to ensure that the interfaces between the wholesale and retail markets continue to operate; 3.7 Continue design and build process for future conversion of business and personal bank accounts; 3.8 Continue development of retail banking infrastructure; 3.9 Continue development of retail banking product and customer systems.	Wholesale financial market institutions IR HMCE	Communication with private clients.
Banks	3.10 Engage with customers on the implications of joining the euro for their business, where appropriate.	Trade associations	
Insurers	3.11 Continue the design and build process for conversion of policies; 3.12 Finalise agreement of conversion strategies and approaches with intermediaries and brokers.	Insurance brokers DWP and pension providers (on stakeholder pensions)	



R TO T: NON-FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Retailers	<p>4.1 In advance of exchange rates being fixed, consider options for new pricing strategies, alongside the Code of Conduct for the retail industry;</p> <p>4.2 Start the full changeover programme.</p>	<p>Suppliers</p> <p>Consumer groups</p> <p>Banks</p> <p>Trade associations</p>	
Utilities	<p>4.3 Consult representatives of consumer and vulnerable groups, and SMEs, about information needs;</p> <p>4.4 Discuss implications of euro changeover with utility regulators, banks, Royal Mail, local authorities and representative bodies, including finalising payment processes;</p> <p>4.5 Mobilise design and build for billing and payments facilities.</p>	<p>Consumer groups</p> <p>SME trade associations</p> <p>Banks</p> <p>Royal Mail</p> <p>Regulators</p> <p>Local authorities</p>	<p>Consultation on changeover proposals</p>
Accountants	<p>4.6 Train accountancy and finance professionals in accounting issues associated with a changeover;</p> <p>4.7 Publish practical guidance on accounting issues for a changeover;</p> <p>4.8 Engage with customers on the implications of joining the euro for their business, where appropriate.</p>	<p>IR</p> <p>HMCE</p> <p>Trade associations</p>	<p>Practical guidance available to customers</p>
SMEs	<p>[If not already done so]</p> <p>4.9 Confirm who within the business will lead on preparations and identify resources required at each stage in a euro changeover;</p> <p>4.10 Become familiar with the most recent changeover planning documents;</p> <p>4.11 Seek advice about effect on business from accountant and/or bank;</p> <p>4.12 Seek advice on sectoral best practice from trade associations;</p> <p>4.13 Engage with key external stakeholders involved in euro preparations, including banks, insurers, accountants, business support/IT, utility companies and payroll service providers;</p> <p>4.14 Check for critical interdependencies, and where appropriate agree solutions to managing and mitigating risks identified;</p>	<p>Banks</p> <p>Insurers</p> <p>Accountants</p> <p>IT companies</p> <p>Utilities</p> <p>Payroll</p> <p>Trade associations</p> <p>Small Business Service</p> <p>Regional Development Agencies</p> <p>Business Link</p>	



R TO T: NON-FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
SMEs (Contd.)	4.15 Prepare and implement a tailored euro changeover strategy and Action Plan for the business which: <ul style="list-style-type: none"> (a) sets out who in the organization would need to do what, when, in order for the strategy and Action Plan to be implemented; and (b) considers the impact of a UK changeover on: <ul style="list-style-type: none"> — current business plans and existing change programmes, including those that could have to be postponed or stopped; — current products and services including the implications for pricing, and marketing; — the supply chain, i.e. when will suppliers be sending invoices in euro and when will customers expect to receive invoices in euro; — IT systems; — internal financial systems (for example, accounting, payroll, invoicing, purchasing); — internal and external communications; — cash handling; — staff training needs. 		
Franchise sector	4.16 Analyze franchise agreements and operational manuals to identify areas where there are issues to be agreed, such as ownership of cost allocation of necessary actions in a changeover. Where necessary make amendments to these documents.	Franchise lawyers Banks Trade associations	

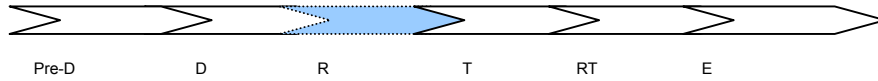


R TO T: BUSINESS ADVISERS/SUPPORT SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Software providers	<p>5.1 Update accountancy and financial software to make currency neutral,¹⁷ meeting any requirements of the accounting guidelines and reporting rules;</p> <p>5.2 Engage with customers on the implications of joining the euro for their systems and software, where appropriate.</p>	<p>Accountancy bodies</p> <p>IR</p> <p>HMCE</p>	Liaison with businesses.

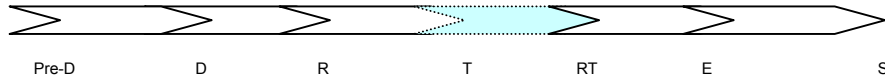
R TO T: VOLUNTARY SECTOR			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
All	<p>[If not already done so]</p> <p>6.1 Confirm who within the organisation will lead on preparations and identify resources required at each stage in a euro changeover;¹⁸</p> <p>6.2 Become familiar with the most recent changeover planning documents;</p> <p>6.3 Seek advice about effect on business from accountant and/or bank;</p> <p>6.4 Seek advice on best practice from National Council of Voluntary Organisations (NCVO);</p> <p>6.5 Engage with key external stakeholders involved in euro preparations, including banks, insurers, accountants, business support/IT, utility companies and payroll service providers;</p> <p>6.6 Check for critical interdependencies, and where appropriate agree solutions for managing and mitigating risks identified;</p>		

¹⁷ Currency neutrality is the capacity to operate in any single currency at any one time. It should be noted that this may not necessarily provide the capability to change from one currency to another.

¹⁸ See 'Ready for Change? The Voluntary Sector and the euro', produced by NCVO. See www.ncvo-vol.org.uk



R TO T: VOLUNTARY SECTOR			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
All (Contd.)	<p>6.7 Prepare and implement a tailored euro changeover strategy and Action Plan for the organisation which:</p> <p>(a) sets out who in the organization would need to do what, when, in order for the strategy and Action Plan to be implemented; and</p> <p>(b) considers the impact of a UK changeover on:</p> <ul style="list-style-type: none"> — current business plans and existing change programmes, including those that could have to be postponed or stopped; — current products and services including the implications for marketing; — the supply chain, ie when will suppliers be sending invoices in euro and when will customers/clients expect to receive invoices in euro; — IT systems; — internal financial systems (for example, accounting, payroll, invoicing, purchasing); — internal and external communications; — cash handling; and — staff training needs. 		



MANAGED TRANSITION PLAN

BETWEEN UK JOINING EMU AND RETAIL TRANSITION

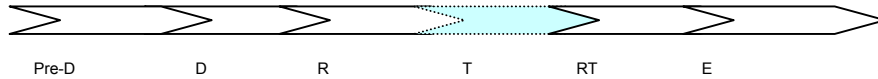
(T to RT)¹⁹

Core Messages

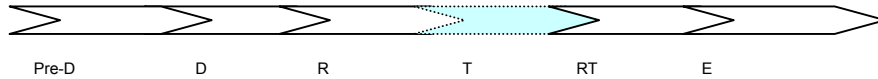
- Non-financial services organisations should consider the implications of the start of the retail transition, and engage with their bank and other financial services providers to establish when their accounts and products will be converted.
- If relevant, they would also benefit from establishing when their bank will issue euro denominated cheque books and what charges will be levied after T for handling euro cash.
- Organisations should familiarise themselves with the services that Inland Revenue and HM Customs and Excise will be offering throughout the remainder of the timetable, before deciding on the timing of their take-up of these services.

¹⁹ **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.

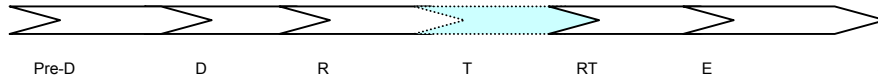
RT- Retail Transition. Banks would start offering full euro services to customers. From this point, banks would begin converting accounts from sterling to euro. Account holders could make and receive payments in either sterling or euro. Transactions would be clearly displayed in bank statements. Businesses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



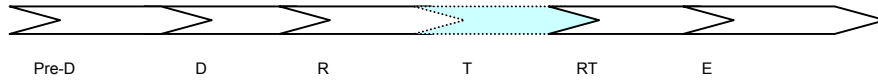
T TO RT: CENTRAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Inland Revenue (direct taxation)	<p>1.1 Liaise with payroll providers, software providers and businesses to test the functionality required to operate in euro, including Self Assessment, Corporation Tax and payroll during the transition period. See Pre-D Central Government action point 1.20;</p> <p>1.2 Develop, install and test euro-compatible tax systems for transitional services.</p>	<p>Payroll providers</p> <p>Software providers</p> <p>Business</p> <p>London Stock Exchange</p>	<p>Payments from IR to suppliers could be made in euro on request;</p> <p>Information from the Stock Exchange system that records stamp duty on UK securities would be received by IR in euro only;</p> <p>Statutory return information from other financial institutions could be received by IR in sterling or euro;</p> <p>Dual displayed outputs (P45s, P60s, etc.) from an employer to IR and other employers/employees would be accepted by IR for PAYE purposes.</p> <p>Updated leaflet on how to pay tax in euro.</p>



T TO RT: CENTRAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
HM Customs and Excise (indirect taxation)	1.3 Liaise with businesses to test the functionality required to operate from RT in euro, including VAT, excise and customs, duties and trade statistics; 1.4 Develop, install and test euro indirect tax system to ensure that all current indirect tax, statistics and international trade services would be able to operate in euro from RT.	Businesses Local Government Central government departments Voluntary sector	Communication with businesses; Payments from HMCE to suppliers could be made in euro on request; VAT accounts can be kept by traders' businesses in euro; Euro invoices would be accepted by HMCE for VAT purposes where businesses dealing with each other choose to invoice each other in euro.
Department of Trade and Industry, Department for Environment, Food and Rural Affairs and grant-giving departments	1.5 [To be confirmed] Develop, install and test systems to enable processing of grant payments in euro to businesses and organizations.	Business	Grant payments from the government to businesses could be made in euro on request.
Export Credits Guarantee Department	1.6 Make all sterling-based products available in euro from T.	Exporters Trade associations	Sterling-based insurance products from the ECGD could be offered in euro on request.



T TO RT: LOCAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Local authorities	<p>2.1 Consult / liaise with bank to ascertain service provision across the remainder of the timetable;</p> <p>2.2 Determine pricing policy for rounding and smoothing euro values of goods and services;</p> <p>2.3 Determine fees and charges for goods and services for next financial year, and notional values for financial year following E day;</p> <p>2.4 Involve Trading Standards staff in consideration of Consumer Code of Conduct;</p> <p>2.5 Develop overall training plan for staff training and awareness, and assess implications for continuing service delivery;</p> <p>2.6 Liaise with HM Treasury and other Central Government Departments to determine date for submitting all statistical returns in euro;</p>	<p>Retail banks</p> <p>Trading Standards</p> <p>HM Treasury</p> <p>OGDs</p>	<p>Liaison with bank will determine what euro services could be offered to business community</p> <p>Smoothing and rounding will have implications for consumers</p>



T TO RT: FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Wholesale financial market institutions	<p>3.1 Implement wholesale market changeover during 'changeover weekend' at T;</p> <p>3.2 Operate wholesale/retail interface from T.</p>	<p>IR</p> <p>HMCE</p> <p>Financial Services Authority</p> <p>Other wholesale financial market institutions</p> <p>Retail financial services</p>	<p>Gilt-edged securities redenomination²⁰</p> <p>Payment of gilt coupons and redemptions²¹</p> <p>Share capital redenomination²²</p> <p>Equities²³</p> <p>Dividend payments²⁴</p> <p>Flotations and rights issues²⁵</p>

²⁰ Gilt-edged securities would be redenominated to euro at T. From T, these securities would be quoted, traded and settled in the wholesale markets in euro. Private clients could continue to receive financial prices, and settle gilt transactions in sterling;

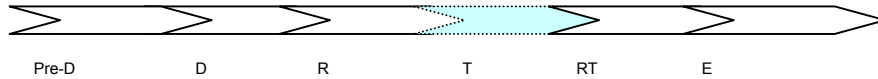
²¹ Gilt coupons and redemptions would be paid in euro. Institutional investors would hold euro accounts and receive payments in euro, while private clients would continue to hold sterling accounts and receive payments in sterling.

²² UK companies would be free to decide whether to redenominate their share capital from sterling to euro at any time after T, but would be strongly encouraged to use a method which would leave the number of shares held by each shareholder unchanged.

²³ Equities would be traded by market makers and settled in euro. Retail brokers would deal with market makers either in euro or in sterling, and with their retail clients predominantly in sterling.

²⁴ Dividend payments would continue to be made in sterling until RT. Institutional investors' accounts would be credited in euro.

²⁵ Flotations and rights issues would open to investors in both sterling and euro.



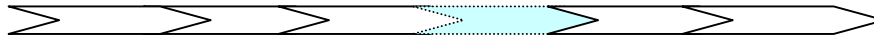
T TO RT: FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Bank of England	<p>3.3 Join Eurosystem at T;</p> <p>3.4 Oversee 'conversion weekend' and aftermath;</p> <p>3.5 Monitor operation of the wholesale/retail interface from T;</p> <p>3.6 Monitor preparations, to be ready by RT, for the changeover in the retail payment system to euro.</p>	<p>European Central Bank</p> <p>Wholesale financial market institutions</p> <p>Banks</p> <p>APACS</p> <p>BBA</p> <p>Financial Services Authority</p>	
Financial Services Authority	<p>3.7 Introduce supervisory approach agreed before T for wholesale market;</p> <p>3.8 Implement industry training programme.</p>	Wholesale financial market operators	Training available for financial service businesses
<p>Banks</p> <p>Building societies</p> <p>Other account holding institutions/ mortgage providers</p>	<p>3.9 Complete the build phase of retail banking product and operational infrastructure systems and begin testing;</p> <p>3.10 Complete the build phase and begin testing programmes for converting personal and business accounts from sterling to euro;</p> <p>3.11 Start preparations for changeover of ATMs and related services;</p> <p>3.12 Begin training staff in:</p> <ul style="list-style-type: none"> — changes to payments systems; — changes to products and services; — the accounts conversion process. 	<p>Other banks/building societies</p> <p>APACS</p> <p>Financial Services Authority</p> <p>External training suppliers</p> <p>ATM maintenance contractors</p>	<p>Accounts²⁶</p> <p>Sterling account statements²⁷</p> <p>Credit and debit cards²⁸</p> <p>Cheque guarantee cards²⁹</p>

²⁶ Retail customer accounts would continue to be denominated in sterling. (Euro accounts would already be available and held on foreign currency systems but with limited functionality). Euro payments into sterling accounts would be converted to sterling before being applied. All account holding institutions would offer this service but the capacity of each to make the necessary conversions would be limited. No other euro functionality would be available on standard sterling accounts. Account transfers would be available between sterling and euro accounts;

²⁷ Sterling account statements would continue with the full euro amount of any euro transactions shown in the narrative, or full details provided under separate advice;

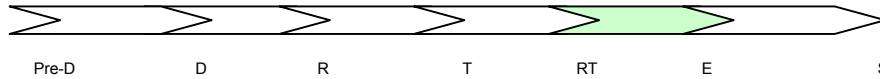
²⁸ Credit and debit cards would not be affected as they reflect the currency of the account to which they are attached. If a UK retailer had converted a PoS terminal to operate in euro, euro transactions would be accepted on sterling accounts (as is done presently for foreign currency transactions), but without any commission or handling charges being taken from the consumer.

²⁹ Cheque guarantee limits might be expressed in both sterling and euro on cards issued and renewed after T.



Pre-D D R T RT E S

T TO RT: BUSINESS ADVISERS/SUPPORT SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
RDAs Business Link Scottish Enterprise Highlands and Islands Enterprise Local Enterprise Companies Welsh Development Agency Invest Northern Ireland	5.1 [To be confirmed] Develop, install and test systems to enable processing of grant payments in euro to businesses and organizations.	Business DTI Voluntary sector	Grant payments to businesses could be made in euro on request.
Software providers	5.2 Euro compatible accountancy packages and training available for customers.		Software accountancy packages available with both euro and sterling functionality.



MANAGED TRANSITION PLAN

BETWEEN RETAIL TRANSITION AND E DAY

(RT to E)³¹

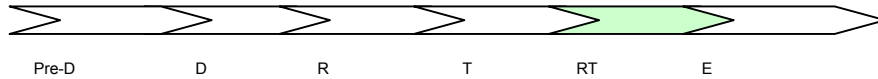
Core Messages

- All organisations must complete their internal changeover by E. This includes:
 - staff training;
 - IT conversion work in preparation for E day, such as accounting systems, legacy information systems, and customer contract data;
 - testing of all converted systems to be ready for E day.
 - All organisations should begin dual display (from at least four months before E day);
 - All organisations that accept non-cash payments should ensure that systems are in place and operational to accept these in euro (from RT).³²
 - Organisations, including local government, who have not yet decided on their take-up of Inland Revenue and HM Customs and Excise services must do so urgently.
 - Organisations should monitor their business carefully for any consequences of a changeover, taking mitigating action where necessary.
 - For further details, organizations should consult the Cash Changeover Plan (published within six months of D).
 - For details of the period between E day and S-Day (E to S), organisations should consult the Cash Changeover Plan.

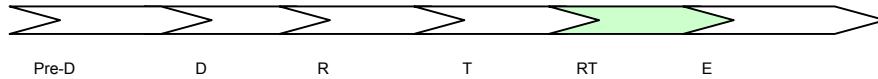
³¹ **RT- Retail Transition.** Banks would start offering full euro services to customers. From this point, banks would begin converting accounts from sterling to euro. Account holders could make and receive payments in either sterling or euro. Transactions would be clearly displayed in bank statements. 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.

³² For most consumers the likelihood is that the vast majority of financial transactions, such as the payment of utility bills, would continue to be in sterling until E day.



RT TO E: CENTRAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Inland Revenue and HM Customs and Excise	1.1 Transitional services for individuals and businesses. See Pre-D Central Government action point 1.20;	Payroll providers Businesses Agents (eg Accountants, Tax Consultants, Import/Export (Shipping) Agents etc) Financial Services Software Providers	Self Assessment tax returns could be assessed in euro. Business could submit euro tax returns by Internet, for the tax year in which RT fell. Businesses would be able to operate a euro payroll for the tax year in which RT fell. Dual display of key amounts. All indirect tax services would be available in euro.
National Savings and Investments	1.2 Prepare for conversion in line with the agreed product conversion approach to ensure all customers' transactions will be undertaken in euro after E day.	Royal Mail Financial Services Authority	



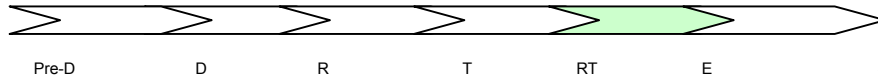
RT TO E: LOCAL GOVERNMENT			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Local authorities	<p>2.1 Liaise with suppliers regarding euro payment options prior to E day;</p> <p>2.2 Public facing systems with annual/regular payment schedules to be operating in euro for public awareness and dual currency display in sterling/euro;</p> <p>2.3 Execute Point of Sale machinery replacement/conversion plans;</p> <p>2.4 Dual display of prices on vending and parking machines, and goods/services for sale.</p>	<p>Suppliers</p> <p>Utilities</p> <p>Business</p>	<p>Public awareness will increase</p> <p>Public and business community will have facility to make payments to local authorities in euro.</p>

RT TO E: FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
<p>Banks</p> <p>Building societies</p> <p>Other account holding institutions/ mortgage providers</p>	<p>3.1 Complete testing of the personal and business accounts conversion programme and begin mass implementation;</p>		<p>Accounts ³³</p> <p>Sterling account statements ³⁴</p> <p>Credit and debit cards ³⁵</p> <p>Cheque guarantee cards ³⁶</p>
Insurers	<p>3.2 Continue advising customers of euro equivalent values, for example, direct debits;</p> <p>3.3 Convert internal systems.</p>		

³³ Retail customer accounts would be converted according to the strategies of individual banks and building societies, which would advise customers of timing. Sterling chequebooks could continue to be used on accounts converted from sterling to euro. Some banks and building societies might offer euro chequebooks earlier in this period, but most would issue euro chequebooks shortly before E day

³⁴ Sterling account statements would carry, starting from RT, the following information:

- the fixed, official conversion rate;
- the closing balance in sterling and euro;
- transactions displayed in both denominations, where the transaction originated in sterling on a euro account, or vice versa; and
- the exact presentation of account information would vary from bank to bank, as would the timing of the introduction of dual display on bank statements.



RT TO E: NON-FINANCIAL SERVICES			
Organisation	Action	Key interdependencies	Outputs and practical impact on consumers and business community
Retailers	<p>5.1 Implement dual display of prices from at least four months before E day until at least two months after E day;</p> <p>5.2 Introduce euro compatible PoS terminals;</p> <p>5.3 Determine pricing strategy and Action Plan after E day;</p> <p>5.4 Liaise with vending companies to ensure provision of euro compatible services such as locks on trolleys, stamp machines.</p>	<p>Banks</p> <p>PoS manufacturers/ suppliers</p>	<p>Dual display of prices;</p> <p>New PoS terminals;</p> <p>New vending and coin-slot machines.</p>
Utilities	<p>5.5 Finalise payment arrangements with banks, Royal Mail;</p> <p>5.6 Finalise systems conversions for billing and payments (including pre-payment meters where appropriate; some prepayment meters will be converted/exchanged post E day)</p> <p>5.7 Finalise all staff training;</p> <p>5.8 Prepare systems conversions for payphones, multi-phones and mobile phones;</p> <p>5.9 Inform customers of changes to direct debits and credits.</p>	<p>Banks</p> <p>Royal Mail</p>	<p>Dual display of key billing items.</p> <p>Due to the timing of E day and annual billing cycles such as those used in the water sector, some dual display bills may be issued at E – 14 months.</p> <p>The majority of bills will continue to be paid in sterling until E day.</p>
Royal Mail	<p>5.10 Implement dual display of prices from at least four months before E day until at least two months after E day;</p> <p>5.11 Introduce euro compatible PoS terminals.</p>		<p>Dual display of prices</p>

³⁵ Credit and debit card transactions could be made in euro where the PoS terminal was denominated in euro. This transaction would not be treated as a foreign currency transaction;

³⁶ Cheque guarantee cards would be valid with both sterling and euro cheques;

Annexes

Annex A:

Existing Sterling and Euro Retail Banking Services Available in the UK

The table below describes the existing sterling and euro retail banking services available in the UK, and gives definitions of some technical terms used in this annex and throughout the document.

Service	Description
Bank Account €	Available from some banks. Euro accounts are held as foreign currency accounts. Limited functionality compared to sterling accounts, for example, no direct debit facility.
Bank Account £	The main, full functionality UK business and personal bank account, which provides direct debits, standing orders, cheque clearing services, etc.
Cheques €	As there is no euro credit clearing, euro cheques drawn on UK banks must be paid in to a branch of the customer's own bank. There is a euro cheque clearing for cheques drawn on UK banks.
Cheques £	Normally cleared on a three day cycle.
Direct Debit €	Not available on any UK euro account.
Direct Debit £	Used for regular payments such as utility bills and insurance premium payments.
Direct Credit €	Euro direct credits are available, but not widely used. The industry's current estimate of capacity is 250,000 items per day; the current volume is 150 items per day.
Direct Credit £	Used primarily by non-personal customers to make payments to personal and business accounts.
Cash €	As with other foreign currencies, such as \$US, euro is treated as foreign currency and can be exchanged at any bank for a fee; coins are not normally accepted. It is at the discretion of the retailer to choose to accept euro as a form of payment.
Cash £	UK legal tender. Personal banking is generally free of charge. Existing charges apply for business banking for cash deposits, withdrawals and cash exchange.
CHAPS €	Electronic infrastructure that is used to transfer high value, low volume euro denominated amounts. Charges for use are negotiated by payment banks.
CHAPS £	Electronic infrastructure that is used to transfer high value, low volume sterling denominated amounts. Charges for use are negotiated by the payment banks.
Liquidity Management	It is possible in principle to have interest grouping and pooling between euro and sterling accounts.
Telephone and internet banking	Information is provided in the currency of the account.
Statements	Statements are produced on a periodic basis in the currency of the account.

Annex B List of technical terms and abbreviations

The following list includes terms and abbreviations used in this report, and other euro-related terms that may be useful.

APACS	Organisation formerly known as Association for Payment Clearing Services
BBA	British Bankers' Association
DfES	Department for Education and Skills
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
ECGD	Export Credits Guarantee Departments
EPU	The Euro Preparations Unit in the Treasury
FSA	Financial Services Authority
HMT	Her Majesty's Treasury
HMCE	Her Majesty's Customs and Excise
IR	Inland Revenue
LGA	Local Government Association
MTP	Managed Transition Plan
NCVO	National Council for Voluntary Organisations
NDPB	Non-Departmental Public Body.
ODPM	Office of the Deputy Prime Minister
OGC	Office of Government Commerce
OGDs	Other Government Departments
oNCP3	The third outline National Changeover Plan
PAYE	Pay As You Earn
PoS	Point of Sale
RDA	Regional Development Agency
SME	Small- and Medium-sized-Enterprises
VAT	Value Added Tax

Annex C: Other useful publications

HM Treasury

www.euro.gov.uk

Euro compatibility: a guide for managers, second edition

January 2004

Report on euro preparations

April 2004

Seventh report on euro preparations

November 2003

Third outline National Changeover Plan

June 2003

Local Authorities: Euro Preparation Guidance

June 2003

Euro Preparations: What you need to know (leaflet)

July 2004

Lessons from the changeover in the euro area: a summary
of reports by private sector organisations in the UK

July 2002

Bank of England

www.bankofengland.co.uk

Practical Issues Arising from the Euro

May 1996 – Nov 2002

City Guide to a UK euro changeover

Regularly updated

Association of British Insurers

www.abi.org.uk

UK Insurance Industry Outline Euro Guidance Document

May 2004

British Bankers' Association/

www.bba.org.uk

Association for Payment Clearing Services

www.apacs.org.uk

The UK banking industry outline euro blueprint

June 2002

The British Chambers of Commerce

www.britishchambers.org.uk

Euro fitness guide: steps that UK business can and should
take now to ensure that they are ready for all eventualities

June 2002

British Retail Consortium

www.brc.org.uk

Implementing the euro in retail: how eurozone retailers
managed the changeover

April 2002

National Council of Voluntary Organisations

www.ncvo-vol.org.uk

Ready for Change? The voluntary sector and the euro

February 2004