

Everything you need to know about the Euro

Expert knowledge means success

Contents

1. Introduction
1. The Euro explained
2. Does it apply to you?
3. Strategic issues
3. Timetable
4. Practical issues
4. Rounding
4. Pricing Strategies
4. Foreign Exchange Risks
5. Conversion between Sterling and the Euro
5. Banknotes and Coins
6. Tax and the Euro
6. Euro Information
6. Checklist 1: Marketing, Sales and Competition
8. Checklist 2: Procurement and Logistics
8. Checklist 3: Finance and Treasury Management
9. Checklist 4: Company Administration
10. Checklist 5: Human Resources
10. Checklist 6: Accounting and Taxation
11. Checklist 7: Information Systems
13. Further Information

Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

On 1 January 1999, a single European currency (the euro) was introduced in 11 EU countries - Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain. On 19 June 2000, the EU Council approved the accession of Greece to the euro area as a twelfth member as from 1 January 2001.

The euro will make real changes to the economic environment in the EU. Many UK businesses will be affected - both strategically and practically - for example by increased competition. Every business needs to know what it means for them - and should start getting ready. The euro could mean a big commercial opportunity if you're ready for it - or perhaps it could hit your profits if you aren't.

The euro isn't 'just another foreign currency' - it's a real change to the business environment throughout Europe, as you'll soon discover.

Even though the UK didn't join the single currency on 1 January 1999, the euro zone will have an effect on many UK businesses, especially those that buy and sell products throughout Europe. Some UK companies will use the euro for buying and selling goods and services within the UK itself - particularly in supply chains, which involve multinational companies.

If you intend to sell in the euro-zone, you'll have to think about the need to standardise prices and to find out if your software can cope with multi-currency transactions. The timing of changing labels on your products and also whether product design needs changing for the markets are other issues you'll need to address too. If you buy from the euro-zone, you'll need to think about whether it's better for you to pay for supplies in euros and whether your bank offers euro services to make trading easier for your business.

You may be among the small businesses that won't notice any difference for some time or only if the UK joins the single currency. But, unless you find out about the euro now, you can't be sure whether your business will be affected.

HM Treasury's euro factsheets are part of the Government's campaign to help small and medium-sized businesses get ready for the euro. Information on the euro is available too from other locations¹.

This publication will help you to find out whether and how the euro will affect your business:

- To give you 'core' information about the euro;
- To help you find out if your business will be affected;
- To tell you more about how things are likely to change for you - and tell you where to go for further information.

The Euro explained

On 1 January 1999, 11 European Union (EU) countries formed an economic and monetary union (EMU) and started using a single currency called "the euro". EU countries adopting the euro locked the exchange rates of their national currencies to the euro and share the new currency.

Euro notes and coins became available on 1 January 2002. Until that date, the old national currency notes and coins (French francs, Deutschmarks etc) continued to circulate and, by law, they were part of the euro. Their value in euro has been fixed for all time – see margin note.

Euro countries also share a single interest rate, set by the European Central Bank (ECB), and a single foreign exchange rate policy. The ECB is responsible for the monetary policy of these 'euro zone' countries.

Countries whose economies are not ready to join, and countries that have decided not to join, will be able to join when they are ready, provided that they meet certain entry conditions.

Main Factors

1. Payments - from 1 January 2002, it is no longer possible to write cheques or make electronic payments in the legacy currencies of the 12 countries in the eurozone.
2. Pricing - price lists previously denominated in legacy currencies are replaced by prices in euro or another non-legacy currency.
3. Invoicing - invoices issued in legacy currencies (from 1 January 2002) are invalid and could give your customer the opportunity to delay payment whilst you issue a valid invoice in euro.
4. Banking and cash handling - UK and overseas banks will convert any bank accounts held in legacy currencies into euro bank accounts.
5. IT and accounting Systems - your IT and accounting systems may need to be adapted to make sure that they can cope with the euro.



What is it?

The EMU came into force on 1 January 1999, creating a new global currency.

Euro notes and coins become available on 1 January 2002.

One euro is worth:

- 13.7603 Austrian schillings
- 40.3399 Belgian francs
- 2.203371 Dutch guilders
- 5.94573 Finnish markka
- 6.55957 French francs
- 1.95583 German marks
- 340.750 Greek drachmas
- 1,936.27 Italian lire
- 0.787564 Irish punts
- 40.3399 Luxembourg francs
- 200.482 Portuguese escudos
- 166.386 Spanish pesetas

The above rates were fixed against the euro.

The euro is the European Union's single currency, adopted by the Treaty on European Union and ratified on behalf of the people by the parliaments of the Member States.

"Euro" was preferred to any other name (such as the ecu) by the EU's Heads of State or Government. Its shared identity with Europe is clear, and the name cannot be confused with any existing or previous national currency.

For most people, the euro has been part of their everyday lives from 1 January 2002 when euro notes and coins became available. However, the euro became a legal currency from 1 January 1999, enabling it to be used in financial markets and for a range of company activities.

When you see a price quoted in euro, it will be quite easy to calculate what it is worth in sterling and you should be able to do a rough calculation. Where the euro is used in the UK, price displays in both old and new currencies as well as charts, conversion tables and easy-to-use calculators will help you to learn the value of the euro quite quickly.

The euro has a very big economy behind it and it is becoming as popular as the US dollar. The € sign may soon be as familiar as the \$ or the £.

A stable currency whose owners are as big in world trade as the EU should be attractive to a lot of international investors keen to be less dependent on the US dollar.

The euro means big changes for business both within these countries and throughout Europe. For example, there are likely to be:

- Cheaper transaction costs - countries in the euro zone will not have to change currencies when doing business with each other;
- Exchange rate certainty - sharing a single currency means countries in the euro zone will no longer be affected by currency fluctuations when trading with each other;
- Transparent price differences - it will be more obvious if different euro zone countries charge different prices for the same goods and services.

Does it apply to you?

Whilst the introduction of the euro is important, it isn't equally important for all enterprises - some are only slightly affected by the introduction of the euro and others are affected significantly. Check out the table below to help you assess the importance of the introduction of the euro for your enterprise by assessing the extent to which each of the following 28 statements is true for your enterprise (on a scale of 1-5). The more the statements apply, then the more the euro issue is important for your organisation.

Importance of the euro (1 = does not apply at all; 5 = strongly applies)	1	2	3	4	5
1. We have a major calculation problem because of international procurement					
2. We buy from or sell to more than one member of the EU					
3. We are an enterprise dealing in many currencies					
4. We make heavy use of European bank transactions					
5. We operate in a highly competitive marketplace with relatively easy barriers to entry to overcome					
6. We operate on low margins and added competition is likely to erode those margins further					
7. Our customers and vendors intend to change to the euro very soon					
8. Our margins are lower than those of our competitors					
9. Our costs tend to be higher than our competitors					
10. We use extensive use of differential pricing in different European Union national markets					
11. Our customers aren't particularly loyal and are unlikely to remain with us if prices and service standards change and we are unable to match the changes					
12. We expect the introduction of the euro to create new market opportunities for us.					
13. We expect new competitors to emerge					
14. Our competitors expect to change over to the euro early on					
15. Our suppliers/customers expect us to change to the euro early on					
16. We would like to establish new strategic partnerships in other Union countries					
17. We see strong possibilities for mergers and acquisitions in other Union countries					
18. We see ourselves as vulnerable to acquisition or merger pressures					
19. We are looking for opportunities to restructure the business					
20. We believe that we have opportunities to develop our product range and patterns of production					
21. We want to look for new cheaper/more reliable sources of raw material					
22. We see a need to review our manufacturing arrangements					
23. We have plans for significant new investment					
24. We want to explore opportunities for new purchasing arrangements					
25. We are heavily dependent upon small suppliers/outlets					
26. Our IT system can't cope with extended numbers of price/currency items and decimals					
27. We believe we can utilise technology to expand our markets					
28. We will be looking for new sources of capital finance in the next few years					

Strategic Issues

The strategic issues include the following:

- For companies operating only within national markets as well as those operating across national boundaries, competition is more severe;
- New competitors have emerged;
- As a result of increased competition, prices could fall;
- Cost comparability (transparency) will also occur and this may lead to a levelling up of labour costs even though other costs may fall;
- However, the long run investment climate is likely to become more stable with lower financing costs;
- Input costs to businesses are likely to fall;
- Customer expectations are likely to change about quality, packaging and service levels;
- There will be new market opportunities;
- Opportunities for developing strategic partnerships will change, as will the possibilities for mergers and acquisitions;
- The structure of businesses may need review because of new competitive pressures, perhaps from manufacture to assembly to marketing;
- Should the product range be streamlined and brands merged?
- Are there new opportunities for volume production?
- Are there new opportunities for low volume but high value products?
- Should sources of raw material be changed?
- Can long-run purchase arrangements be made?
- Should manufacturing plants be relocated or consolidated?
- If the company relies on small suppliers or small outlets, do those small organisations need support during the changeover period?
- Will new opportunities become available to utilise technology to expand markets?
- Should the companies approach to research and development be rethought?
- The establishment of a homogeneous capital market will improve substantially the efficiency of capital allocation and this will impact in the longer run in harmonisation of dividends and taxation and in business disclosure requirements.

Timetable

There were three clear steps in the changeover to euro for the countries that joined EMU on 1 January 1999:

1. Spring 1998 - 31 December 1998: The ECB was set up.
2. The transition period (1 January 1999 - 31 December 2001): The euro became the legal currency in the euro zone. Conversion rates between the euro and the old national currencies were legally fixed on 1 January 1999. The ECB is responsible for setting the interest rate for the euro zone.
3. The 'dual circulation' period (1 January 2002 - until various dates - see margin notes): Euro banknotes and coins introduced in the euro zone on 1 January 2002. Between 1 January 2002 and dates given opposite, both euro notes and coins and the old national currency notes and coins will be in use. (This will help everyone get used to the euro.) After these dates, old national banknotes and coins will be withdrawn from circulation but can be exchanged at banks for euro according to national arrangements. The end date of legal tender of legacy currencies is shown opposite.

Old for new

The end date of legal tender of legacy currencies is as follows:

Austrian schillings
- 28 February 2002

Belgian francs
- 28 February 2002

Dutch guilders
- 28 January 2002

Finnish markka
- 28 February 2002

French francs
- 17 February 2002

German marks
- 31 December 2001

Greek drachmas
- 28 February 2002

Irish punts
- 9 February 2002

Italian lire
- 28 February 2002

Luxembourg francs
- 28 February 2002

Portuguese escudos
- 28 February 2002

Spanish pesetas
- 28 February 2002

Practical Issues

While the UK remains outside the euro zone, businesses with only UK markets, customers and suppliers are probably not affected.

However, businesses that operate across borders in continental Europe, or have firms based in the euro zone might need to make practical changes. UK businesses need to think about:

- **Financial systems and accounts:**
If your company accounts include any transactions in major European currencies, you will need to include (or change to) the euro. This may mean adapting your accounting system;
- **Business finance:**
Your firm, especially if it has cross-border operations, should think about what financial services it may need. Larger businesses may need to think about the effects of EMU on the financial markets, as well as on their own internal treasury operations;
- **Pricing policy:**
If you decide to change your company's pricing strategy on goods for export into the euro zone, you should consider the manufacturing and packaging implications of making those changes;
- **Information technology (IT):**
There is no single solution to setting up your IT systems to handle the euro. The most important thing is to look into it now;
- **The euro in the UK:**
While the UK stays outside EMU, the euro will be a foreign currency and will not be legal tender in the UK. UK businesses will not have to accept it unless they agree to do so – but some have already done so.

Rounding

There are rigorous rules for rounding conversions between the euro and national currencies (contained in Regulation 1103/97):

- This includes technical detail such as the adoption of rates to six significant figures (for example 0.123456, 1.12345, 11.1234, 111.123, 1,111.12 and so on) and the prohibition of inverse rates;
- The euro will be expressed to two decimal places for day-to-day transactions - for example, 1.23 euro;
- The rounding rules require that "halves" be rounded up - so, for example, 0.85509 becomes 0.86 euro and 0.85109 becomes 0.85 euro.

Businesses should be very alert to the issue of rounding, as there are likely to be communication problems to consumers who will be very concerned that prices do not get out of control - many still believe that decimalisation had an inflationary effect via price increases that were not readily transparent

Pricing Strategies

For those countries who adopted the euro at the outset, the EC recommended that dual currency displays be used in the transition. The issues of dual pricing and educating the public on the intricacies of the Single Currency have become more and more crucial since 1 January 1999. Until national currencies disappear from circulation, consumers can be informed of the price of goods and services in both the euro and in national currencies.

The European Commission puts forward recommendations on how dual pricing should be carried out. The recommendations:

- Although they are not law, it's hoped that businesses will comply with them;
- Set out a standard of good practice including:
 - using only the official conversion rates in exchanging calculations;
 - rounding to the nearest cent as a minimum standard of accuracy for prices; and
 - "clear and unambiguous presentation" of information.

Foreign Exchange Risk

In the past, UK firms trading with the rest of Europe have tended to set prices in sterling to avoid the risks caused by the rise and fall in value of different currencies. From 1 January 1999, companies inside the euro zone will not be at risk from currency movements when trading with each other - they will all share the one single currency. You may find therefore that you are at a disadvantage to your competitors if you are quoting in sterling and they are quoting in euro. If you decide to do business in euro, you'll need to understand how to manage exchange rate risk.

Conversion between Sterling and the Euro

On 1 January 1999, the euro replaced the national currencies of all the countries which chose to join EMU. The notes and coins in the former national currencies stayed in use for a short while but they count as a fraction of a euro rather than just their face value.

The amount each national unit of currency is worth in relation to the euro was decided on 1 January 1999. The rate was fixed permanently on that date. As the former national currencies and the euro are forms of the same currency, there are rules for converting between them. These will not apply to sterling while the UK is not part of the single currency. They will, however, cover any transactions in the UK between the former national currencies and between these currencies and the euro.

The exchange rate between sterling and the euro will fluctuate, just as the exchange rate between sterling and other currencies fluctuates now. UK banks will still quote the exchange rate if you want to exchange between sterling and euro or between sterling and the former national currencies.

For most UK companies, foreign exchanges between sterling and the euro - and the relevant bookkeeping - will not change. Most banks in countries that have joined the single currency will convert money from the former national currency of that country to the euro without a conversion charge.



Banknotes and Coins

Whilst the single currency (the euro) was introduced in 11 EU countries on 1 January 1999, euro banknotes and coins were not introduced until 1 January 2002. All the time that the UK is outside the euro

zone, UK businesses will not be under any legal obligation to deal in euro (unless they have specifically undertaken to do so by contract). The euro will not be legal tender in the UK. However the euro may become widely used by businesses in the UK even though we have not joined yet. Between 1 January 1999 and 31 December 2001 this involved only electronic and cheque payments, and bookkeeping. But since 1 January 2002, some UK businesses - particularly retailers in tourist areas have come under commercial pressure to deal in euro banknotes and coins. The issue of whether or not to accept euro notes and coins will be a commercial decision for businesses.

Euro Banknotes

The notes are in different colours and sizes to enable easy identification. There are seven denominations of notes in the series - €5, €10, €20, €50, €100, €200 and €500. For security reasons, these designs will be subject to modification by the issuing authority, the European Central Bank (ECB). The designs were chosen through EU-wide competition. They represent the various 'ages and styles' of European architecture: Classical for the €5, Romanesque for the €10, Gothic for the €20, Renaissance for the €50, Baroque and Rococo for the €100, Iron and Glass for the €200 and Modern Architecture of the 20th Century for the €500.

Windows and gateways are the principal feature on the front of the notes, bridges on the reverse. These features are modelled on a typical example of each period rather than particular structures.

Euro Coins

The euro coins have a common European side and a 'national' side. The design of the common side (the reverse) was selected through EU-wide competition. The winning design depicts a map of the European Union against a background of transverse lines to which are attached the stars of the European Union flag. Most participating countries have held competitions to select the design of their national side.



There are eight denominations ranging from 1 cent to 2 euro. The smallest denominations (1, 2 and 5 cent coins) are all round, red coloured coins made from a copper-covered steel material. The middle three denominations (10, 20, and 50 cent coins) are

Euro cash

On 1 January 2002, exactly three years after the launch of Europe's single currency, euro notes and coins finally came into circulation.

Twelve member-states of the European Union - Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain - replaced famous and historic currencies such as the German mark and the French franc with the new harmonised coins and banknotes. But it isn't all harmony in Europe - some EU states have chosen to keep out of the euro.

all yellow coloured and made from a material called 'Nordic gold' (89% copper 5% aluminium, 5% zinc and 1% tin). The 10 and 50 cent coins are round, but the circumference of the 20 cent has seven small hollows - this is known as the 'Spanish flower' shape. The 1 and 2 euro coins are both round, bi-colour coins similar to the UK £2 coin. The outer part of the 1 euro coin is yellow (a nickel-based alloy) and the inner part white. For the 2 euro coin this is reversed, with the outer part white (cupro-nickel) and the inner part yellow.

Tax and the Euro

Since 1 January 1999 many UK firms have been using the euro in business dealings.

To help firms use the euro, the Chancellor of the Exchequer announced in October 1997 that businesses will be able to pay taxes in euro.

Euro Information

You can, of course, contact us. For further advice in the context of your business, please contact your bank or trade association. These and other professional and intermediary organisations are becoming increasingly expert on the ways in which UK firms will be affected by the euro.

Telephone 08456 01 01 99 to ask for euro factsheets from the Euro Preparations Unit of HM Treasury. The Euro Internet Website address is at <http://www.euro.gov.uk>, which is regularly updated. You can access the factsheets and other publications on line including:

- 'EMU Practical Information for Business';
- 'EMU Report from the Business Advisory Group';
- 'EMU: The euro and your business' and business case studies.

Other Useful Contacts

- In England, you can also contact your local Business Link on +44 (0)345 567765 (www.businesslink.org).
- In Scotland, Scottish Trade International (+44 (0)141 228 2812) or your local Export Partnership can help.
- In Wales, Business Connect (0345 96 97 98) may be a source of useful information.

- Other useful websites are:
 - The Euro Web site
http://ec.europa.eu/index_en.htm
 - British Chambers of Commerce:
www.britishchambers.org.uk
 - Trade Partners UK
www.uktradeinvest.gov.uk
- Retailers can find useful information on the British Retail Consortium website at: www.brc.org.uk/
- Information on VAT and the euro can be found at: www.hmrc.gov.uk/

Checklist 1: Marketing, Sales and Competition

Marketing

- Will the euro create opportunities to develop our European exports?
 - For which products?
 - In which markets?
- Will we be able to target new customer groups such as those that were not large enough in our currency area?
- Should we plan to launch a new marketing effort in their direction?
- How will the euro impact our customers? For instance, large retailers and wholesalers might increasingly purchase on a pan-European basis.
- Will the markets of our major customers change as a result of the euro? For example, how will the euro impact the multinational companies for which we are the supplier?
- Are our key competitors operating:
 - In our country?
 - From other European countries?
 - From non-European countries?
- Will the introduction of the euro alter the structure of our competition? How?
- Will our market be exposed to enhanced competition due to the euro?
- How will we react to this?

Sales organisation

- What impact will the euro have on our commercial organisation?
- Will the elimination of the foreign exchange risk in euro-countries lead us to consider our 'export' sales as domestic sales?
- Could the euro encourage us to review our current market segmentation?
- What consequences will the changes in market structure have for the organisation of our sales force?

- Could the euro create opportunities for us to develop new sales methods such as electronic commerce, mail ordering, direct marketing, etc. in the attempt to reach new market segments?
- Would we consider establishing new alliances with distributors or other companies in the attempt to develop our exports?

Products

- Do we foresee opportunities to develop new products or services? For example, products and services which have a direct relation to the changeover?
- Will our existing range of products require adjustments, for example, in their packaging or quality standards?

Pricing in euro

- When do we think that the euro could become an invoicing currency for our markets?
 - Within the European Union?
 - Outside the European Union?
- Are there large price differences between our products on domestic markets compared with those of other European Union countries? How do we plan to react to these differences following the introduction of the euro?
- Will we:
 - Harmonise prices?
 - Increase product differentiation?
 - Improve our service?
- How do we intend to cope with tax discrepancies? Will we apply identical tax-free prices throughout Europe?
- Will the price of our products, specifically low-value items, require adjustments beyond that of the conversion from national currency into euros?
- What strategies can be developed to cope with a new price structure involving real price changes, e.g. the rounding of prices and the modification of product specifications?

External communication

- Have we identified all documentation that indicates price references and assessed the necessary changes?
- How do we intend to inform our **customers of the company's changeover** to the euro?
- Do we plan to incorporate the euro as part of an overall marketing campaign?
- Is it an important consideration for our company to be viewed as a leader in the preparation process for the euro?

- If we have long-term customer contracts, do we plan to contact our customers to review the consequences of the euro for them?
- Do we consider information and customer assistance for the euro a useful marketing tool?
- What specific training will be necessary for staff members who interact with customers?

General

- When will we start invoicing in euros?
- What factors will influence this decision (international sales, customer demand, competitors doing so, public procurement contracts, etc.)?
- Are we expecting some of our major customers in the UK (and particularly large companies) to switch to the euro? If so, will they request invoices in euros?
- How would we envisage invoicing in two denominations (either having a dual system or a reference denomination **and converting at 'port of entry'?**)?
- What costs will be involved in working in dual denominations and what are the lead preparations?
- Do we have Electronic Data Interchange (EDI) links with our customers? If so, have we considered their conversion?
- Are our sales administration systems capable of working in both denominations, or will substantial modifications be necessary?

Managing the changeover

- How do we foresee the implementation of the changeover within this department?
- What lead times will be required?
- What internal/external resources will be required?
- What information do we expect from the head of the company or from other departments in order to begin the changeover process?
- How do we expect the changeover to be co-ordinated within the company?

Checklist 2: Procurement and Logistics

Selection of Suppliers

- With the elimination of foreign exchange risk, could we envisage competitive foreign suppliers substituting our domestic suppliers?
- Do we intend to look for non-domestic suppliers?
- Will the euro lead to greater competition among our suppliers?
- Do we plan to review price agreements with our suppliers or enter long-term contracts as a result of the elimination of currency risks?
- Do we intend to require our foreign suppliers to quote and invoice in euros, even if they do not belong to the European Union? If so, when?
- Have we discussed these issues with our procurement team in order to establish a common strategy?
- Have we discussed with our major suppliers when they intend to invoice us in euros?
- Will some of our major UK suppliers switch to the euro? What do we plan to do in that case?

Payment Conditions

- What are the average payment conditions (in days) for our supplies?
- Do they vary between countries? If so, does this affect our purchase price?
- Could the introduction of the euro provide an opportunity to harmonise or improve payment conditions? To reduce bank financing?

Impact on Electronic Ordering

- Do we have electronic ordering and order processing systems?
- If so, how do we plan to convert them?
- Will we have to operate in a multi-currency system during the transition period?
- Have we checked with the relevant Electronic Data Interchange (EDI) authorities to ensure that the necessary procedures will be adjusted in due time?

Logistics

- Due to our new marketing and procurement strategies, it might be necessary to adjust our logistics. What means of transportation do we use for our major supplies and deliveries?

- Are our logistics providers able to work on a European scale?
- Will we need storage and/or dispatching warehouses, for example, which are located in other euro-participating countries?

Managing the Changeover

- How do we foresee the implementation of the changeover within this department?
- What lead times will be required?
- What internal/external resources will be required?
- What information do we expect from the head of the company or from other departments in order to begin the changeover process?
- How do we expect the changeover to be coordinated within the company?

Checklist 3: Finance and Treasury Management

Treasury Banking Services

- Which services do we currently use:
 - pooling?
 - netting?
 - automatic exchange of balances?
- Will these services be affected by the euro?
- Will the euro modify existing procedures for:
 - paying an invoice/charge in a foreign currency?
 - receiving a payment in a foreign currency?
- Do we hedge operations?
- What share of present hedging will remain necessary?
- During the transition period, how will we deal with the euro? Will it be:
 - an additional currency?
 - a reference currency for netting/pooling?

Impact on Financing

- Do we intend to resort to capital markets for:
 - bonds?
 - equity?
 - loans?
- How will the euro affect our decision?

Bank Relationships

- Will the introduction of the euro lead to a reduction in the number of bank accounts?
- Will the introduction of the euro lead to a reduction in the number of banks we deal with?
- Will the euro lead to a change in banking relationships and in particular fees of banking services?
- What euro-related services do we expect from our bankers:
 - financing services?
 - treasury services?
 - conversion facilities?
 - information on the developments of EMU?
- Have we communicated with our bank on the issue of the euro?
- What information and services will our bankers provide?
- Will our bankers be prepared to offer adequate services in euros on time?
- Will banks charge a fee to cope with the currency changeover?

Specific Issues

- Do we intend to change the management of our pension, retirement, financial investment assets to optimise investments in an enlarged zone of monetary stability?
- The Stock Exchanges in most European countries have decided to quote shares in euros. If our company is listed on a stock exchange, will we have to provide financial data in euros? Will we have historical figures in euros?
- The conversion of the nominal value of our shares in euros will require modifying the statutes of our company. Have we planned for this?

Managing the Changeover

- How do we foresee the implementation of the changeover within our department?
- What lead times will be required?
- What internal/external resources will be required?
- What change in functions will we prepare for the personnel presently involved in multi-currency operations?
- What information do we expect from the head of the company or from other departments in order to begin the changeover process?
- With which department should we coordinate in priority?
- How do we expect the changeover to be coordinated within the company?

Checklist 4: Company Administration

First things first

- The first step is to write or speak to your customers and suppliers.
- Do not presume that you can ignore the euro because you do not trade in the euro zone.
- If one of your major customers is a large multinational company in the UK, it may have already decided to trade in euro. If you are the first to offer to deal with that company in euro you may gain a competitive advantage. If you can't deal in euro, you may lose the customer to a competitor.

Budgeting

- The costs of preparing for the euro will depend upon the impact of the euro on your business.
- You will need to estimate these costs in advance and incorporate them into your budgeting process. Costs might include:
 - communicating with your customers and suppliers
 - amending/redesigning price lists, catalogues, invoices
 - IT software
 - legal costs of reviewing contracts
 - answering customer needs
 - modifying the production process (if, for example, you have to change the size or weight of your product to match the new euro price)
 - staff training

Contracts

- You will need to discuss with the other party any contracts that specify amounts in one of the existing currencies of a country in the euro zone, or in ECU, if the contracts relate to action which takes place after 1 January 1999.
- You will also need to consider the same issues for any new contracts. For instance, check when entering a contract with a multinational company whether they intend to switch to trading in euro during the course of the contract.

Preparing accounts

- This will only be an issue for you if a large part of your financial transactions is in euro zone currencies or you are the subsidiary of an international group that has decided that its central accounts will be in euro.

- From 1 January 1999, you can prepare and file your accounts in the UK in euro as you can for other foreign currencies.

Funding and Investment

- If a large proportion of your income is from euro zone countries, or you have assets in euro zone countries, you may want to look at opportunities for borrowing in euro.
- You should speak to your bank or financial adviser who will be able to provide guidance.
- From 1 January 1999, companies registered in the United Kingdom have been able to issue new shares denominated in euro. Such companies are also able to re-denominate existing shares into euro.

Other matters

- If you provide a pension scheme for your employees you should check that the fund managers have developed a policy on the management of funds that reflects the possible effect of the euro on the economy.
- If a company that owes you money fails, any debts owed to you in euro will be converted into sterling at the date of any formal insolvency, as they are for other debts in foreign currencies.
- The transition period when the euro and the national currencies of euro zone countries are both in use could make it harder to spot fraud. If you are introducing systems that allow you to deal with several currencies, you should make sure that they allow you to follow the audit trail. You will also need systems that check that payments are in the correct currency.

Checklist 5: Human Resources

Conversion

- How do we intend to convert wages and pensions?
- How do we intend to inform our employees of the implications of the euro on their wages and pensions?
- Do we intend to present the amounts on the pay-slips in both currencies during a certain period? When will that period begin? How long will it last?
- How will the variable part of a salary (commissions, bonuses, expenses) be converted into euros? When?

Employee involvement

- How do we plan to inform the unions and the workers' council?
- Will we involve them in decision-making (especially for setting the date of conversion of wages into euros)?
- How do we plan to motivate our employees and encourage their active role in the changeover process? Do we plan to designate a contact person (possibly the euro project manager) to whom every employee could ask for information on the changeover?
- What particular groups do we intend to focus on initially?

Staff training

- Adequate staff training will be essential to implement the changes and communicate to external stakeholders. Have we already considered the training of our employees?
- When will training take place, how will it be organised, and which employees will it concern?

Managing the changeover

- How do we foresee the changeover's implementation in this department?
- What lead times will be required?
- What internal/external resources will be required?
- What information do we expect from the head of the company or from other departments in order to begin the changeover process?
- How do we expect the changeover to be coordinated within the company?

Checklist 6: Accounting and Taxation

Accounting

- Will we need to deal with both euros and national currencies? The following factors should aid in our determination:
 - we operate in several currencies (imports, exports)
 - we expect our customers or our suppliers to rapidly deal in euros
 - public administrations will change over towards the end of the transition period
 - the flexibility of our accounting systems and the availability of our Information Technology provider to adjust them
- When do we intend to convert our accounts to the euro?

- Could certain external partners lead us to anticipate the changeover:
 - customers?
 - suppliers?
 - fiscal authority?
 - market?
 - other?
- When do we intend to publish our annual and consolidated accounts in euros?
- When will this be authorised by our national fiscal administration?
- Will the accounting staff require specific training?
- Will the euro increase the risk of error? What safeguards do we plan? For example, will we use different colours for euro documents/slips?
- How do we plan to deal with the costs involved in the changeover to the euro? Create provisions? Write them off through the profit and loss account?
- How will we treat rounding differences resulting from conversions between euros and national currencies?
- Will we consider subcontracting our accounting or part of it during the transition period?
- Have we planned the conversion of our equity?
 - Will we round the nominal value of shares in euro?
 - Would this require an extraordinary general meeting?
- When will we convert dividends to euros? How will we inform our shareholders?
- Will our company statutes require adjustment?
- Will we require legal advice?

Taxation

- Did our company have assets or liabilities in currencies of participating countries on 31 December 1998? If so, would they be liable to tax if gains and losses are recorded once conversion rates are fixed?
- Would we find the possibility to make tax declarations and other statutory returns (e.g. company accounts) in euros useful? Will this be authorised by our national administration? Will we lobby for this through our professional organisations?
- What will be the fiscal treatment of rounding differences on capital?

- From 1 January 1999, payment of all business taxes, including VAT, have been able to be made in euro. Submission of invoices issued in euro for imported goods in support of Customs declarations can also be made. What implications does this have for our business?

Managing the Changeover

- How do we foresee the implementation of the changeover within this department?
- What lead times will be required?
- What internal/external resources will be required?
- What information do we expect from the head of the company or from other departments to start the changeover?
- How do we expect the changeover to be coordinated within the company?

Checklist 7: Information Systems

System Review

- Do we plan to match the replacement of some of these systems with the conversion to the euro?
- Do we see possibilities to manage both of these projects simultaneously?
- Do we see an opportunity to replace existing software by a complete standard package?

Systems Affected

- Can we list all systems that will be affected by the conversion to the euro?
- Will our Information Technology package vendor come up with a standard solution?
- Will it be included in the regular maintenance programme or will we require a specific upgrade? What will be the cost and implementation time?
- Have we scheduled personnel training for the new software versions?
- If we operate with in-house systems, have we prepared their changeover? In particular, are they properly documented so as to identify the required changes?

Hardware	Type	Age		Subcontracted
- mainframe				
- mini				
- client/server				
- PC network with servers				
- stand-alone PC				
Software	Name	Package / customised	Multi-currency	Euro-compatible
- pay				
- accounting legal/fiscal				
- treasury				
- reporting/cost control				
- purchasing				
- plant / manufacturing system				
- shipping / invoicing / warehousing				
- customer databases				
- other				
Electronic links with others		Link with:		
- EDI (Electronic Data Interchange)				
- Internet/Intranet				
- industry systems (e.g. travel agencies)				
What are our current needs for software and maintenance upgrades?		Type of system:		Date planned
- obsolete systems				
- new version packages				
- other needs				

Dual Indication of Values

- How will we handle dual indication of values (invoicing, pay-slips, price lists, etc.)?
- Until the UK joins the euro, working in sterling and the euro might be necessary and could be facilitated by the use of converters. (Converters are software programmes which enable shifting from the national currency to euros by simply clicking a currency tool bar: the information is only stored once and can be expressed either in euros or in the national currency.) Will our software providers be capable of providing and installing such tools? At what cost?
- How do we plan to translate the accounting history for business and/or legal purposes?
- Will we require access to the accounting history in the original currency?

Managing the Changeover

- How do we foresee the implementation of the changeover within this department?
- How much time will be required to complete the necessary modifications?
 - to review systems?
 - to evaluate solutions?
 - to ensure implementation and tests?
- What resources will we require?
 - cost?
 - man-days?
 - suppliers?
- Do we have adequate internal resources or will we call on external service providers?
- Have we already contacted Information Technology suppliers in regards to the introduction of the euro? Have we reserved resources for this project?
- Do we view the introduction of the euro as an opportunity to redesign our **systems' architecture**? For example, to make it more customer-oriented?
- What information do we expect from the head of the company or from other departments in order to begin the changeover process?
- How do we expect the changeover to be coordinated within the company?

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

Reference:

¹ The euro factsheets can be obtained from the Euro Preparations Unit who may be contacted by telephone at 08456 010199. Their e-mail address is: euro.info@hm-treasury.gov.uk. The Treasury's Website is at: <http://www.euro.gov.uk>. The European Commission's Website on the euro is: http://ec.europa.eu/index_en.htm

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