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Trading with the Eurozone

The preparations that non-Eurozone companies should make and the risks that they run if their Eurozone trading partners are not ready to operate in the euro from 31st December 2001

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PREFACE

FEE

The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe, currently grouping together the 38 leading institutes in 26 countries including the 15 Member States, Cyprus, Iceland, Israel, Malta, Monaco, Norway and Switzerland and more recently the Czech Republic, Hungary, Romania and Slovenia. Between them these bodies have a combined membership of approximately 400,000 of whom about 45% work in public practice, providing a wide range of services to clients, whilst the other 55% work in various capacities in industry, commerce, government and education.

The Principal Objectives of FEE are:

- To promote and advance the interests of the European accountancy profession.
- To be the sole representative organisation of the European accountancy profession in relation to the institutions of the European Union.
- To represent the European accountancy profession at the international level.
- To promote co-operation between the professional accountancy bodies in Europe in relation to issues of common interest.
- To work towards the enhancement, harmonisation and liberalisation of the practice and regulation of accountancy in Europe, taking account of developments at a world-wide level and, where necessary, promoting and defending specific European interests.

FEE Euro Project

In addition FEE has been working closely with the European Commission in helping businesses and other organisations prepare for the introduction of the euro. It has published advice to organisations on the practical aspects of the changeover and all of this advice is available free of charge from the Secretariat of FEE or can be downloaded from the FEE website address www.euro.fee.be. The library of information contained on the website includes material of relevance to both public and private sector organisations and is drawn from many sources including the European Commission.

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Introduction

The euro will become the day-to-day business currency of the Eurozone from 1 January 2002 replacing the former national currencies (legacy currencies). Companies located outside the Eurozone (whether or not located in the non-Eurozone members of the European Union) that trade with the Eurozone by having suppliers, clients or customers within the Eurozone will be affected by this change. Such companies should understand how they might be affected and they should prepare themselves accordingly. The purpose of this advice is to:

- indicate how such companies might be affected;
- identify the risks that could affect they way they operate; and to
- suggest some steps they should take in order to prepare fully themselves.

This brochure is written for advisers to companies and is therefore intended to be comprehensive although FEE recognises that the circumstances of individual companies differ considerably. Therefore advisers will need to apply what is said in this brochure to those individual circumstances. Equally the managers of companies who may read this paper should also be careful to ensure that they take into account the detailed situation of their company. Further information can be obtained from the web-sites listed in appendix 2. The legal framework for the introduction of the Euro is contained in Council Regulations (EC) 974/98, 3 May 1998 and 2866/98, 31 December 1998. Rounding and conversion rules are included within Council Regulation (EC) No 1103/97, 17 June 1997, Article 4 and 5 (and listed in appendix 1). The texts can be read and downloaded from http://www.euro.fee.be/legal.asp

What Does Preparation Mean?

Preparation means much more than being able to price, invoice and accept payments in euro. The introduction of the euro alters the competitive position of non-Eurozone companies as well as that of Eurozone companies. (In some respects the potential change to the competitive position of a non-Eurozone company, especially in the medium to longer term, can be greater than that for Eurozone companies and therefore special attention should be paid to this possibility in non-Eurozone companies.) Research from the eurozone has shown that, whilst preparation activities are underway and many companies are either ready for the euro or will be in good time, a larger number than anticipated are leaving their preparations until the end of December 2001 or even 2002. Therefore preparation also involves ensuring that a company's Eurozone supplier, client or customer is properly prepared and if that supplier, client or customer is not, then making sure that the non-Eurozone company fully understand the consequences for its business of the Eurozone business partner not being so prepared.

[1] The Eurozone countries are: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

The change to the euro for Eurozone companies is one that is fundamental to the operational processes of a business. Unless a Eurozone company is properly prepared it could well find difficulty in continuing trading after 31st December 2001. What is more, there is no 'grey' period available when it won't really matter whether a company is trading in the euro or not. This is quite unlike most other business changes when there is always scope for slippage. The change to the euro is also completely unlike the problems associated with preparing for the year 2000 because it affects all business activities that have a monetary component. The fact that the year 2000 change was accomplished with relatively few major adverse effects should not cause companies to assume that the change to the euro will be accomplished in a similarly relatively problem free manner. Business managers and their advisers should therefore ensure that if their company, or the company they are advising, has trading links with the Eurozone they fully understand the consequences for the company of the end of the transitional period on 31st December 2001.

Advice to accountants and auditors

FEE has separately issued advice to auditors and accountants about the impact that the introduction of the euro will have on their clients and the responsibilities that this will impose on the auditor and accountant. In some countries of the Eurozone the national accountancy bodies have also issued specific advice. For countries outside the Eurozone the auditors and accountants may feel that they should offer advice where a company's trading activities and hence its 'going concern' position could be seriously affected by the introduction of the euro if it has not properly prepared including having made the enquiries of its Eurozone trading partners that are recommended in this advice.

Background

From the end of the transitional period (i.e. after 31st December 2001) all companies within the Eurozone will have to operate in euro. Euro cash will be circulated, the legacy currencies will be withdrawn and from 28th February at the latest (and much earlier in some of the twelve countries of the Eurozone) the former legacy currencies will lose their legal tender status. (See the Appendix for the dates legacy currencies cease to be legal tender). *However companies based outside the Eurozone, should not be confused by this dual circulation period*. The withdrawal of legal tender status at a date later than 31st December 2001 does not mean that trading can continue in the former national currencies for a period beyond the 31st December. It cannot, apart from purely cash transactions. The period when the two currencies are in circulation is only to allow for the orderly withdrawal of one set of notes and coins and its replacement by another. From 1 January 2002 the banking system will only operate in euro. Transfers and cheques issued after the 31st December 2001 in a legacy currency will be rejected by the banks. Where invoices are issued in the former legacy currencies any payments will be in euro, not in the currency specified on the invoice. All salary and wage payments will have to be in euro and all tax payments, most importantly excise duties and VAT, will also have to be made and accounted for within the Eurozone in euro. Similarly in most Eurozone countries (the only exceptions are Finland, Ireland and the Netherlands) bookkeeping will have to be in euro. Annual accounts will also have to be filed in euro in all countries apart from Ireland and the Netherlands where for trading reasons they can be filed in another currency. However, in no country can either bookkeeping or annual account filing occur in the former legacy currency.

Operational Consequences of these Changes for non-Eurozone Companies

There are a number of immediate operational consequences for non-Eurozone companies and they have to respond to these operational consequences if they wish to continue trading with their Eurozone business partners. These operational consequences are:

- Pricing:

    i. Product and service pricing: Price lists catalogues and other marketing information should be denominated in euro. The introduction of the euro effectively creates a single domestic market. This therefore also means that companies will need to consider whether they are able to or wish to continue to sustain price differentials between countries, if that has been a policy in the past. Price differentials that have been obscured by the use of different currencies will now be transparent. However differences in VAT (both in coverage and rates of tax) in the different Eurozone countries will remain and transport costs will also differ when goods are sent to different countries. Again the strength of demand for a particular product may vary between countries and this may affect a company's pricing decisions as may differential packaging and other marketing arrangements.

    ii. Dual display: This is a factor a company should also consider if it is engaged in anything other than 'business to business' transactions (and even with such transactions it should ensure that it is not affected by any dual display requirements). In Austria, Greece and Portugal there are regulations requiring that prices should be displayed in both euro and the former legacy currencies and other countries (Belgium is an example) are also considering the introduction of legislation. The requirement of this legislation differs between countries. If a company has clients or customers in those countries the company should ensure that it is familiar with these requirements, although the obligation is on the local trader rather than on the exporter. However if a company markets or in other ways advertises directly to the consumer, or attaches prices ex-factory, it will be affected. In other countries there is no legislation but voluntary codes exist. These voluntary codes require dual display and impact directly on the retailer and most other business to consumer operations in the country affected. Again where a company is marketing directly to the consumer it should fully understand the requirements of these codes and its commercial interests will almost certainly be best served by complying with the spirit of these voluntary codes.

    A company should understand though whether the requirements about dual display are compulsory or voluntary. Where dual display occurs the comparison between the legacy currency price and the euro price should be made exactly at the fixed conversion rate (see Appendix) to six significant figures (not decimal points) and then rounded to euro cent using the specified rounding rules. NO OTHER RATE SHOULD BE USED. (However a company can price in smaller price units (i.e. below 1 euro cent) if it so wishes given the nature of the products that it sells.)

iii. Converting prices to euro: There are no European Union regulations that prevent a company choosing entirely new euro prices that are significantly different from the previous legacy currency prices. Indeed, where a company makes use of psychological prices it will be unable to find a euro price that is equivalent to a legacy currency psychological price using the fixed conversion rate. However, concerns are being expressed by consumer groups about the possibility of price increases at this time and there is a high level of anxiety amongst the general public about the risk of businesses causing inflation by taking advantage of the change to the euro to increase prices. Should a company decide to make a significant change to its prices other than make a (relatively) equivalent conversion in the period between now and the early months of 2002 it may therefore find itself in some difficulty because of adverse publicity. There is also the possibility that some countries may legislate to prevent price increases occurring over this period. (Austria's dual display legislation is worded in such a way that it could be used for action against any significant price increase. Voluntary codes on price freezes for non-perishables unless significantly affected by commodity price increases beyond the retailer's control are in place in a number of countries. These include France, Greece, Italy and Spain. In some instances, these bind the supply chain as well as the retailer. In France it is considered that a company which is a member of an association which has issued such a code could be held liable under laws on misleading advertising if it were nevertheless to increase prices.)

iv. Competition: In making pricing decisions companies should have regard to two other factors. First, the pricing decisions of competitors. Care should be taken especially at this time to ensure that prices do not move out of line with those of competitors. Secondly, in choosing new euro prices and depending upon the unit price of the product and the volume of business, care should be taken to ensure that neither cash flow nor profit is adversely affected by the new euro prices that are chosen.

v. In fixing prices companies should ensure that the euro prices of products and services obtained from Eurozone suppliers are properly taken into account so that profitability and cash flow are not impaired. If a company does not know what those Eurozone prices are then it should enquire now.

vi. Ensure that in making pricing decisions, customers and clients are kept well informed so that there are no shocks in the supply chain.

- <u>Invoicing:</u>

i. A company should ensure that the invoices issued to Eurozone clients if not issued in the currency of the company are issued in euro and not in the former legacy currency. If a company fails to do this, the customer or client will need to convert them to euro before payment is made, or may even refuse requiring a euro invoice to be submitted before it will pay. Not only will this add to a company's problems of reconciliation and hence of managing its debtor portfolio but it could also delay the collection of debts and weaken cash flow. Where a company issues an invoice in euro it should ensure that the euro symbol (€) or the ISO code EUR are used. Where a company does decide to use the symbol €

it needs to make sure that both software and printers can properly display that symbol. In practice the euro symbol (€) is proving difficult for some equipment to recognise and it can be translated to a 'square' of an unexplainable symbol. It has also been confused with the sterling symbol £.

ii Conversely a company should insist that its Eurozone supplier either prepares invoices in the domestic currency of the company or prepares the invoice in euro. If the invoice is prepared in the former legacy currency the non-Eurozone company will have to make the conversion because from 1st January 2002 the bank will not accept any legacy currency transaction. It would be sensible to insist on this from about now in 2001. On the other hand a company could refuse to accept an invoice in a legacy currency if it relates to an order placed after January 1st 2002 and insist that a new invoice be issued in euro before it will pay the supplier. If a legacy currency invoice is received, a company will need to decide whether to accept it and if it does then it will therefore need to convert it to euro using the fixed exchange rate. In those circumstances the non-Eurozone company will need to ensure that its staff know what the fixed exchange rate is and should ensure that a checking arrangement exists so that there is a 'cross check' on the conversion calculation. The reason for suggesting a 'cross check' is that staff will be unfamiliar with the euro and mistakes can easily occur. The company should issue instructions to staff as to which converters to use. Not all converters on the market are accurate. Some are designed for consumer user and will produce errors in the large numbers used by many businesses. The IBM Euro Ready Reckoner can safely be recommended.

iii. Where the non-Eurozone company decides to change the currency of the invoice it should ensure that the supplier is made aware of the change, and that the change occurs at a time when the customer or client is able to accept the new currency. However this change should NOT take place any later than 31st December 2001and for all practical purposes not later than 15th December 2001.

iv. Invoices issued from now in legacy currencies should include the euro values calculated at the fixed rate to avoid any confusion should the invoice not be paid until after 31st December 2001. It should be made clear which is the base currency if the invoice in order to avoid problems with reconciliation of line items, whether the euro or legacy currency amounts are for information only or whether payment is either is acceptable if the invoice is paid before December 31st 2001.

- <u>What currency should be used in trading with Eurozone companies, whether selling or buying?</u>

  In the period up to 31st December 2001 the transactions of non-Eurozone companies, whether they were buying from or to selling to Eurozone companies, may have been priced in the national currency of the non-Eurozone company. Technically this will still remain possible. However non-Eurozone companies should recognize that the euro is of much greater substance and size in the world economy than any of the former legacy currencies. The likelihood is therefore that the trading and marketing pressure will be to use the euro in transactions with the Eurozone rather than continue to use non-Eurozone currency. Non-Eurozone companies may wish to anticipate this pressure and use euro in their transactions in future. However where they do this there will be a shift in currency risk onto the non-Eurozone company and therefore such companies need to make an assessment of this increased risk in their pricing, cash flow and profitability assessments.

- Does existing hardware and software need to be adapted or can it account for those euro transactions that will be needed in the future?

  The euro is a decimal currency, unlike many of the former legacy currencies of the Eurozone countries and non-Eurozone companies may operate from countries whose currency is a non-decimal currency. Therefore the ability to use and display decimals may not have arisen in the past. To trade in the euro will therefore require software and hardware that can use and display decimals. This is generally a much greater requirement than being merely able to display the euro symbol or the ISO code. Where a non-Eurozone company has electronic links with a Eurozone company the compatibility of the software and the operational specification is particularly important. Where a non-Eurozone company has very extensive trading links with the Eurozone it may in future decide to switch its internal accounting and its financial reporting currency to euro, particularly if a decision is made to switch to euro as the transaction (see Banking and cash handling: page 10), subject of course to any legal requirements about accounting arrangements in the country where the non-Eurozone company is located. A company trading with the Eurozone should therefore check, as a matter of urgency, its ability to handle euro currency transactions. This checking process should also allow time for the conversion and testing of any new or modified software and the management information it contains as well as for the rehearsal of the changeover processes that will be required.

- Legal and tax issues:

  Existing contracts will not be affected by the change to the euro, merely because of the change of currency. Reference points such as interest rates or inflation rates may need to be changed but the contract in principle will not be fatally damaged. What will occur is that the euro will be substituted for the former legacy currencies at the fixed rate (see the appendix to this paper.) The law introducing the euro provides for this continuity of contract throughout the European Union (i.e. all 15 countries). What is more other jurisdictions, for example in the United States and Japan, have also passed legislation that has the same operational effect as European law. All new contracts with Eurozone organisations should be entered into in euro.

  However, two types of contract should be reviewed despite the provisions on continuity of contract. There are contracts governing items with a low unit price and those containing indexation clauses. In both cases, the end-amount can be significantly different depending on the order of the steps in the calculation, i.e. whether to multiply the unit by the total volume and then convert or vice-versa, or whether to apply the index to the legacy currency value and then convert, or vice versa. Businesses with contracts of this type will need to agree with the counter-party which approach will be used.

  Tax law can differ from country to country outside the Eurozone. Within the Eurozone tax (VAT in particular) has to be levied, accounted for and paid in euro. Outside the

Eurozone tax will normally have to be calculated and accounted for in the currency of the country even where an invoice is drawn up in euro although there may be exceptions. For example in the United Kingdom the actual payment of the tax may be in euro, but the exchange risk where payment is made in euro remains with the taxpayer. Each country has detailed requirements for tax and other declarations and companies should familiarise themselves with these requirements as soon as possible.

Even though Denmark, Sweden and the United Kingdom are not members of the Eurozone company accounts may be kept in euro if that currency is appropriate to the business of the company.

- Banking and cash handling:

There will be a number of changes affecting former legacy currency bank accounts, bank transfer and cash handling arrangements following from the end of the transitional period on 31st December. They include the following:

i. Bank accounts held outside the Eurozone in the former legacy currencies will be automatically converted to euro and there will be no possibility (nor is there any practical value) of retaining a former legacy currency account.

ii. If a company has held several bank accounts in legacy currencies up to the 31st December 2001 all will be converted to euro. There is though no point in future in incurring the costs associated with holding several euro bank accounts. A company should therefore ask the bank to consolidate them. (A company should check with its bank about how resulting multiple euro accounts are to be treated.) This alone should reduce costs and will allow a company to take advantage of one of the more immediate benefits arising from the introduction of the euro.

iii. Given that there is an increased likelihood that transactions in the future with Eurozone companies are more likely to be carried out in euro, non-Eurozone companies that trade with the Eurozone would be well advised to open a euro bank account. They should therefore make arrangements to do this and should immediately discuss how this might be done with their bank and should also find out what the costs would be of operating such an account including the costs of cross border transfers. (If necessary companies should ask other banks for quotations because the costs may vary from bank to bank.). A company may also want to make use of other euro related services from a bank (e.g. not all will have facilities for the use of credit card transactions) and in making a decision about which bank to use (and indeed also in which country) a company should also take into account the other services that are available.

iv. Companies may hold cash floats in one or more of the former legacy currencies. These should all be converted to euro within the first few days of 2002. All major non-eurozone banks will have euro notes available from 1st January 2002 and should be willing to accept advance orders. Coins are not normally available outside the area or countries where they are issued. The bank may be willing to exchange the legacy currency notes that a company currently holds for euro notes. Even though there is a fixed conversion rate between legacy currencies and euro the bank may charge a handling fee for this exchange. (Employees travelling to the Eurozone in the early days of 2002 where euro cash is not available in the home country could carry euro travellers cheques or use a normal cash card.) NOTE: all euro notes and coins can be used in any Eurozone country and this applies even though one side of the coins is a 'national' face. Employees should be reminded that they should run down their personal stocks of legacy currency notes and coins as soon as possible. While they are likely to be able to exchange legacy currency notes at banks in the currency of issue even after the dual circulation period (though there will be a charge in some countries), it is not yet definite that this will be possible in all countries. Where they have legacy currency notes from a country which they will not be visiting within the next few months, they should consider whether it is worth their while to take those notes to a Central Bank in a country which they will be visiting. Central Banks in the euro area will exchange legacy currency notes from *other* Eurozone countries free of charge until 31st March 2002. Some Central Banks (France, Italy) have extensive branch networks which will make this relatively easy. In other countries, it will be more difficult to seize this opportunity outside the capital and, possibly, a few major cities. Employees with travellers' cheques issued in legacy currency should be reminded that these should also be cashed as soon as possible.

v. Where a company has received payments from its Eurozone clients/customers in legacy currencies it should ensure that all such payments are banked before the close of banking business on 31st December 2001. If it fails to do this the company will find that if it should try to bank them in 2002 the bank may refuse to accept them, or if the bank initially accepts them (in practice, in error) they will ultimately probably be returned.

vi. Payments made in the former legacy currencies after 31st December 2001 must be refused and returned to the debtor who should be asked to substitute a euro payment in place of a legacy currency payment. A company should also refuse to accept a euro payment made out on a legacy currency bank document manually converted to euro because again the banking system will refuse to accept it. The main reason for the refusal will be that the magnetic ink information on the document will indicate to the bank machinery that it is a legacy currency document and not a euro currency document. Should it in error pass through the banking system it will be treated as a euro value payment but using the legacy currency numbers contained in the document. (Thus a payment of ITL100,000 worth EUR 51.65 would be paid as EUR100,000.)

vii. There is a significantly increased cost when transferring money between the countries of the Eurozone through the banking system, compared with the cost of transferring money within a Eurozone country. The European Commission has submitted a draft regulation to the European Parliament and the Council of Ministers that will require that the cost of cross border payments made in euro be no different (apart from a small fee) from the cost of domestic transactions for payments up to EUR50,000. For electronic payments including card payments this regulation will, if adopted, have effect from 1st January 2002. For other forms of cross border payment the regulation would have effect from 1st January 2003. This regulation applies to euro transactions between ***all*** European Union countries, not just those of the Eurozone. Therefore the costs of cross border transactions in euro for companies in Denmark, Sweden and the United Kingdom may fall (The regulation does not affect other countries and therefore the same benefits may not accrue). Because the regulation does not apply to cross border transactions in krone, krona or sterling such transactions are likely to remain more expensive than those in euro. Companies in these countries should therefore consider in these circumstances whether they wish to continue to transact in their national currency or switch to euro.

Because the implications for a non-Eurozone business of these banking changes are so substantial a company may wish to arrange for the changes to its banking arrangements to be made as soon as possible in 2001. It may also wish to arrange with its Eurozone suppliers, clients/customers that all transactions should be dealt with in euro again from as soon as possible in 2001. Companies should also ensure that the charges and services being offered by their bank are competitive in the new trading environment.

- <u>Training staff</u>

There is some evidence that in some countries outside the Eurozone there is a feeling that the introduction of the Euro does not affect them. This paper demonstrates that this is not so if the company has trading links with Eurozone countries. This should be made clear to staff immediately.
The introduction of the euro will require a major change in the way in which companies operate. Some of these changes occur immediately such as the more mechanical changes needed to actually trade in the euro. Other changes will occur over time as companies adjust to the new opportunities and threats that will emerge as companies realise the full potential of this huge new single market. The immediate changes should also include arrangements for the training of staff. They are the ‘front line’ contacts with suppliers, customers and clients and the extent of their knowledge will not only give them confidence, but also demonstrate to the market the efficiency of the company and therefore that it is an organisation worth dealing with. Training will be needed in these areas:

— Familiarisation with the euro prices that a company will charge or expect to incur in its trading arrangements with Eurozone companies and with any arguments to be used where prices have been changed significantly;
— Familiarisation with any new trading policies that the company may need to introduce in order to meet the pricing and trading requirements of the euro market (such as new packaging and product specifications to meet new psychological price points), with the need to prepare quotations in euro and to ensure that prices quoted or charged to the company by suppliers are consistent with those charged in legacy currencies;
— An understanding of the currency conversion calculations;
— Ensuring that staff do not accept legacy currency transaction information when they should only accept euro transaction information;
— Where the non-Eurozone company handles euro cash ensuring that staff are familiar with the security features of the new notes and coins, not least to ensure that counterfeit currency is not used in any transaction or introduced into the economy;

— Familiarisation with the new scales of values that will result from the use of the euro in business transactions;
— Understanding of and practice in any new accounting and other recording techniques required because of changes to software and other procedures.

Particular attention also should be paid to the training of agents acting on behalf of the company who are actually based within the Eurozone.

- Relationships with Eurozone suppliers, customers and clients

  Businesses in the Eurozone must be able to operate in euro from 1st January 2002. Failure to be prepared will have serious operational consequences for a company and these consequences could have adverse impacts upon non-Eurozone companies that trade with them. Therefore non-Eurozone companies should ensure that they know what the state of preparation of their Eurozone trading partners actually is. If a Eurozone trading partner is not well prepared a non-Eurozone company should consider taking precautionary steps to prevent itself being adversely affected. These steps are set out below following the explanation of the reasons why Eurozone companies have to be ready to operate in the euro from the end of 2001.

- Reasons why Eurozone companies have to be ready to trade in the euro after 31st December 2001

  Companies based in the Eurozone (and this applies equally to the subsidiaries of non-Eurozone companies) must be able to trade in the euro after 31st December 2001 for the reasons set out below. What is more there is no further transitional period available where they can choose whether or not to trade in the euro. The transitional period ends on 31st December 2001. No company should misunderstand the nature of the dual currency circulation period, which is purely to allow for the orderly withdrawal of the notes and coins of one currency and the substitution of those of another. If a company has not properly prepared by changing its IT systems and by converting its prices to euro, then it will have to resort to manual operation. It will also not be able to undertake transactions in the legacy currency and therefore will not be able to trade until it has converted its prices. Although there are legal requirements in most Eurozone countries which require the conversion of accounting records and in all countries that euro prices are used, the more important point from a business point of view is that practical commercial considerations will force the change and make it difficult for a company to continue in operation where it has not converted. (Obviously the scale of the problem that this will cause for any particular Eurozone company will depend upon the size and complexity of the company and the speed with which the management is able to rectify the position.) The practical business reasons why companies have to be able to trade in the euro from 31st December 2001 are these:

i. The banking system will only operate in euro after 31st December 2001; any attempted transactions in the former legacy currencies should be rejected;
ii. Card transactions (debit or credit) also can only be in euro 1st of january 2002 and legacy currency transactions will not be possible;
iii. Any transaction in legacy currency which is accepted by a bank will be converted to euro on payment or it will be rejected;

iv. Any new contract or other contractual document such as an order or invoice, risks legal uncertainty unless it is drawn up in euro;
v. Payroll has to be prepared in euro;
vi. VAT and other taxes have to be accounted for and payments made in euro where they relate to 2002;
vii. Where the business is a cash based business euro cash has to be ordered. Most trade associations to which many Eurozone companies belong, are party to voluntary agreements to give change only in euro from the 1st of January 2002. The practical effect if this is that legacy currency cash in any volume will be effectively withdrawn from circulation within the first two or three weeks of 2002. The effect of the policy of giving change only in euro will require cash-based businesses to hold much larger cash floats than normal in the first few days of 2002. The size of the increased float varies depending on the nature of the business, but five to ten times normal requirements are regarded as standard. Such companies need to ensure this volume of euro cash is available. The date has already passed beyond which cash-in-transit companies and banks will not guarantee that they can fulfil orders for this cash.

- <u>The risks that will result for a company that is not ready at the 31st December 2001.</u>

  Companies that are not ready at 31st December 2001 run the following operational risks:

i. They will have to resort to manual operation and this will slow the whole pace of business activity;
ii. They will have difficulty paying employees (and pensioners);
iii. Staff will not be trained:
iv. Cash flow will slow and this may lead to liquidity problems;
v. There is a high risk of confusing euro and legacy currency data and therefore of error;
vi. Delay will occur in paying creditors and in fulfilling orders;
vii. Confusion will be generated within the supply chain;
viii. Electronic interfaces will not work, including bank reconciliation software;
ix. They will run into difficulty with the authorities over tax and company records and may be liable to penalties as a result (the penalties vary from country to country);
x. Ultimately such companies become credit risks. Banks may not provide finance and/or their credit status may be adversely affected.

To overcome these problems management will need to devote resources to ‘fire fighting’ and that in turn will delay actual preparation. A further consequence is that this will delay not only normal business activity but also new business developments. This in turn may make these companies more vulnerable to the activities of competitors. Undoubtedly they will have increasing problems with their business partners.

- <u>What should a non-Eurozone company do?</u>

  Any Eurozone company that has not prepared is therefore in a serious trading situation. The introduction of the euro is a foreseeable event and the company has had more than three years to prepare (i.e. since may 1998). Where it has not done so, that suggests that its management is either not far seeing or has failed to recognise what are its business priorities. This failure may also impact on the insurance policies of the Eurozone company which normally do not protect a company in the event of losses due to a failure to prepare for a foreseeable event. The first question therefore that a non-Eurozone trading partner should ask is whether or not it wishes to continue trading with a business partner that has got itself into such difficulties. Those difficulties could have an impact on the non-Eurozone trading partner, especially if it cannot obtain the supplies it needs or it cannot obtain payment for goods and services supplied and it may be unable to obtain adequate recourse against the management of the company if the company's insurers will not accept losses arising because of what otherwise would have been insurable risks.

Following on from this main point there are a number of immediate practical steps a non-Eurozone company should take. All non-Eurozone companies that do not know how far their Eurozone business partners are prepared should enquire immediately about the state of preparation of those business partners. Preparation can take a substantial effort, but the scale of the effort does depend upon the size, complexity and management capability of the company as well as whether the software is up to date, can handle decimals and has a maintenance agreement with the software supplier.

Given what can be established in answer to this enquiry, non-Eurozone companies should consider the following:

i. Altering their terms of trade to ensure that as far as possible cash flow delays do not disadvantage them; this may mean revising pricing arrangements, discount and other financial terms of trade;
ii. Looking for alternative suppliers should the Eurozone supplier fail or fall behind the competition, thus adversely affecting the trading operations of the non-Eurozone company;
iii. Looking for alternative Eurozone customers and clients should existing customers and clients be unable to continue trading or trading at the same level of business activity.

Strategic Issues for non-Eurozone Companies

The change to the euro raises for all companies strategic issues given that the effect of the introduction of the euro is to introduce a domestic market of over 300m people, significantly greater than any of the previous domestic markets. It also introduces price transparency where previously prices were obscured by different currencies and greater price stability, especially over the longer term. The effect of this is to widen the range of opportunities for business trading in the Eurozone and at the same time alter the risks as competitors seek to take advantage of the new market opportunities.

These strategic impacts have a particular relevance to non-Eurozone companies. The reasons for this are:

i. Non-Eurozone company prices are subject to price fluctuation caused by exchange rate variability, in a way that Eurozone company prices are not;
ii. Inflation could well be greater outside the Eurozone than within it and therefore non-Eurozone companies may be in more difficulty competing for long run contracts at fixed prices;

iii. Eurozone companies may find that they can obtain supplies or find new customers or clients within the Eurozone without the problems associated with handling currency conversion and gradually markets may shift away from non-Eurozone companies unless they can otherwise maintain a competitive advantage;

iv. The pricing of products may shift to euro from other currencies.

- <u>What actions can be taken by non-Eurozone companies to overcome or lessen the effects of these problems? The possibilities include:</u>

  i. Ensuring that the company remains very well informed about trends within its market place;

  ii. Consider how best to bear the exchange rate risk, even if this means reducing immediate profitability;

  iii. Consider changing purchasing arrangements for product sales within the Eurozone by also buying from Eurozone suppliers;

  iv. Setting up Eurozone subsidiaries.

FEE Brussels
November 2001

APPENDIX 1

i) When the legacy currencies cease to be legal tender and what are the fixed conversion rates; and

ii) The rules on rounding.

i)	Country	End date of legal tender of legacy currency	1 euro =
	Austria	28 February 2002	13.7603 schillings
	Belgium	28 February 2002	40.3399 francs
	Finland	28 February 2002	5.94573 markka
	France	17 February 2002 (1)	6.55957 francs
	Germany	31 December 2001 (2)	1.95583 marks
	Greece	28 February 2002	340.750 drachmas
	Ireland	9 February 2002 (3)	0.787564 punts
	Italy	28 February 2002	1936.27 lire
	Luxembourg	28 February 2002	40.3399 francs
	Netherlands	28 January 2002 (4)	2.20371 guilders
	Portugal	28 February 2002	200.482 escudos
	Spain	28 February 2002	166.386 pesetas

(1) Last banking day, 15 Feb

(2) The Deutschmark will continue to circulate until 28 February 2002, on the basis of voluntary agreements with all major trade associations. There will be no difference in practice in the nature of the dual circulation period in Germany compared to other countries.

(3) Last banking day, 8 Feb

(4) Last banking day, 25 Feb

ii) Rules on Rounding

The Rounding Rules are set out in COUNCIL REGULATION (EC) No 1103/97 of 17 June 1997, and are quoted here:

Article 4

1. The conversion rates shall be adopted as one euro expressed in terms of each of the national currencies of the participating Member States. They shall be adopted with six significant figures.
2. The conversion rates shall not be rounded or truncated when making conversions.
3. The conversion rates shall be used for conversions either way between the euro unit and the national currency units. Inverse rates derived from the conversion rates shall not be used.
4. Monetary amounts to be converted from one national currency unit into another shall first be converted into a monetary amount expressed in the euro unit, which amount may be rounded to not less than three decimals and shall then be converted into the other national currency unit. No alternative method of calculation may be used unless it produces the same results.

Article 5

Monetary amounts to be paid or accounted for when a rounding takes place after a conversion into the euro unit pursuant to Article 4 shall be rounded up or down to the nearest cent. Monetary amounts to be paid or accounted for which are converted into a national currency unit shall be rounded up or down to the nearest sub-unit or in the absence of a sub-unit to the nearest unit, or according to national law or practice to a multiple or fraction of the sub-unit or unit of the national currency unit. If the application of the conversion rate gives a result which is exactly half-way, the sum shall be rounded up.

APPENDIX 2

Sources of further information

European Central Bank euro information website – all eurozone languages
http://europa.eu.int/euro/html/home5.html?lang=5

Danish Central Bank euro website
http://www.nationalbanken.dk/nb/nb.nsf/alldocs/Feuro,_den_faelles_valuta

Swedish Central Bank euro website
http://www.finans.regeringen.se/euro/

UK Treasury website
http://www.euro.gov.uk/home.asp?f=1

FEE Euro website
http://www.euro.fee.be/default.asp

Includes links to EU: **Accountancy Bodies**
Banks and Financial Institutions
Business and Consultancy
Central Banks
Information Technology Organisations
National Governments
News Services

Euro Impact newsletter
http://www.euro-impact.com/main.htm

Euro Chambers euro website
http://www.eurochambres.be/goeuro/index.htm

APPENDIX 3

A checklist for non-Eurozone companies trading with the Eurozone (Notes are included in the 'Comments' column in order to assist the organization completing this checklist. However a company will want to insert its own comments in this column.)

Activity	Action taken/to be taken	Person responsible	Comments
A. General preparation			
A.1Decide who is to have overall responsibility for the company preparation.			Ideally a senior manager, or someone with sufficient authority.
A.2 Assess whether trade with the Eurozone (buying from, or selling to) is important to the company.			All business departments should be consulted to ensure that no trading activities are overlooked
A.3 Research appropriate information sources about the euro to ensure that the person or team responsible for the change has a thorough understanding of the impact that the introduction of the euro will have on Eurozone business and why that affects a non-Eurozone company that trades with the Eurozone.			The brochure that accompanies this checklist identifies most of the issues that a non-Eurozone company should be concerned with. Advice from trade associations should also be helpful as should that from your accountant and auditor. In addition there are useful web sites some of which are listed in Appendix 2 to this brochure.
A.4 Ensure that the timetable of preparation for the company provides for the company to be ready by 31st December 2001. (Include time for several test runs of software conversion.)			Not every activity of a non-Eurozone company has to be ready at the deadline date, unlike those of Eurozone companies. Exactly what has to be ready at the 31st December depends very much upon the trading circumstances of the company including what its competitors are doing. Experience of the Eurozone has shown that several test runs will be required, especially for larger and interconnected systems

Activity – (cont'd)	Action taken/to be taken	Person responsible	Comments – (cont'd)
B. Pricing			
B.1 Make sure that price lists, catalogues and marketing materials are converted from the legacy currencies to euro and that the information is made available to customers and clients before the 31st December 2001			All information of this type should be made available to Eurozone trading partners as soon as possible. So far as possible uncertainty about what you intend to do should be avoided.
B.2 In converting prices to euro check or decide on the following: i. If you sell to more than one Eurozone country and you have previously operated a policy of different prices in different countries decide if you still wish to do so given that there will be price transparency throughout the Eurozone. ii. Whether you will convert prices at the fixed rate or choose to set completely new euro prices. (This will be an important decision if you rely on psychological prices. There are no euro psychological prices equivalent to legacy currency psychological prices.) iii. Check the effects of any consumer legislation on pricing in the Eurozone countries with which you trade. (Unless your trade is purely business to business.)			

Activity –(cont'd)	Action taken/to be taken	Person responsible	Comments – (cont'd)
iv. Where you decide not to convert at the fixed conversion rate and to choose new higher prices ensure that you have fully prepared your arguments as to why these higher prices are justified. v. Check the effects of any requirements about dual display in each Eurozone country with which you trade. vi. Check what your competitors propose to charge. vii. Check that where you buy from the Eurozone as well as sell that the prices at which you buy are properly taken into account in fixing your own euro prices in order to avoid loss of profit or a diminished cash flow. viii. Check how the euro prices that you intend to charge will affect your profit and loss account and your cash flow. Ensure that your clients/customers are fully aware of your new euro prices so that they are not caught by surprise.			

Activity –(cont'd)	Action taken/to be taken	Person responsible	Comments – (cont'd)
C. Invoicing			
C.1 Check the currency of the invoices you issue to ensure that they will not be issued in a legacy currency after 31st December 2001.			This is the latest date and in practice it would be sensible to convert invoices from the former legacy currencies to euro before the end of 2001 and probably for all invoices issued after the 15th December 2001. This is essential if you expect the invoice will not be paid until 2002.
C.2 Ensure that you have agreed with your client/customer when you will start to invoice in euro from if this is before the 31st December 2001. (You will need to have an ability to print line by line in euro and not just the totals.) In any event, ensure that you can print euro equivalents to the total amount of the invoice so that there is no confusion about the amount that should be paid if the invoice is not paid until after the 31st December 2001.			This is to ensure that your client/customer is not taken by surprise and is able to handle a euro currency invoice.
C.3 Also ensure that your hardware and software can actually print the euro symbol (€) or the ISO code EUR on invoices and other business documentation. (Alternatively you can arrange for the invoices to be preprinted with the euro symbol or ISO code.)			

Activity –(cont'd)	Action taken/to be taken	Person responsible	Comments – (cont'd)
C.4 Ensure that your hardware and software can handle decimals.			Many of the former legacy currencies did not use decimals but the euro is a decimal currency and if your own domestic currency is not a decimal currency this may cause you problems.
C.5 Where you buy from the Eurozone ensure that your supplier either invoices you in your own currency or invoices in euro at least from the 15th December 2001.			This requirement is suggested because if your payment to your supplier enters the banking system after 31st December 2001 it can only be dealt with in euro.
C.6 Where you have to convert invoices to euro from the former legacy currency ensure that your staff is able to make the conversion and have a appropriate calculator available.			Not all euro calculators are accurate and you should ensure that the calculator you ask your staff to use is accurate. Your Government or Trade Association may be able to advise you about this. An example of a calculator that is accurate is the IBM calculator.
C.7 If you receive invoices from your Eurozone supplier after the 31st December 2001 in the former legacy currency, decide whether you are prepared to accept the invoice and convert it, or whether you intend to reject it and ask for a replacement euro invoice.			Even if you are prepared to accept an invoice in a legacy currency, you will have to pay it in euro from 31st December 2001 and if you do accept it you will have to convert it to make the payment. This could cause difficulty with your supplier if your conversion calculation differs from the suppliers.

Activity –(cont'd)	Action taken/to be taken	Person responsible	Comments – (cont'd)
D The currency of transaction			
If you previously priced and invoiced in the currency of your country you will need to decide whether to continue to do this or to switch to the euro. Consult with your customers, clients or where appropriate, suppliers about what will be in the future the most appropriate currency to use.			The reason why you may decide to change the currency of transaction is that the relatively small former legacy currencies will be replaced by a currency of very substantial economic significance and in the future your business partners may prefer to use this currency rather than that of your own country.
E Hardware and software			
E.1 Ensure that your hardware has the ability to display and print decimals and to print the euro symbol or the ISO code EUR. (The latter may require reprinting stationery.)			See points C.3 and C.4
E.2 Ensure that your software has the technical capacity to calculate in a decimal currency and also the ability to display and print the euro symbol or the ISO code EUR.			See points C.3 and C.4
E.3 Where your hardware and software do not have the capabilities referred to above consult with your hardware and software suppliers to establish what should be done.			This may require the modification of existing equipment such as printers, or the acquisition of new software, both to change the operation of the hardware and to change systems. Where the latter occurs you will need to ensure that the business information contained within the non euro software is properly converted and carried forward into the new software. You will also need to ensure that the new software links properly with other software that you use. Time should be allowed for thorough testing and rehearsal.

Activity –(cont'd)	Action taken/to be taken	Person responsible	Comments – (cont'd)
E.4 Where you have electronic trading links with Eurozone companies ensure that these are tested, whether or not you buy new hardware and software.			Changes made by your Eurozone trading partner may affect their operation quite apart from your own changes.
E.5 Decide whether to continue to maintain your internal accounting and financial reporting systems in the currency you have traditionally used or whether to switch to euro.			In some countries such a change may not be legally possible. However in those countries where it is, whether or not to do this will depend upon the particular circumstances of the company. For example where a company dealt in the past with several Eurozone companies, because there were so many currencies involved, to use the currency of only one of those countries as the accounting currency of the business probably would not have been worthwhile. However circumstances are now different because there is only one currency and if most of the business is with the Eurozone such a change may now be worthwhile.
F Tax and legal issues			
F.1 The law introducing the euro provides for continuity of contract for contracts drawn up within the European Union. Where contracts are drawn up according to the laws of other countries you may need to check that there will be no problem with continuity of contract given the change to the currency.			

Activity –(cont’d)	Action taken/to be taken	Person responsible	Comments – (cont’d)
F.2 However, there are two circumstances where contract arrangements may require some negotiation despite the provisions about continuity of contract i.e. i. Where the contract contains indexation clauses; you may need to agree with trading partners new indexation arrangements. ii. Where the contract refers to items with a low unit price (perhaps less than one euro cent).			With both types of contract referred to here the order in which the calculation is made or the point in the calculation at which the index is applied could considerably affect the sums due under the provisions of the contract. Therefore the counterparty should be consulted.
F.3 Ensure that you are familiar with any tax requirements that might affect you. For example you may wish to pay VAT in euro. In all European Union countries you may do this but outside the Eurozone euro payments may be subject to certain conditions.			VAT returns made in Eurozone countries will all have to be made in euro where those returns relate to 2002.
G. Banking and cash handling			
G.1 Check that the conversion of your legacy currency bank accounts is made by your bank at a time that is convenient to you and that you are supplied with all the appropriate documentation by your bank.			

Activity –(cont'd)	Action taken/to be taken	Person responsible	Comments – (cont'd)
G.2 Decide whether to consolidate all converted legacy currency bank accounts into one account.			It would normally in a company's interests to do this because consolidation should result in lower charges, mean that a smaller balance has to be kept in the account and confusion will be avoided trying to decide which is the appropriate euro account to use for a particular transaction.
G.3 If you do not currently operate a euro bank account decide whether to open one, especially if there is a likelihood of an increased volume of transactions or if you wish to make changes to your trading arrangements to lessen the costs of exchange rate risk. (See point J.1 below)			If you do decide to open a euro bank account and have not had such an account before ask different banks for quotations because the costs and services that are provided can differ.
G.4 Convert all cash floats held in the former legacy currencies to euro. (Do note that all euro notes and coins are legal tender in all Eurozone countries even though the euro coins will have a 'national' side.)			Most main retail banks should be able to provide this service from 1st January 2002. You will probably have to pay a charge even though the conversion itself will be made at the fixed rate. Where for some reason euro cash cannot be obtained by the time an employee travels to the Eurozone, a cash card or Euro travellers cheques would be adequate.
G.5 Warn your staff about the need to run down their personal holdings of legacy currency cash and tell them that they will only be usable for a short time in 2002.			This is a matter of good employer/employee relationships. Staff hoping to use their personal holdings of legacy currency cash on their 2002 summer holidays will not be able to do so and will have to convert it at a bank or in some countries perhaps even only at the central bank.

Activity –(cont'd)	Action taken/to be taken	Person responsible	Comments – (cont'd)
G.6 Ensure that all payments received in legacy currency are banked before the close of banking business on 31st December 2001.			Legacy currency payments not banked by that date will be returned by the bank and you will probably need to ask your debtor to send you a new payment in euro and you will need to calculate what that converted payment should be. You should also agree the conversion calculation with your debtor.
G.7 Ensure that your staff understands that any payment in legacy currency made after the 31st December 2001 should be refused. They should insist on a payment in euro.			This understanding should also apply to legacy currency bank documents converted to euro. They too should be refused because the magnetic ink information they contain will cause the bank machinery to read them as a legacy currency.
G.8 Ensure that you understand the new regulations (currently being considered by the European authorities and therefore at the time of writing, not law) about the costs of transferring euro across European Union internal national borders.			The effect will be to reduce transaction costs and this may cause you to rethink your policy about the currency you use for such transactions.
H. Training staff			
H.1 Ensure that all your staff dealing with Eurozone trading partners are made aware of the fact that the introduction of the euro will affect your business and that it is not just a matter for companies based in the Eurozone.			

Activity –(cont'd)	**Action taken/to be taken**	**Person responsible**	**Comments – (cont'd)**
H.2 You should have a formal staff training policy and it should cover the following; i. Familiarisation with your new euro prices where you sell to Eurozone clients/customers, including the arguments you wish to use if you decide to increase prices; ii. Familiarisation with any new trading practices you decide to introduce such as new packaging and marketing policies and how you will deal with enquiries about prices in different Eurozone countries where you decide to operate a differential pricing policy despite price transparency; iii. Familiarisation with the new scales of values that will occur as organizations have to 'think' and price in euro; this is particularly important where you are buying from the Eurozone and your staff need to understand the value impact of euro prices against the former legacy currency prices;			

Activity –(cont'd)	Action taken/to be taken	Person responsible	Comments – (cont'd)
iv. An understanding of the currency conversion and rounding rules; v. Ensuring that staff only accept euro transaction information after 31st December 2001; vi. That where you actually handle euro cash that staff are familiar with the new currency and particularly know what to look for in the security features of the new currency; vii. Being familiar with any new procedures needed as a result of the introduction of new systems and procedures. Ensuring that any agents you employ are also familiar with all or the relevant points set out above in this section.			
I Relationships with Eurozone businesses: companies in the Eurozone have to be able to operate in euro from 1st January 2002. If they are unable to do so they may run into serious trading difficulty and may even become bankrupt. You therefore need to find out about your trading partners state of preparation and if necessary take precautionary steps to protect your own business.			
I.1 Enquire immediately of your Eurozone suppliers/clients/ customers about their state of preparation and in particular ask the following: Have they established euro prices for their own products and services?			If you cannot obtain satisfactory answers to these questions or if for other reasons you are doubtful about the state of preparedness of your Eurozone business partner (and a high proportion of particularly smaller businesses appear to not yet be ready at November 2001)

Activity –(cont'd)	**Action taken/to be taken**	**Person responsible**	**Comments – (cont'd)**
i. Have they changed their software so that it will operate in euro and converted all the business information within that software? ii. Have they tested the software to make sure it works properly and rehearsed the changeover process? iii. When will they start to operate their business in euro? (If the date is 1st January 2002 then for many businesses this is a high risk date because there is no time available for remedying the situation if the changeover does not work smoothly.) iv. Are they able to pay their staff in euro and account to the tax authorities in euro for all tax returns and payments including those dealing with personnel taxation? v. Have they concluded negotiations with their bank about new banking arrangements and have they also agreed with their bank on the supply of euro cash that will be required (where the business is cash based business)? Have they trained their staff to familiarize them with any new business procedures, with the new euro prices and where the business is cash based with the new currency and its security features?			you should take a number of precautionary measures including the following: a. Where you are selling to a Eurozone business review the terms of trade because you may find that there is a substantial delay in payment for goods and services supplied; b. In very serious cases where your own business cannot afford risks of payment delay or of the potential loss of customers/clients, you should immediately look for alternative outlets; c. Where you are buying from the Eurozone you may benefit from a delay in being invoiced but the real risk to you is that your supplier may have difficulty in continuing to supply you at the time and to the price you are expecting. This failure could damage your business. Therefore you should look for alternative sources of supply. Overall where a Eurozone business has not prepared then this does raise questions about the management competence and their ability to recognize and deal with priorities. Also because a Eurozone business has to be able to operate in euro if it is not ready at the 31st December 2001, the management will have to resort to manual operation and will need to devote resources to making the change as soon as possible. They have no choice if they are to stay in business.

Activity –(cont'd)	Action taken/to be taken	Person responsible	Comments – (cont'd)
			Therefore such businesses will have great difficulty in the early part of 2002 in devoting management resources to business development activity. This may also result in damage to your own plans and you should therefore consider alternatives to protect yourself.
I.2 Check your own company insurance policies to ensure that they will continue to provide cover (e.g. professional indemnity) if a Eurozone business partner is not ready and this prevents you fulfilling your contractual obligations.			The introduction of the euro is a foreseeable event and insurance policies do not normally provide protection against foreseeable events. More at risk is your Eurozone business partner when a failure to prepare may lead to an insurance company not accepting claims. This again could affect you and therefore this is another reason for enquiring about the state of preparation of your Eurozone partners.
J. Strategic effects from the introduction of the euro you should consider			
J.1 Your company will have the disadvantage of bearing the exchange risk where you are selling to the Eurozone, compared with Eurozone suppliers. Decide what you will do to remain competitive.			You have several possibilities open to you. For example: a. you can try to pass the exchange risk to your client/customer. You can only do this of course if trading circumstances permit b. you can bear the cost yourself accepting the consequential loss of profit and cash flow; c. you could decide to change your own business arrangements in order to increase the share of your costs incurred within the Eurozone by, for example, changing your own purchasing arrangements by buying from Eurozone suppliers; d. you could establish Eurozone subsidiaries.

Activity –(cont’d)	Action taken/to be taken	Person responsible	Comments – (cont’d)
J.2 Inflation may be greater in your country than within the Eurozone. Consider whether this is important to you and if it is find ways of trying to alleviate the problem.			This will make it more difficult for you to compete compared with Eurozone suppliers, especially for long term contracts. One solution is to buy long term yourself, or to change to buying from Eurozone suppliers, or again you could consider establishing Eurozone subsidiaries.
J.3 There may be a gradual shift in pricing to the euro from your currency and other market changes may be brought about by increased price transparency. You should ensure that you monitor such trends carefully and prepare a competitive response.			The creation of a huge single market with a population of over 300m people will result in changes in trading patterns and industry structures. You need to be aware of all these trends and to consider how best you will adjust your business to respond to them.
J.4 Where you buy from the Eurozone the introduction of the euro may present new buying opportunities for you. You should look for such opportunities.			You may also be able to take advantage of the greater exchange rate stability and lower inflation that the introduction of the euro will bring about.
J.5 Where you sell to the Eurozone the introduction of the euro may present new selling opportunities for you. You should look for such opportunities.			