



Speech of NBS governor Ivan Šramko

at the Slovakia Euro Changeover Conference on 22 September 2008



For Slovakia, the euro is another important step in the process of European integration, because for us, the Europeans, the common currency represents an important symbol of getting nearer to each other without barriers. The preparations for the introduction of the euro in Slovakia started prior to Slovakia's accession to the European Union. The first serious analyses were carried out as early as 2002. After evaluating all aspects, it turned out that the total advantages of the introduction of the euro considerably outweigh possible disadvantages in the long run. Subsequently, the Strategy for the Adoption of the Euro in Slovakia was created; it was approved by the government in 2003.

When we joined the European Union in 2004, only few really believed that we will also manage to join the euro area in a few years. However, Slovakia is one of few new Member States of the European Union that consistently stuck to its plans and did not have to change the planned date of accession to the monetary union. The accession is more real today than at any time in the past. Slovakia will soon become the sixteenth country to introduce the euro as its domestic currency.

Slovakia's accession to the euro area is not accidental. It is the natural culmination of the efforts of economic policy makers over the last ten years, which have created a solid base by means of important reforms in the area of finance, taxes and social affairs.

The introduction of the euro is one of the central strategic tasks of the central bank, which presented its support for the new currency from the very beginning. We started preparations for the

euro changeover sufficiently in advance. Our efforts focused primarily on the fulfilment of the Maastricht criteria. The central bank bore a part of responsibility for three of them: the inflation criterion was the main responsibility of NBS, and the responsibility for the fulfilment of the interest and exchange rate criteria was shared with the government of the Slovak Republic. In 2005, we introduced an inflation targeting regime, which was soon changed to a somewhat different way of conduct of monetary policy – inflation targeting in the ERM II.

The common efforts of the government of the Slovak Republic and Národná banka Slovenska have been successful; we managed to fulfil all the strict criteria for the adoption of the euro. I beg to state that we fulfilled the criteria without any negative side effects, such as suppressed inflation or artificial appreciation of the koruna. The Convergence Report of the European Commission published on 7 May also confirmed that. According to the report, Slovakia fulfils the criteria in a sustainable way, and, therefore, we have received the green light to join the euro area. On 8 July, the Council of EU's economic and financial ministers adopted a final decision on Slovakia's joining the euro area and determined the koruna-euro conversion rate.

Practical preparations for the new currency were carried out simultaneously with the setting of economic policy. In 2005, the National Euro Changeover Plan was approved. It had been set up jointly by Národná banka Slovenska and the Ministry of Finance of the Slovak Republic in close cooperation with other central authorities and



the private sector. In implementing the National Plan, NBS is primarily responsible for the preparation of the financial sector and for the information campaign for the general public.

The key factors in the financial sector are changes to the interbank payment system, adjustments to the information systems and coordination primarily between the banks. Activities related to frontloading and exchange of money are currently fully under way. In the summer, the production of our euro coins started in the Kremnica Mint, which is the oldest continuously producing mint in the world. And it will be the first of the mints of the new EU Member States that will produce euro coins. Although the founding euro area countries had to produce the coins within three years, the new members introducing the euro under a big-bang scenario have to coin them within six months. Thanks to thorough preparations and enthusiasm of many of our colleagues, everything goes according to plan. This was a very difficult decision; the mint has had to comply with hard conditions in terms of storage, checks and security.

In September 2008, the frontloading of euro banknotes and coins to banks began; it will continue soon also in the form of subfrontloading of euro banknotes and coins to bank customers. The whole process of replacement of currency in circulation is extraordinarily demanding, especially in terms of logistics and security.

As the second key task, the NBS has to provide for an information campaign. All changes are associated with various fears, especially if a change relates to money. The citizens have to be prepared for the change in currency and they have to be convinced of the advantages of the accession to the euro area. We have considered it important to build up sympathies and trust of people in the new currency. We have taken all the most important steps to meet those objectives. People can obtain information on the euro on the official website www.euromena.sk or via a toll-free info line, the use of which has been increasing continually from the beginning of the year. Together with the Ministry of Finance, we already implemented five stages of a nationwide media information campaign. We pay particular attention to sensitive population groups. From the beginning of 2008, NBS held more than 120 seminars and trainings, and more than 2000 multipliers have been trained. Together with the Ministry of Finance, we issued and distributed more than one million information publications, several of which were published in the languages of the largest national minorities. In addition, we distributed more than 400 thousand publications of the European Commission and the European Central Bank.

The current result of those efforts is that as much as 80% of Slovakia's population feels to be well informed on the euro. And now, when we are entering a more intensive stage of the information campaign, we believe that the percentage

will be even higher at the end of 2008. It is also important to note that it is virtually impossible to meet a Slovak citizen that would not have any information on the euro.

Thorough consumer protection is extraordinarily important for building trust in the new currency among people. The citizens of most euro area countries had feared that a hidden increase in prices would accompany the arrival of the new currency. One of the important consumer protection measures is dual pricing. Dual pricing has a very wide scope in Slovakia under the law. Of course, any rules would have no chance to succeed, if we had no sufficiently strong competition in the markets, which, therefore, has to be strengthened further. It has to be also emphasized that the euro changeover costs are borne by each institution by itself; so that businesses and stores cannot pass them on to the consumers in a one-off step.

Another weapon against increases in prices during the euro changeover is the Ethical Code. Many businesses in Slovakia have voluntarily undertaken to observe it, thereby renouncing to the opportunity to misuse the currency conversion for their own unjust enrichment. Objective information on price developments, collected by the Slovak Consumers Association and the Statistical Office of the Slovak Republic independently of each other, can also help to prevent unjustified price increases.

Further important tasks lie ahead of us in the following period, mainly a thorough preparation of the financial sector, the completion of the distribution of euro money and the exchange of banknotes and coins.

The introduction of the euro will also fundamentally change the position of Národná banka Slovenska. The Bank will no longer determine the interest rates, nor influence the exchange rate. All monetary-policy competencies will be passed on to the European Central Bank. That does not mean, however, that we will completely lose the control over the setting of monetary conditions. Národná banka Slovenska is already now preparing hard for its involvement in the Eurosystem activities at all levels of cooperation, including my membership, as the governor of NBS, in the Governing Council of the ECB. We will thereby play a part in the decision-making on monetary policy for the entire euro area. At the same time, it has to be said that the ECB is a central bank with extraordinary reputation and a clear primary focus on fighting inflation. By its activities over the last ten years, the ECB has clearly proven great professionalism and ability to contribute to price stability and to the stability of the entire financial sector of the euro area and in the world by means of its policy measures.

In terms of pursuing interests, we have to change our focus from our own country, and take a wider view – so that the decisions are optimal for the euro area as a whole. This represents a great challenge and responsibility for all of us.



In the future, Národná banka Slovenska will continue to perform many of its present activities, nevertheless, this will be done in cooperation with the European Central Bank or on the basis of its decisions. This primarily includes ensuring smooth circulation of money, open market operations, possible foreign exchange operations and participation in the administration of common foreign reserves.

Out of the current competencies of NBS, supervision of the financial market will be of increasingly high importance. Current financial market turbulences highlight the importance of high-quality and forward looking supervision for

a country. We will also continue to operate the interbank payment system, and our tasks also include the preparation of certain statistical surveys, the design of financial sector legislation and the conduct of applied economic research.

Our mission, however, does not end by the introduction of the euro. We will have to continue to achieve solid and responsible economic policy settings to be able to take full advantage of the potential and opportunities the euro entails. I believe that we will cope with the euro changeover successfully and to the satisfaction of as many people of Slovakia as possible.

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