



THE EURO AND SLOVAKIA

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Cashless payments in Euros started on 1st January 1999. On that date the exchange rates between the national currencies and the Euro were irrevocably fixed. In 1998, the Association of Banks (AB) in cooperation with the Bratislava representatives of the Societé Generale already prepared a seminar on the new united currency of the European Monetary Union – the Euro. The aim was to inform and prepare the public and banks for the fact that on 1st January 2002 the new currency would be introduced in cash form in the member states of the EMU, and the Euro would replace the twelve existing national currencies of the participating states.

This, a further stage in the economic integration of the Western European countries was concluded. The Euro gradually became an important reserve currency, a counter balance to the US dollar. It is greatly increasing the transparency and comparability of prices, and diminishing price differences between individual countries of the EU. Foreign trade and investment is intensifying. More than 60% of the foreign trade of the Slovak Republic is with the countries of the EMU. Therefore, there is no doubt that preparedness for the Euro is essential for all natural and legal persons in Slovakia.

The European Banking Community has published a series of recommendations and directives in connection with the introduction of Euro cash from 1.1.2002. These are useful for raising the preparedness of the banks and public for the coming of the Euro, minimizing problems, and ensuring the proper implementation of commercial transactions.

The first concrete step towards informedness on the Euro was the FBE (Federal Banking Europe Association) questionnaire on the problem of introducing the European currency unit, the Euro, in the countries of the EMU and the possible effects on the banking sector and citizens of the Slovak Republic. With the aim of securing an unproblematic transition to the Euro and appropriate informedness of the commercial banks and public in Slovakia, the Association of Banks started the process by obtaining the FBE questionnaire. The results of the questionnaire reflected the state of informedness about the possible problems, which could arise during the introduction of Euro cash from 1.1.2002. Many of the replies from banks were still on the level of pre-conditions, for example storage and transport of the new money, its distribution, setting fees for conversion, protective elements and identification of counterfeits, the transitional period, demand for cash and so on. The banks have their own distribution routes for the

transport of Euro banknotes and coins. These activities were evaluated at the FBE talks in May at Ljubljana, with the participation of the Association of Banks of the Slovak Republic.

In April 2001, a working commission of representatives of the National Bank of Slovakia and Association of Banks was established to coordinate the process associated with exchange of the national currency cash from the EMU states for the Euro. The representatives of the commercial banks and the NBS agreed on the importance of the process of changing the national currencies for the Euro and the fact that the process would influence the activity of the commercial banks in Slovakia. In connection with the information of the ECB, they requested that the Association of Banks and the NBS undertake this process jointly, formulate their recommendations for the banking sector, transfer information and data from the European Central Bank and European Commission, and coordinate the activity of the commercial banks in this area.

The first joint meeting of the representatives of the AB and NBS formulated the following recommendations for the commercial banks in the process of introducing the Euro:

- Establish a project group in each bank to prepare for the introduction of Euro banknotes and coins,
- To entrust one member of this group and one deputy with participation in meetings with the NBS and AB,
- To prepare a project for the transition from the national currencies of the EMU states to the Euro in the conditions of each bank (including the change of foreign currency accounts in these currencies, without the consent of the clients),
- To prepare an information campaign for depositing in accounts of cash in the currencies of the EMU states,
- To put information about the procedure of the bank during the transition from use of the national currencies of the EMU states to use of the Euro on the Internet page of every bank,
- To discuss conditions with partner banks and conclude agreements on this problem,
- To specially consider and seek possibilities for exchange of coins and formulate conditions in this area,
- Attempt to create a balance between minimalization of costs to the bank during the introduction of Euro banknotes and coins and the withdrawal of banknotes and coins of the national currencies of the EMU states, and satisfaction of the clients with the procedure of the bank or of the banking sphere in general,

- To minimize the transfer of costs to the clients,
- The ECB recommends exchange of cash without charge as a concession to a bank's own clients, in the framework of the possibilities of the bank and in the chosen time period.

The meeting also agreed on the text of questions for a questionnaire to survey: „The transition from the national currencies of the EMU states to the Euro“. A joint commission of the AB and NBS solved some questions connected with the process of exchange of Euro banknotes and coins, especially:

- The legislative basis for exchange of financial resources in foreign currencies of the EMU states for Euros up to 31. 12.2001,

- A methodological directive on procedures for accounting the exchange of national currencies of the EMU states for Euros from the Ministry of Finance of the Slovak Republic (published in Finančná spravodajca 16/2001), based on the directive of the ECB, which sets regulations on the delivery of Euro banknotes outside the Eurozone,

- The exchange rate list of the NBS after January 2002.

The July questionnaire of the AB and NBS to ascertain the preparedness of the commercial banks for the transition to the Euro showed the following current state in the banking sector:

- Project teams are working in the banks on preparation and introduction of the Euro,

- Information campaigns for the clients of banks are prepared. Their aim is to provide information about the conditions and method of managing accounts in Euros, the conditions for converting accounts held in the national currencies into Euros, foreign currency products in Euros, and the possibilities for obtaining Euro cash from 1.1.2002,

- The majority of commercial banks have information about the introduction of the Euro on their web pages,

- The banks have formulated basic aims and recommendations for introduction of the Euro, especially from their foreign share-holders. They may change, depending on the actual situation. The banks will decide on specific procedures in the area of logistics,

- The majority of banks have already prepared estimates of their need for Euro banknotes and coins, although it is difficult to assess, because of the uniqueness of this exchange,

- The banks expect the delivery of Euro banknotes and coins from partner banks abroad, generally in the course of December 2001,

- The banks will inform their clients about their preparedness to accept cash deposits in the national currencies of the EMU, and their preparedness to automatically convert deposits in clients' accounts into Euros,

- The assumed deadline for change of foreign currency accounts from national currencies of the EMU to Euros is 1.1.2002, or already gradually in 2001,

- The costs of conversion, according to the lists of charges of banks,

- The majority of banks are not affected by reconstruction of bankomats, because they do not have bankomats for free exchangeable currencies. Selected bankomats of the Poštová banka have the function Changemat available for clients and non-clients of the bank. It provides the possibility of exchanging selected currencies, including some EMU national currencies, into domestic currency. By 1.1.2002, the bank will change it, so that it will not accept banknotes from the national currencies, but will accept the new Euro banknotes.

- In the interest of identifying cases of „laundering dirty money“, commercial banks will cooperate with the financial police in this area.

The National Bank of Slovakia in cooperation with the Association of Banks has prepared for the commercial banks an information brochure about the Euro banknotes and coins for the professional and general public. The NBS has also agreed with the Deutsche Bundesbank and European Central Bank about provision of promotional posters on this problem. Information about the new Euro currency is also accessible on the web page of the National Bank of Slovakia.

The Austrian National Bank together with the Union of Austrian Banks and Bankers provided the Association of Banks with a guidebook to introduction of cash in the united European currency in Austria: The Euro – Our New Currency. The banks could also use the recommended web page: www.stuzza.at/download/euroguide_sk.pdf,

which gives this information in the Slovak language. At a meeting of representatives of the AB and NBS in October last year, the commercial banks updated the questionnaire questions about the intentions of the commercial banks during introduction of the Euro, and the current state in the preparation to supply and distribute the new European currency. The conclusions showed the following:

- The majority of the banks will secure cash exchange of the banknotes of national currencies of the EMU member states for Euro banknotes also after 1.1.2002, but to limit the amount, and vary the price of this service, for example, according to whether the client does or does not have an account in the bank, or according to the current list of charges,

- Only a few banks have a precisely determined date to end exchange of banknotes from the national currencies of the EMU states for Euro banknotes. The majority have not decided the date for this. The exchange of coins will be done exceptionally, or this service has already ended,

- The banks will be stocked with an appropriate quantity of the new European currency from the beginning of December 2001.

The commercial banks have prepared the final phases of preparation for the introduction of Euro cash for the final weeks of the year. These are mainly:

1. In the area of public information:

- Public relations activities in the mass media. The most extensive action was the press conference of the NBS and



Association of Banks about the Euro on 20.11.2001 with the aim of giving the general public the most detailed possible information about the introduction of the Euro.

- Updating of Internet pages with comprehensive information from the banks on the problem of the Euro.

2. In the area of preparation for conversion of accounts held in the national currencies of the member states of the EMU:

- manual and automatic conversion,
- completion of preparation and testing of programme support for conversion into Euros in the case of individual types of accounts in IN currencies, so that conversion into Euros can be done by 1.1.2002 by automatized methods,
- accounts held in 12-IN currencies will be automatically converted into Euros on 1.1.2002,
- the final phase of preparation of the methods for conversion of foreign currency accounts in IN currencies, training of employees in this area.

3. In the area of preparation for supplies of Euro cash to the banks and its handling in the cash desks of banks:

- setting of working procedures for receiving and handling Euro cash,
- importing of Euro cash, insurance, accounting,
- agreement of specific deadlines for delivery of Euros to branches of banks,
- equipping of exchange offices and cash desks with innovated equipment for rapid verification of banknotes,
- distribution of protective elements and specimens,
- the final phase of preparation to deliver Euro cash from agreed resources.

4. In other areas:

- securing of change in exchange rate tables,
- training of cashiers in recognition of counterfeits,
- training of branch staff - cashiers and money changers – in the Euro currency.

At the beginning of 2002, about 300 million citizens of Europe will have Euro banknotes and coins in their hands.

The exchange of cash of unprecedented extent will affect not only the inhabitants of the EMU countries, which are introducing the Euro as their national currency, but also holders of their currencies in other countries including the Slovak Republic.