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DAO(GEN)17/01

Dear Accounting Officer

18 December 2001

INTRODUCTION OF EURO NOTES AND COINS

Purpose of this DAO letter

To draw attention to the introduction of euro notes and coins across the euro area from 1 January 2002.

Action: Departments should draw this letter to the attention of finance colleagues, those who travel to Europe on business, and others whom it may concern, including their executive agencies and NDPBs.

Other key dates

- No cheque should be issued in a legacy (ie national pre-euro) currency after 31 December 2001;
- Any cheques (including traveller's cheques) in a legacy currency dated after 31 December 2001, will not be valid and should not be accepted;
- Cheques (including traveller's cheques) in legacy currencies issued before 1 January 2002 may continue to be accepted and deposited with banks until 15 February 2002 (this cut-off date is in order to ensure inter-bank clearance by the final deadline of (normally) 28 February 2002). (Banks should continue to process cheques manually on a bilateral basis after 15 February, if the cheque remains valid, but this is likely to take longer and incur higher costs);
- By 28 February 2002, at the latest, legacy currencies in the euro area will no longer be legal tender. All transactions will be required to be made in euro.

(OPG customers sending cheques for lodgement through the Bank of England should be aware of the dates above and allow a couple of extra days (as advised at the OPG User Group meeting in September).

Euro area countries

2. Countries in the euro area are: Austria, Belgium, Finland, France, Germany, Greece, Republic of Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain.

Legacy currency cheques, etc

3. The key dates are given in paragraph 1 above. In the event that any legacy currency cheques dated after 31 December 2001 are inadvertently accepted, departments should seek replacement euro cheques (or other form of euro payment) from the drawers.

4. A few euro area countries (Ireland, Netherlands, and in France specifically Paris) have a later date for final clearance of cheques than 28 February. For information see the Bank of England's "Practical issues arising from the euro", December 2001, section 2, on www.bankofengland.co.uk/euro/piq.htm

Legacy currency bank accounts

5. Any departments which have held bank accounts in the legacy currencies of the euro area countries should already have had these converted to euro by the bank concerned, or should have been informed of the date by which conversion will occur. In any case of doubt, contact the bank concerned for information.

Euro notes and coins

6. There are seven denominations of the euro note: €5, €10, €20, €50, €100, €200, €500. The notes are identical across the whole euro area. Coins come in 1 and 2 euro denominations, and 1, 2, 5, 10, 20, and 50 cents. (There are 100 cents in a euro.) Euro coins have one common side showing the denomination, and one national side. Both euro notes and coins can be spent anywhere within the euro area, regardless of the country of issue. Colour pictures of the notes, and the coins of each country, can be found in the centre pages of HM Treasury's Fifth report on Euro Preparations, November 2001 at www.euro.gov.uk/prep_reports.asp (hard copy available from the Treasury's Euro Preparations Unit), or from the European Central Bank's website www.euro.ecb.int/en/section/recog.html.

7. Security features of the new notes are easily identified by three tests: feel, look and tilt. Pure cotton paper is used, and some parts on the front side are printed in relief; a watermark and security thread are visible when held up to the light. Lower value notes have a hologram on a foil stripe showing the euro symbol and the value, and an iridescent stripe which, when tilted under a bright light, shines and changes colour significantly. €50 to €500 notes have a foil patch (instead of a strip) with a hologram which shows the denomination and an architectural feature, and optically variable ink whereby the value numerals change from purple to olive green/brown (instead of an iridescent strip).

8. Virtually all ATMs are expected to have been converted on 1 January 2002 in Austria, Belgium, Germany, Luxembourg, and Netherlands. Finland, France, Ireland,

Portugal and Spain expect to reach this in up to a week. Greece and Italy expect over 75 per cent to have been converted on 1 January, but the remainder may take up to two weeks. In countries which do not expect full conversion by 1 January, unconverted machines may continue to supply legacy currency for a limited period.

End of legacy currencies

9. Legacy currencies will cease to be legal tender: German mark 31 December 2001 (but cash can be spent until 28 February 2002), Netherlands guilder 28 January 2002, Irish pound 9 February 2002, French franc 17 February 2002, and remaining euro national currencies 28 February 2002. After these dates retailers and others will be under no legal obligation to accept legacy currencies.

10. National central banks will continue exchanging their own legacy currency notes and coin for extended periods, and those of other euro area countries until 31 March 2002, though generally only for limited amounts. Commercial banks will exchange legacy cash of their own country during the dual circulation period and in some cases for longer, though not all will offer this free of charge, and generally only for their own customers. The arrangements vary from country to country. For more information, see section 3 of the Bank of England reference in paragraph 4 above.

In the UK

11. The euro remains a foreign currency unless and until the UK decides to join the euro area. The guidance on foreign currencies in *Government Accounting* chapter 28 applies.

12. Banks and other UK credit institutions are arranging to have supplies of euro to meet demand from 1 January 2002. They are not obliged to exchange legacy currency notes and coin for euro, but a number of UK banks will exchange legacy notes for euro notes in certain of their branches from 2 January 2002 until at least the date on which the relevant cash exchange period ends. Departments in doubt, should check arrangements with their normal suppliers. As UK banks do not normally accept foreign currency coin, there is no natural outlet for legacy currency coin in the UK. However, the UK clearing banks are running schemes to collect legacy coins for certain well known charities such as Age Concern, Christian Aid, or Save the Children.

Enquiries

13. Any enquiries about this letter should be addressed to Mary King here (0207-270-5315, GTN 270 5315, e-mail mary.king@hm-treasury.gsi.gov.uk).

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