General law on the euro introduction

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Legislative preparations for Slovakia's changeover from the Slovak currency to the single European currency have proceeded to the next stage. On 10 May 2007, the bill on the introduction of the euro currency in the Slovak Republic (including amendments to certain laws) was published and submitted for interministerial amendment proceedings. Known in short as the general bill on the euro introduction in Slovakia, this bill is designed to create the general legal conditions in Slovakia for the problem-free and successful introduction of the euro and inclusion of Slovakia in the euro area. The general bill should meet the legal criteria of the European Union for the euro introduction (i.e. achieve "legal convergence") and, at the national level, provide legislative regulation of key issues related to the euro changeover.

The general bill mostly governs matters related to cash in circulation, including temporary dual cash in circulation, as well as the procedure for replacing Slovak banknotes and coins by euros. The bill also addresses the procedure for non-cash operations and payment systems, including the procedure for converting bank deposits from Slovak koruny into euros, and also the procedure for converting other equity amounts and monetary amounts from Slovak koruny to euro, while at the same time observing the principle of the continuity of legal relations and the principle of price neutrality during the euro changeover. A particularly complex issue is the conversion of the nominal values of securities constituting securities issues, as well as the conversion of nominal values of, interests in and investments in the share capital of companies, cooperatives and certain other legal persons, since these are composite equity amounts where the securities issue consists of individual securities or the share capital comprises interests in this capital and investments in this capital. It is assumed that such composite equity amounts will be subject to a bottom-up method of conversion, whereby the first to be converted from Slovak koruny to euros will be the individual securities of the respective issue of securities, the sum of which will constitute that issue, or the interests in the respective share capital and investments in that capital, the sum of which will constitute the respective share capital. The bottom-up method does in fact allow for the most consistent compliance with owners' right of ownership in securities or in share capital interests.

The bill also includes provisions on the dual display of prices, payments and other financial and equity amounts in Slovak koruny and euros, in accordance with the stipulated conversion rate. Under the bill, the period of dual display of prices will begin 30 days after the conversion rate has been stipulated and will end one year after the introduction of the euro in Slovakia. The proposed period of dual display will therefore be approximately one and a half years, running from around half a year before the euro introduction in Slovakia until one year afterwards. The dual display of prices may continue for a longer period on a voluntary basis.

The raft of other provisions contained in the bill concern, for example, the regulation of matters related to the base rate of interest and to other reference interest rates, exchange rates and financial indices, as well as the regulation of supervision and oversight of compliance with rules and obligations in regard to the changeover from the Slovak currency to the euro and the changeover preparations. Under the bill, this supervision and oversight will be exercised by the following within the scope of their competences: the National Bank of Slovakia, the Slovak Trade Inspectorate, municipalities and other supervisory authorities as laid down by separate laws.

The general bill also includes related amendments to a whole range of other laws, the most far-reaching of which concern the National Bank of Slovakia Act. Under the amendment of this Act, the introduction of the euro in Slovakia will be accompanied by the transfer to the European Central Bank of the National Bank of Slovakia's exclusive power to set monetary policy and monetary policy instruments and its exclusive power to approve and permit the issuance of banknotes and coins, as well as the transfer to the competent EU institutions of the central bank's exclusive power to set exchange rate policy. The bill is also set to amend the Commercial Code, the Securities and Investment Services Act, the Collective Investment Act, the Retirement Pension Saving Act, the Supplementary Pension Saving Act, the Banking Act, the Payment System Act, the Foreign Exchange Act and several other laws in the financial field.

The general bill should enter into force on 1 January 2008, and some of its provisions will take effect after the conversion rate has been fixed, which is expected to happen in mid-2008. The key provisions will take effect as of the euro introduction date, which Slovakia plans to be 1 January 2009. The specific conversion rate for the changeover from the Slovak currency to the euro and the specific date for the euro introduction in Slovakia will, however, be set by the Council of the European Union.

The general bill still has a demanding legislative process ahead of it. In addition to undergoing amendment proceedings – both the interministerial ones already underway and those to be conducted with EU institutions – the bill has to be discussed by the NBS Bank Board, the leadership of the Slovak Ministry of Finance, the Legislative Council of the Slovak Government, the Slovak Government, and the National Council of the Slovak Republic, and then the Slovak President must decide on whether to sign it into law. The bill on the introduction of the euro in the Slovak Republic is expected to complete its legislative passage in the autumn of this year.